

**THIRD AMENDED AND RESTATED EMPLOYMENT CONTRACT FOR SERVICES
AS GENERAL MANAGER OF SOUTH COAST WATER DISTRICT**

This Third Amended and Restated Employment Contract for Services as General Manager (herein “Contract”) is made and entered into by and between the SOUTH COAST WATER DISTRICT (hereinafter the “District”), a California County Water District, and Rick Shintaku (hereinafter “Employee”).

RECITALS

WHEREAS, District’s Board of Directors (herein “Board”) appointed Employee as the District General Manager (herein “GM”), and the District and Employee entered the original Employment Contract for Services as General Manager of South Coast Water District, dated October 25, 2018 (“2018 Contract”).

WHEREAS, the 2018 Contract was effective as of October 25, 2018 and employed Employee as the GM for an initial three (3) year term, continuing through and including October 25, 2021.

WHEREAS, the 2018 Contract required the Board to review the performance of Employee annually, and, having completed Employee’s 2019 annual performance evaluation, District and Employee reached an amended agreement on the terms of his continued appointment as GM (“2019 Amended and Restated Contract”).

WHEREAS, the Board having completed Employee’s 2020 annual performance evaluation, District and Employee reached a further amended agreement on the terms of his continued appointment as GM (“2020 Amended and Restated Contract”).

WHEREAS, the Board having completed Employee’s 2021 annual performance evaluation, District and Employee reached a further amended agreement on the terms of his continued employment as GM, and Employee was awarded a \$7,500 performance bonus for fiscal year 2021, a six percent (6%) salary increase, and an increase to \$5,000 a year as the District’s contribution to Employee’s voluntary retirement plan.

WHEREAS, the District and Employee desire to amend and restate the 2020 Amended and Restated Contract to memorialize the terms of his employment as GM going forward, as set forth herein.

WHEREAS, Employee represents and warrants that he is qualified to perform such services; and

WHEREAS, Employee represents that he has read and understands the functions, responsibilities and duties of the GM set forth in the County Water District Act (California Water Code §§ 30,000 *et seq.*) and in Exhibit “A” attached hereto, as may be amended from time to time.

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

SECTION 1. DUTIES.

A. District hereby agrees to continue to employ Employee as GM, to serve at the pleasure of the Board. The GM shall be the Chief Executive Officer of the District and, as such, shall have responsibility for implementing the Board's policies. Employee shall perform the functions and duties specified in Exhibit "A," and shall perform such other legally permissible and further duties, functions and performance expectations as shall, from time to time, be assigned by the Board, or as required by law.

B. Employee shall devote such time, interest, and effort to the performance of his duties as may be reasonably necessary to fulfill the above requirements.

C. Employee's duties require that he be available to address health, safety and time-sensitive matters of District business. The GM shall (a) have full charge and control of the maintenance, operation and construction of the water works or water-works system and other utility service systems of the District; (b) have full power and authority to employ and discharge all employees and assistants, subject to District personnel rules and law; (c) prescribe the duties of employees and assistants as required by law and adopted District policy; and, fix and alter the compensation of employees subject to budget and policy overview by the Board. The GM shall also (1) perform other duties imposed by the Board; and (2) report to the Board in accordance with the rules and regulations it adopts.

SECTION 2. TERM.

A. The 2018 Contract was effective as of October 25, 2018 ("Effective Date") for an initial 3-year term. The 2019 Amended and Restated Contract was effective as of October 25, 2019 and retained the initial 3-year term from the 2018 Contract, continuing through and including October 25, 2021. The 2020 Amended and Restated Contract extended the term by three (3) years, continuing through and including October 25, 2024. This Contract retains the extended term continuing through and including October 25, 2024, subject to termination by the Board at any time with or without cause, as provided in this Contract. Unless the Board gives a written notice of non-renewal to Employee at least sixty (60) days prior to expiration of the initial or any subsequent term, the Contract shall automatically renew for an additional one (1) year term. Such renewed employment shall be on the same terms as this Contract. Employee or his delegated staff shall provide the Board with thirty (30) days prior written notice in advance of the non-renewal deadline.

It is expressly understood that Employee, in his capacity as GM, is an at-will employee serving at the pleasure of the Board, subject to termination at any time, with or without cause, and with no right to any pre-termination or post-termination due process hearing, including any so-called *Skelly* hearing.

Nothing in this Contract shall prevent, limit, or otherwise interfere with the right of the Employee

or the District to voluntarily terminate this Contract. Either the District or the Employee has the right for any reason or no reason at all, at its or his option, to terminate this Contract at any time without cause by giving thirty (30) days written notice. Such notice shall be given to the District at 31592 West Street, Laguna Beach, CA 92651, and to the Employee at his place of employment.

B. Termination without Cause

In the event the District terminates Employee's employment without cause upon vote of a majority of the Board (i.e., three of five members) at a duly noticed Board meeting, the Employee shall be entitled to the following severance rights in accordance and consistent with the terms of California Government Code sections 53260 through 53264, et seq.:

1. If Employee is terminated without cause, Employee will receive a lump sum (subject to appropriate deductions) equivalent to three (3) months' salary, within ten (10) days of the effective date of the termination without cause. Employee will also receive medical, dental, and vision benefits for a three (3) months period, as applicable, or until such time as Employee finds other employment, whichever occurs first, at the rate in effect at the date of termination; and,
2. Compensation for unused vacation paid at the salary rate in effect at the date of termination, and unused but accrued sick leave paid at fifty percent (50%) the salary rate in effect at the date of termination (such accrual and compensation to be consistent with the terms of Section 7.A and 7.B of this Contract). If the Employee is convicted of a crime involving an abuse of his office or position (as defined in Government Code Section 53243.4, or its successor), the District shall be entitled to reimbursement of paid severance consistent with the requirements of State law.

C. Termination for Cause

In the event the District terminates Employee's employment "for cause" as defined below upon vote of a majority of the Board (i.e., three of five members) at a duly noticed Board meeting, the District shall provide to Employee a written notice of termination. The written notice of termination will specify (1) the particular cause(s) and the reason(s) justifying the termination of the Contract for cause, and (2) the opportunity of Employee to be heard before the District Board of Directors on the reasons for his termination. If Employee requests a hearing, the hearing will be held at the Board's earliest convenience in a closed session; unless the right to a public hearing is required by statute and a public hearing is requested by Employee. After the hearing, the Board may affirm, modify or reverse its decision to terminate for cause. Under no circumstances shall the Employee be entitled to reinstatement to the position of General Manager as a result of any decision to modify or reverse its decision to terminate for cause. If the Board determines that no cause exists for termination, or as may otherwise be determined on appeal, the Board shall have the continuing right to terminate the employee "without cause" as otherwise set forth in this Agreement.

For purposes of this Agreement, the following will justify termination for cause:

1. Loss of mental capacity for more than six consecutive months as determined by a court of competent jurisdiction;
2. Habitual or willful neglect of duty;
3. Willful destruction or misuse of District property;
4. Habitual intoxication on duty, whether by alcohol or non-prescription drugs;
5. Extended absence without leave;
6. Violation of the Federal, State or District discrimination laws or policies, including, but not limited to, race, religious creed, color, national origin, ancestry, physical handicap, marital status, sex or age concerning either members of the general public or District employee(s) while acting in the course and scope of employment, and while acting without the prior approval or direction of the District;
7. Unlawful retaliation against any other District officer or employee or member of the general public who in good faith reports, discloses, divulges, or otherwise brings to the attention of any appropriate authority any facts or information relative to actual or suspected violations of any law occurring on the job or directly related thereto;
8. Unlawful violation of any conflict of interest or incompatibility of office laws;
9. Performance of material outside business interests that conflict directly with the activities and duties as District Manager;
10. Refusal to take or subscribe any oath or affirmation which is required by law;
11. Conviction of a felony or conviction of a misdemeanor involving moral turpitude (a conviction following a plea of *nolo contendere* is deemed a conviction).

Termination for cause may not include a refusal by Employee to carry out a request of any single Board member to undertake an activity that is in actual contravention of statute, such as, but not necessarily limited to, the Brown Act, Public Records Act, ethics laws or Political Reform Act of 1974.

SECTION 3. COMPENSATION.

A. Though the 2020 Amended and Restated Contract, Employee's base monthly salary is \$20,256.60, which is the equivalent of \$243,979.20 annually. The Board has agreed to a 6% salary increase, effective July 1, 2021. Therefore, the District agrees to pay Employee for services rendered pursuant hereto at a base monthly salary of \$21,551.50, which is the equivalent of \$258,618.00 annually, payable on the normal District payroll schedule. In addition, the Board has agreed to, and the District will pay Employee a \$7,500 performance bonus for fiscal year 2021, per Section 4(B) below.

SECTION 4. PERFORMANCE EVALUATION.

A. The performance review and evaluation process set forth herein is intended to provide review and feedback to Employee so as to facilitate a more effective management of the

District. Nothing herein shall be deemed to alter or change the employment status of Employee, nor shall this Section be construed as requiring "cause" to terminate this agreement or the services of Employee hereunder.

B. The Board will review the performance of Employee annually. The targeted annual review date is July 31 of each year. The review will cover the latest twelve (12)-month period and will focus on the Employee's achievements, contributions, Board expectations, effectiveness and leadership. The review will also be used to establish the performance goals and objectives for the next twelve (12) months of service, or through the end of the contract term. In conjunction with each annual performance evaluation, at the Board's sole discretion, the Board may consider any appropriate merit pay, cost of living or other compensation adjustment not to exceed 6% of Employee's base salary, either in lump sum or as a salary increase as the Board may decide. Beginning in 2020, Employee is eligible annually for a performance bonus, as determined by the Board based on review of performance and accomplishment of mutually agreed goals as described in Exhibit "B" attached to this Contract. Such performance bonus is at the sole discretion of the Board wherein, following successful completion of the goals in Exhibit "B", Employee may be eligible for a one-time payment of up to 10% of his annual salary for the immediately preceding year. That performance bonus would be payable within one month of completion of Employee's annual review but no later than the anniversary of the Effective Date (October 25th). Exhibit "B" shall be replaced annually per mutual agreement of the Board and Employee. The salary of Employee is not subject to District cost of living adjustments (COLA) provided to other District employees, if any, but rather the Board will consider cost of living increases as part of its yearly Employee merit pay consideration.

C. The Board may also conduct special Employee performance reviews at any time. Employee may also request the Board conduct a special review at other times, to be conducted at the discretion of the Board.

D. Performance evaluations shall be performed in the presence of the GM at a Board meeting with at least three Board members present. The District will prepare a written summary of each performance evaluation of Employee, and to include the same in his personnel file within two (2) weeks following conclusion of the review and evaluation process.

SECTION 5. BENEFITS.

With the exception of general employee COLA adjustments, District shall provide to Employee the exact same benefits, including retirement benefits, if any, as are afforded to other employees of District in accordance with District policies, as they may be revised or amended from time to time in the future. The Board has agreed to, and the District will, increase its contribution to Employee's voluntary retirement plan (457 plan) to \$5,000 per year, per Section 4(B) above. Employee's participation in these plans and benefits shall be in accordance with official plan and benefits documents and related District policies, if any, as such plans or policies may be amended from time to time in the future. This section is interpreted consistently with those plans and those policies, as amended if applicable.

SECTION 6. PROFESSIONAL DEVELOPMENT AND BUSINESS EXPENSES.

Subject to approval during the annual budgetary proceedings, District agrees to pay reasonable: (i) travel and subsistence expenses of Employee for necessary professional and official travel to and from attendance at conferences, seminars, and meetings consistent with District policy; and (ii) professional dues and licensing fees, books, and subscription expenses necessary and desirable to continue the professional development of Employee and to adequately pursue necessary official and other functions for District, including national, regional, state, and local governmental groups and committees thereof which Employee and/or District serves as a member.

At all times, GM expenditures undertaken for general business purposes shall be reimbursed consistent with District travel and expense reimbursement policies.

SECTION 7. HOURS AND TIME OFF.

A. Employee shall accrue paid vacation time at the rate of 160 hours per year (13.34 hours per month). Such vacation may be carried over, if not used, with a vacation time cap limit of 360 hours or 9 weeks. Employee shall also be entitled to take off 40 hours of paid executive/management leave, which time expires at the end of each calendar year and may not be carried over to the next year. All other District policies with respect to vacation time shall be on the same terms as are afforded to other employees of the District, as set forth in District policies, as they may be revised or amended from time to time in the future. Employee has discretion to schedule his vacation so long as that vacation is scheduled in such a way as to avoid unnecessary detriment to the District's operations. Employee will provide reasonable notice to the Board, of scheduled vacation dates and will identify employees who will perform the Employee's duties during his absence. This section is to be interpreted consistent with those policies, as amended if applicable.

B. Employee shall accrue paid sick leave on the same terms as are afforded to other employees of District, as set forth in District policies, as such policies may be amended from time to time in the future. This section is interpreted consistently with those policies, as amended if applicable.

C. Employee shall receive a monthly transportation expense allowance in an amount of \$650.00, payable in lieu of mileage and any other vehicle-related costs and expenses. Employee agrees the vehicle allowance covers all vehicle costs and expenses that may be incurred by Employee in connection with the use of his private vehicle for District business, including but not limited to insurance, maintenance and fuel costs. Employee's use of his private vehicle while conducting District business is governed by the District policies, which Employee is required to follow.

D. Employee shall be provided, at the District's expense and discretion, a District mobile phone and laptop computer or tablet to be used for District business. The use of a District phone, laptop computer, tablet or other electronic device shall be consistent with the District's computer use and privacy policies, including the Computing Handbook.

E. Scheduled work shall be at least 40 or more hours per week as necessary to fulfill the general duties of Employee as described in Exhibit "A" and assigned by the Board from time to time. Employee shall generally be present on office premises during work hours, and by 9:00 a.m. Monday through Thursday. Employee may flex his on premises hours consistent with business, board and staff requirements. Notice shall be provided to the Board and staff of significant flex time off premises and extended time away from the performance of job duties, including, but not limited to vacations, extended illness and leaves. During such significant time from the premises or otherwise away from the performance of job duties, Employee shall assign appropriate management staff to provide oversight, with notice to the Board and staff.

F. Employee shall not accept any other employment during the course of this agreement and shall devote his full time to the General Manager position. Employee will not engage in any other business activity, whether or not Employee is compensated therefor, without the express consent of the Board. This prohibition does not apply to charitable and volunteer services or any other lawful conduct which does not conflict with District interests.

G. District shall pay for all official bonds required for the office of the General Manager.

H. Employee shall be a member of District's retirement plan adopted and existing pursuant to contract with the State of California Public Employees' Retirement System ("CalPERS") or equivalent as may be selected and approved by the Board in accordance with official plan documents and related District policies, as such plan or policies may be amended from time to time in the future. This includes all plan limitations, requirements and restrictions, including those imposed by statute and CalPERS interpretation. This section is interpreted consistently with that plan, applicable statutes and those policies, as amended if applicable.

SECTION 8. GENERAL PROVISIONS.

A. This Contract shall constitute the entire agreement between the parties hereto.

B. In accordance with the provisions of section 53262 of the California Government Code, this Contract is subject to ratification in an open session of a meeting of the Board of Directors of the District.

C. California Government Code Section 53260 requires the following statement in all contracts of employment between an employee and a local government employer: Regardless of the term of the contract, if the contract is terminated, the maximum cash settlement that Employee may receive shall be an amount equal to the monthly salary of the employee multiplied by the number of months left on the unexpired term of the contract. However, if the unexpired term of the contract is greater than 18 months, the maximum cash settlement shall be an amount equal to the monthly salary of the employee multiplied by 18.

D. To the full extent and manner provided for public employees by applicable law, the District shall indemnify, defend, and hold Employee harmless against any and all demands, claims, suits, actions and legal proceedings brought against him in his official or personal

capacity and arising out of events within the scope of his employment with the District. However, pursuant to California Government Code section 53243 et. seq., any funds provided in the legal criminal defense of any demands, claims, suits, actions or legal proceeding brought against Employee or paid leave salary provided by District to Employee pending an investigation, or, if the contract is terminated, any cash settlement related to the termination that an employee may receive from the District, shall be fully reimbursed to the local agency if Employee is convicted of a crime involving an abuse of his office or position.

E. This Contract shall be governed by the laws of the State of California. Any dispute will be heard in Orange County, California.

F. This Contract shall be binding upon and inure to the benefit of the heirs at law and executors of Employee.

G. Any assignment of the rights or obligations of Employee hereunder without the express approval of District shall be void.

H. This Contract may be amended only by a subsequent writing approved and signed by both parties. Any amendment by the District must be approved by the District Board of Directors at a duly noticed public meeting upon vote of a majority of the Board (i.e., three of five members). Individual Board members do not have the authority, express or implied, to amend, modify, waive or in any way alter this Contract or the terms and conditions of this Contract.

I. This Contract integrates all of the terms and conditions mentioned herein, or incidental hereto, and this Contract supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof.

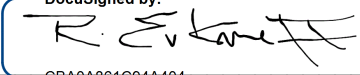
J. If any provision or any portion thereof, contained in this Contract is held to be unconstitutional, invalid, or unenforceable, the remainder of this Contract or portion thereof, shall not be affected, and shall remain in full force and effect.

K. The parties agree and acknowledge that this Contract has been arrived at through negotiation, and that each party has had a full and fair opportunity to review and revise the terms of this Contract. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party will not apply in construing or interpreting this Contract.

L. Employee acknowledges that he has had the opportunity to consult legal counsel in regard to this Contract, that he has read and understands this Contract, that he is fully aware of its legal effect, and that he has entered into it freely and voluntarily and based on his own judgment and not on any representations or promises other than those contained in this Contract.

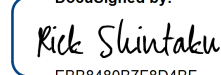
IN WITNESS WHEREOF, as duly authorized by the Board of Directors, the South Coast Water District has caused this Contract to be signed and duly executed by its Board President, and the Employee has signed and executed this Contract.

SOUTH COAST WATER DISTRICT

DocuSigned by:

By: _____
Rick Erkeneff, President of the Board

Date: 1/20/2022

RICK SHINTAKU (“Employee”):

DocuSigned by:

By: _____

Date: 1/20/2022

EXHIBIT B TO SECOND AMENDED AND RESTATED GENERAL MANAGER
EMPLOYMENT CONTRACT

**Annual Performance Bonus Payment
Conditions
2021-2022 Terms**

1. To assure adequate, reliable and high-quality wastewater services, we will continue to execute the Tunnel Stabilization and Pipeline Replacement Project. Full completion of this priority is estimated to occur in the third quarter of 2023.
2. To properly appraise effective and efficient business operations, we will further develop and implement the District's Asset Management Program in accordance with the current Asset Management roadmap. By end of FY 2022, issuance of RFP for software vendors, vendor selection and initial integration into our system.
3. To plan ahead for high quality, reliable water supplies at all times, staff will begin developing partnerships and implementing the Board-selected IWRP portfolio to develop a comprehensive water supply to meet the District's reliability needs and service level. Portfolio options potentially include:
 - Doheny Ocean Desalination Project
 - Recycled water (including IPR, DPR, increasing Title 22 recycled water uses, etc.)
 - Water efficient landscape conversions (i.e., programs to include Water Saver of the Month, supplemental turf removal programs, new smart home water monitoring programs, rebate programs, etc.).
 - Water banking and transfer opportunities
 - Brackish Groundwater expansion
 - Storage
4. To establish the direction of the District, we will continue in the development of a 5-year Strategic Plan, including the re-alignment of the District's Performance Indicators with the American Water Works Association (AWWA) Effective Utility Management handbook. This will involve the Board of Directors and the full District Leadership team. Board and staff workshops anticipated within this priority year; full completion of this priority is estimated to occur in FY 2023. One major topic includes the future direction of SOCWA to be discussed by member agencies in FY 2022.
5. To assure continued organizational excellence now and for the future, we will actively encourage all staff to participate in succession planning/training & the Professional Development Series. As we are re-developing the Leadership Academy and considering a mentoring program, we will assure that all certifications are active and up to date, field operators have access to training such as the Fred Pryor courses, and other job-related educational programs.
6. To ensure industry standards are achieved for efficient and effective utility management, the District will initiate a Facilities Master Plan. This Plan will address safe and efficient operations, the

need for employee well-being, regulatory compliance, enhanced customer service capabilities, and meet current industry standards. Additionally, we will continue to rehabilitate existing District-staffed facilities as needed for employee health and safety.

7. To prioritize enterprise resiliency using lessons learned from the District's COVID-19 response and other security vulnerabilities, the District will initiate a Security Assessment study. This will be a broad-based look at all aspects of security at the District including IT-related vulnerabilities.
8. To ensure financial viability, the District is in the process of adopting two-year water, recycled water and wastewater rates (FY 2022 and FY 2023). Staff will complete Board-assigned tasks including a budget-based rate feasibility study, the District Reserve policy options, maintain credit rating, and develop long term funding plans (i.e., SOCWA Wastewater CIP and implementation of the IWRP).