1 2 3 4 5 6 7 8	Angela Schrimp de la Vergne (SBN 166521) Maria Fatima Gioletti (SBN 218335) Christina M. Pritchard (SBN 346040) WHITE BRENNER LLP 1414 K Street, 3rd Floor Sacramento, CA 95814 (916) 468-0950 Phone (916) 468-0951 Fax Angela@whitebrennerllp.com Fatima@whitebrennerllp.com Christina@whitebrennerllp.com Christina@whitebrennerllp.com	Fees exempt pursuant to Gov't Code § 6103  Electronically Filed 10/9/2023 10:09 AM Superior Court of California County of Stanislaus Clerk of the Court By: Dora Perez, Deputy  \$435 EXEMPT
10	SUPERIOR COURT OF THE STATE OF CALIFORNIA	
11	COUNTY OF	STANISLAUS
12	CITY OF PATTERSON, a California municipal corporation,	Case No. CV-23-005834
13	Plaintiff,	COMPLAINT FOR BREACH OF CONTRACT; DECLARATORY AND INJUNCTIVE RELIEF
14	VS.	
15	WESTERN HILLS WATER DISTRICT; and DOES 1-25,	
16	Defendants.	
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20	Plaintiff CITY OF PATTERSON, a California municipal corporation, alleges:	
21	<u>PARTIES</u>	
22	1. Plaintiff CITY OF PATTERSON (	("City" or "Patterson"), is and at all times relevant
23	herein was, a municipal corporation organized and existing under the laws of the State of California	
24	and located in Stanislaus County.	
25	2. Plaintiff is informed and believes and based thereon alleges that Defendant	
26	WESTERN HILLS WATER DISTRICT ("District"), is and at all times relevant herein was, a	
27	California Water District formed under the California Water Code with its principal place of	
28	business in Stanislaus County, California.	Freeland, John D This case has been assigned to Judge
White Brenner LLP	{CW133309.1}	Dept. 23 Department for all purposes including Trial.
	Complaint For Breach of Co	ntract and Declaratory Relief

- 3. Plaintiff does not know the true names of all Defendants named herein as DOES 1 through 25, inclusive, and therefore sues them by such fictitious names. Plaintiff will amend this complaint to allege the names, capacities and relationships of DOES 1 through 25 when the same are known to Plaintiff.
- 4. Plaintiff is informed and believes and, on that basis, alleges that at all times mentioned in this complaint, Defendants were the agents and employees of their Co-Defendants, and in doing the things alleged in this complaint were acting within the course and scope of that agency and employment.

#### JURISDICTION AND VENUE

- 5. This court has jurisdiction over the parties and the claims pursuant to Code of Civil Procedure sections 410.10 and 410.50.
- 6. Venue is proper in the California Superior Court, Stanislaus County, pursuant to Code of Civil Procedure sections 392 and 395, in that the contract which is the subject of this complaint was entered into, was to be performed, and was breached in Stanislaus County.
- 7. This dispute is centered around the provision of wastewater treatment services to the planned development known as "Diablo Grande" located seven miles outside the City of Patterson. Diablo Grande exemplifies a development project that did not materialize as originally conceived. Designed as a large master-planned development, Diablo Grande has been beset by environmental litigation and water issues, the bankruptcy of the original developer and subsequent developer turnover, and a buildout that has not advanced.
- 8. Diablo Grande was originally designed to include 5,000 to 10,000 single-family homes, multiple golf courses, a hotel, vineyards, and commercial properties. Instead, as of the filing of this complaint, there are fewer than 1,000 single-family homes, one vineyard, and no operating golf courses.
- 9. On or about December 17, 2002, the District and the City of Patterson entered into a written agreement titled, "Memorandum of Understanding Between City of Patterson and Western Hills Water District" ("MOU"), pursuant to which the City agreed to treat up to 750,000 gallons per day (gpd) of sanitary sewer effluent generated from residences and businesses located {CW133309.1}

within the District. In exchange, the District agreed to pay a specified amount based on the number of sewer connections within the District. A copy of the MOU is attached to this complaint as <u>Exhibit</u> <u>A</u> and is incorporated herein by this reference.

- 10. Specific provisions of the MOU which are relevant to the causes of action set forth in this complaint are as follows:
  - a. <u>Section 1.01</u>: establishes the City's obligation to treat up to 750,000 gpd of the District's sanitary sewer effluent under the terms and conditions of the MOU.
  - b. Section 1.03: provides that in exchange for the City treating up to 750,000 gpd of the District's sanitary sewer effluent, the District shall pay the City an amount equal to the number of sewer connections within the District multiplied by One Hundred Fifty Percent (150 %) of the rate the City would have charged for the connection if the connection were located within the City ("Sewer Treatment Fee"). Within ten (10) days after the end of each quarter, the District shall send the City a statement setting forth the number of municipal connections within the District whose effluent the District delivers to the City for treatment, together with a check for the Sewer Treatment Fee owed for that time period calculated using the above formula.
  - c. Section 1.02: states that the City (a) has no right, power, or authority to assess, bill, lien, or otherwise charge the District's ratepayers, (b) has no control over the services the District provides to its ratepayers, and (c) does not control the rates the District charges for sewer connections or charges for monthly sanitary sewer services.
- 11. The City began accepting the District's sanitary sewer effluent in or about December, 2002 in compliance with the City's obligations under the MOU. The City has continued to accept the District's sanitary sewer effluent since and continues to do so today.
- 12. In or about October 2019, the District ceased paying the City the Sewer Treatment Fee. Indeed, the District has not paid the City anything since October 2019. Despite the District's {CW133309.1}

failure to remit payment to the City, the City has continued and continues to accept and treat the District's sanitary sewer effluent.

- 13. The City is informed and believes that the District is continuing to collect money from its ratepayers, namely, property owners, residents, and businesses located within the District, for sanitary sewer connections and services. The City continues to receive up to 750,000 gpd of sanitary sewer effluent from the District, which is generated by the District's ratepayers. Despite collecting this money from District ratepayers, the District has failed to make any payment to the City, the entity who is actually providing the services for which the District ratepayers are paying.
- 14. The City is informed and believes an thereon alleges that if the City did not continue to accept 750,000 gpd of the District's sanitary sewer effluent that the District would have no alternate way to treat this effluent.
- 15. The City is informed and believes and based thereon alleges that, beginning in or about October 2019, and continuing to the present, the District has been improperly diverting monies it receives from its ratepayers for sanitary sewer services the City is providing.
- 16. To the extent the District has collected any money for sanitary sewer effluent treatment services that were performed by the City, the District now holds those funds in trust for the benefit of the City.
- 17. To the extent the District's ratepayers have not paid the District for sanitary sewer connections or treatment services, that money, if collected, must be paid directly to the City in the amount established by the MOU.
- 18. Through March 2023, using historical data to estimate the number of sewer connections within the District, the City estimates the District owes the City \$1,942,477.74 for accepting and treating sanitary sewer effluent generated by the District's property owners, residents, and businesses.

#### FIRST CAUSE OF ACTION

For Breach of Contract (Against the District)

19. Plaintiff realleges and fully incorporates by reference herein each previously pled paragraph in this complaint.

{CW133309.1}

- 20. Beginning in or about December 2002 and continuing until the present day, the City has accepted and treated 750,000 gpd of sanitary sewer effluent generated by the District's ratepayers, including property owners, residents and businesses, as required by the MOU. Pursuant to the terms of the MOU, the District agreed to pay the City the Sewer Treatment Fee for these services.
- 21. All conditions precedent to the relief the City seeks by way of this complaint have been performed and/or excused.
- 22. The District has breached the terms of the MOU by failing and refusing to pay the City as required by the MOU. Indeed, the District has failed to pay the City any amount since October 2019, even though the City is informed and believes that the District has been collecting fees for sewer connections and treatment services from District ratepayers, property owners, residences, and businesses.
- 23. The City has demanded that the District comply with the terms of the MOU and pay the City the money it owes, but the District continues to fail and refuses to pay this amount (or any amount at all).
- 24. The City estimates that the total amount the District owes the City as of March 2023 is \$1,942,477.74, plus interest at the legal rate of ten percent (10%) per annum. Interest on the unpaid sum will continue to accrue until the City is paid in full.
- 25. Under the terms of the MOU, the City is entitled to its reasonable attorneys fees in collecting the amount due. The City has incurred such fees and will continue to incur such fees in an amount to be proved at trial.

#### SECOND CAUSE OF ACTION

For Declaratory Relief (Against the District)

- 26. Plaintiff realleges and fully incorporates by reference herein each previously-pled paragraph in this complaint.
- 27. The City is informed and believes and based thereon alleges that it is the beneficiary of a trust created between the District and its sanitary sewer customers pursuant to which the District agreed to hold in trust an amount of the fees the District collected from its sanitary sewer customers {CW133309.1}

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sufficient to pay the City the contracted-for amount as set forth in the MOU.

- 28. An actual controversy has arisen and now exists between the City and the District concerning their respective rights and duties in the money the District collects from its sanitary sewer customers in that the City contends it is entitled to receive all or a portion of these moneys sufficient to pay the City the contracted-for amount as set forth in the MOU; whereas the District disputes this contention and asserts, on information and belief, that the money the District is receiving from its ratepayers for sewer services belongs to the District and can be used for any purpose.
- 29. The City desires a judicial determination of its rights and duties and a declaration that the money the District collects from its ratepayers for wastewater treatment services belongs and should be paid directly to the City.
- 30. A judicial declaration is necessary and appropriate at this time under the circumstances in order that the City and the District may ascertain their respective rights and duties with respect to each other and with respect to the monies the District is collecting from its ratepayers for sanitary sewer treatment services.

#### PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment against Defendants, and each of them, as follows:

- 1. For damages in an amount equal to sum the District owes the City pursuant to the terms of the MOU in an amount to be proved at trial but which, as of March 2023, is estimated to be in excess of \$1,900,000;
- 2. For prejudgment interest at the legal rate of ten percent (10%) per annum;
- 3. For post-judgment interest at the legal rate of ten percent (10%) per annum;
- 4. For an order declaring that Defendants are now and at all times herein mentioned have been holding the money the District collects from its ratepayers for sanitary sewer treatment services that the City is providing for the benefit of the City and that such monies do not belong to Defendants or any of them and that Defendants are holding such money in trust for the City;

- 5. For a temporary restraining order prohibiting Defendants from diverting to any third party or using any of the money the District collects from its ratepayers for sanitary sewer treatment services being provided by the City;
- 6. For a preliminary injunction ordering Defendants to pay the money they collect from District ratepayers for sanitary sewer treatment services to the City up to the amount of the Sewer Treatment Fees owing as of the date of this complaint and accruing thereafter;
- 7. For a permanent injunction ordering Defendants to pay the money they collect from District ratepayers for sanitary sewer treatment services to the City up to the amount of the Sewer Treatment Fees owing as of the date of this complaint and accruing thereafter;
- 8. For reasonable attorneys fees;
- 9. For costs of suit incurred herein; and
- 10. For such other and further relief as the court may deem just and proper.

DATED: October 6, 2023 WHITE BRENNER LLP

Angela Schrimp de la Vergne

Augela S. dela Vergou

Maria Fatima Gioletti Christina M. Pritchard Attorneys for Plaintiff

City of Patterson

# Exhibit A



## MEMORANDUM OF UNDERSTANDING BETWEEN

#### CITY OF PATTERSON AND WESTERN HILLS WATER DISTRICT

This MEMORANDUM OF UNDERSTANDING ("MOU") is executed this 17 day of December , 2002, by and between the City of Patterson ("City") and Western Hills Water District ("District") for the purpose of setting forth the general terms and conditions of understanding between the parties respecting District's use of City's sanitary sewer collection and treatment system.

#### Recitals:

WHEREAS, City is a municipal corporation located within the County of Stanislaus, State of California, which operates a sanitary sewer collection system including pipelines, pumps and manholes ("Collection System"), a treatment plant and evaporation ponds (the "Plant") (collectively, the "Sewer Facilities") which serve the City of Patterson pursuant to a permit issued by the Regional Water Quality Control Board ("RWQCB"); and

WHEREAS, there is excess capacity in the Collection System and the Plant which is not needed to serve land located within the existing city limits of the City; and

WHEREAS, City is currently processing an annexation project known as "Patterson Gardens" involving land west of the current city limits; and

WHEREAS, the County of Stanislaus ("County") is currently processing an application for development of a business park ("West Patterson Business Park") between Baldwin Road and Interstate 5 proposed to be served by the Sewer Facilities; and

WHEREAS, Pursuant to the California Environmental Quality Act ("CEQA") the City is already engaged in environmental review, planning and engineering efforts for a sewer plant expansion and collection system upgrade in connection with both proposed development of Patterson Gardens and West Patterson Business Park in West Patterson (the "West Patterson EIR") and for the City as a whole (the "Expansion EIR"). Environmental documents under preparation will address this expansion and upgrade. The City and District desire to evaluate the City accepting District effluent in its expanded system. This evaluation will include collaboration on environmental review, project planning and project engineering. This MOU (1) provides for collaboration and cost sharing with respect to environmental review, project planning, engineering, and (2) sets forth the staging of and terms and conditions for the District's use of the City sewer facilities, if after appropriate environmental review, the District and City determine that the City will accept District effluent; and

WHEREAS, District, which is located in the Diablo foothill mountain range approximately 7 miles from the City of Patterson, is a water district formed and operating under the laws of the State of California and is authorized by law to provide sewer and water services to existing and planned municipal uses located within the District in a project known as "Diablo Grande" which consists of an approved development plan (the "Approved Plan") for 2000 residential dwelling units, two golf courses, a hotel/ business conference center, a business and town center, winery and health spa on real property owned by Diablo Grande Limited Partnership, a California limited partnership ("DGLP"); and

WHEREAS, the RWQCB has issued District a permit to construct and operate a sanitary sewer treatment plant and associated ponds within the District boundaries, and District has commenced construction of the permitted treatment facility; and

WHEREAS, City has determined it is in the best interest of City, and District has determined it is in the best interest of the District, for District to use the City Sewer Facilities to treat up to 750,000 gallons per day (gpd) of District's effluent under the terms and conditions of this MOU;

NOW, THEREFORE, City and District agree as follows:

#### Terms:

#### ARTICLE 1.

#### CITY TREATMENT OF DISTRICT EFFLUENT

- 1.01. City Treatment. City agrees to treat up to 750,000 gpd, which is sufficient to accommodate all development within the Approved Plan other than the proposed winery, of District's sanitary sewer effluent under all of the terms and conditions of this MOU. City does not agree to treat any "wet" industry effluent from the District. "Wet" industry shall mean any industry whose BOD level in its effluent exceeds the rate of 350 Mg/L of B.O.D. This number should not be exceeded more than 7 days in a 30-day period. Moreover, District agrees to adopt an ordinance substantially the same as City's wastewater ordinance.
- 1.02. District to Provide Public Services to District Ratepayers. District shall continue to provide sanitary sewer services to all ratepayers and property owners located within the District. City shall not provide sanitary sewer services, or any other public services, to District nor to any ratepayers, property owners, residents or businesses located within the District. District shall be solely responsible for construction, operation, maintenance, repair and replacement of all sanitary sewer *facilities* within the District, and shall be solely responsible for all sanitary sewer *connections* within the District. District shall have the exclusive authority, as between City and District, to determine whether effluent will be treated by the City under the terms and conditions of this MOU, at on-site sanitary sewer facilities located within the District, or otherwise.

City shall have no right, power or authority to assess, bill, lien or otherwise charge District's ratepayers at any time for any purpose. City shall have no control over the services provided by District to its ratepayers, the rates charged by District for sewer

connections, rates and charges for monthly sanitary sewer services, or assessments imposed on ratepayers or property owners for the construction of sewer facilities.

1.03. District's Periodic Payment to City. District shall make periodic payments to City to compensate City for its costs to operate, maintain, repair and replace the Sewer Facilities used by District under the terms and conditions of this Agreement.

Although City will not be providing sanitary sewer service to District raterayers, the District's periodic calculation of the amount of the payments made by the District to City will be based on a multiple of the per unit sewer rate charged by City to its raterayers so that City raterayers will be assured District raterayers will pay at least their fair share of ongoing operation, maintenance, repair and replacement of the Sewer Facilities.

Therefore, within ten (10) days following the last day of each calendar quarter, District shall send City a statement setting forth the number of municipal connections within the District whose effluent the District delivers to City for treatment, including the date each connection was established, together with a check in an amount equal to 150% of the rate City would have charged each such connection during that quarter if those connections were located within the City.

#### ARTICLE 2.

## FACILITIES REQUIRED TO TREAT DISTRICT'S INITIAL 180,000 GPD OF DISTRICT EFFLUENT AT THE PLANT

2.01. **District to Construct District Connection.** The District will need to construct a sanitary sewer line (the "District Connection") from the District to the City's Collection System at the intersection of Sperry Road and American Eagle before any effluent can be delivered from District to City. The District Connection will not be phased in size or reach, but will be constructed adequate in size to accommodate up to 750,000 gpd from a location within District

to be determined by District. The District Connection shall be owned, operated, maintained, repaired and replaced by the District.

- 2.02. Collection System: Intial 85,000 GPD. City does not have adequate capacity in the Collection System to deliver the District's more than 85,000 gallons per day (gpd) of District effluent to the Plant because (i) there is currently no sanitary sewer pipeline running east on Sperry Road to Ward Avenue, (ii) there is no sanitary sewer pipeline in Ward Avenue running north from Sperry Road to the existing sanitary sewer pipeline in "M" Street, and (iii) the existing "M" Street pipeline to the existing Walnut Street line and the existing Walnut Street line to the Plant are not adequate to accommodate the District's more than 85,000 gpd of effluent from the District. Since the City currently has the capacity in its Collection System and the Plant to accommodate up to 85,000 gpd of the District's effluent, the City will accept up to 85,000 gpd from the District upon substantial completion of the District Connection, provided the District or DGLP finance construction of the Collection System Improvements (as defined in paragraph 2.03, below) according to the City's schedule for construction of the Collection System Improvement Construction Schedule") on terms and conditions mutually acceptable to City and the financing party.
- 2.03. Collection System: Initial 180,000 GPD. The Collection System improvements (the "Collection System Improvements") required to deliver the District's 750,000 gpd plus all effluent from Patterson Gardens and West Patterson Business Park from the District Connection to the Plant are listed as items 1 through 6 and A through C in Exhibit "A" attached hereto. Since the City will have the capacity in its Collection System and at the Plant to accommodate up to 180,000 gpd of the District's effluent upon completion of the Collection System Improvements, City will accept up to 180,000 gpd of effluent from the District upon completion of the District Connection and the Collection System Improvements, provided the Collection System Improvements are financed by the District or DGLP according to the Collection System Improvements Construction Schedule on terms and conditions mutually acceptable to City and the financing party.

2.04. The Plant. City has adequate capacity at the Plant to treat the initial 180,000 gpd from the District without expansion of the Plant, and so, neither the City nor the District will be required to design or construct any improvements to the Plant to treat the initial 180,000 gpd flows from the District to which the City has committed under paragraph 2.02 and 2.03, above. The District's obligation to advance all of the costs to construct the Collection System Improvements under Section 4.04, below, entitles the District to this 180,000 gpd of capacity at the Plant without financial obligation beyond advancing the costs to construct the Collection System Improvements.

#### ARTICLE 3.

### FACILITIES REQUIRED TO TREAT 750,000 GALLONS PER DAY OF EFFLUENT FROM THE DISTRICT

- 3.01. Collection System. The Collection System will be adequate to deliver the entire 750,000 gpd of District effluent to the Plant upon completion of the Collection System Improvements. The District shall not be obligated to pay for the design or construction of any other improvements to the Collection System other than the Collection System Improvements in order to deliver 750,000 gpd of District effluent to the Plant.
- 3.02. The Plant. The treatment capacity at the Plant is not presently adequate to accommodate any portion of the District effluent beyond the initial 180,000 gpd without a 1.25 million gpd expansion (the "Plant Improvements") of the Plant. The Plant Improvements involve both enlargement of the treatment facility and the construction of new evaporation ponds. Allocation of financial responsibility between the City and the District for the design and construction of the Plant Improvements is provided for in Article 4., below.
- 3.03. City Option to Construct the Plant Improvement in Two Phases. If the Collection System Improvement design work and Plant Improvement design work are completed and the City as lead agency and the County as responsible agency have approved the final EIR for the West Patterson EIR but the City as lead agency and the District as responsible agency

have not approved a final environmental impact report for all portions of the Collection System Improvements and the Plant Improvements, City may elect to construct the Plant Improvement in two phases consisting of a 500,000 gpd phase and a 750,000 gpd phase with the 750,000 gpd phase to be constructed when the final environmental impact report for the Improvements is approved by the City and the District.

3.04. City's Right to Proceed with Plant Improvements without Providing Additional Capacity for the District. At any time after (i) the Collection System Improvement design work and Plant Improvements design work are completed, (ii) the City as lead agency and the District as responsible agency have approved the final environmental impact report for all portions of the Collection System Improvements and the Plant Improvements, and (iii) the City is financially ready to make its contributions to the costs to construct the Plant Improvements under Article 4., below, the City may request the District to demonstrate its financial readiness to make the contributions to the Plant Improvement construction District is required to make under Article 4., below. If the District declines to do so within ninety (90) days, the City shall have the right to construct the improvements at the Plant without sizing the facilities to accommodate the District's additional effluent.

#### ARTICLE 4.

## DESIGN, PERMITTING, ENVIRONMENTAL REVIEW AND PLANT CONSTRUCTION

4.01. Consultant Costs. Consultant costs for design of the Plant Improvements, preparation of the Expansion EIR, and obtaining a RWQCB permit to construct and operate the Collection System Improvements and the Plant Improvements ("Plant Improvement Design/Permitting Costs") will be shared by the City and District according to the Schedule attached hereto as Exhibit "D".

If District elects to withdraw from this MOU under Article 7., below, City shall, within sixty (60) days following District's written notice of withdrawal to City, reimburse

District (i) all funds advanced for City's share under this Section with interest at the rate of six percent (6%) per annum, plus (ii) that portion of District's share of the Plant Improvement Design/Permitting Costs representing work which will benefit the City to be reasonably determined by City's engineer within thirty (30) days following District's notice of withdrawal.

4.02. Plant Improvement Construction Costs. The costs to construct the Improvements will be shared by City and District at the ratio of their respective demands for the capacity which is as follows: District = 750,000 gpd; City = 500,000 gpd. However, the District's financial responsibility shall be reduced by \$1.00 for every \$1.00 it advances of the City's allocated responsibility to construct the Collection System Improvements as shown in the model contained in the "Wastewater Treatment Plant Formula" portion of Exhibit "A".

Exhibit "A" also sets forth a model for the City and District's relative financial responsibilities for the Collection System Improvements based upon the estimates of quantity and installed unit costs available to the parties at the time this MOU was executed. Exhibit "C" contains a worksheet based upon the Exhibit "A" model which allows the parties to determine each parties' allocated responsibility for the Collection System Improvements and Plant Improvement responsibility using actual quantity and installed unit costs for the Collection System Improvements and actual Plant Improvement costs.

#### ARTICLE 5.

#### **COUNTY ACTIONS**

5.01. The Diablo Grande Specific Plan currently does not provide for delivery of effluent from District to City for treatment, and so will need to be amended prior to delivery of effluent from District to City. City shall not be responsible for preparing or processing this amendment, but shall reasonably cooperate with District, the County and the developer in processing this amendment. The environmental documentation for the Plant Improvements and Collection System Improvements to be prepared by City as provided in Article 5., above, shall include the District Connection.

#### ARTICLE 6.

#### **ENVIRONMENTAL REVIEW**

- 6.01. **Expansion EIR.** Prior to approving or constructing the Plant Improvements, the Collection System Improvements (other than that portion of the Collection System Improvements for which the City has already approved completed environmental documentation), and/or the District Connection, City shall use its reasonable best efforts with the reasonable cooperation of District to complete and certify, as lead agency, an appropriate and legally adequate Expansion EIR for the Plant Improvements, the Collection System Improvements, the District Connection, this MOU, and all related agreements and approvals.
- 6.02. **District CEQA Compliance.** Prior to approving or constructing the Plant Improvements, the Collection System Improvements (other than that portion of the Collection System Improvements for which the City has already approved completed environmental documentation), and/or the District Connection, District shall use its reasonable best efforts with the reasonable cooperation of City to complete and adopt, as responsible agency, appropriate and legally adequate environmental documentation for the Plant Improvements, the Collection System Improvements, the District Connection, this MOU, the amendment of the Diablo Grande Specific Plan, and all related agreements and approvals.
- 6.03. No Approvals or Construction Prior to Completed Environmental Documentation. Neither the Plant Improvements, the Collection System Improvements (other than those portions as to which environmental documentation has already been completed by the City), nor the District Connection shall be constructed, nor any approvals adopted or permits issued therefore, unless and until City and District have taken all actions they are required to take under the California Environmental Quality Act as provided in Sections 6.01 and 6.02, above, including analysis of a range of reasonable alternatives.

6.04. Litigation. In the event the Expansion EIR, the RWQCB permit and/or this MOU are challenged in court, District and City agree to cooperate in the defense of any and all such challenges, including the hiring of attorneys and qualified experts.

#### ARTICLE 7.

#### DISTRICT'S WITHDRAWAL

7.01. **District's Right to Withdraw.** District shall have the right to withdraw from this MOU at any time after June 30, 2004, in the event the District is unable to deliver the initial 180,000 gpd to the City under that terms and conditions of this Agreement by that date. District shall give City written notice of its intent to withdraw and its withdrawal shall become effective immediately unless otherwise expressly stated in the written notice. In the event District elects to withdraw from this MOU, all contributions made by the District toward the Plant Improvement Design/Permitting Costs under this MOU shall be retained by City or reimbursed to District as provided in Article 4., above.

#### ARTICLE 8.

#### **GENERAL PROVISIONS**

- 8.01. Interpretation. This MOU has been executed in California and California law shall apply to this MOU. The captions of paragraphs used in this Agreement are for convenience only. The provisions hereof shall be binding upon and inure to the benefit of the successors and assigns of City and District. Any amendment or modification of this MOU must be in writing, signed by City and District. The parties agree and acknowledge that this MOU has been mutually reviewed by counsel for the two parties and that the provisions of Civil Code §1654 shall not apply to the interpretation of this MOU.
  - 8.02. Time of Essence. Time is of the essence of this MOU.

- 8.03. Attorneys' Fees. In the event any party to this MOU brings any legal or equitable proceedings for enforcement of any of the terms or conditions of this MOU, or any alleged disputes, breaches, defaults, or misrepresentations in connection with any provision of this MOU, the prevailing party in such action, or the nondismissing party where the dismissal occurs other than by reason of a settlement, shall be entitled to recover its reasonable costs and expenses, including, without limitation, reasonable attorneys' fees and costs of defense paid or incurred in good faith. The "prevailing party," for purposes of this MOU, shall be deemed to be that party who obtains substantially the result sought, whether by settlement, dismissal, or judgment or as determined by the court, arbitrator, or mediator to whom the dispute is submitted.
- 8.04. Additional Documents. From time to time, each party shall execute and deliver such instruments and documents as may be reasonably requested to carry out the purpose and intent of this MOU.
- 8.05. Assignment. This MOU, and all rights, benefits and privileges hereunder may be assigned by District with the prior written consent of City, which consent shall not unreasonably withheld or delayed; provided, however, Assignee shall be subject to all terms and conditions of this MOU.
- 8.06. **Dependency and Survival of Provisions.** The respective covenants, agreements, obligations, and undertakings of each party hereunder shall be construed as dependent upon and given in consideration of those of the other party. No waiver by either party on any provisions hereto shall be deemed a waiver of any other provision hereof or of any subsequent breach by either party of the same or any other provision.
- 8.07. Notices. All notices, approvals, consents, or other documents required or permitted under this MOU shall be in writing, and, except as otherwise provided herein, shall be effective upon personal delivery or three (3) days after deposit in the United States mail, registered or certified mail, with first-class postage fully prepaid, addresses as follows:

City:

City of Patterson

c/o George Lambert, City Manager

33 S. Del Puerto Ave. Patterson, CA 95363

With a copy to:

George G. Logan, Esq.

Attorney-at-Law 2669 Alabama Avenue

Atwater, CA 95301

District:

Western Hills Water District

c/o Keith Schneider 10001 Oak Flat Road

P.O. Box 655

Patterson, CA 95363

With a copy to:

Russell A. Newman, Esq.

RUSSELL A. NEWMAN

PROFESSIONAL LAW CORPORATION

1020 Tenth Street, Suite 310

Modesto, CA 95354

or to such other addresses as either party shall, from time to time, specify in the manner provided herein.

- 8.08. Venue. The parties agree that, in any action to interpret or enforce this Agreement, venue shall be proper in the county of Stanislaus, or any other county in which venue is proper under California law.
- 8.09. Counterparts. This MOU may be executed in one or more counterparts, each of which shall be deemed as original, but all of which together shall constitute one and the same MOU.