

AGREEMENT BETWEEN THE CITY OF SOLVANG  
AND  
THE SANTA YNEZ COMMUNITY SERVICES DISTRICT  
Interagency Agreement 1998

This Agreement is made and entered into this 14th day of September, 1998 by and between the City of Solvang, a public agency of the State of California, hereinafter referred to as "City" and the Santa Ynez Community Services District, a public corporation, hereinafter referred to as "District", and collectively hereinafter referred to as "Parties".

RECITALS:

WHEREAS, the State of California Regional Water Quality Control Board has approved a basin plan, part of which includes the above-listed agencies in a coordinated wastewater quality control program; and

WHEREAS, the District and the City's predecessor in interest, the Solvang Municipal Improvement District, entered into an agreement for the joint use of a sewage disposal facility, such agreement being dated January 25, 1978; and

WHEREAS, the aforementioned January 25, 1978 agreement was superseded by an agreement between the Parties dated December 17, 1990; and

WHEREAS, the aforesaid 1990 agreement between the Parties contemplated, among other things, expanding the City's sewer treatment plant from 1.0 million gallons a day (hereinafter "mgd") average dry weather flow capacity (hereinafter "ADWF") to 2.5 mgd ADWF; and

WHEREAS, current regulations and insufficient funding made it infeasible to expand the City's sewer treatment plant to 2.5 mgd ADWF; and

WHEREAS, section 5.A. of the aforesaid 1990 agreement between the Parties requires the Parties to share in the reduction of design capacity; and

WHEREAS, the City entered into a contract to build and built a new 1.5 mgd ADWF sewer plant; and

*[Handwritten signature]*  
R.1

WHEREAS, a portion of the aforesaid 1.0 mgd ADWF plant has been taken out of active use (such portion hereinafter referred to as the "Retired Plant") and, in the future, may be used by the Parties hereto for an expansion of the 1.5 mgd ADWF sewer plant; and

WHEREAS, the City retains capacity rights equal to 80% of the Retired Plant and the District retains capacity rights equal to 20% of the Retired Plant, although both parties realize that a substantial capital investment may be required to bring the Retired Plant back into active use; and

WHEREAS, capacity is partly governed by the facilities that convey sewage across the Santa Ynez River; and

WHEREAS, the City entered into a contract to upgrade and did upgrade the conveyance facilities to the new sewer plant; and

WHEREAS, the Parties wish to agree upon their respective rights with regard to various elements of the sewer system which serves both Parties.

NOW, THEREFORE, in consideration of the mutual terms, covenants, and conditions herein contained, the Parties hereto, acting by and through their respective governing bodies, do hereby agree as follows:

1. Prior Agreements. The Parties intend this agreement to supersede both the aforementioned 1978 agreement between the District and the City's predecessor in interest, the Solvang Municipal Improvement District, and the aforementioned 1990 agreement between the Parties.
2. Purpose of Agreement. The purpose of this agreement is to: (1) provide a mechanism for the sharing of the costs of operating and maintaining a sewer system that serves the Parties; (2) provide a mechanism for funding various capital costs of such a sewer system; (3) determine the District's costs of purchasing additional capacity in such sewer system; (4) set restrictions on each Party's use of the system; and (5) set forth various other agreements between the Parties as to such sewer system.
3. Definitions. The following definitions shall apply to this agreement.
  - A. "City Facilities" means those wastewater facilities including pump stations, sewer lines, and all other wastewater appurtenances owned and operated by City for wastewater collection and transmission but not used by City in providing services to District.
  - B. "District Facilities" means those wastewater facilities including pump stations, sewer lines, and all other wastewater appurtenances owned and operated by District for wastewater transmission and collection.

C. "System" means the following shared facilities which are owned and operated by the City and which are used in providing wastewater service to the District:

(1) "Conveyance Facilities" mean the existing river crossing, consisting of metering stations, sewer force main, and appurtenant pumping station from the north bank of the Santa Ynez River to connect to the City's Treatment Facility on the south bank and the improvements made to such public works.

(2) "1996 Treatment Facilities" means the wastewater treatment facilities built at 101 Alisal Road, near Solvang, California, with a design capacity of 1.5 mgd ADWF.

D. "Original Treatment Facility" means the wastewater treatment facility which was built in 1963 and expanded in 1978, 1984, and 1988 and which had a design capacity of 1.0 mgd ADWF.

4. Wastewater Services.

A. Within the limits set forth herein, City agrees to accept wastewater from District in the amounts and strengths set forth in this agreement, to provide wastewater pumping and transmission through Conveyance Facilities, and to provide treatment and disposal at the City's 1996 Treatment Facilities.

B. District agrees to transport its wastewater through District Facilities to the Conveyance Facilities.

C. The System is the responsibility of the City to repair, operate, maintain, replace, improve, and expand.

D. District agrees to pay its share of costs of the System as provided in this agreement.

E. City Facilities are the City's sole responsibility to repair, operate, maintain, and modify as necessary.

F. District Facilities are District's sole responsibility to repair, operate, maintain, and modify as necessary.

G. Each Party shall take all reasonable action to ensure that its wastewater meets applicable legal and regulatory requirements and shall take proper enforcement action against violators within its boundaries. City agrees that it will keep the District informed, in writing, of any changes in wastewater discharge requirements that may affect District.

H. Any mechanical revisions to City or District Facilities which will materially affect the operation of the System or affect the other Party's facilities shall be submitted to and approved by the other Party prior to such revisions.

I. Each Party will cooperate in such a manner as to avoid any discharge violations by either Party and will give prompt notice of any condition which may lead to such violation or other disruption of proper operation.

J. Each Party shall be responsible for the damages caused by its own actions.

K. Each Party shall furnish to the other, copies of any agenda that contains a topic that may impact the other's operation. Such agenda shall be submitted at the earliest convenient date prior to the meeting for which it is intended.

L. Parties may provide other wastewater-related services as mutually agreed.

5. Agreement Administration.

A. The City shall administer this agreement.

B. The City shall be accountable for all System funds and shall transact and record all System financial matters.

C. Pursuant to this agreement, the City shall:

(1) Acquire, construct, hold, and dispose of real and personal property, necessary for the maintenance and operation of the System.

(2) Expand, improve, and upgrade the System.

(3) Manage, maintain, operate, and replace as necessary the System or portion of the System.

(4) Allocate in accordance with this agreement all System maintenance and operation costs and System capital expenses between City and District.

(5) Exercise all other powers necessary to carry out the purposes of this agreement in accordance with law.

6. Expense Records.

A. City shall separate expenses of City Facilities from expenses of the System.

District shall not be responsible for expenses of any City Facilities.

B. City shall maintain books and records of its wastewater revenues and expenses in accordance with generally accepted accounting principles.

C. ~~X~~ By July 1 of each year, the City shall prepare an annual budget of projected System revenues and expenses and give such preliminary information as is available to District for the District's budgeting process.

D. The City's books and records as to the System shall be available to the District for review at City offices at all reasonable times during regular working hours and upon reasonable notice.

7. Ownership and Capacity Rights. Each Party shall have the following capacity rights:

A. 1996 Treatment Facilities: As of the date of execution of this agreement, the design capacity of the 1996 Treatment Facilities is 1.5 mgd ADWF. The City is the owner of the 1996 Treatment Facilities and has capacity rights equal to 1.25 mgd ADWF. District has capacity rights equal to 0.25 mgd ADWF. The City is restricted to average daily biochemical oxygen demand (hereinafter "BOD") and suspended solids (hereinafter "SS") equal to 83.33 percent (hereinafter City's "Capacity Share") of the total allowable daily discharge requirements for the 1996 Treatment Facilities. The District is restricted to average daily BOD and SS equal to 16.67 percent (hereinafter District's "Capacity Share") of the total allowable daily discharge requirements for the 1996 Treatment Facilities. A portion of the Original Treatment Facility will be used as part of the 1996 Treatment Facilities and the remaining portion will be used as an emergency chlorine contact system during storm events. In the event of a reduction in the design capacity due to conditions beyond the control of City, City and District shall share in such reduction in proportion to their capacity share. Conditions beyond City's Control shall include but are not limited to acts of God or actions of state or federal regulatory agencies or the courts, or deviations from engineer's estimates. In the event such a reduction in design capacity results in an exceedance of 95% of capacity rights as above defined, then the provisions of Section 10 requiring expansion of plant capacity shall apply in order to accommodate the above referenced capacity rights. However, nothing herein shall be construed to authorize an increase in those capacity rights, nor to preclude the parties from negotiating such an increase.

B. Conveyance Facilities: As of the date of execution of this agreement, the design capacity of the Conveyance Facilities is 1.5 mgd ADWF. The City is the owner of the Conveyance Facilities and has capacity rights equal to 1.25 mgd ADWF. District has capacity rights equal to 0.25 mgd ADWF. In the event of a reduction in the design capacity due to conditions beyond the control of City, City and District shall share in such

reduction in proportion to their capacity share. Conditions beyond City's Control shall include but are not limited to acts of God or actions of state or federal regulatory agencies or the courts, or deviations from engineer's estimates. In the event such a reduction in design capacity results in an exceedance of 95% of capacity rights as above defined, then the provisions of Section 10 requiring expansion of plant capacity shall apply in order to accommodate the above referenced capacity rights. However, nothing herein shall be construed to authorize an increase in those capacity rights, nor to preclude the parties from negotiating such an increase.

C. A Party shall not allow additional connections to the System if such additional connection would bring such Party's predicted flow to or above 95% of such Party's capacity right. For example, with the City's capacity right of 1.25 mgd ADWF, the City may not allow additional connections if such additional flow would bring the City's predicted flow to or above 1.1875 mgd ADWF. Similarly, the District may not allow additional connections if such additional flow would bring the District's predicted flow to or above 0.2375 mgd ADWF.

Notwithstanding the foregoing, in the event the City has surplus capacity, should the need to do so arise, the District may request and the City may, in its sole discretion, sell the District surplus capacity.

D. As part of its duties to manage, maintain, and operate the System, City shall meter wastewater flows where appropriate to determine wastewater flows from City and District. Whenever either party has a reasonable basis to believe that a cross check is required to ascertain flows, the Parties will cooperate to set-up portable meters in District Facilities. Flow measurements shall be made and recorded in order to ensure compliance with allowable capacities.

8. Costs of System Improvements.

A. The District shall pay to the City 16.67% of all amounts expended by the City, including all costs of design, engineering, and other costs reasonably associated with the building of the 1996 Treatment Facilities and the upgrade of the Conveyance Facilities. Such amounts shall be deemed due and payable 30 days after the time the District was first invoiced by the City for payments of such costs, even if such invoice was delivered prior to the date of entering into this agreement. Any amounts unpaid by the District 30 days after being invoiced shall bear interest in accordance with the terms of this agreement.

B. In the event one Party advances an amount in excess of its share of costs because of the unavailability of funds from the other Party, the delinquent Party must repay such advances, including interest, prior to using that portion of the additional capacity for which the non-delinquent Party has advanced funds. Nothing in this section shall require

either Party to advance funds on behalf of the other Party.

9. Future Modifications or Major Replacements.

If in City's judgment, System modifications, improvements, or major replacements are necessary because of state or federal requirements, or if reasonable and necessary major replacements and/or modifications are necessary in order to properly maintain the System, the cost shall be paid by each Party in proportion to its capacity rights as a one time capital cost. A major replacement and/or modification is one costing more than \$50,000, including all engineering, construction and other related costs. Minor replacements and/or modifications are those costing \$50,000 or less and shall be billed as operating expenses pursuant to section 13 herein. The City will provide the District with engineering reviews and cost estimates of a proposed major replacement and/or modification. Upon request, the City will provide the District with engineering reviews and cost estimates of a proposed minor replacement and/or modification. All such reviews shall include input from City and District. Except for emergency projects, District shall receive costs estimates in sufficient time to enable it to plan for financing its share of the costs. no to reuse

10. Future Expansions.

Future expansions of the System shall include consideration of the capacity requirements of both the City and the District. Any future expansion of the System or its elements shall be based on an engineering review of the requirements for the expansion and a review of alternatives available, including environmental and financial considerations. At this time it is anticipated by the Parties that such engineering review will include an analysis of the feasibility of using all or some portion of the Retired Plant for future expansion of the System. All such reviews shall include input from the City and the District. Reports shall be available to the District in draft form for review, comment, and input. The District shall also receive copies of final reports.

It is understood that either party may have a need for additional capacity when reaching 95% of current capacity as referenced in Section 7.C. In that event the parties agree to initiate good faith negotiations to address and develop solutions to the capacity needs.

Costs for expansion projects, including engineering, site acquisition, construction, incidental and other related costs, shall be allocated in accordance with an amendment to this agreement approved by each Party.

11. Annual Cost Sharing.

A. System: Actual costs of maintenance and operation of the System shall be allocated between the Parties in proportion to hydraulic flow and strength of the

wastewater from each Party. Further consideration may be given to any special characteristics of wastewater which may require special handling. Strength shall be determined by periodic sampling of SS and BOD and other factors as may be necessary, under as equal conditions as possible for both City and District.

B. Maintenance and operation shall include but is not limited to the cost of labor, materials, chemicals, power, supplies, equipment, monitoring and sampling, and other expenses for operation, maintenance, repairs, minor replacements and administrative costs. Administrative costs shall be calculated by multiplying all costs of maintenance and operation excluding administrative costs by 28.671% until such time as a new study is completed on behalf of the Parties which sets forth the administrative costs. This study shall be paid for by the District. The allocation of costs of maintenance and operation of the System determined by this study shall be determinative and binding on the parties, as long as the allocation is within a factor of 15% of the existing allocation. Otherwise, either party may initiate an arbitration pursuant to paragraph 18 of this Agreement.

C. In the event any income shall be realized by City from operation of the System (such as proceeds from the sale of used equipment, sale of by-products) which is related to the System, such income shall be credited to maintenance and operation costs.

12. Measuring and Apportioning Flow.

A. City shall install, maintain, and operate suitable measuring, sampling, and recording devices for monitoring wastewater flowing from the Parties into the System at such points as are deemed appropriate. Such devices shall be tested for accuracy at intervals recommended by the manufacturer or others qualified. City shall preserve the records, and the devices and records shall be available at reasonable times for inspection. If a measuring, sampling, or recording device is consistently in error by at least 5%, then such device shall be expeditiously repaired or replaced in order to ensure reasonably accurate measurements. In the event such devices are shown to be inaccurate or not operating, City may estimate such flows based on past flows and other reasonable criteria, and shall justify such estimation to District.

B. City agrees to make available to District a monthly readout of the flows and an annual summary. Such readouts shall be used in determining the respective flows of the Parties and shall form the basis of cost-sharing in accordance with section 11 above.

13. Payment of Costs.

A. District shall pay, in advance, on or before the first of every month, or other suitable periods as agreed by the Parties, one-twelfth of its estimated prorated share of the annual budgeted costs of maintenance and operation of the System. City shall submit such



\* budget to District prior to July 1 of each year.

B. A statement of actual maintenance and operating costs shall be prepared and submitted as soon as possible after July 1 of each year. Monthly cost estimates and payment by District will be reconciled with actual costs at this time, with any overpayments by the District credited against future District payments and with any underpayments billed to the District. Said statements shall be in reasonable detail and in conformity with good accounting principles.

C. District shall pay its share of all construction costs for the System or for any costs for major replacement and/or modifications to the System within 30 days of receipt of the billing from the City.

D. In the event of a dispute regarding any billing or cost sharing amount under this agreement, the District shall, within 30 days of receipt of the billing, pay the disputed amount to the City, indicating the amount under dispute and reasons for the dispute. The City shall then have 30 days to resolve the dispute and return to the District the amount agreed to by the Parties. If the dispute is not resolved after the 30 days, then upon resolution of the dispute by whatever method, the City shall pay the amount so determined as an overpayment by the District plus interest.

\* The City and the District may, however, mutually agree in writing to other arrangements for disputed payments.

\* E. Any late payments by the District or refunds by the City pursuant to section D above shall bear interest at the rate then paid by the Local Agency Investment Fund plus 3% from the time owed till the time paid.

14. Character of Wastewater.

The District shall enact and enforce such rules and regulations as will require all persons and customers of every kind and nature (including public agencies of all types) discharging into or using District Facilities to comply with regulations no less stringent than reasonable ordinances, resolutions, rules, and regulations as may be enacted from time to time by the City. The City will supply such ordinances, resolutions, rules, and regulations to the District for enactment. The District agrees not to allow the discharge of any prohibited substance into the District Facilities. Both Parties shall also comply with applicable statutes, rules, and regulations of agencies of the federal government, the State of California, and the County of Santa Barbara having jurisdiction over the collection, treatment, and disposal of wastewater and wastes, and in particular to do those things necessary to comply with the City's then-current waste discharge permit.

Each Party agrees to adopt, implement, or enforce necessary source control regulations and to pay any costs and penalties which may be incurred as a result of failure of its users to comply with such prohibitions or regulations.

15. Service Areas.

~~\*\*\*~~ A. District serves the community of Santa Ynez and certain areas outside District's boundaries, as set forth in Exhibit A, attached hereto and incorporated herein by this reference. Unless otherwise dictated by regional agencies, subject to capacity limitations set forth in Section 7, the District shall not contract with any new entities outside the District's boundaries for wastewater capacity. All sewage from persons or entities served by the District, whether within or outside the District's boundaries shall be attributed to the District.

B. City may, at its sole discretion, agree to serve other communities and service areas, including but not limited to Los Olivos and Ballard with its capacity right of the System, or may expand the System to provide such capacity. Inclusions of additional communities and service areas shall not restrict District's capacity rights or to amend this agreement. This section does not guarantee any rights or imply availability of capacity to any entity except the Parties hereto.

16. Hold Harmless.

Each Party to this agreement shall hold harmless, defend, and release the other Party and its agents and employees from and against any and all actions, claims, damages, disabilities, or expenses, including attorneys' fees and witness costs, that may be asserted by any person or entity, arising out of the Party's negligent or wrongful acts, errors, or omissions in connection with the activities necessary to perform the services provided for herein.

17. Joint Meetings of Sewer Committees.

A. Each governing body of the parties to this agreement has already appointed a Sewer Committee. Joint meeting of these two Sewer Committees shall be held at least annually to discuss relevant issues regarding this agreement and other wastewater matters.

B. Agenda topics of joint Sewer Committee meetings may include the following:

(1) Review System operations;

~~\*\*\*~~ (2) Examine and resolve potential problems within this agreement;

(3) Review long-range wastewater planning, including financial plans, growth,

and development;

(4) Review potential impacts on the System of any proposed major development projects;

(5) Provide ongoing communication between the City and the District;

(6) Examine capital facilities planning;

✱ ✱ (7) Recommend amendments to this agreement;

(8) Provide other wastewater planning and administration functions to allow for implementation of this agreement.

18. Other Provisions.

A. Breach and Remedy: If either Party shall violate any of the provisions herein, the other Party shall serve a written demand that said breach be remedied. If such breach is of a kind remediable by the Party receiving such demand, it may remedy same within 60 days of said notice. Acceptance of such remediation by the Party which has given the demand shall not constitute a waiver of damages.

B. Claims of Breach of Agreement or of Inequities: In case of any dispute, difference, or question between the Parties hereto arising under the agreement, including a claim that the agreement is inequitable, the complaining Party shall file with the legislative body of the other Party a written description of such breach or inequity, giving full information respecting the same. The legislative bodies of the Parties shall jointly meet within a reasonable time thereafter to attempt to resolve their differences. No action for breach of this agreement shall be commenced, and nothing shall be done by either Party to rescind, reform, or terminate this agreement, unless and until the above procedure has occurred, and unless the complaining Party has first given to the other Party a reasonable time after conclusion of said joint meeting within which to cure any breach or alleged breach or inequity.

C. Arbitration: Following compliance with the above procedures, such dispute, difference, or question shall be arbitrated by a single arbitrator agreed upon by the Parties, or if the Parties cannot agree, then by a panel of three arbitrators, with one selected by each of the Parties hereto and the third selected by the two arbitrators. The decision of the arbitrator(s) shall be binding on the parties, and in the event that either Party seeks a court review of said arbitration, or court enforcement thereof, the prevailing Party to such court proceedings shall be entitled to all costs and expenses of said court proceedings and shall be entitled, in addition, to a reasonable attorney's fee.

In any such arbitration proceeding, the Parties shall be entitled to discovery, including document production, interrogatories, and depositions, according to the rules of Civil Procedure then applicable to matters within the jurisdiction of the Superior Court.

D. Amendment/Modification: This agreement may from time to time be amended, modified, or supplemented in writing executed on behalf of both Parties, upon adoption of resolutions of the governing boards of both Parties.

E. Notice: All notices required to be given shall be given on the order of the legislative body of the Party giving same and shall be delivered or mailed to the secretary of the Party to whom notice is to be given. Said notice shall be deemed to have been given on the date of delivery or mailing.

F. Partial Invalidity: If any provision of this agreement is held to be invalid or unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this agreement to be executed by their respective officers, thereunto duly authorized by their respective legislative bodies, and have caused their official seals to be affixed hereto, all on the day and year first above written.

CITY OF SOLVANG

Nancy Nolan Orchard  
Mayor

ATTEST:

Lynne Burt  
City Clerk (Acting)  
(SEAL)

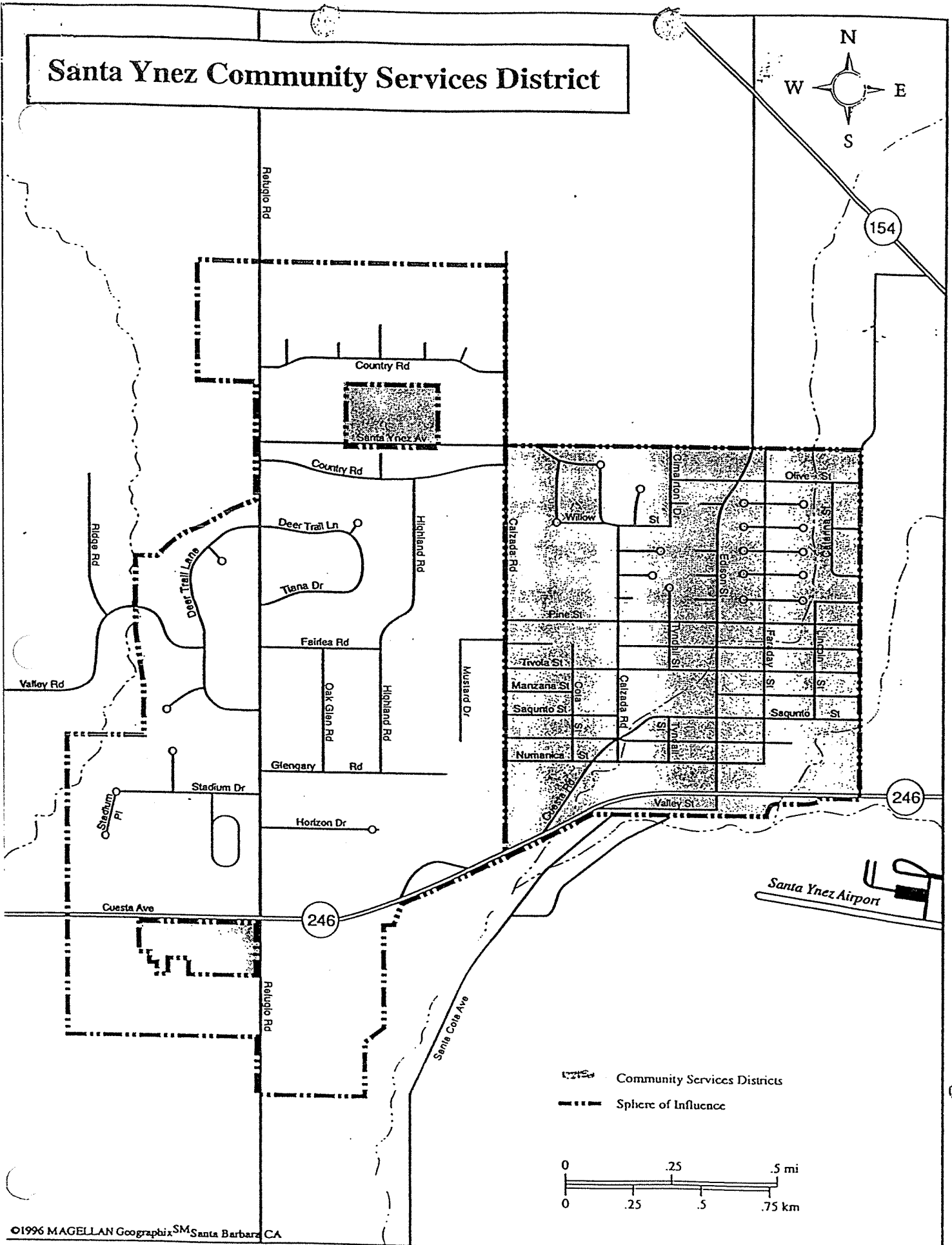
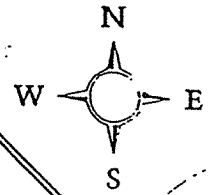
SANTA YNEZ COMMUNITY  
SERVICES DISTRICT

Richard T. Miller  
President

ATTEST:

Bonnie A. Chittman  
Secretary  
(SEAL)

# Santa Ynez Community Services District



**FIRST AMENDMENT TO  
AGREEMENT BETWEEN THE CITY OF SOLVANG  
AND  
THE SANTA YNEZ COMMUNITY SERVICES DISTRICT  
Interagency Agreement 1998**

This First Amendment (this "Amendment") is made and entered into this 12 day of February, 2001, by and between the City of Solvang, a public agency of the State of California, hereinafter referred to as "City", and the Santa Ynez Community Services District, a public agency of the State of California, hereinafter referred to as "District", and collectively hereinafter referred to as "Parties".

**RECITALS:**

WHEREAS, on September 14, 1998, the City and the District entered into that certain Agreement Between the City of Solvang and the Santa Ynez Community Services District - Interagency Agreement 1998 (the "Interagency Agreement"), pursuant to which the City now owns capacity rights equal to 1.25 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities and the District now owns capacity rights equal to 0.25 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities, as those terms are defined in the Interagency Agreement; and

WHEREAS, on February 8, 1984, the District and the Santa Ynez Band of Mission Indians (the "Band") entered into that certain Agreement for Sanitary Sewer Service and Acquisition of Capacity Rights, pursuant to which the District agreed to provide sewage collection, transmission, treatment and disposal services to the Santa Ynez Indian Reservation (the "Reservation") for up to 28,000 gallons per day in sewage flow. Said sewage flow from the Reservation is transmitted by the District to the City's 1996 Treatment Facilities and utilizes a portion of the capacity rights owned by the District in 1996 Treatment Facilities and Conveyance Facilities, as provided in the Interagency Agreement; and

WHEREAS, on January 3, 2001, the District and the Band entered into that certain Supplement and Amendment to 1984 Agreement for Sanitary Sewer Service and Acquisition of Capacity Rights, pursuant to which the District granted to the Band an additional 20,000 gallons per day in sewer capacity, bringing the Band's total sewer capacity for the Reservation to 48,000 gallons per day; and

WHEREAS, the Band has requested that the District sell it 40,000 gallons per day in additional sewer capacity, bringing the Band's total sewer capacity for the Reservation to 88,000 per day; and

WHEREAS, because of the limited remaining sewer capacity of the District in the 1996 Treatment Facilities and the Conveyance Facilities under the Interagency Agreement, the District is unable to accommodate the Band's request for an additional 40,000 gallons per day in sewer capacity unless and until it first purchases additional sewer capacity from the City; and

WHEREAS, the City has agreed to sell to the District additional capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities in an amount equal to 40,000 gallons per day to enable to the District to provide 40,000 gallons per day in additional sewer capacity to the Band; and

WHEREAS, the City has determined that selling the District an additional 40,000 gallons per day in capacity will not restrict the ability of the City to provide sewer service to properties located within the City's boundaries; and

WHEREAS, to allow for the additional sewer capacity requested by the Band to serve the Reservation, the Parties desire to amend the Interagency Agreement to provide for the sale by the City to the District of 40,000 gallons per day in additional sewer capacity.

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions herein contained, the Parties hereto, acting by and through their respective governing bodies, do hereby agree as follows:



1. Amendment of Capacity Rights. Section 7 of the Interagency Agreement is hereby amended to (a) reduce the City's capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities from 1.25 mgd ADWF to 1.21 mgd ADWF, (b) increase the District's capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities from 0.25 mgd ADWF to 0.29 mgd ADWF, (c) revise the City's restriction as to average daily biochemical oxygen demand and suspended solids from 83.33% to 80.67% of the total allowable daily discharge requirements, and (d) revise the District's restriction as to average daily biochemical oxygen demand and suspended solids from 16.67% to 19.33% of the total allowable daily discharge requirements.

2. Payment for Additional Capacity. In consideration for the additional capacity rights granted to the District by the City as provided in this Amendment, the District agrees to pay to the City the sum of Nine Hundred Seventy-seven Thousand Seven Hundred Ninety Dollars (\$977,790) (the "Capacity Fee"). The Parties acknowledge, agree and confirm that the Capacity Fee has been calculated to correspond to the connection fee which the City currently charges to its residential customers based on the equivalent number of single family residential units which the 40,000 gallons per day of additional capacity represents. The City's current connection fee for a single family residence is Five Thousand Five Hundred Dollars (\$5,500), and assumes an average flow from each such single residence of 225 gallons per day. The 40,000 gallons of additional capacity being sold by the City to the District pursuant to this Amendment represents the equivalent 177.8 single family residential units ( $40,000 \div 225 = 177.8$ ). The Capacity Fee has therefore been calculated by multiplying the 177.8 equivalent single family residential units which the 40,000 gallons represents, times the City's current connection fee of Five Thousand Five Hundred Dollars (\$5,500) ( $177.8 \times \$5,500 = \$977,790$ ). Said Capacity Fee shall be due and payable from the District to the City within thirty (30) days of the Effective Date of this Amendment, as defined in Section 3, below.

3. Effective Date. This Amendment shall not become effective unless and until (a) the District and the Band have entered into a formal written agreement providing for the sale by the District to the Band of 40,000 gallons of additional sewer capacity to serve the Reservation, and

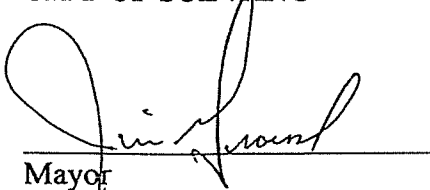
(2) the Band has paid all amounts due to the District pursuant to said agreement (the "Effective Date"). If the District and the Band have not entered into an such an agreement and the Reservation has not paid all amounts due to the District pursuant thereto on or before May 15, 2001, this Amendment shall be of no further force or effect.

4. No Precedent. The City and District hereby agree that the method for calculating the price for the sale of capacity as set forth in Section 2, above, applies only to the 40,000 gallons per day of capacity which is the subject of this Amendment, and shall not set a precedent with respect to the price in the event the District wishes to purchase and the City agrees to sell additional capacity in the future.

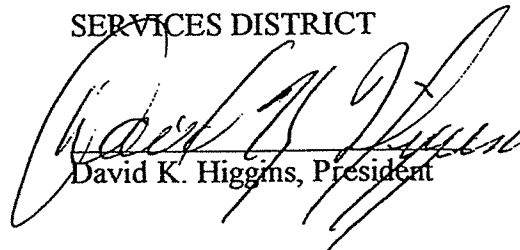
5. Continued Effect. Except as specifically amended herein, all of the terms and provisions of the Interagency Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their respective officers, thereunto duly authorized by their respective legislative bodies, and have caused their official seals to be affixed hereto, all on the day and year first above written.

CITY OF SOLVANG

  
Mayor

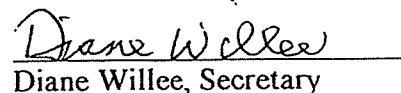
SANTA YNEZ COMMUNITY  
SERVICES DISTRICT

  
David K. Higgins, President

ATTEST

  
City Clerk

ATTEST

  
Diane Willee, Secretary

(Seal)

(Seal)

**SECOND AMENDMENT TO  
AGREEMENT BETWEEN THE CITY OF SOLVANG  
AND  
THE SANTA YNEZ COMMUNITY SERVICES DISTRICT  
Interagency Agreement 1998**

This Second Amendment (this "Amendment") is made and entered into this 14<sup>th</sup> day of JULY, 2003, by and between the City of Solvang, a public agency of the State of California, hereinafter referred to as "City", and the Santa Ynez Community Services District, a public agency of the State of California, hereinafter referred to as "District", and collectively hereinafter referred to as "Parties".

**RECITALS:**

WHEREAS, on September 14, 1998, the City and the District entered into that certain Agreement Between the City of Solvang and the Santa Ynez Community Services District - Interagency Agreement 1998 (the "Interagency Agreement"), pursuant to which the City owned capacity rights equal to 1.25 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities and the District owned capacity rights equal to 0.25 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities, as those terms are defined in the Interagency Agreement; and

WHEREAS, on or about February 21, 2001 the City and the District entered into that certain First Amendment to Agreement Between the City of Solvang and the Santa Ynez Community Services District - Interagency Agreement 1998 (the "First Amendment"), pursuant to which the City now owns capacity rights equal to 1.21 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities and the District now owns capacity rights equal to 0.29 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities; and

WHEREAS, on February 8, 1984, the District and the Santa Ynez Band of Mission Indians (the "Band") entered into that certain Agreement for Sanitary Sewer Service and Acquisition of

Capacity Rights, pursuant to which the District agreed to provide sewage collection, transmission, treatment and disposal services to the Santa Ynez Indian Reservation (the "Reservation") for up to 28,000 gallons per day in sewage flow. Said sewage flow from the Reservation is transmitted by the District to the City's 1996 Treatment Facilities and utilizes a portion of the capacity rights owned by the District in the 1996 Treatment Facilities and Conveyance Facilities, as provided in the Interagency Agreement; and

WHEREAS, on January 3, 2001, the District and the Band entered into that certain Supplement and Amendment to 1984 Agreement for Sanitary Sewer Service and Acquisition of Capacity Rights, pursuant to which the District granted to the Band an additional 20,000 gallons per day in sewer capacity, bringing the Band's total sewer capacity for the Reservation to 48,000 gallons per day; and

WHEREAS, on May 15, 2001, the District and the Band entered into that certain Agreement for Sanitary Sewer Service and Capacity Rights, pursuant to which the District granted to the Band an additional 40,000 gallons per day in sewer capacity, bringing the Band's total sewer capacity for the Reservation to 88,000 gallons per day; and

WHEREAS, the Band has requested that the District lease to it for a temporary period of time 40,000 gallons per day in additional sewer capacity, bringing the Band's total sewer capacity for the Reservation, on a temporary basis, to 128,000 per day; and

WHEREAS, because of the limited remaining sewer capacity of the District in the 1996 Treatment Facilities and the Conveyance Facilities under the Interagency Agreement, as amended, the District is unable to accommodate the Band's request for a lease of an additional 40,000 gallons per day in sewer capacity unless and until it first leases additional sewer capacity from the City; and

WHEREAS, the City has agreed to temporarily lease to the District additional capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities in an amount equal to 40,000

gallons per day to enable to the District to temporarily lease 40,000 gallons per day in additional sewer capacity to the Band; and

WHEREAS, the City has determined that temporarily leasing the District an additional 40,000 gallons per day in capacity will not restrict the ability of the City to provide sewer service to properties located within the City's boundaries; and

WHEREAS, to allow for the additional temporary sewer capacity requested by the Band to serve the Reservation, the Parties desire to amend the Interagency Agreement to provide for the lease by the City to the District of 40,000 gallons per day in additional sewer capacity.

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions herein contained, the Parties hereto, acting by and through their respective governing bodies, do hereby agree as follows:

1. Amendment of Capacity Rights. Section 7 of the Interagency Agreement, as previously amended by the First Amendment, is hereby further amended during the Lease Term (as defined in Section 3 below) to (a) reduce the City's capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities from 1.21 mgd ADWF to 1.17 mgd ADWF, (b) increase the District's capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities from 0.29 mgd ADWF to 0.33 mgd ADWF, (c) revise the City's restriction as to average daily biochemical oxygen demand and suspended solids from 80.67% to 78.00% of the total allowable daily discharge requirements, and (d) revise the District's restriction as to average daily biochemical oxygen demand and suspended solids from 19.33% to 22.00% of the total allowable daily discharge requirements.

2. Payment for Leased Capacity. In consideration for the temporary lease of additional capacity rights to the District by the City as provided in this Amendment, the District agrees to pay to the City the sum of Seventy-three Thousand Three Hundred Forty-two and 50/100 Dollars (\$73,342.50 (the "Temporary Capacity Fee"). The Parties acknowledge, agree and confirm that the Temporary Capacity Fee has been calculated to correspond to the connection fee which the

City currently charges to its residential customers based on the equivalent number of single family residential units which the 40,000 gallons per day of additional leased capacity represents utilizing a twenty (20) year amortization. The City's current connection fee for a single family residence is Five Thousand Five Hundred Dollars (\$5,500.00) and assumes an average flow from each such single residence of 225 gallons per day. The 40,000 gallons of additional capacity being leased by the City to the District pursuant to this Amendment represents the equivalent 177.8 single family residential units ( $40,000 \div 225 = 177.8$ ). The Temporary Capacity Fee has therefore been calculated by multiplying the 177.8 equivalent single family residential units which the 40,000 gallons represents, times the City's current connection fee of Five Thousand Five Hundred Dollars (\$5,500.00) per residence and dividing that figure by the twenty (20) year amortization period to arrive at an annualized Temporary Capacity Fee of Forty-eight Thousand Eight Hundred Ninety-five Dollars (\$48,895.00) ( $177.8 \times \$5,500 \div 20 = \$48,895.00$ ). The annualized Temporary Capacity Fee has then been multiplied by the 1.5 year Lease Term to arrive at the total Temporary Capacity Fee of Seventy-three Thousand Three Hundred Forty-two and 50/100 Dollars (\$73,342.50) ( $48,895 \times 1.5 = \$73,342.50$ ). Said Temporary Capacity Fee shall be due and payable from the District to the City as soon as the Band's payment check to the District has been cleared by the District's bank and the funds are available to the District for payment to the City, but in no event later than August 15, 2003.

3. Lease Term. This Amendment shall not become effective unless and until (a) the District and the Band have entered into a formal written agreement providing for the temporary lease by the District to the Band of 40,000 gallons of additional sewer capacity to serve the Reservation, and (b) the Band has paid all amounts due to the District pursuant to said agreement. If the District and the Band have not entered into such an agreement and the Reservation has not paid all amounts due to the District pursuant thereto on or before Thursday, July 31, 2003, this Amendment shall be of no further force or effect. The term for the lease of capacity by the City to the District shall commence on August 1, 2003 and shall terminate eighteen (18) months thereafter (the "Lease Term").

4. Refund of Temporary Capacity Fee. The District shall not be entitled to a refund of any portion of the Temporary Capacity Fee in the event the Band does not, for any reason, use or

require the entire 40,000 gallons per day in additional sewer capacity leased hereunder; provided, however, that the District shall be entitled to a refund of a portion of the Temporary Capacity Fee if the District notifies the City before the Lease Term expires that the Band has no further need for any portion of the temporary capacity. Said refund shall be proportionate to the time-based calculation used as a basis for determining the Temporary Capacity Fee hereunder.

5. No Precedent. The City and District hereby agree that the method for calculating the Temporary Capacity Fee as set forth in Section 2, above, applies only to the 40,000 gallons per day of leased capacity which is the subject of this Amendment, and shall not set a precedent with respect to the price in the event the District wishes to acquire and the City agrees to provide additional capacity in the future.

6. Continued Effect. Except as specifically amended herein, all of the terms and provisions of the Interagency Agreement, as previously amended, shall continue in full force and effect. Upon the expiration or earlier termination of the Lease Term, the capacity rights of the Parties shall be as set forth in the First Amendment.

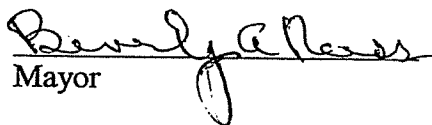
7. Capital Improvements. Section 9 of the Interagency Agreement, provides, in part, as follows:

"If in City's judgment, System modifications, improvements, or major replacements are necessary because of state or federal requirements, or if reasonable and necessary major replacements and/or modifications are necessary in order to properly maintain the System, the cost shall be paid by each Party in proportion to its capacity rights as a one time capital cost. A major replacement and/or modification is one costing more than \$50,000, including all engineering, construction and other related costs. Minor replacements and/or modifications are those costing \$50,000 or less and shall be billed as operating expenses pursuant to Section 13 herein."

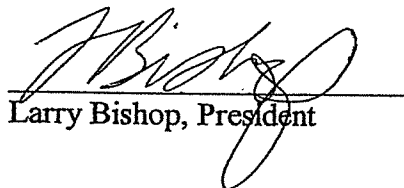
The City and the District hereby agree that for purposes of calculating the District's obligation to pay a portion of one time capital costs pursuant to Section 9 of the Interagency Agreement, the 40,000 gallons per day of temporary capacity rights leased by the City to the District pursuant to this Amendment shall not be included in the District's capacity rights.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their respective officers, thereunto duly authorized by their respective legislative bodies, and have caused their official seals to be affixed hereto, all on the day and year first above written.

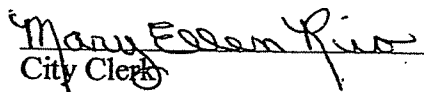
CITY OF SOLVANG

  
Mayor

SANTA YNEZ COMMUNITY  
SERVICES DISTRICT

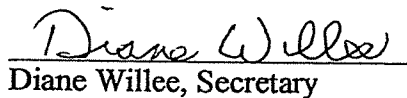
  
Larry Bishop, President

ATTEST

  
City Clerk

(Seal)

ATTEST

  
Diane Willee, Secretary

(Seal)

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**THIRD AMENDMENT TO  
AGREEMENT BETWEEN THE CITY OF SOLVANG  
AND  
THE SANTA YNEZ COMMUNITY SERVICES DISTRICT  
Interagency Agreement 1998**

*App'd by Solvang  
City Council 2/14/05  
App'd by SYCSD  
Board 2/16/05*

This Third Amendment (this "Amendment") is made and entered into this 16th day of February, 2005, by and between the City of Solvang, a public agency of the State of California, hereinafter referred to as "City", and the Santa Ynez Community Services District, a public agency of the State of California, hereinafter referred to as "District", and collectively hereinafter referred to as "Parties".

**RECITALS:**

WHEREAS, on or about September 14, 1998, the City and the District entered into that certain Agreement Between the City of Solvang and the Santa Ynez Community Services District - Interagency Agreement 1998 (the "Interagency Agreement"), pursuant to which the City owned capacity rights equal to 1.25 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities and the District owned capacity rights equal to 0.25 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities, as those terms are defined in the Interagency Agreement; and

WHEREAS, on or about February 21, 2001 the City and the District entered into that certain First Amendment to Agreement Between the City of Solvang and the Santa Ynez Community Services District - Interagency Agreement 1998 (the "First Amendment"), pursuant to which the City now owns capacity rights equal to 1.21 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities and the District now owns capacity rights equal to 0.29 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities; and

WHEREAS, on or about July 14, 2003 the City and the District entered into that certain Second Amendment to Agreement Between the City of Solvang and the Santa Ynez Community

Services District – Interagency Agreement 1998 (the “Second Amendment”), pursuant to which the City agreed to temporarily lease to the District additional capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities in an amount equal to 40,000 gallons per day to enable to the District to temporarily lease 40,000 gallons per day in additional sewer capacity to the Santa Ynez Band of Mission Indians; and

WHEREAS, the temporary lease of sewer capacity by the City to the District as provided in the Second Amendment has expired; and

WHEREAS, the District has requested that the City sell it 10,000 gallons per day in additional sewer capacity in the 1996 Treatment Facilities and Conveyance Facilities to enable to the District to meet its anticipated demand for sewer service; and

WHEREAS, the City has agreed to sell to the District additional capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities in an amount equal to 10,000 gallons per day; and

WHEREAS, the City has determined that selling the District an additional 10,000 gallons per day in capacity will not restrict the ability of the City to provide sewer service to properties located within the City’s boundaries; and

WHEREAS, the Parties desire to amend the Interagency Agreement to provide for the sale by the City to the District of 10,000 gallons per day in additional sewer capacity.

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions herein contained, the Parties hereto, acting by and through their respective governing bodies, do hereby agree as follows:

1. Amendment of Capacity Rights. Section 7 of the Interagency Agreement is hereby amended to (a) reduce the City's capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities from 1.21 mgd ADWF to 1.20 mgd ADWF, (b) increase the District's

capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities from 0.29 mgd ADWF to 0.30 mgd ADWF, (c) revise the City's restriction as to average daily biochemical oxygen demand and suspended solids from 80.67% to 80.00% of the total allowable daily discharge requirements, and (d) revise the District's restriction as to average daily biochemical oxygen demand and suspended solids from 19.33% to 20.00% of the total allowable daily discharge requirements.

2. Payment for Additional Capacity. In consideration for the additional capacity rights granted to the District by the City as provided in this Amendment, the District agrees to pay to the City the sum of Thirty-Six Thousand Two Hundred Sixteen Dollars (\$36,216) (the "Capacity Fee"). The Parties acknowledge, agree and confirm that the Capacity Fee has been calculated by multiplying (a) the current book value of the 1996 Treatment Facilities and in the Conveyance Facilities of Five Million Four Hundred Thirty-Two Thousand Four Hundred Eighty-Four Dollars ((\$5,432,484) by (b) the quotient obtained by dividing the 10,000 gallons per day of additional capacity by the total capacity of the 1996 Treatment Facilities and in the Conveyance Facilities of 1,500,000 gallons per day ( $\$5,432,484 \times 10,000/1,500,000 = \$36,216$ ). Said Capacity Fee shall be due and payable from the District to the City within thirty (30) days of the Effective Date of this Amendment, as defined in Section 3, below.

3. Effective Date. This Amendment shall become effective on the date that it is signed by the last signatory hereto, which date shall be inserted in the introductory paragraph of this Amendment (the "Effective Date").

4. No Precedent. The City and District hereby agree that the method for calculating the price for the sale of capacity as set forth in Section 2, above, applies only to the 10,000 gallons per day of capacity which is the subject of this Amendment, and shall not set a precedent with respect to the price in the event the District wishes to purchase and the City agrees to sell additional capacity in the future.

5. Continued Effect. Except as specifically amended herein, all of the terms and provisions of the Interagency Agreement, as previously amended, shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their respective officers, thereunto duly authorized by their respective legislative bodies, and have caused their official seals to be affixed hereto, all on the day and year first above written.

CITY OF SOLVANG

SANTA YNEZ COMMUNITY  
SERVICES DISTRICT

\_\_\_\_\_  
Edwin Skytt, Mayor

\_\_\_\_\_  
David Seymour, Board President

ATTEST

ATTEST

\_\_\_\_\_  
Mary Ellen Rio, City Clerk

\_\_\_\_\_  
Regina Frazier, Board Secretary

(Seal)

(Seal)

**FOURTH AMENDMENT TO  
AGREEMENT BETWEEN THE CITY OF SOLVANG  
AND  
THE SANTA YNEZ COMMUNITY SERVICES DISTRICT  
Interagency Agreement 1998**

This Fourth Amendment (this "Amendment") is made and entered into this 26th day of October, 2009, by and between the City of Solvang, a public agency of the State of California, hereinafter referred to as "City", and the Santa Ynez Community Services District, a public agency of the State of California, hereinafter referred to as "District", and collectively hereinafter referred to as "Parties".

**RECITALS:**

WHEREAS, on or about September 14, 1998, the City and the District entered into that certain Agreement Between the City of Solvang and the Santa Ynez Community Services District - Interagency Agreement 1998 (the "Interagency Agreement"), pursuant to which the City owned capacity rights equal to 1.25 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities and the District owned capacity rights equal to 0.25 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities, as those terms are defined in the Interagency Agreement; and

WHEREAS, on or about February 21, 2001 the City and the District entered into that certain First Amendment to Agreement Between the City of Solvang and the Santa Ynez Community Services District - Interagency Agreement 1998 (the "First Amendment"), pursuant to which the City now owns capacity rights equal to 1.21 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities and the District now owns capacity rights equal to 0.29 mgd ADWF in the 1996 Treatment Facilities and Conveyance Facilities; and

WHEREAS, on or about July 14, 2003 the City and the District entered into that certain Second Amendment to Agreement Between the City of Solvang and the Santa Ynez Community

Services District – Interagency Agreement 1998 (the “Second Amendment”), pursuant to which the City agreed to temporarily lease to the District additional capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities in an amount equal to 40,000 gallons per day to enable to the District to temporarily lease 40,000 gallons per day in additional sewer capacity to the Santa Ynez Band of Mission Indians; and

WHEREAS, on or about February 16, 2005 the City and the District entered into that certain Third Amendment to Agreement Between the City of Solvang and the Santa Ynez Community Services District – Interagency Agreement 1998 (the “Third Amendment”), pursuant to which the Parties agreed to (a) reduce the City’s capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities from 1.21 mgd ADWF to 1.20 mgd ADWF, (b) increase the District’s capacity rights in the 1996 Treatment Facilities and in the Conveyance Facilities from 0.29 mgd ADWF to 0.30 mgd ADWF, (c) revise the City’s restriction as to average daily biochemical oxygen demand and suspended solids from 80.67% to 80.00% of the total allowable daily discharge requirements, and (d) revise the District’s restrictions as to average daily biochemical oxygen demand and suspended solids from 19.33% to 20.00% of the total allowable daily discharge requirements.

WHEREAS, Section 11.A of the Interagency Agreement provides that the actual costs of maintenance and operation of the System, as that term is defined in the Interagency Agreement, shall be allocated between the Parties in proportion to hydraulic flow and strength of the wastewater from each Party.

WHEREAS, Section 11.B of the Interagency Agreement provides that the administrative costs relating to the maintenance and operation of the System shall be calculated by multiplying all costs of maintenance and operation excluding administrative costs by 28.671%. In practice, the District’s share of maintenance and operation costs (excluding administrative costs) is multiplied by 28.671% to arrive at the administrative costs payable by the District (the “Administrative Fee”). Section 11.B further provides that the 28.671% figure shall be utilized until such time as a new study is completed on behalf of the Parties which establishes a different method for calculating the Administrative Fee. This study is required to be paid for by the District.

WHEREAS, the District has retained at its expense the independent public finance advisor firm of Bartle Wells Associates ("Bartle Wells") to review the calculation of the Administrative Fee under the Interagency Agreement. Based on this review, Bartle Wells has recommended that the existing method for calculating the Administrative Fee be replaced with a revised method under which the Administrative Fee is calculated on the basis of the proportion of hydraulic flow of the wastewater from each Party.

WHEREAS, the Parties desire to amend Section 11.B of the Interagency Agreement to provide that Administrative Fee will be calculated in accordance with the Bartle Wells recommendation.

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions herein contained, the Parties hereto, acting by and through their respective governing bodies, do hereby agree as follows:

1. Amendment of Section 11.B. Section 11.B of the Interagency Agreement is hereby deleted in its entirety and the following is substituted therefore:

B. The actual costs of maintenance and operation of the System to be allocated between the Parties under Section 11.A above shall include but shall not be limited to the cost of labor, materials, chemicals, power, supplies, equipment, monitoring, sampling and other expenses for operation, maintenance, repairs, and minor replacements, but shall exclude administrative costs, overhead contribution, debt service, depreciation, and shall reflect any adjustments approved by the City which are made at the District's request after reviewing the City's preliminary calculations. To cover the District's share of the City's administrative costs associated with the maintenance and operation of the System, the District shall pay the City an administrative fee (the "Administrative Fee") calculated as follows:

The District's proportionate allocation of the actual costs of maintenance and operation of the System shall be determined under Section 11.A (the "District's Cost Allocation"). The District's Cost Allocation shall then be multiplied by a fraction, the numerator of

which is the total annual hydraulic flow of the District (July 1st through June 30<sup>th</sup>), and the denominator of which is the total annual hydraulic flow of the System for the same period. The result is the Administrative Fee payable by the District.

2. Measuring and Apportioning Flow. The last sentence of Section 12.A of the Interagency Agreement is hereby deleted in its entirety and the following is substituted therefore:

In the event such devices are inaccurate or are otherwise not operating properly, as evidenced by unusually high or low readings or other factors, the flow for the month during which the inaccurate readings occur will be recalculated by totaling only the days with correct meter readings during the month and deleting any days with incorrect meter readings. That total will then be divided by the number of days with correct meter readings to determine the average daily flow for the month. That average daily flow figure will be used for the days on which the inaccurate flow meter readings occurred. If a flow meter malfunction has occurred for an entire month, the flow for the same month for the previous year will be used, with recalculations as stated above, if applicable. In the event of any dispute concerning the accuracy of the meter used to determine the hydraulic flow, either party may initiate arbitration pursuant to paragraph 18 of the Agreement.

3. Effective Date. This Amendment shall become effective on the date that it is signed by the last signatory hereto, which date shall be inserted in the introductory paragraph of this Amendment (the "Effective Date").

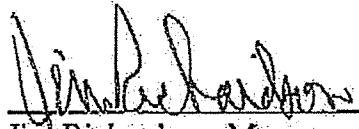
4. Continued Effect. Except as specifically amended herein, all of the terms and provisions of the Interagency Agreement, as previously amended, shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their respective officers, thereunto duly authorized by their respective legislative

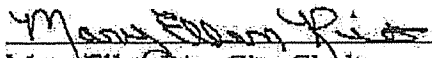


bodies, and have caused their official seals to be affixed hereto, all effective as of the day and year first above written.

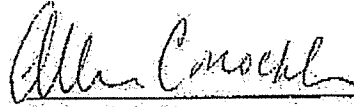
CITY OF SOLVANG

  
\_\_\_\_\_  
Jim Richardson, Mayor

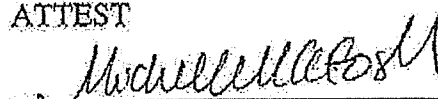
ATTEST

  
\_\_\_\_\_  
Mary Ellen Rio, City Clerk

SANTA YNEZ COMMUNITY  
SERVICES DISTRICT

  
\_\_\_\_\_  
Allen Moehle, Board President

ATTEST

  
\_\_\_\_\_  
Michelle McIntosh, Board Secretary

