

**ANNEXATION AGREEMENT BETWEEN THE CITY OF LOMPOC
AND THE MISSION HILLS COMMUNITY SERVICES DISTRICT**

This Agreement is made on _____ 2000, by and between the Mission Hills Community Services District, hereinafter referred to as "DISTRICT" and the City of Lompoc, hereinafter referred to as "CITY", jointly referred to as "Parties".

RECITALS

WHEREAS, the DISTRICT is a Community Services DISTRICT which was formed in 1979 to provide essential utility services to residents and properties within its geographical boundaries; and

WHEREAS, the CITY is a general law CITY incorporated in 1888 and provides local municipal services to residents and properties within its geographical boundaries; and

WHEREAS, the purposes of this Agreement between the DISTRICT and the CITY are to:

1. Implement an understanding between the respective parties agreeing to mutually defined service areas for providing water and sewer services;
2. Prevent unnecessary duplication of services and facilities if development occurs;
3. Remove and avoid issues of potential contention between both agencies; and
4. Prevent confusion and inconvenience to landowners and residents that may occur if questions of respective service areas are not resolved; and

WHEREAS, attached hereto as Exhibit "A" and incorporated herein by this reference is a map showing a portion of DISTRICT's and CITY's respective Spheres of Influence and geographical boundaries at the time of execution of this Agreement. The triangular area within DISTRICT's Sphere of Influence bounded by Lompoc Casmalia Road to the west, Harris Grade Road to the east, and DISTRICT's Sphere of Influence boundary to the north, shall constitute the defined service area (hereinafter the "Defined Service Area"), and, exclusive of the property already within DISTRICT's geographical boundaries, is the subject of this Agreement. The Defined Service Area is also shown in Exhibit "A"; and

WHEREAS, DISTRICT has constructed infrastructure and facilities to provide sewer and water services to the Defined Service Area; and

WHEREAS, under the current Santa Barbara County zoning designation DISTRICT has the necessary capacity to provide sewer and water services to the Defined Service Area; and

WHEREAS, the CITY has been asked by the property owners to annex certain properties which are within the Defined Service Area and are currently within the DISTRICT's geographical boundaries and/or Sphere of Influence; and

WHEREAS, CITY and DISTRICT concur that the DISTRICT is the logical provider of sewer and water services to the Defined Service Area and that CITY and DISTRICT will proceed contemporaneously with the requested annexation; and

WHEREAS, by this Agreement the parties intend to set forth their respective duties, rights and obligations with regard to annexation of and services to be provided to properties within the Defined Service Area.

NOW, THEREFORE, in consideration of the mutual obligations set forth herein, the DISTRICT and CITY agree as follows:

1. Recitals Incorporated - The above recitals are true and correct and incorporated herein by this reference.
2. Application - The parties are prepared to apply contemporaneously to the Santa Barbara Local Agency Commission, (LAFCO), for annexation of the Defined Service Area into each respective party's boundaries and shall receive all necessary approvals for such annexation on terms and conditions generally acceptable to both parties which acceptance shall not be unreasonably withheld.
3. Pre-Zoning - CITY shall pre-zone the Defined Service Area primarily for residential and limited neighborhood commercial use. The CITY proposes to zone the Defined Service Area at a residential density no greater than the current Santa Barbara County zoning designation of DR-4.6.
4. Mapped Boundaries - Attached hereto and incorporated herein by reference are "Exhibit B" showing the DISTRICT's Sphere of Influence at the time of execution of this Agreement and "Exhibit C" showing the CITY's Sphere of Influence at the time of execution of this Agreement.
5. Water/Sewer Services - The DISTRICT shall have sole jurisdiction over the provision of water and sewer services to the Defined Service Area and shall be entitled to all fees and charges associated therewith, including but not limited to connection fees and charges, service fees and charges, availability fees and charges, and basic monthly water and sewer fees and charges. Notwithstanding the foregoing, the parties agree that the CITY may, in its sole discretion, require developer participation in a zero impact toilet retrofit rebate program so as to benefit present and future DISTRICT customers.

6. Other Municipal Services - Nothing in this Agreement shall limit the CITY's ability to provide for other municipal services, including but not limited to fire and police protection, street construction and maintenance, and solid waste services within the Defined Service Area.
7. District Ordinances, Resolutions, Rules and Regulations - All properties within the Defined Service Area shall be subject to applicable DISTRICT water/sewer ordinances, resolutions, rules, and regulations. The CITY shall be notified in writing in advance of any changes in applicable DISTRICT ordinances, resolutions, rules, and regulations.
8. Notification of Requests for Annexation - Either party shall promptly notify the other party whenever any property owner within the Defined Service Area requests annexation of such property.
9. Land Use Development Decisions - Nothing in this Agreement shall be deemed to imply in any respect that any particular land or lands within the CITY or the DISTRICT or their respective Spheres of Influence shall be permitted to develop to a use other than currently exists.
10. Development Approval - Water and sewer service components of development or improvement plans for all projects within the defined service area shall be submitted to the DISTRICT for review and approval prior to final approval by the CITY Planning Commission, and shall be subject to all applicable DISTRICT ordinances, rules, regulations, and resolutions.
11. Water Quality - The DISTRICT will not approve any development which has wastewater that would hinder the DISTRICT's compliance with the DISTRICT's Regional Water Quality Control Board discharge permit. The DISTRICT may at its discretion continue to enforce appropriate DISTRICT ordinances to prohibit any self-regenerating water softeners or water treatment units that discharge a brine solution into the DISTRICT's wastewater collection system. The DISTRICT shall require that appropriate wastewater discharge prohibitions are included in each development in the Defined Service Area before granting development approval.
12. Water Rights - The CITY will neither drill nor operate a water well north of the Lompoc Casmalia Road and Purisima Road, nor contract for water services with anyone other than the DISTRICT in the Defined Service Area, unless the DISTRICT approves an exception. The DISTRICT will retain all water rights and claims to water rights within its Sphere of Influence.

13. Indemnity - The CITY agrees that it shall indemnify, defend, protect and hold the DISTRICT, its employees, agents, officers, and directors harmless from and against any claims, actions, suits, proceedings, judgments, losses, costs, liabilities (including, without limitation, sums paid in settlement of claims), deficiencies, fines, penalties, or expenses (including, without limitation, reasonable attorneys', experts' and consultants' fees, investigation and laboratory fees, court costs and litigation expenses) caused by acts or omissions of the CITY arising out of its obligations under this Agreement, and all services provided by CITY to the Defined Service Area, and/or the negligence or willful misconduct of CITY, its employees, agents, and officers.

DISTRICT agrees that it shall indemnify, defend, protect and hold the CITY, its employees, agents, officers, and officials harmless from and against any claims, actions, suits, proceedings, judgments, losses, costs, liabilities (including, without limitation, sums paid in settlement of claims), deficiencies, fines, penalties, or expenses (including, without limitation, reasonable attorneys', experts' and consultants' fees, investigation and laboratory fees, court costs and litigation expenses) caused by acts or omissions of the DISTRICT arising out of its obligations under this Agreement, any and all services provided by DISTRICT to the Defined Service Area, and/or the negligence or willful misconduct of DISTRICT, its employees, agents, and officers.

14. No Merger Contemplated - This Agreement is not intended and should not be construed to be an initial step toward a merger or consolidation of CITY and DISTRICT.
15. No Waiver Implied - The waiver of any breach by either party of any provision of the Agreement shall not constitute a continuing waiver or a waiver of any subsequent breach of this Agreement.
16. Assignment Prohibited - This Agreement is specifically not assignable to any person or entity. Any assignment or attempt to assign is void and is a material breach of this Agreement unless agreed to in writing by both parties.
17. Binding on Successors - This Agreement shall be binding on and shall inure to the benefit of the heirs, executors, administrators, and successors in interest of the parties hereto, but nothing in this section shall be construed as a consent to any assignment of this Agreement or assignment of any interest in this Agreement.
18. Attorneys' Fees - In the event of any controversy, claim, or dispute between the parties hereto arising out of or relating to this Agreement or the breach thereof, the prevailing party shall be entitled, in addition to other such relief as may be granted, to a reasonable sum as and for attorneys' fees and costs.

19. Notices - Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this Agreement or by law to be served on or given to either party to this Agreement shall be in writing and shall be deemed fully served and given when personally delivered or, in lieu of such personal service, when deposited in the United States Postal Service, first-class postage prepaid, to the following address for each respective party:

DISTRICT: Mission Hills Community Services District
 Attn: DISTRICT Manager
 1550 East Burton Mesa Boulevard
 Lompoc, CA 93436

CITY: City of Lompoc
 Attention: City Administrator
 100 Civic Center Plaza
 Lompoc, CA 93436

20. Severability - Should any provision of this Agreement be held by a court of competent jurisdiction or by a legislative or rule making act to be either invalid, void or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect, unimpaired by the holding, legislation or rule.
21. Sole Agreement - This Agreement constitutes the sole and entire agreement between the parties with respect to the subject matter hereof. This Agreement correctly sets forth the obligations of the parties hereto to each other as of the date of this Agreement. All agreements or representations respecting the subject matter of this Agreement not expressly set forth or referred to in this Agreement are null and void.
22. Time of Essence - Time is expressly declared to be of the essence in this Agreement. The parties agree that in the event that California statutes conflict with this Agreement, the statutes shall prevail over the provisions of the Agreement.
23. Authority - The parties hereby represent that the individuals executing this Agreement are expressly authorized to do so on and in behalf of the parties.
24. Legal Review - The parties agree that each has had an opportunity to have their counsel review this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement or any amendments or exhibits thereto. The captions of the sections are for convenience and reference only, and are not intended to be construed to define or limit the provisions to which they relate.
25. Notification - Amendments to this Agreement shall be in writing and shall be made

- 25. Notification - Amendments to this Agreement shall be in writing and shall be made only with the mutual written consent of all of the parties to this Agreement.
- 26. Copy to LAFCO - A copy of this executed Agreement shall be sent to the Santa Barbara Local Agency Formation Commission.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

CITY OF LOMPOC, a California Municipal Corporation

By: [Signature]
Mayor

Date: 5/16/00

ATTEST [Signature]
City Clerk

APPROVED AS TO FORM

By: [Signature]
City Attorney

MISSION HILLS COMMUNITY SERVICES DISTRICT,
a California Community Services DISTRICT

By: [Signature]
President, Board of Directors

Date: 5-18-00

ATTEST [Signature]
Secretary of the Board

APPROVED AS TO FORM

By: [Signature]
District Counsel

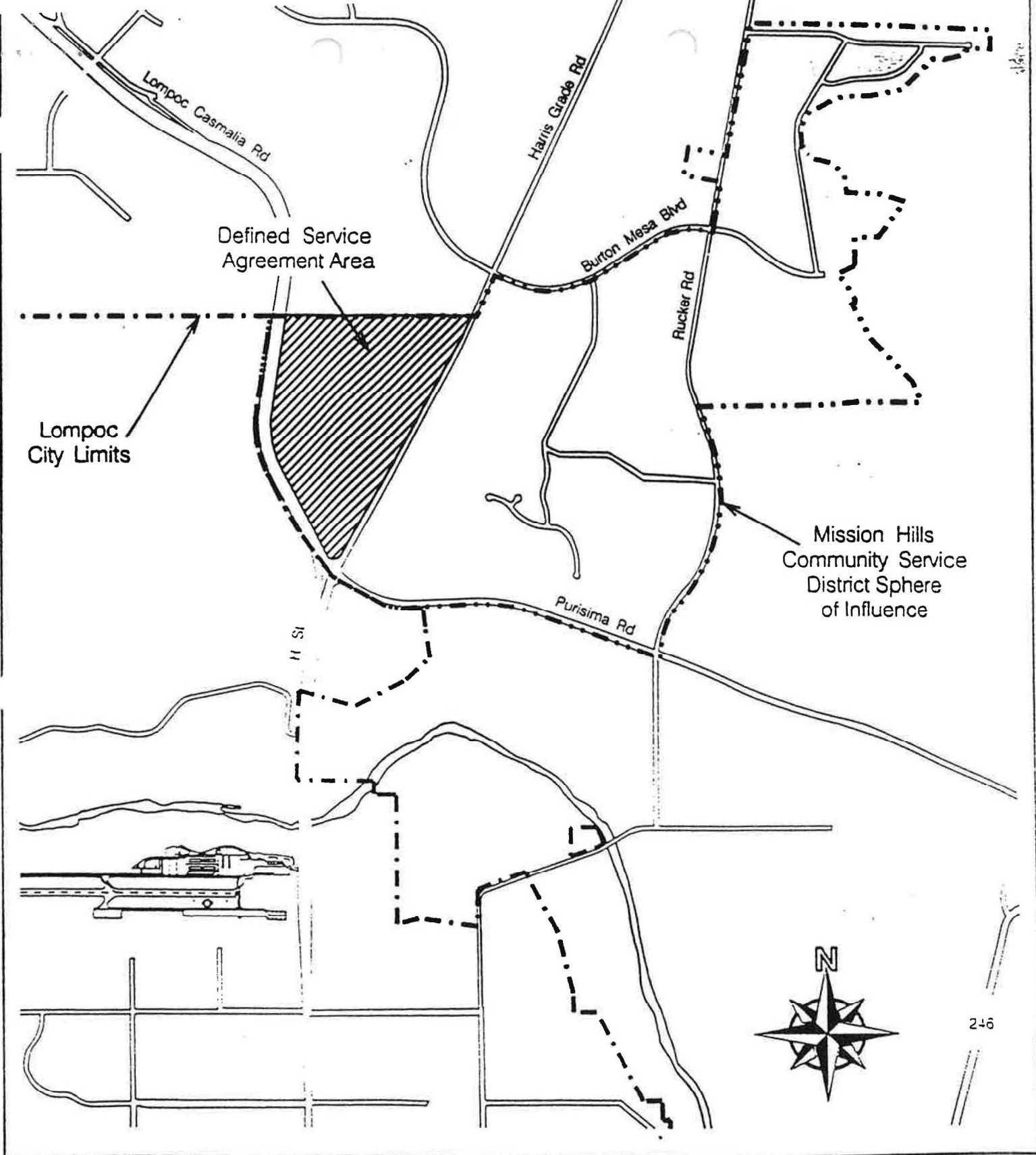
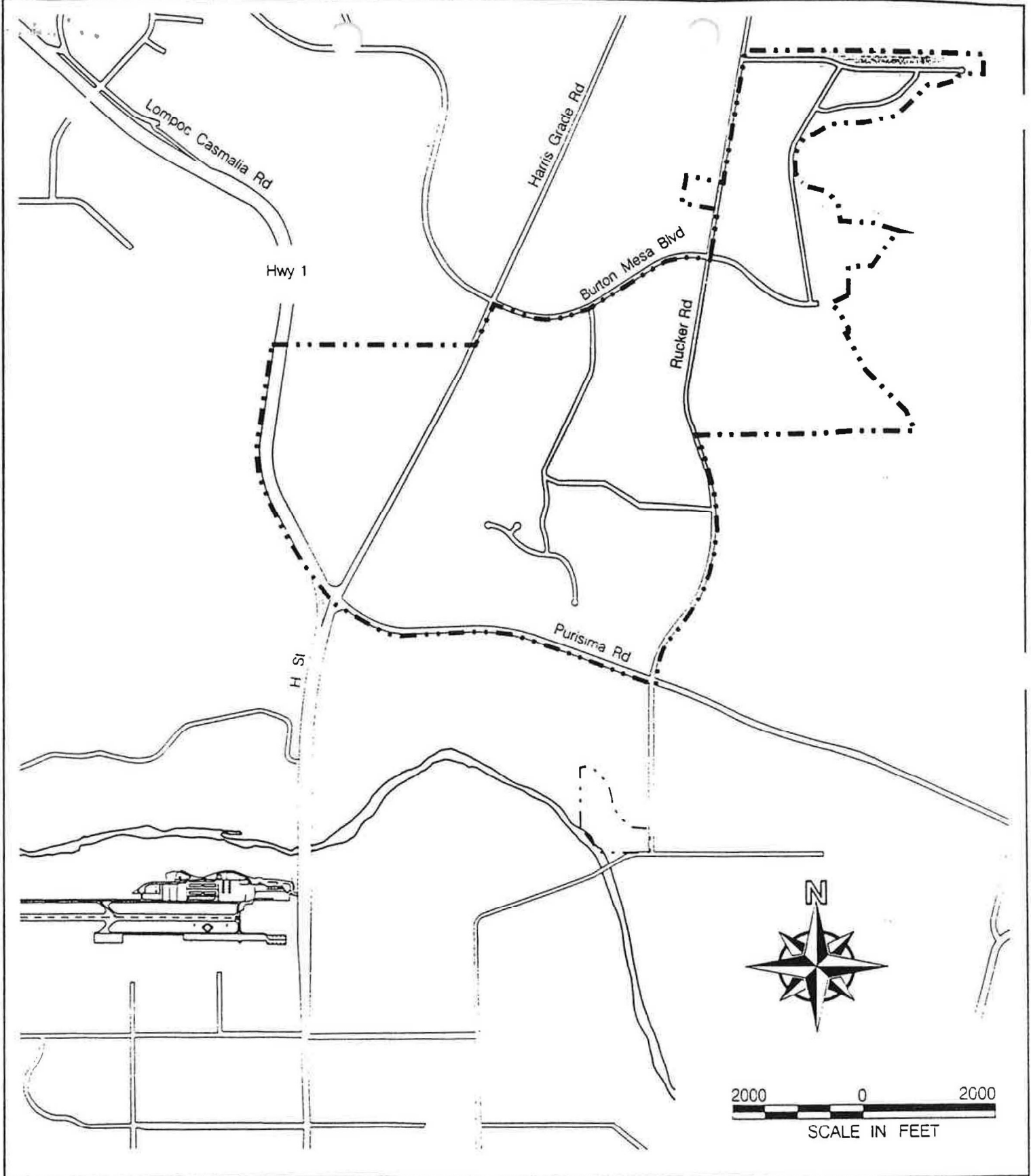


Exhibit A

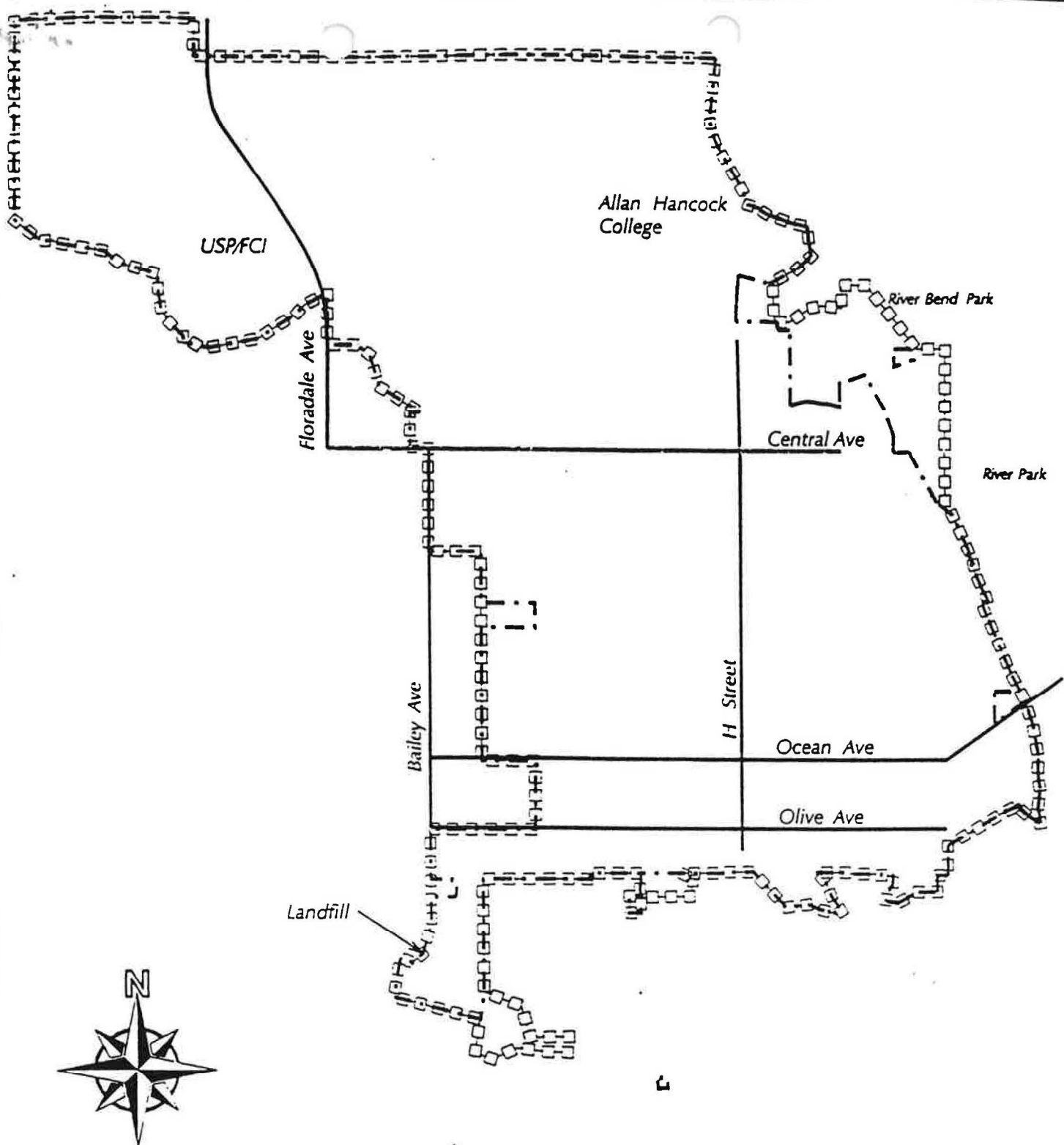




Mission Hills
Community Services District

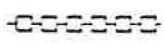

- District Boundary
- · - · - District Sphere of Influence

Exhibit B



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City of Lompoc
 Sphere of Influence
 Adopted February 4, 1999
Exhibit C

-  Sphere of Influence
-  City Limits