

COUNTY OF SACRAMENTO
CALIFORNIA

APPROVED
BY RESOLUTION # 2010-0366
BOARD OF SUPERVISORS

MAY 18 2010

By *Cyndi Lee*
Clerk of the Board

APPROVED
BOARD OF DIRECTORS

By Reso No: WA-2768

MAY 18 2010

By *Cyndi Lee*
Clerk of the Board

For the Agenda of:
May 18, 2010

To: Board of Supervisors
Board of Directors, Sacramento County Water Agency

From: Department of Water Resources

Subject: Agreement Between Sacramento County, Sacramento County Water Agency,
And Aerojet-General Corporation With Respect To Transfer Of GET Water To
SCWA; Environmental Documentation: General Rule Exemption (Control
No. 2010-70049)

Supervisory District: All

Contact: Keith DeVore, Director Department of Water Resources, 874-6851

Overview

The County has been in negotiations with Aerojet-General (Aerojet) since 2002 to seek a resolution to the groundwater contamination problems in the Rancho Cordova area caused by Aerojet's activities. Although the greater solution is still being negotiated with the impacted parties, Sacramento County Water Agency (SCWA) proposes to enter into an agreement with Aerojet to accept 8,900 acre-feet annually (afa) of Groundwater Extraction Treatment (GET) water, which will provide a water source for new development in Rio Del Oro, allowing this project to move forward with its National Environmental Policy Act/ California Environmental Quality Act process and receive Tier 1 Entitlements (as defined in the agreement) from the City of Rancho Cordova.

Recommendation

1. Recognize the exempt status of the project pursuant to General Rule section 15061(b)(3) of the California Environmental Quality Act (CEQA) guidelines.
2. Approve the attached resolutions authorizing the Chair of the Board of Supervisors and the Chair of the SCWA Board of Directors to execute the agreement between Sacramento County, SCWA, and Aerojet transferring 8,900 afa of GET water to SCWA.

Measures/Evaluation

Not applicable to this agenda item.

Fiscal Impact

This agreement will not have any direct fiscal impact to the County or to SCWA.

BACKGROUND

The Rancho Cordova area has suffered for a number of years from a significant groundwater contamination problem resulting from both Air Force operations at the former Mather Air Force Base and defense-related activities by Aerojet. Sacramento County and SCWA have been impacted by this contamination through closures of existing wells and the inability to construct new wells to serve development in this area. After years of unsuccessful negotiations and failed agreements, in 2009 the County filed a lawsuit against Aerojet to seek remedy for the damages caused by its activities. As the lawsuit moves forward, the County continues to work with Aerojet to resolve the issues identified and to find an appropriate way to mitigate for the County's losses resulting from the contamination.

DISCUSSION

Aerojet, in a limited partnership with Elliott Homes, is working with Rancho Cordova on the Rio Del Oro development. The Environmental Impact Report (EIR) for this project must show that a water source is available, and since the majority of the project is outside of the SCWA Zone 40 Water Supply Master Plan 2030 study area boundary, the EIR cannot rely on the sources identified for use within this area. In an effort to assist Aerojet and Elliott Homes in moving Rio Del Oro forward, SCWA is proposing to receive 8,900 afa of GET water from Aerojet and to use this water to satisfy Rio Del Oro development needs. This water will initially be delivered to the American River, and SCWA will utilize the Freeport Regional Water Authority pipeline to deliver the water to the Vineyard Surface Water Treatment Plant for treatment and distribution. The ability to point to this water as a source in the Rio Del Oro EIR will allow the City of Rancho Cordova to move the project forward and grant Tier I Entitlements as defined in the attached agreement.

The 8,900 afa of GET water that SCWA is proposing to receive from Aerojet does not represent the final resolution of the Aerojet lawsuit. This agreement represents only a portion of the greater solution, and SCWA will continue to negotiate with Aerojet and other impacted parties to best utilize the water generated by Aerojet's GET facilities and to reach a settlement over the broader legal issues.

The attached agreement has been prepared by County Counsel. Staff recommends that the Boards recognize the attached CEQA General Rule Exemption (Control No. 2010-70049) and approve the attached resolutions authorizing the Chair of the Board of Supervisors and the Chair of the SCWA Board of Directors to execute this agreement.

FINANCIAL ANALYSIS

This agreement will not have any direct fiscal impact to the County or SCWA.

Respectfully submitted,

APPROVED:
STEVEN C. SZALAY
Interim County Executive

KEITH DEVORE, Director
Department of Water Resources

By: _____
PAUL J. HAHN, Administrator
Municipal Services Agency

Attachment: Resolution (County)
Resolution (SCWA)
Sacramento County/SCWA/Aerojet Agreement
Map – Rio Del Oro Project Boundary and Surrounding Areas
Notice of Exemption (Control No. 2010-70049)

cc: Herb Niederberger, Kerry Schmitz, Darrell Eck – DWR
John Whisenhunt
Stuart Somach

COUNTY OF SACRAMENTO

RESOLUTION NO. 2010-0366

RESOLUTION AUTHORIZING THE CHAIR OF THE BOARD OF SUPERVISORS TO APPROVE THE AGREEMENT BETWEEN SACRAMENTO COUNTY, SACRAMENTO WATER AGENCY AND AEROJET-GENERAL CORPORATION WITH RESPECT TO TRANSFER OF GET WATER

BE IT RESOLVED AND ORDERED that the Chair of the Board of Supervisors be and is hereby authorized and directed to execute the Agreement Between Sacramento County, Sacramento County Water Agency and Aerojet-General Corporation with Respect to Transfer of GET Water in the form hereto attached, on behalf of the COUNTY OF SACRAMENTO, with Aerojet-General Corporation and to do and perform everything necessary to carry out the purpose of this Resolution.

ON A MOTION by Supervisor Yee, and seconded by Supervisor Peters, the foregoing resolution was passed and adopted by the Board of Supervisors, State of California, this 18th day of May, 2010, by the following vote, to wit:

AYES:	Supervisors,	MacGlashan, Nottoli, Yee, Peters, Dickinson
NOES:	Supervisors,	None
ABSENT:	Supervisors,	None
ABSTAIN:	Supervisors,	None



Roger Dickinson

Chair of the Board of Supervisors
Sacramento County, California

In accordance with Section 25103 of the Government Code of the State of California a copy of the document has been delivered to the Chairman of the Board of Supervisors, County of Sacramento on 5/18/10

By [Signature]
Deputy Clerk, Board of Supervisors

FILED
BOARD OF SUPERVISORS

MAY 18 2010
BY [Signature]
CLERK OF THE BOARD

ATTEST: [Signature]
Deputy Clerk, Board of Supervisors

SACRAMENTO COUNTY WATER AGENCY

RESOLUTION NO. WA-2768

RESOLUTION AUTHORIZING THE CHAIR OF THE BOARD OF DIRECTORS TO APPROVE THE AGREEMENT BETWEEN SACRAMENTO COUNTY, SACRAMENTO WATER AGENCY AND AEROJET-GENERAL CORPORATION WITH RESPECT TO TRANSFER OF GET WATER

BE IT RESOLVED AND ORDERED that the Chair of the Board of Directors be and is hereby authorized and directed to execute the Agreement Between Sacramento County, Sacramento County Water Agency and Aerojet-General Corporation with Respect to Transfer of GET Water in the form hereto attached, on behalf of the SACRAMENTO COUNTY WATER AGENCY, a statutorily created district operating under the authority of and pursuant to the provisions of the Sacramento County Water Agency Act (California Water Code-Appendix, chapter 66, commencing at section 66-1 et seq.), with Aerojet-General Corporation and to do and perform everything necessary to carry out the purpose of this Resolution.

ON A MOTION by Director Yee, and seconded by Director Peters, the foregoing resolution was passed and adopted by the Board of Directors of Sacramento County Water Agency, State of California, this 18th day of May, 2010, by the following vote, to wit:

- AYES: Directors, MacGlashan, Nottoli, Yee, Peters, Dickinson
- NOES: Directors, None
- ABSENT: Directors, None
- ABSTAIN: Directors, None



Robert Dickinson
Chair of the Board of Directors of the Sacramento County Water Agency, California

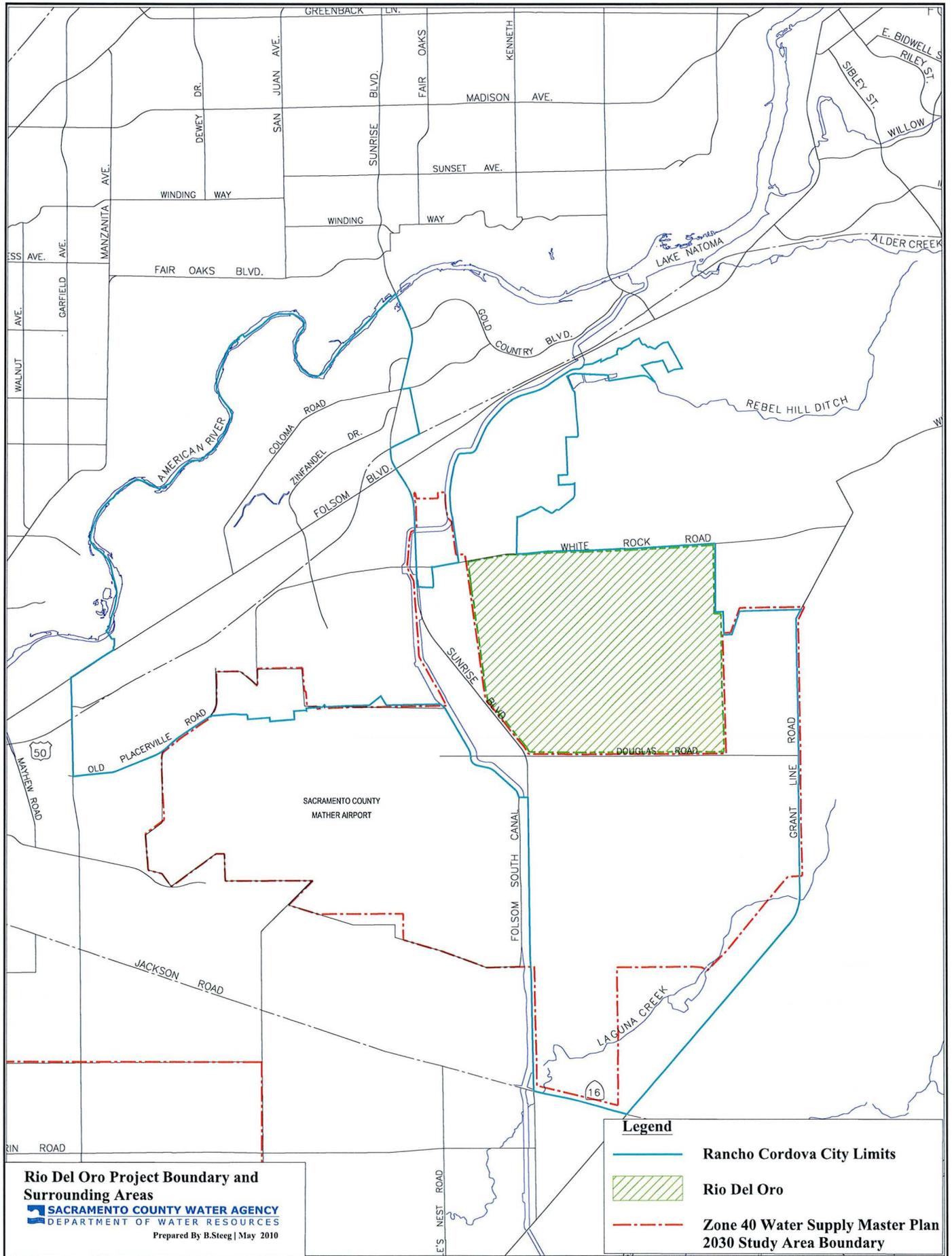
In accordance with Section 25103 of the Government Code of the State of California a copy of the document has been delivered to the Chairman on 5/18/10

By V. Rodgers
Deputy Clerk, Board of Directors

FILED
BOARD OF DIRECTORS

MAY 18 2010
By Cyndi Lee
Clerk of the Board

ATTEST: Celia Coronado
Deputy Clerk of the Board of Supervisors of Sacramento County, California, and Ex officio Secretary of the Board of Directors of the Sacramento County Water Agency



**AGREEMENT BETWEEN SACRAMENTO COUNTY, THE SACRAMENTO COUNTY
WATER AGENCY AND AEROJET-GENERAL CORPORATION WITH RESPECT TO
TRANSFER OF GET WATER**

This agreement (“Agreement”) is entered into by and between County of Sacramento, the Sacramento County Water Agency and Aerojet-General Corporation as of the Effective Date. Defined terms are set forth in **Article 1** of this Agreement.

RECITALS

A. WHEREAS, Aerojet and Boeing/McDonnell Douglas have been ordered by certain government regulatory agencies to remediate the contaminated groundwater in the Eastern Portion of Sacramento County that such agencies contend was caused or contributed to by Aerojet and/or MDC and to provide replacement and contingency water to address water supplies that have been or may become affected by this groundwater contamination.

B. WHEREAS, Sacramento maintains that groundwater contamination within the Eastern Portion of Sacramento County has resulted in damage to public water systems, including the closure of water supply wells owned and operated by SCWA and other water purveyors within the Eastern Portion of Sacramento County.

C. WHEREAS, the groundwater remediation activities conducted by Aerojet and Boeing/McDonnell Douglas include or will include the extraction and treatment of the contaminated groundwater and subsequent discharge of the treated water into surface water streams, including, but not limited to, the American River or waters tributary to the American River.

D. WHEREAS, Sacramento contends that the groundwater contamination and the extraction and treatment of the contaminated groundwater and the discharge of that water to surface waters has caused or will cause significant damages for water purveyors, including SCWA, such that the ability of the water purveyors to rely upon groundwater as a source of their water supplies will be impaired.

E. WHEREAS, this Agreement does not resolve Sacramento’s claims, which are preserved as are all defenses to such claims.

F. WHEREAS, the City will consider the approval of “Tier 1 Entitlements” for the Rio Del Oro project (as that term is defined in this Agreement which includes, but is not limited to, certification of the Environmental Impact Report portion of the Rio Del Oro Specific Plan Environmental Impact Statement/Environmental Impact Report (“EIS/EIR”) for the Rio Del Oro project) in order to establish certain initial, mutual obligations between the City, Aerojet, and Elliott Homes, with such approval providing no actual development rights pending approval of additional infrastructure phasing and financing plans and related additional environmental review as part of “Tier 2 Entitlements” (as that term is defined in this Agreement).

G. WHEREAS, SCWA submitted a letter to the City of Rancho Cordova Planning Department on or about July 3, 2008, to comment on water supply alternatives identified in the re-circulated Rio Del Oro Specific Plan Project EIS/EIR. The SCWA Comment Letter identified

certain conditions of approval that, in SCWA's judgment, should be included on any and all development entitlements necessary for any portion of Rio Del Oro. Among other things, SCWA proposed that "[s]ubdivision maps, including large lot maps and parcel maps, shall not be recorded until SCWA has executed a remediated water supply agreement with the Aerojet General Corporation." Although Aerojet and Elliott have disagreed with SCWA's request that the City impose such a condition on the Rio Del Oro project, this Agreement, which provides for the transfer of GET Water from Aerojet to SCWA, is nevertheless intended to meet and fully satisfy the stated proposal for a "remediated water supply agreement with the Aerojet General Corporation."

AGREEMENT

NOW, THEREFORE, in consideration of their mutual covenants contained herein, the Parties agree as follows:

ARTICLE 1 -- Definitions

"Aerojet" means Aerojet-General Corporation, an Ohio corporation.

"Aerojet Lands" means land described in Exhibit I-1 through I-4 of the Partial Consent Decree as entered on June 23, 1989.

"Affiliate(s)" means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person. As used herein, the term "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities or other interests, by contract or otherwise.

"AFY" means acre feet per year.

"AKT Facilities" means the "extraction/treatment facilities other than GET B associated with the Grant Line property (which property is located to the south of White Rock Road on both sides of Grant Line Road)."

"Boeing/McDonnell Douglas" or **"MDC"** means The Boeing Company and McDonnell Douglas Corporation.

"CEQA" means the California Environmental Quality Act.

"City" means the City of Rancho Cordova.

"County" means the County of Sacramento.

"Effective Date" means the date on which the last signature is placed on this Agreement.

"Environmental Requirements" means all current and future obligations to remediate groundwater imposed on Aerojet, individually or in conjunction with Boeing/McDonnell

Douglas, by any government regulatory agency exercising jurisdiction over the contamination at or emanating from or that has emanated from Aerojet Lands and the remedial actions of Aerojet, individually or in conjunction with McDonnell Douglas, relating thereto, including but not limited to: (a) the Partial Consent Decree; the EPA Unilateral Administrative Order 2002-13 (dated August 2002), and any modifications thereto; (b) the DTSC Imminent and/or Substantial Determination and Consent Order (dated June 30, 1994), and any modifications thereto; (c) the Regional Board Cleanup & Abatement Orders 97-093 (dated June 1997) and R5-2002-0723 (dated September 2002), and any modifications thereto; and (d) any enforceable order, judgment, permit or authorization from any other applicable government entity imposed on Aerojet applicable to the Aerojet Lands, individually or in conjunction with Boeing/McDonnell Douglas.

“**EIS/EIR**” means the Rio Del Oro Specific Plan Project EIS/EIR prepared under the authority of the City of Rancho Cordova in connection with the Rio Del Oro project.

“**EPA**” means the United States Environmental Protection Agency.

“**GET Transferred Water Facilities**” means such of the groundwater extraction and treatment facilities known as GETs currently operating under Environmental Requirements, modifications to such facilities or replacement or relocation of any portion thereof that Aerojet has been, or in the future is, required to construct and operate to comply with Environmental Requirements for regional groundwater remediation and discharge to the American River, except not any facility where MDC is also required by Environmental Requirements to operate unless consented to by MDC.

“**GET Transferred Water**” means 8,900 AFY of groundwater at the GET Water Point of Delivery that is extracted from GET Transferred Water Facilities and discharged to the American River. GET Transferred Water does not include (i) any water extracted to the north of the American River that Aerojet is obligated as of the Effective Date to transfer to water entities north of the American River; (ii) any water extracted from GETs A/B and AKT Facilities; or (iii) any future shallow groundwater extraction at or near source areas of contamination principally for source area remediation (which means cleanup activities on or within one thousand feet of any location where soils above the water table contain hazardous substances of such character or quantity as to warrant evaluation in a remedial investigation, including extensive technical studies to investigate the scope of contamination).

“**GET Water Point of Delivery**” means the point that the GET Transferred Water is delivered by Aerojet to Sacramento pursuant to **Section 2.3**.

“**GPM**” means gallons per minute.

“**Other GETs**” is defined in **Section 3.3**

“**Other GET Water**” is defined in **Section 3.3**.

“**Party**” means each of SCWA, the County or Aerojet, as applicable.

“**Parties**” means SCWA, the County and Aerojet.

“Partial Consent Decree” means the Partial Consent Decree in the action *United States et al. v. Aerojet et al.*, Civ. S 86-0063-EJG entered into on June 23, 1989 and any modifications thereto.

“Person” means any natural person, corporation, general partnership, limited partnership, limited liability company, limited liability partnership, proprietorship, trust, union, association, court, tribunal, agency, government, department, commission, self-regulatory organization, arbitrator, board, bureau, instrumentality or other entity, enterprise, authority or business organization.

“Property Owners ” is defined in **Section 2.4**.

“Regional Board” means the Regional Water Quality Control Board, Central Valley Region.

“Rio Del Oro” means the development of that property owned by Aerojet and that property owned by Elliott Whiterock LLC, all as described in Attachment 1 and more generally described in **Section 2.1**.

“Sacramento” means SCWA and the County.

“SCWA” means the Sacramento County Water Agency.

“SCWA Comment Letter” means the letter submitted by SCWA on or about July 3, 2008, to the City of Rancho Cordova to comment on the water supply alternatives identified in the re-circulated Rio Del Oro Specific Plan Project EIS/EIR.

“Third Party(ies)” means any Person not an Affiliate of the other referenced Person or Persons.

“Tier 1 Entitlements” means the Specific Plan and Development Standards and Design Guidelines and all appendices thereto, the Tier 1 Development Agreements, the Amendment to the Aerojet Special Planning Area, and the Rio Del Oro Specific Plan Project EIS/EIR, each of which is under review and proposed for approval and/or certification by the City of Rancho Cordova in connection with the Rio Del Oro project.

“Tier 2 Entitlements” shall mean and include any and all Large Lot and Small Lot Maps, the Financing Plan, the Phasing Master Plan, all Conditions of Approval, additional environmental review including but not limited to any new or amended Mitigation Measures beyond or in addition to what was required by the Tier 1 Entitlements, and Tier 2 Development Agreements (or appropriate amendments to Tier 1 Development Agreements) as may be considered for approval in the future by the City of Rancho Cordova to allow for actual development at the Rio Del Oro project.

“Transferee(s)” is defined in **Section 2.3**.

ARTICLE 2 -- Rio Del Oro

Section 2.1 The Parties acknowledge that Rio Del Oro is currently undergoing environmental review for Tier 1 Entitlements by the City, and that SCWA submitted the SCWA

Comment Letter, which is attached as Attachment 2, with a proposal, among other things, that the City would require that Aerojet execute a remediated water supply agreement with SCWA prior to the certification of the Final EIR/EIS and recording of any subdivision maps, including large lot subdivision maps and parcel maps. The transfer of GET Water pursuant to and under the terms set forth in this Agreement shall fully satisfy this stated proposed requirement for a “remediated water supply agreement” between Aerojet and SCWA with respect to water supply for Rio Del Oro.

Section 2.2 Sacramento will confirm to the City in writing that it has entered into this Agreement and that 8900 acre feet of water will be transferred by Aerojet to the SCWA pursuant to this Agreement. SCWA shall further confirm in writing that the transfer of the GET Transferred Water will provide SCWA with sufficient available water to supply Rio Del Oro, subject to other proposed conditions identified in the SCWA Comment Letter as those conditions may be agreed upon between Sacramento and the City, for the intensity of development contemplated by the Tier 1 and 2 Entitlements pending before the City as of the Effective Date. SCWA will specifically confirm to the City in writing that the proposed condition set forth in the SCWA Comment Letter (*i.e.*, that the City shall require execution of a remediated water supply agreement by Aerojet and SCWA prior to the recordation of any subdivision maps, including large lot subdivision maps and parcel maps) has been fully satisfied by the execution of this Agreement as to Rio Del Oro.

Section 2.3 Subject to Sacramento’s compliance with the requirements of **Section 2.2**, Aerojet hereby conveys and grants to the SCWA all rights, title and interest that it may have or subsequently obtains to the GET Transferred Water. Aerojet makes no representation or warranty to Sacramento concerning any rights, title and interest it may have in such GET Transferred Water and Sacramento assumes all risks concerning Aerojet’s right, title and interest in such GET Transferred Water. The GET Water Point of Delivery shall be at the point immediately after the GET Transferred Water enters the outfall under the applicable NPDES permit (*e.g.*, outfall to Buffalo Creek, outfall to drainage channels), for discharge to the American River.

Section 2.4 Aerojet shall be responsible at its sole cost and expense for delivering the GET Transferred Water to the GET Water Point of Delivery and for complying with all regulatory and other requirements necessary to do so. Aerojet shall acknowledge and proactively support the County’s claim to the GET Transferred Water in all appropriate legal forums, including, without limitation, before the United States Environmental Protection Agency, the Central Valley Regional Water Quality Control Board and the State Water Resources Control Board.

Section 2.5 Portions of Rio Del Oro are currently owned by Elliott Whiterock LLC (“Elliott”) and portions are owned by Aerojet (collectively, Aerojet and Elliott are referred to herein as “Property Owners”). Rio Del Oro is anticipated to be developed over time and Property Owners may transfer portions of the property to one or more transferees (such transferees and their respective transferees (“Transferees”). Each Property Owner will enjoy and each of such Transferees will succeed to the benefits under this **Article 2** with respect to such property.

ARTICLE 3 -- GET Transferred Water

Section 3.1 Subject to **Sections 3.2** and **3.3**, the source of the GET Transferred Water shall be from one or more of GET E/F, ARGET, GET J, GET K and any other GET Transferred Water Facilities that discharge to the American River.

Section 3.2 In the event that Aerojet ceases to be required to operate the GET Transferred Water Facilities under the Environmental Requirements at rates sufficient to transfer 8900 afy, then at Aerojet's option, Aerojet will substitute other GET Water pursuant to **Section 3.3**. To the extent that this water is insufficient and Sacramento is so notified in writing and Sacramento thereafter requires in writing the continued operation of the facilities, then at Aerojet's option, Aerojet will (i) operate the GET Transferred Water Facilities that no longer are required to operate under Environmental Requirements to produce not less than 8900 AFY of GET Transferred Water at the GET Water Point of Delivery, at Sacramento's cost; or (ii) convey to Sacramento (subject to Sacramento's written consent, which will not be unreasonably withheld) at no cost to Sacramento such of Aerojet's right, title and interest in such portions of the GET Transferred Water Facilities as are transferable and necessary to provide not less than 8,900 AFY of GET Transferred Water at the GET Water Point of Delivery, including all property interests necessary for their operation in order that Sacramento may continue to operate said facilities. If such property interests are conveyed as provided in this **Section 3.2**, and if thereafter operation of the GET Transferred Water Facilities is required to be recommenced by Environmental Requirements, Sacramento will re-convey to Aerojet at no cost to Aerojet any and all property interests that were conveyed by Aerojet to Sacramento at no cost to Sacramento that are necessary for Aerojet to recommence operation of the GET Transferred Water Facilities as provided in this Agreement at which time Aerojet's obligation to provide GET Transferred Water from the re-conveyed facilities shall be reinstated.

Section 3.3 Subject to **Section 3.2**, Sacramento will receive GET Transferred Water in the same ratio (as determined at the GET Point of Delivery) as GET Water is discharged to the American River from the GET Transferred Water Facilities discharging through or upstream of Buffalo Creek relative to the total GET Transferred Water discharging from GETs E/F, ARGET, GET J, and GET K. (For example, if the GET Water being discharged at or above Buffalo Creek is 23,339 AFY and the GET Water being discharged below and above Buffalo Creek is 27,369 AFY, then Sacramento would be entitled to receive 85% of its 8900 afy from GET Transferred Water that enters the American River at or above Buffalo Creek.). Subject to Sacramento's written consent, which will not be unreasonably withheld, Aerojet retains the right at any time, but not the obligation, to substitute on a temporary or permanent basis for any or all of the GET Transferred Water other treated water ("Other GET Water") from other groundwater extraction treatment facilities (the "Other GETs") that meets Environmental Requirements for such discharge, so long as such water meets the percentage requirements described in this **Section 3.3** and is delivered by Aerojet to the GET Point of Delivery specified in **Section 2.3**.

ARTICLE 4 -- DISPUTE RESOLUTION

Section 4.1 The Parties desire to provide for a dispute resolution process to ensure that any failure to perform by a Party or any dispute concerning interpretation of or performance under this Agreement will be resolved other than by termination.

Section 4.2 Either Party may give the other Party written notice of any dispute or claim. After delivery of such notice, the Parties will attempt in good faith to resolve any dispute or claim arising out of or relating to this Agreement promptly by negotiations between a vice president (or more senior officer) of Aerojet and the SCWA Engineer (currently the County Director of Water Resources) or officer of similar or greater authority. Within fifteen (15) days after delivery of such notice, the officers will meet at a mutually acceptable time and place in Sacramento County, and thereafter as often as they reasonably deem necessary to exchange information and to attempt to resolve the dispute or claim.

Section 4.3 If any dispute is not resolved in accordance with the negotiations as described in **Section 4.2**, and notwithstanding the provisions of **Sections 4.1 and 4.2**, either Party may pursue its respective legal and equitable remedies at any time. In light of the promises made herein relative to water supply, in the event of the failure of a Party to meet its obligations under this Agreement, the other Party shall be entitled to enforce rights by seeking specific performance (it being agreed that damages will not provide adequate compensation) and other appropriate legal or equitable relief.

Section 6.2 **Recitals.** The Recitals set forth above are true and correct and are incorporated herein.

Section 6.3 **Interpretation.** This Agreement is the product of negotiation and preparation by and among each Party hereto and its respective counsel. Accordingly, this Agreement will not be deemed prepared or drafted by one Party or another, and should be construed accordingly.

Section 6.4 **Rules of Construction.** As used in this Agreement, the word "herein" refers to the entirety of this Agreement unless the context clearly requires otherwise. Words in the singular will include the plural and vice versa. The word "shall" or "will" is mandatory. The word "may" is permissive.

Section 6.5 **Integrated Document.** This Agreement contains all of the terms and conditions agreed upon by the Parties and supersedes any and all prior and contemporaneous agreements, negotiations, correspondence, understandings and communications of the Parties, whether oral or written, respecting the subject matter of this Agreement.

Section 6.6 **Amendment.** Except as otherwise provided in this Agreement, neither this Agreement nor any of its provisions may be waived, modified, amended, discharged or terminated except by an instrument in writing signed by the Parties, and then only to the extent set forth in such writing.

Section 6.7 **Cooperation.** At any time and from time to time after the Effective Date, each Party agrees to take such actions and to execute and deliver such documents as the other Party may reasonably request to effectuate the purposes of this Agreement.

Section 6.8 **Consent.** Whenever a Person's approval, consent or satisfaction is required under this Agreement, such approval, consent or satisfaction will not be unreasonably withheld, delayed or conditioned except as may be expressly provided to the contrary in any other provision in this Agreement.

Section 6.9 **Authority.** The persons who have executed this Agreement represent that they have been authorized to do so by the Party on whose behalf the person is signing. All documents to be delivered under this Agreement will be executed by an authorized person. Each Party represents that it is authorized to enter into this Agreement and to perform all covenants of that Party contained in this Agreement.

Section 6.10 **No Third-Party Beneficiaries.** This Agreement does not create, and will not be construed to create, any rights enforceable by any Person that is not a Party to this Agreement, except as specifically limited in **Section 2.2.**

Section 6.11 **Notices.** Any notice, tender, delivery or other communication pursuant to this Agreement will be in writing, and will be deemed to be properly given by a Party if delivered, mailed or sent by e-mail or other electronic communication in the manner provided in this paragraph, to the following persons:

If to Sacramento:

County of Sacramento
Attn: Keith DeVore, Director
Department of Water Resources
County of Sacramento
827 - 7th Street, Room 301
Sacramento, California 95814
Facsimile No.: (916) 874-8693

E-mail: devorek@saccounty.net

With a copy to:

John F. Whisenhunt
Deputy County Counsel
County of Sacramento
700 H Street, Suite 2650
Sacramento, California 95814
Facsimile No.: (916) 874-8207

E-mail: whisenhuntj@saccounty.net

If to Aerojet:

Aerojet- General Corporation
Attn: President
Highway 50 and Aerojet Road
Rancho Cordova, California 95670
Facsimile No.: (916) 355-2448

With a copy to:
Aerojet-General Corporation
Attn: General Counsel
Highway 50 and Aerojet Road
Rancho Cordova, California 95670
Facsimile No.: (916) 351-8665

Either Party may change that Party's address by giving written notice of the change to the other Party in the manner provided in this **Section 6.11**. If sent by mail, any notice, delivery or other communication will be effective or deemed to have been given three (3) days after it has been deposited in the United States mail, with postage prepaid, and addressed as set forth above. If sent by e-mail, facsimile or other form of electronic communication, any notice, delivery or other communication will be deemed to have been given only after it has been confirmed in writing as received. If delivered personally, any such notice, delivery or other communication will be deemed to have been given on the date of delivery.

Section 6.12 **Successors and Assigns.** Aerojet shall not assign any of its obligations under this Agreement to a Third-Party or any Affiliate without the consent of the SCWA which consent shall not be unreasonably withheld. Without limitation, it shall be a reasonable ground for refusing consent if the assignee is an entity that lacks the financial capability to meet the long-term obligations as well as Aerojet and there are not sufficient assurances that such entity will maintain the financial capacity to continue to comply with the obligations assigned to it by Aerojet. Aerojet may assign some or all of its rights under this Agreement with the consent of Sacramento, which consent will not unreasonably be withheld or delayed. Notwithstanding the foregoing, Aerojet may assign some or all of its rights under this Agreement to any of its Affiliates without the consent of the SCWA by Aerojet's providing the SCWA with notice of such assignment. Subject to the foregoing, this Agreement will bind and inure to the benefit of each Party and to its respective successors in interest and assigns.

Section 6.13 **Waiver and Estoppel.**

(a) No provision of this Agreement will be deemed waived by either Party unless expressly waived in a writing signed by the waiving Party. No waiver will be implied by delay or any other act or omission of either Party. No waiver by either Party of any provision of this Agreement will be deemed a waiver of such provision with respect to any subsequent matter relating to such provision and a Party's consent respecting any action by the other Party will not constitute a waiver of the requirement for obtaining a Party's consent respecting any subsequent action. Nor will there be any estoppel by either Party to enforce any provision of this Agreement, except by a stipulation in writing.

(b) Each Party will, upon at least ten (10) days' written notice, execute and deliver to any other Party, to any owner, and to any other person having or about to have a bona fide interest in this Agreement as such other Party may designate in writing, a statement certifying that this Agreement is unmodified and in full force and effect, or if not, stating the details of any modification and stating that as modified it is in full force and effect, and whether or not, to the knowledge of the certifying Party, there is any existing default on the part of any other Party.

Section 6.14 Counterpart Originals. This Agreement may be executed in counterparts and when executed, all such counterparts will constitute one agreement that will be binding upon the Parties, notwithstanding that the signatures of the Parties' designated representatives do not appear on the same page.

Section 6.15: Reservation Respecting GET Transferred Water Costs, Charges and Groundwater Contamination Claims. This GET Water Transfer Agreement does not waive, resolve or otherwise settle Sacramento's claims (currently tolled pursuant to separate agreement) (i) respecting groundwater contamination or (ii) rights to or use of GET Water not transferred by this Agreement and does not waive, resolve, or otherwise settle Aerojet's defenses to such claims. The transfer of GET Water under this Agreement shall be recognized and credited relative to any replacement water supply claims by Sacramento, as resolved by agreement or by judgment.

Dated: 5/25/10

County of Sacramento



[Signature]
Chair, Board of Supervisors

5/25/10

Sacramento Water Agency

[Signature]
Chair, Board of Directors

Dated: 5/12/10

Aerojet-General Corporation

By: [Signature]

Its: VP

ATTACHMENT 1

ATTACHMENT 1

Rio Del Oro

Assessor Parcel Numbers in RDO Specific Plan

As of April 2010

Ownership / APN#

Aerojet-General Corporation:

072-0370-101	(1)
072-0370-089	
072-0370-092	
072-0540-004	
072-0540-005	
072-0540-006	
072-0540-010	(1)
072-0540-011	
072-0540-012	(1)
072-0540-013	
072-0540-014	
072-0540-015	
072-0540-016	
072-0540-017	
072-0540-021	
072-0540-022	
072-0540-023	

Elliott Homes:

072-0370-071
072-0370-102

Notes:

(1) A Boundary Line Adjustment (BLA) was recorded on November 24, 2009 in Sacramento County, affecting the following APN#s.

072-0370-101
072-0540-010
072-0540-012

(Note: New APN#s for the newly created parcels have not yet been assigned by the Assessor's office.)

ATTACHMENT 2

Department of Water Resources
Keith DeVore, Director



Including service to the cities of
Elk Grove and Rancho Cordova

SACRAMENTO COUNTY
WATER AGENCY

July 03, 2008

Patrick Angell
City of Rancho Cordova Planning Department
2729 Prospect Park Drive
Rancho Cordova, CA 95670

**Re: Rio Del Oro Specific Plan Recirculated Draft Environmental Impact
Report/Supplemental Draft Environmental Impact Statement**

Dear Mr. Angell:

Thank you for the opportunity to comment on the subject document. The Sacramento County Water Agency ("SCWA") will supply public water to the project, which lies entirely in SCWA Zone 40.

In the discussion of water supply alternatives, the document frequently references the 2003 agreements between SCWA and the Aerojet General and McDonnell Douglas-Boeing Corporations, respectively, and a 2004 agreement between SCWA and the Golden State Water Company. These three agreements have been terminated and the references are no longer applicable.

The City of Rancho Cordova ("City") General Plan Policy ISF.2.4 states in part:

"Ensure that water supply and delivery systems are available in time to meet the demand created by new development"

and provides for implementation of this policy by Action ISF 2.4.1 and Action ISF 2.4.2:

"The following shall be required for project-specific discretionary land-use entitlements and approvals including, but not limited to, all tentative subdivision maps, parcel maps, or use permits. . . . an assured water supply and delivery system shall be available or reasonably foreseeable at the time of project approval Prior to recordation of any final subdivision map, or prior to City approval of any similar project-specific discretionary land use approval or entitlement required for nonresidential uses, the project applicant or water provider shall demonstrate the availability of a long-term, reliable water supply for the amount of development that would be authorized Such demonstration shall consist of a written certification from the water provider that either existing sources are available or that needed improvements will be in place prior to occupancy."

"Managing Tomorrow's Water Today"

Main: 827 7th St., Rm. 301, Sacramento, CA 95814 • (916) 874-6851 • fax (916) 874-8693 • www.scwa.net
Facilities Operations & Admin.: 3847 Branch Center Rd. #1, Sacramento, CA 95827 • (916) 875-RAIN • fax (916) 875-6884
Elk Grove Office: 9280 W. Stockton Blvd., Suite 220, Elk Grove, CA 95758 • (916) 875-RAIN • fax (916) 875-4046

SCWA-28

Accordingly, SCWA requires the following conditions on any and all development entitlements necessary for any portion of the Rio Del Oro Specific Plan Project in order to assure that a reliable supply of water can be provided in a timely fashion consistent with the City's General Plan policies:

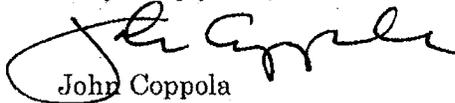
1. Subdivision maps, including large lot maps and parcel maps, shall not be recorded until SCWA has executed a remediated water supply agreement with the Aerojet General Corporation.
2. A non-potable water supply system shall be provided for all development in the Rio del Oro Specific Plan area to the satisfaction of SCWA.
3. Subdivision maps, including large lot maps and parcel maps, shall not be recorded until SCWA has approved a CEQA-compliant document for the North Service Area Pipeline Project or has made a written determination that a reliable water supply is available.
4. Tentative subdivision maps, including large lot maps and parcel maps, shall not be approved until SCWA has executed reservation agreements for the acquisition of sites suitable and necessary for the construction of storage tanks, pump stations, and all other facilities required to provide potable and non-potable water supply, as determined by SCWA.
5. Subdivision maps, including large lot maps and parcel maps, in the California-American Water Company franchise area shall not be recorded until SCWA has executed a wholesale water service agreement with California-American or until SCWA provides written verification of alternative reliable water service.

Please note that Conditions No. 1, 3, and 5 require that the condition be met in order for final maps to record; with respect to Condition No. 4, it is essential to identify specific sites before a tentative map is approved.

These conditions are necessary in order for SCWA to assure that a reliable water supply can be provided in a timely fashion to meet the projected water demands of the Rio Del Oro Specific Plan development. Compliance with these conditions will be required in order for SCWA to provide both Will-Serve Letters to the State Department of Real Estate and a Written Verification of the Availability of a Sufficient Water Supply pursuant to the California Water Code (SB 221). Furthermore, these conditions support the City's General Plan Natural Resource Policies NR.5.1, NR.5.2, and NR.5.4, which address water conservation, water recycling, and the remedy of existing groundwater contamination.

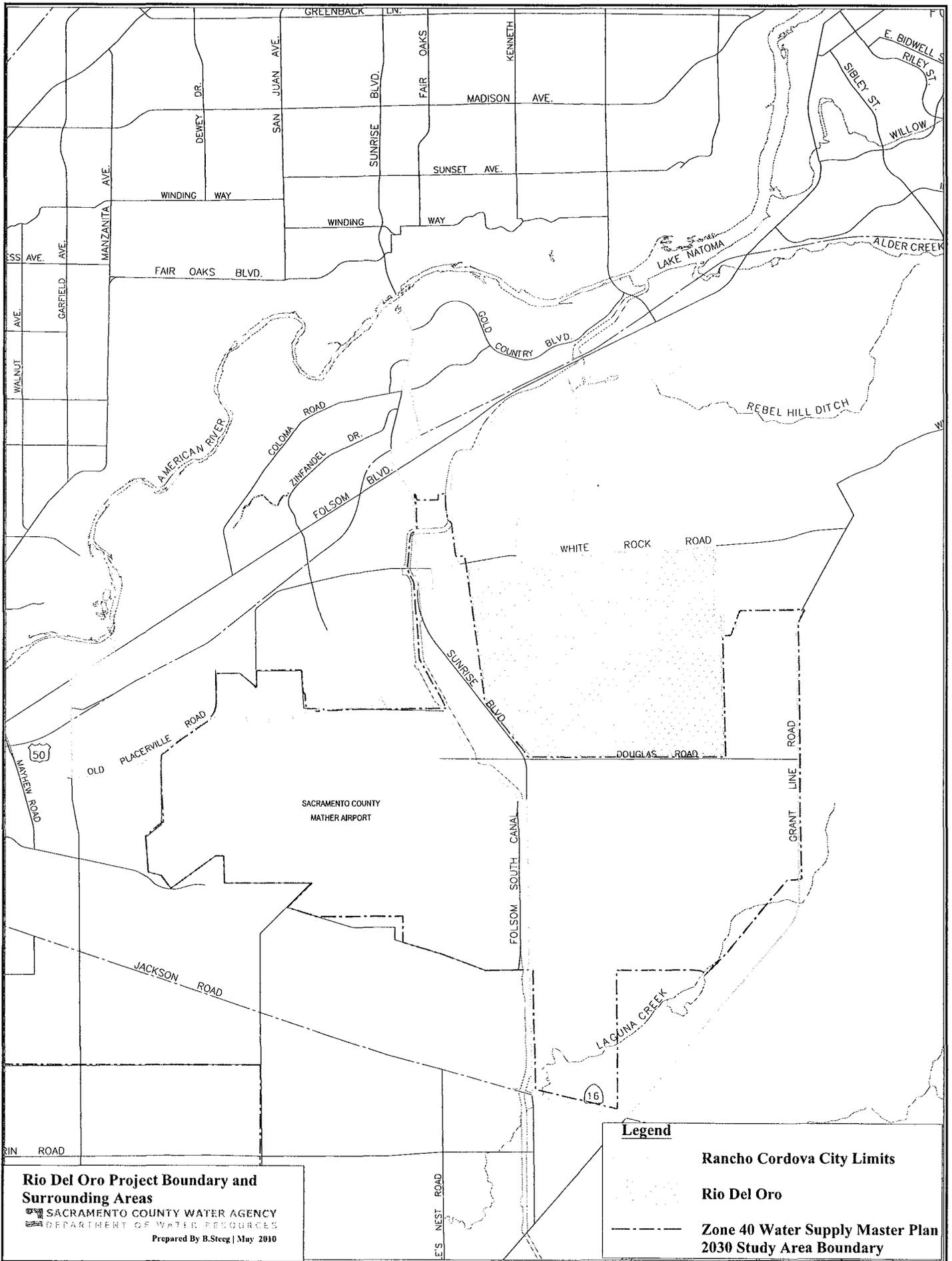
Thank you again for the opportunity to comment on this matter.

Very truly yours,



John Coppola
Principal Civil Engineer
Sacramento County Water Agency

cc: Kathleen Dadey, U.S. Army C.O.E.
David Hatch, Aerojet General Corp.
Russ Davis, Elliott Homes





RECORDING REQUESTED
WHEN RECORDED MAIL TO:

County of Sacramento
Department of Environmental
Review and Assessment
827 Seventh Street, Room 220
Sacramento, CA 95814

CONTACT PERSON: Joyce Horizumi
TELEPHONE: (916) 874-7914

SPACE ABOVE RESERVED FOR RECORDER'S USE

NOTICE OF EXEMPTION

Project Title:

Agreement Between Sacramento County Water Agency (SCWA) and Aerojet-General with respect to Transfer of Groundwater Extraction Treatment (GET) Water to SCWA

Control Number:

2010-70049

Project Location:

Not applicable

APN:

Not applicable

Description of Project:

Sacramento County Water Agency (SCWA) proposes to enter into an agreement with Aerojet to accept 8,900 acre-feet annually (afa) of Groundwater Extraction Treatment (GET) water. GET water is currently discharged to the American River from Aerojet GET facilities. GET water will continue to be discharged to the American River and SCWA will pick up the water from the Sacramento River and transport it through the existing Freeport Regional Water Authority (FRWA) pipeline for treatment at the Vineyard Surface Water Treatment Plant (VSWTP) for distribution. The impacts of the FRWA and VSWTP projects were analyzed in their respective certified environmental documents.

Name of public agency approving project:

Sacramento County Water Agency Board of Directors

Name of person or agency carrying out project:

Sacramento County Water Agency

Exempt Status:

GENERAL RULE - Section 15061(b)(3)

Reasons why project is exempt:

It can be seen with certainty that there is no possibility that the activity in question may have a significant impact on the environment and is therefore exempt from the provisions of CEQA.

Joyce Horizumi
ENVIRONMENTAL COORDINATOR OF
SACRAMENTO COUNTY, STATE OF CALIFORNIA

JH 5/7/10

Copy To:

County of Sacramento
County Clerk
600 Eighth Street, Room 101
Sacramento, CA 95814

OPR:

State Clearinghouse
1400 Tenth Street
Sacramento, CA 95814