

**MASTER AGREEMENT BETWEEN
THE COUNTY OF SACRAMENTO AND
THE SACRAMENTO AREA FLOOD CONTROL AGENCY
REGARDING THE NATOMAS LEVEE IMPROVEMENT PROGRAM**

THIS MASTER AGREEMENT ("Agreement") is made this 24th day of March, 2009, by the County of Sacramento, a political subdivision of the State of California ("COUNTY"), and the Sacramento Area Flood Control Agency, a joint exercise of powers agency established pursuant to the laws of the State of California ("SAFCA"). COUNTY and SAFCA, and each of their respective successors and assigns, are sometimes hereinafter referred to collectively as "Parties" and individually as "Party."

RECITALS

WHEREAS, SAFCA is a joint powers agency authorized under the laws of the State of California to hold title to real property, to take actions to protect life, property, watercourses, watersheds, and highways from damage from flood and storm waters, and to carry out its responsibilities in a manner that provides for the optimum protection of the natural environment, especially riparian habitat and natural stream channels suitable for native plant and wildlife habitat and public recreation.

WHEREAS, in concert with the California Department of Water Resources and the Central Valley Flood Protection Board ("State"), SAFCA has initiated the Natomas Levee Improvement Program to raise and strengthen the perimeter levee system around the Natomas Basin in Sacramento and Sutter Counties ("NLIP") so as to reduce the risk of uncontrolled flooding that would cause substantial property damage in the Natomas Basin and pose a serious threat of loss of life and injury.

WHEREAS, the NLIP will involve construction of a range of improvements, including but not limited to, a new levee and associated seepage remediation measures adjacent to the landside of the east levee of the Sacramento River ("Adjacent Levee") extending for approximately eighteen miles along the western edge of the Natomas Basin from the south levee of the Natomas Cross Canal to Interstate 80. The Adjacent Levee will occupy a greatly expanded flood control footprint requiring removal of several hundred trees, relocation of two major irrigation canals and installation of several environmental mitigation features, including construction of a new drainage canal that will serve as a dispersion corridor for giant garter snake ("GGS") populations occupying the western portion of the Natomas Basin.

WHEREAS, in connection with the Phase 2 Landside Improvements of the NLIP, SAFCA has prepared a draft Mitigation and Monitoring Plan ("MMP") to comply with the requirements of Federal Endangered Species Act and the California Endangered Species Act. The draft MMP has been submitted for approval by the U.S. Army Corps of Engineers, the U.S.

Fish and Wildlife Service, and the California Department of Fish and Game ("Approving Agencies").

WHEREAS, COUNTY owns and operates the Sacramento International Airport ("Airport") on approximately 6,000 acres of land in the western portion of the Natomas Basin abutting portions of the east levee of the Sacramento River ("East Levee Area"); and Airport is operated and managed by the Sacramento County Airport System (County Airport System). A map of the East Levee Area is attached to this Agreement as **Exhibit A**, and incorporated herein by this reference. The Airport Operations Area ("AOA") occupies about half of the Airport land and contains buildings and infrastructure representing about ten percent of all the flood damageable property in the Natomas Basin. The AOA is flanked on the north and south by lands ("buffer lands") which are managed in a manner so as not to attract wildlife that could create potential hazards to aircraft operations. These buffer lands contain a substantial portion of the expanded flood control footprint.

WHEREAS, because of the Airport's size, critical public safety needs, and location in relation to the Adjacent Levee footprint, SAFCA and COUNTY have cooperated in planning and designing the Adjacent Levee to advance each Party's interest in reducing public safety hazards in the Natomas Basin. Toward this end, the Parties have produced a paper entitled "A Collaborative Approach for Providing Flood Protection and Continuity of Airport Operations in the Natomas Basin, California", dated November 19, 2008, which outlines a cooperative arrangement between the Parties.

WHEREAS, COUNTY will grant easements to SAFCA, Reclamation District 1000 ("RD 1000"), and Natomas Central Mutual Water Company ("NCMWC") to jointly use portions of the East Levee Area to construct, operate and maintain portions of the Adjacent Levee, the new GGS/Drainage Canal, and the relocated Elkhorn Irrigation Canal (which now extends from the RD 1000 North Drainage Canal just south of the Sacramento-Sutter County line to a point just south of Elkhorn Boulevard, and as shown in Exhibit A); and for RD 1000 to use portions of the Airport's southern buffer lands to expand the footprint of RD 1000's existing West Drainage Canal, which traverses Airport land south of Interstate 5 (I-5) and occupies Sacramento Assessor Parcel numbers 225-0010—11 and 225-0010-12 in that area.

WHEREAS, COUNTY will enter into a "Temporary Construction Easement (TCE)" attached to this Agreement as **Exhibit B** and incorporated herein by this reference, with SAFCA to allow SAFCA to enter onto Airport's property to construct the Adjacent Levee, the new GGS/Drainage Canal, the relocated Elkhorn Irrigation Canal, to expand the West Drainage Canal, to relocate the Airport's West Ditch, and to use portions of the Airport's northern buffer lands to obtain soil borrow material, and the sale of same as set forth herein, for construction of the Adjacent Levee, and to re-grade and reclaim the affected land in a manner that will permit COUNTY to reduce wildlife hazards associated with these lands in accordance with applicable Federal Aviation Administration ("FAA") directives as more fully provided in the TCE.

WHEREAS, SAFCA will reconfigure the Airport West Ditch ("West Ditch") which currently runs through the AOA and has been identified by the FAA in its Letter of Correction to the Sacramento County Airport System, dated November 17, 2005, as a potential wildlife

attractant and a hazard to nearby runway operations. The irrigation, drainage and habitat functions of the West Ditch will be shifted to the new GGS/Drainage Canal; thereafter the County intends that the Airport West Ditch will be reconfigured to a swale that will serve strictly as a storm water conveyance function, and that it will not be used for any drainage or irrigation purpose beyond the immediate needs of the AOA.

WHEREAS, the new GGS/Drainage Canal will extend from the RD 1000 North Drainage Canal (on land owned by RD 1000 and contained within County of Sacramento Assessor Parcel Numbers 201-0010-044 and 201-0010-044), southward across Airport operational buffer land to a point just east of the adjacent Teal Bend Golf Club (Golf Club), and from the Elkhorn Reservoir around the eastern perimeter of the Golf Club to RD 1000's West Drainage Canal at I-5.

WHEREAS, COUNTY and SAFCA will use their best efforts to develop and implement an agreement that will effect a land acquisition and exchange transaction, as generally depicted in Exhibit C – Property Exchange Map, attached hereto and incorporated herein by this reference, which would expedite construction of the NLIP and facilitate the long-term operation and maintenance needs of the Airport.

WHEREAS, it is the intent of the Parties that all reasonable, necessary or convenient documentation, including Permits to Enter, which may be necessary to further the purpose and intent of the NLIP, will be executed in an expeditious manner upon the request of either Party.

WHEREAS, the Parties anticipate the realignment of Elverta Road on COUNTY land as part of the NLIP, pursuant to plans approved the County Department of Transportation, with the provision, however, that the FAA must agree to any relocation of Instrument Landing System (ILS) facilities that would be necessitated by such realignment of Elverta Road, and that if implemented, the cost of any relocation of ILS equipment shall be borne by SAFCA.

WHEREAS, COUNTY and SAFCA will determine the cost of the lands, materials, and facility improvements that would be exchanged as part of the arrangement described in this Master Agreement, including interests in real property, sale of soil material, relocation of ditches and other water conveyance facilities, and realignment of roads, and that each party will be appropriately compensated for its respective contribution to the arrangement described herein.

WHEREAS, the NLIP will be implemented by SAFCA, the use of the County's soil material shall constitute a purchase, the TCE is a conveyance of a value interest, the rerouting of irrigation and other water not required by the Airport from the Airport West Ditch is of value to the County, and the realignment of Elverta Road is of value to the County.

WHEREAS due to the scope and numerous elements of coordination necessary and advisable between the COUNTY and SAFCA in order to effectuate SAFCA's construction of the NLIP, it will be efficient for the Parties to state their respective understandings and agreements of cooperation in achieving project completion.

WHEREAS, this Agreement memorializes the elements of the cooperative arrangement between the Parties and serves as a framework for creating and implementing the agreements and other documents that are needed to implement the Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the promises herein stated the Parties agree as follows:

1. NATOMAS LEVEE IMPROVEMENT PROGRAM. The Parties agree that SAFCA shall construct the NLIP situated partially on COUNTY real property. As part of its NLIP, SAFCA agrees to provide COUNTY with certain improvements and betterments as set forth below. With regard thereto and as stated in greater detail hereinafter, the COUNTY agrees to convey real property interests to SAFCA for the NLIP, including a Temporary Construction Easement, Flood Control Easements, and Drainage and Irrigation Easements. Implementation of the COUNTY's obligations hereunder is hereby authorized to and will take place through its several departments as hereinafter named.

2. COUNTY AIRPORT SYSTEM

2.1 Permits to Enter. Prior to execution of the TCE described below, COUNTY agrees to execute Permits to Enter in substantially the form attached hereto and incorporated herein as Exhibit D, subject to modifications as approved by the COUNTY's Director of the Department of Real Estate ("DRE") or designee, COUNTY'S Director of Airports or designee, SAFCA's Executive Director or designee, County Counsel and SAFCA's Agency Counsel ("Agency Counsel"), to allow SAFCA access and entry on COUNTY owned land within the East Levee Area for SAFCA's construction and related activities of the NLIP, including but not limited to tree removal and re-planting and utility relocation to be conducted at SAFCA's sole cost and expense. The parties shall endeavor to execute the applicable Permits to Enter within 30 days following SAFCA's request to do so.

2.2 Grant to SAFCA of County Easements. For its use in the NLIP, the COUNTY shall grant to SAFCA those easements hereinafter stated.

2.2.1 Temporary Construction Easement. All of the properties which the parties agree subject to Drainage, Flood Control, and Perpetual Water Facilities Easements shall be subject to a Temporary Construction Easement ("TCE") for entry, transit, construction, grading, improving, excavation and removal of borrow material for use in SAFCA's construction of the NLIP. The TCE shall contain the terms and be in a form substantially similar to the TCE attached hereto as Exhibit B which the parties agree to execute concurrently with the effective date of this Agreement.

FAA Assurances. SAFCA shall, at all times during the term of the TCE, and any extensions thereto, comply with the provisions of the "Assurances

Required by the Federal Aviation Administration” (“Assurances”) and any subsequent amendments provided any amendments are given to SAFCA by COUNTY. A copy of these Assurances is attached as Exhibit C to the TCE, and incorporated therein and herein by this reference. SAFCA shall include compliance with these Assurances in all other agreements it enters into with third parties, pertaining to, referencing or otherwise related to activities regarding the NLIP on Airport land.

2.2.2 Drainage Easements.

2.2.2.1 Giant Garter Snake (“GGS”) Drainage Canal Easement.

COUNTY agrees to execute one or more Drainage Easements in a similar form to the form attached hereto and incorporated herein as **Exhibit E**, subject to modifications as approved by the Director of Airports or designee, SAFCA’s Executive Director or designee, COUNTY Counsel and Agency Counsel, to allow SAFCA to operate and maintain a new drainage canal in the GGS Drainage Canal Area identified in **Exhibit A** and to jointly operate and maintain the new canal with RD 1000 in accordance with the Long Term Management Plan of the GGS/Drainage Canal attached to and incorporated by reference in the Drainage Canal Easements. The parties agree to use their best efforts to execute the Drainage Easements no later than 30 days following the effective date of this Agreement or SAFCA’s provision of all applicable plats, maps and legal descriptions, whichever is later. In order to ensure sufficient water delivery to the GGS/Drainage Canal to comply with the Long Term Management Plan, the COUNTY agrees to exercise such of its uncommitted or unallocated water rights as it may have as a shareholder of the NCMWC. Such exercise of the County’s water rights shall be solely at SAFCA’s expense.

2.2.2.2 West Drainage Canal Easement (Modification). COUNTY agrees to use its best efforts to modify RD 1000’s existing easement for the West Drainage Canal, which comprises County of Sacramento APNs 225-0010-011 and 225-0010-012 and which traverse COUNTY property on the north boundary of COUNTY ANP 225-0010-013 comprising approximately 306.75 acres in the Airport’s southern buffer lands, so as to allow RD 1000 and SAFCA to jointly expand the footprint of the West Drainage Canal in the West Drainage Canal Area as identified in **Exhibit F** and to operate and maintain the expanded canal.

2.2.2.3 West Ditch Drainage Canal Easement. COUNTY shall use its best efforts to obtain a new easement from RD 1000 and the Natomas Central Mutual Water Company ("NCMWC") for the reconfiguration of the Airport West Ditch and quit claim deeds from RD 1000 and NCMWC to County for any and all rights of the prior alignment of the West Ditch. SAFCA shall cooperate with COUNTY in any and all negotiations with RD 1000 and NCMWC.

2.2.3 Flood Control Easement

2.2.3.1 East Levee Area. COUNTY agrees to execute Flood Control Easements in a similar form to the form attached hereto and incorporated herein as **Exhibit G** subject to modifications as approved by the County Airport System's Director or designee, SAFCA's Executive Director or designee, County Counsel and Agency Counsel, to allow SAFCA to construct and SAFCA and RD 1000 to jointly operate and maintain flood control facilities, including relocated utility lines, on COUNTY land within the East Levee Area as identified in **Exhibit A**. The parties shall use their best efforts to execute the Flood Control Easements no later than 30 days following the effective date of this Agreement or SAFCA's provision of all applicable plats, maps, legal descriptions, and specified environmental mitigation, if any, whichever is later.

2.2.3.2 Southern Buffer Lands. COUNTY agrees to execute Flood Control Easements in a similar form to the form attached hereto and incorporated herein as **Exhibit G**, subject to modifications as approved by the Director of Airports or designee, SAFCA's Executive Director or designee, County Counsel and Agency Counsel, to allow SAFCA to construct and SAFCA and RD 1000 to jointly operate and maintain flood control facilities, including relocated utility lines, on COUNTY owned land within the County Airport System's southern buffer lands, which are comprised of all Airport land south of I-5 but excluding those parcels on the river side of Garden Highway, as identified in **Exhibit H**. SAFCA shall request execution of the applicable Flood Control Easements and COUNTY shall use its best efforts to execute no later than 30 days following the date of the request or SAFCA's provision of all applicable plats, maps and legal descriptions, whichever is later.

2.2.4 Perpetual Water Facilities Easements

2.2.4.1 Elkhorn Irrigation Canal. COUNTY agrees to execute a Perpetual Water Facilities Easement in a similar form to the form attached hereto and incorporated herein as **Exhibit I**, subject to modifications as approved by the Director of Airports or designee, NCMWC's Executive Director or designee, County Counsel and Agency Counsel, so that SAFCA can relocate the NCMWC's existing Elkhorn Irrigation Canal (including pumps, pipelines, gates, and canals) in the portion of the East Levee Area identified in **Exhibit A** and NCMWC can operate and maintain the relocated canal in accordance with the Technical Memorandum for Operations and Maintenance of the Elkhorn Irrigation Canal attached to and incorporated by reference in the Water Facilities Easement. SAFCA shall request execution of the applicable Flood Control Easements and COUNTY shall use its best efforts to execute no later than 30 days following the date of the request or SAFCA's provision of all applicable plats, maps and legal descriptions, whichever is later.

2.2.4.2 Borrow Area Irrigation Ditch. (Relocation of Parcel 2) COUNTY agrees to abandon its existing water facilities easement or other documentation granted to NCMWC and to execute a new Perpetual Water Facilities Easement with NCMWC in a similar form to the form attached hereto and incorporated herein as **Exhibit I**, subject to modifications as approved by the County Airport System's Director or designee, NCMWC's Executive Director or his designee, County Counsel and NCMWC's Counsel, to construct, excavate, reconstruct, repair, operate and maintain irrigation and water facilities (including pumps, pipelines, gates, and canals) located in Parcel 2 of the borrow area used by SAFCA, as identified in **Exhibit J**, to accomplish the relocation of the irrigation canal on Parcel 2 of the borrow area, which new location shall be approved by NCMWC and County Airport System. SAFCA shall request execution of the applicable Perpetual Water Facilities Easement and COUNTY shall use its best efforts to execute no later than 30 days following the date of the request or SAFCA's provision of all applicable plats, maps and legal descriptions, whichever is later.

2.3 COUNTY Improvements Provided by SAFCA

2.3.1 Borrow Material Operation. One of the purposes of the TCE is to allow SAFCA access to remove from the TCE Area, pursuant to the terms herein stated, approximately 4,000,000 cubic yards of borrow materials for use in the NLIP in accordance with the specifications stated in the Grading Plan.

Said borrow material may be taken from approximately 768 acres of COUNTY land within the Airport northern buffer lands as identified in the TCE. Removal of borrow material shall be pursuant to SAFCA's Grading Plan dated January 21, 2009. SAFCA's borrow activities on the portion of the TCE area identified as Borrow Parcel 2, shall include relocation of an irrigation ditch operated and maintained by NCMWC as set forth above.

- 2.3.2 Restoration of the Borrow TCE Area. At the completion of SAFCA's removal of borrow material, at SAFCA's cost, the TCE Borrow Area shall be placed in the condition stated in the Grading Plan and subject to SAFCA's warranty regarding the TCE Area stated herein below.
- 2.3.3 Additional Grading by SAFCA. Additionally, SAFCA shall realign existing canals within the TCE area to improve said grading as described in greater detail in the Grading Plan.
- 2.3.4 Removal of Borrow Material by SAFCA. The order of borrow material removal shall be as described in the Grading Plan.
- 2.3.5 Payment for Borrow Material. SAFCA will compensate County Airport System for the value of all of the borrow material removed from Airport land at the rate of \$1.00 per cubic yard. SAFCA will provide COUNTY documentation for the total amount of borrow material removed from Airport land. SAFCA shall provide County Airport System with reports of the amount of borrow material obtained for the previous quarter on or before March 31, June 30, September 30 and December 31 of each respective year that borrow material is removed. Payment shall be made as set forth in section 5.3.1.
- 2.3.6 TCE Borrow Area Warranty. Concerning the TCE Borrow Area SAFCA hereby represents and warrants as follows:
 - 2.3.6.1 SAFCA has prepared the Grading Plan in compliance with the following FAA publications in their most recent forms as of the effective date of this Agreement: (1) FAA Advisory Circular 150/5320-5C, 9/29/06; Unified Facilities Criteria (UFC) 3-230-01, Surface Drainage Design, 8/1/06; (2) FAA Certification Alert 06-07 (herein collectively referred to as "FAA Wildlife Hazard Mitigation and Drainage Requirements"); (3) AC 150/5200-33B, Hazardous Wildlife Attractants on or Near Airports (July 2007); (4) The Sacramento International Airport Wildlife Management Plan [WHMP] dated March 2007; and (5) that certain FAA Letter of Correction issued to County Airport System dated November 17, 2005.

- 2.3.6.2 SAFCA shall restore the TCE Borrow Areas as described in its Grading Plan and which had been reviewed and approved by County Airport System staff for compliance with the requirements listed in the foregoing paragraph. The Parties agree that SAFCA's Grading Plan shall restore the TCE Areas to a condition such that its characteristics will comply with the FAA Wildlife Hazard Mitigation and Drainage Requirements.
- 2.3.7 Airport West Ditch. SAFCA shall dewater and reconfigure the Airport West Ditch on behalf of COUNTY at COUNTY's expense. COUNTY shall issue a Permit to Enter to SAFCA in a similar form to the form attached here to and incorporated herein as Exhibit D, subject to modifications as approved by the Director of Airports or designee, SAFCA's Executive Director or designee, County Counsel and Agency Counsel, to allow SAFCA to dewater and reconfigure the Airport West Ditch in accordance with plans and specifications approved by the County Airport System. The applicable Permit to Enter for construction of the Airport West Ditch shall include instructions and issuance of badges or other identification for security clearance of SAFCA employees, contractors and assigns to enter onto Airport land in accordance with applicable FAA regulations. SAFCA shall appoint a designated escort or escorts for construction vehicles. SAFCA employees, contractor and assigns will adhere to the conditions specified in the attached document titled "Sacramento International Airport Contractor Security Requirements," as revised October 2, 2007, identified as Exhibit K.
- 2.3.8 Designated Swainson's Hawk Foraging Habitat Mitigation Area: COUNTY and SAFCA mutually acknowledge that the COUNTY has established a 460-acre Swainson's Hawk Foraging Habitat Mitigation Area (SWHA Mitigation Area) on a portion of the Airport Southern Buffer Lands, pursuant to the requirements of two Final Environmental Impact Reports (FEIRs) certified by the COUNTY Board of Supervisors for Airport projects. The 460-acre Mitigation Area is comprised of seven parcels owned by the COUNTY, totaling approximately 490 acres. The net difference of approximately 30 acres is comprised of a 250-foot wide setback from the inboard toe of the existing levee, which COUNTY established in the Swainson's Hawk Foraging Mitigation Plan (Mitigation Plan) dated February 29, 2008, and which was approved by the COUNTY's Department of Environmental Review and Assessment (DERA) on March 18, 2008. (The Mitigation Plan was subsequently revised with DERA's assent on May 1, 2008.) The SWHA Mitigation Plan specifies that the SWHA Mitigation Area shall be managed for alfalfa, hay crops, and/or native grasslands suitable for Swainson's hawk foraging. The purpose of the 250-foot setback was to accommodate the anticipated footprint of the NLIP.

The Swainson's Hawk Foraging Habitat Mitigation Area is identified in Exhibit L, attached hereto and incorporated herein. The boundary of the SWHA Mitigation Area consists of:

- on the north, the unpaved portion of Del Paso Road, which traverses Airport land in an east-to-west direction
- on the east, a 25-foot setback from the west boundary of Power Line Road;
- on the west, the west boundary of Assessor's Parcel Number (APN) 225-0101-058 and the western and northern boundaries of APN 225-0101-057
- on the south, the boundary of the approximate 250-foot setback from the inboard toe of the existing levee bordering Garden Highway.

The Parties mutually agree that unanticipated events have made it necessary for the footprint of the NLIP to be increased from a width of approximately 250 feet to approximately 600 feet, thereby occupying approximately 80 – 90 acres of COUNTY land (a net increase of 50 – 60 acres). The Parties mutually agree that: (a) the COUNTY property comprising the approximately 600-foot NLIP shall generally consist of an adjacent setback levee constructed with a slope ratio of 5 Horizontal:1 Vertical; and (b) a seepage berm generally constructed with a slope ratio of 50 Horizontal:1 Vertical; and (c) the surface of the seepage berm slope shall be established in native perennial grasslands that will be managed to support habitat suitable for Swainson's hawk foraging, which grasslands will be mowed one-to-two times annually to a height of six-to-twelve inches to optimize rodent prey availability for foraging raptors. On February 9, 2009 DERA issued written concurrence with the revisions described in items (a), (b) and (c) herein, having determined that the proposed changes will not qualitatively or quantitatively affect the SWHA Mitigation Area. The Parties agree that in all other respects, however, SAFCA's activities in conjunction with this Agreement shall not materially diminish the habitat conservation function and values of the Swainson's Hawk Foraging Mitigation Area and if they do so, SAFCA shall indemnify the COUNTY pursuant to the provisions of Sections 6 and 7.

- 2.3.9 Source of Irrigation Water for Designated Swainson's Hawk Foraging Habitat Mitigation Area: The mutually aforementioned expansion of the NLIP footprint from 250 feet to approximately 600 feet (an increase of approximately 350 feet) that has been mutually agreed upon by COUNTY and SAFCA is anticipated to render it infeasible for COUNTY to upgrade the three Sacramento River diverter pumps and pipes that have traditionally supplied irrigation water to the area now occupied by the SWHA Mitigation Area. It is anticipated that SAFCA will obtain water for its adjacent Novak property from the Riverside Canal. SAFCA has preliminarily indicated that it may be possible for a culvert to be placed

below Power Line Road in order to provide a replacement source of irrigation water for the SWHA Mitigation Area. The Parties therefore mutually agree to expeditiously collaborate on providing a replacement source of irrigation water for the SWHA Mitigation Area, and to equally share the capital cost of installing the requisite infrastructure for conveying water from the Novak site on the east side of Power Line Road to the COUNTY property on the West side of Power Line Road. A separate Agreement for accomplishing this objective shall be executed by the Executive Director of SAFCA and the County Executive or designee. If the parties do not come to an agreement which provides a replacement source of irrigation water to the SWHA Mitigation Area, SAFCA agrees it will pay for 50% of COUNTY's costs to retrofit or replace the three Sacramento River diverter pumps and pipes from the intake on the waterside of the existing levee to the landside of the Adjacent Levee and seepage berm to so as to supply irrigation water to the SWHA Mitigation Area.

2.3.10 Prichard Lake Preserve (Preserve): SAFCA and COUNTY mutually acknowledge that COUNTY has established the 43-acre Prichard Lake Preserve (Preserve) pursuant to a Settlement Agreement executed between COUNTY and the United States Fish and Wildlife Service, and that the Preserve is managed by the Center for Natural Lands Management (Center), which holds a conservation easement on the Preserve and is responsible for its perpetual management for habitat functions and values supportive of the giant garter snake (GGS), a species listed as "threatened" pursuant to the federal Endangered Species Act. The Preserve is identified in the Map of the Prichard Lake Preserve, **Exhibit M**, which is attached hereto and incorporated herein. Furthermore, SAFCA and COUNTY acknowledge that Prichard Lake proper, the wetland area southward and westward from the Preserve functions as an integral part of the drainage infrastructure within the Natomas Basin that is operated by RD 1000. Water levels within Prichard Lake are therefore influenced to greater extent by the operation of the drainage facilities than by any modifications to drainage resulting from the regrading of the TCE Borrow Area, SAFCA's excavation of borrow materials within the TCE Area shall in no way disrupt the water delivery facilities of the Preserve or drain water from the TCE Borrow Area directly into the Preserve. During the Borrow excavation activities, SAFCA shall implement the measures of its Section 408 permit designed to minimize impacts on the Giant Garter Snake. SAFCA shall indemnify the COUNTY pursuant to the provisions of Sections 6 and 7 hereof for any damage to protected species and hydrology of the Preserve caused by SAFCA's activities that result in corrective orders issued by one or more of the following agencies: United States Army Corps of Engineers, United States Department of Interior, California Water Quality Control Board – Central Valley Region, California Department of Fish and Game.

2.4 Land Exchange

- 2.4.1 SAFCA and COUNTY agree to exchange ownership of certain real property generally described in **Exhibit C** - Property Exchange Map, for the prices determined and on the terms and conditions substantially similar to those set forth in the Sales And Purchase Agreement Exchanging Property Between The Sacramento Area Flood Control Agency And The County Of Sacramento attached hereto as **Exhibit N** and incorporated herein by this reference. This exchange will facilitate expansion of the Airport's operational area along the eastern edge of the new Elkhorn Irrigation Canal while providing SAFCA additional land for mitigating project environmental impacts along the East Levee Area outside of the Airport's 10,000 foot Critical Zone.
- 2.4.2 Any difference in the respective party's real property values for the land exchanged herein shall be paid pursuant to Section 5.3 hereof.
- 2.4.3 The parties agree to respectively execute Quit Claim Deeds in substantially the same form as the pro forma example attached as an exhibit to said Sales And Purchase Agreement Exchanging Property Between The Sacramento Area Flood Control Agency And The County Of Sacramento within sixty (60) days following date of notice of SAFCA to COUNTY which date shall be no later than December 31, 2011. SAFCA shall be responsible for the recordation of the Quit Claim Deeds to effectuate the land exchange.

3. COUNTY DEPARTMENT OF TRANSPORTATION ("DOT")

- 3.1 Realignment of Elverta Road As part of the NLIP, SAFCA needs to raise the levee which supports the Garden Highway at its intersection with Elverta Road. The raise of the roadway elevation will require associated regrading of the Elverta Road approach embankment and include the construction of culverts through the embankment that are associated with the Elkhorn Canal and GGS/Drainage Canal. Because of the proximity of the AOA fencing along the south side of Elverta Road and the inability to relocate this fence, Elverta Road must be realigned to the north of its present position. This will require additional right of way on the north side of Elverta Road on Airport land. SAFCA agrees to realign Elverta Road in accordance with plans and specifications approved by the COUNTY's Department of Transportation ("DOT"). The parties anticipate the initial components of this realignment will be constructed during the summer of 2009 as part of the canals' construction. Completion of the realignment work will be conducted during the summer of 2010 as part of the Adjacent Levee construction. SAFCA shall coordinate with DOT regarding this and all other aspects of the NLIP that impact COUNTY roads.

3.2 SAFCA will contract and pay for the design and construction of the realignment of Elverta Road. SAFCA will include the realignment in its NEPA and CEQA compliance and permit documents.

3.3 Bike Trail. If requested by DOT, SAFCA agrees to use its best efforts to work with other interested parties in seeking funding for and obtaining or granting COUNTY the rights or permission for constructing, operating and maintaining a bike trail along the top of the new Adjacent Levee constructed as part of the NLIP. Such best efforts shall include supporting COUNTY's application to the Central Valley Flood Protection Board for a permit to allow use of the patrol road on the top of the Adjacent Levee as a bike trail, and executing any and all documents pertaining to SAFCA to accomplish the use. The County Airport System and the Federal Aviation Administration shall be consulted regarding the placement and construction of the bike trail. Reclamation District 1000 ("RD 1000") shall be consulted regarding the establishment of such a bike trail to assure that it does not interfere with RD 1000's levee inspection, maintenance, or flood fighting responsibilities and activities and does not result in new costs or responsibilities to RD 1000. The construction of such a bike trail shall be contingent upon a permit issued by RD 1000. The complete bike trail will commence at the east side of the Sacramento River along Garden Highway approximately 1.5 miles north of West Elverta Road at the Sutter and Sacramento County line and run approximately 26 miles along the top of the Adjacent Levee ending west side of Natomas East Main Drainage Canal approximately 1.5 miles north of West Elverta Road at the Sutter and Sacramento County line. Of the 26 miles of proposed bike trail in Sacramento County, approximately 8 miles will be in the City of Sacramento and approximately 18 miles will be in the unincorporated area in the County of Sacramento of which approximately 12 miles will on the top of the new Adjacent Levee. In the event the bike trail is constructed, COUNTY's DOT will be solely responsible for the construction, operation and maintenance of the bike trail. The County Airport System shall in no way be responsible for maintaining the bike trail or for assuming any costs associated with such maintenance.

3.4 Maintenance of Drainage along Garden Highway. In exchange for the right and permission to construct a bike trail on top of the Adjacent Levee, COUNTY agrees to maintain the drainage facilities between the Adjacent Levee and the Garden Highway including but not limited to drainage swales, drop inlets, and pipe outfalls beneath the Garden Highway. Such maintenance will commence immediately following completion of the NLIP and notice to COUNTY's DOT of same.

4. UTILITY RELOCATIONS COUNTY and SAFCA shall use their best effort to effectuate the necessary relocation of utilities on COUNTY land to accomplish the NLIP. The utilities expected to be affected are those owned by CalPine (as successor to PG&E), SMUD, AT&T. SAFCA shall bear all costs of such utility relocation.

5. COMPENSATION

5.1 Department of Real Estate SAFCA shall pay to COUNTY a One Thousand Dollar (\$1,000) fee for each Permit to Enter it requests and receives. The applicable fee shall be paid within thirty (30) days following receipt of each Permit to Enter.

5.2 DOT Each party agrees to bear its own costs to accomplish the realignment of Elverta Road, and COUNTY shall be solely responsible for the costs of the construction of the bike trail on the Adjacent Levee. County DOT shall bear the cost of maintaining the drainage swale and drainage facilities serving the drainage swale between the Adjacent Levee and the Garden Highway

5.3 SACRAMENTO COUNTY AIRPORT SYSTEM

5.3.1 The costs associated with using COUNTY land as part of the NLIP will be allocated to SAFCA and County Airport System based on the benefits each agency will derive from this use as set forth in Exhibit O - Summary of Cost Allocations, attached here to and incorporated herein by this reference.

The Parties agree upon the estimated amounts specified in Exhibit O - Summary of Cost Allocations, and agree that any differences in the costs allocated to SAFCA and to the County Airport System will be reimbursed by one Party to the other based on the net difference between the costs at the conclusion of the project.

5.3.2 For land use rights or land exchanges, each party's costs will be based on fair market value appraisals for all of the land and land use rights that are acquired and exchanged in connection with the project as discussed above. SAFCA and County agree that SAFCA shall hire an MAI certified appraiser who shall be provided with assumptions agreed to by SAFCA and COUNTY. SAFCA and COUNTY shall each have another MAI certified appraiser review the appraisals. In the event the appraisal reviewers do not agree on a value and if the difference is less than \$100,000.00, the Parties agree to split the difference. If the difference is greater than \$100,000.00, the Parties agree to submit the matter to mediation as set forth in section 9 below.

5.3.3 For infrastructure improvements, SAFCA will cover all of the costs of constructing the NLIP on COUNTY land except for the costs associated with reconfiguring and re-grading the West Ditch and compensating for the West Ditch habitat mitigation, which shall be allocated to the County Airport System. A summary of these estimated cost allocations is attached hereto and incorporated herein as Exhibit O. The final cost allocation

will be based on final appraisal and actual construction costs. Within ninety (90) days following completion of construction of the last element of this Master Agreement, SAFCA shall provide COUNTY with a detailed accounting and invoice with final costs of each of the elements on Exhibit O. Any payments shown as due on such final Exhibit O shall be due the other party 60 days after receipt of such final accounting and invoice. A single transaction will serve to address any payment differential between SAFCA and the County Airport System.

6 ENVIRONMENTAL INDEMNIFICATION

- 6.1 Indemnification and Environmental Fines and Penalties – Notwithstanding the parties' mutual indemnification provisions in section 7 below, SAFCA shall indemnify, defend (with counsel acceptable to COUNTY) and hold harmless COUNTY, its Board of Supervisors, officers, employees, agents, and volunteers arising out of or resulting from the performance of the Agreement. SAFCA shall assume sole responsibility for and payment of any fines or penalties levied on either the COUNTY or SAFCA by any local, state or federal authority (hereinafter Authority) for breaches of the Authority's environmental regulations. SAFCA agrees to be solely liable for the payment of all fines and penalties except and in proportion to the extent caused by the negligence or willful misconduct of COUNTY.
- 6.2 In addition, SAFCA understands and acknowledges that, during the course of the NLIP, should any remediation be necessary for any environmental contamination on COUNTY property caused by any activities carried out in connection with the NLIP, SAFCA shall assume sole responsibility for such remediation.
- 6.3 Notwithstanding the foregoing, costs of any remediation and/or subsequent monitoring for environmental contamination on the COUNTY owned property commonly known as the Yuki property, will be shared by the Parties on a fifty - fifty percent basis and paid pursuant to Section 5.3. Any proposed remediation and monitoring plans shall be approved by both Parties prior to implementation of the remediation and/or monitoring and shall utilize financially economical and prudent methods. SAFCA shall perform or cause to be performed the remediation and monitoring activities. COUNTY expressly reserves the right to audit any and all records pertaining to the remediation and/or monitoring performed by SAFCA and/or its agents.

7. MUTUAL INDEMNIFICATION

- 7.1 SAFCA shall defend, indemnify and hold harmless COUNTY, its Board of Supervisors, officers, directors, agents, employees and volunteers from and against all demands, claims, actions, liabilities, losses, damages, and costs, including reasonable attorneys' fees, arising out of or resulting from the

performance of the Agreement, caused in whole or in part by the negligent or intentional acts or omissions of SAFCA's Board of Directors, officers, directors, agents, employees, or subcontractors.

7.2 Except for the Environmental Indemnification provisions set forth in Section 6 of this Agreement, COUNTY shall defend, indemnify, and hold harmless SAFCA, its officers, directors, agents, employees, and subcontractors from and against all demands, claims, actions, liabilities, losses, damages and costs, including reasonable attorneys' fees, arising out of or resulting from the performance of the Agreement, caused in whole or in part by the negligent or intentional acts or omissions of COUNTY'S Board of Supervisors, officers, directors, agents, employees, or volunteers.

7.3 Except for the provisions in Section 6 above, it is the intention of COUNTY and SAFCA that the provisions of this section be interpreted to impose on each party responsibility to the other for the acts and omissions of their respective officers, directors, agents, employees, volunteers, COUNTY'S Board of Supervisors, and SAFCA's Board of Directors. It is also the intention of COUNTY and SAFCA that, where comparative fault is determined to have been contributory, principles of comparative fault will be followed and each party shall bear the proportionate cost of any damage attributable to the fault of that party, its officers, directors, agents, employees, volunteers, COUNTY'S Board of Supervisors and SAFCA's Board of Directors.

8. COMPLIANCE WITH FEDERAL AVIATION ADMINISTRATION (FAA) GRANT ASSURANCES With the exception of small residential parcels comprising the former Rio Ramaza mobile home complex in Sutter County and the County's Willey Wetland Preserve located on the south side of Sankey Road in Sutter County, all of the County property under the control of the County Airport System was partially acquired with funding provided through a variety of grant programs administered by the FAA. The conveyance of grant funds to local grant sponsors (airport authorities) by the FAA obligates the grant sponsor to comply with a number of Grant Assurances. As such, any use of airport property partially or wholly acquired with FAA grants funds must provide benefits to the airport proportional to the benefits received. The Parties acknowledge that they have diligently and in good faith and analyzed those components of the Natomas Levee Improvement Program (NLIP) and the elements of the program described herein and have concluded that the NLIP will in all respects comply with the FAA Grant Assurances in effect at the time of this Agreement's execution. Further, the Parties hereby agree that the manner in which the actions contemplated in this Agreement are carried out will in all respects comply with said Grant Assurances.

9. MEDIATION.

9.1 If a dispute arises between the Parties concerning the value of the property to be exchanged, either Party may refer the dispute to mediation by request made in

writing to the other Party. Within ten (10) days of the receipt of a request for mediation, the Parties shall select a single trained and impartial mediator. If the Parties are unable to agree on the selection of a single mediator, then they shall, within fifteen (15) days after receipt of the initial request, jointly apply to a proper court for the appointment of a trained and impartial mediator. Mediation shall then proceed in accordance with the following guidelines:

- 9.2 The purpose of the mediation shall be to: (1) promote discussion between the Parties, (2) assist the Parties to develop and exchange pertinent information concerning the issue(s) in dispute, and (3) assist the Parties to develop proposals that will enable them to arrive at a mutually acceptable resolution of the controversy. No Party shall be bound by any provision of any resolution or settlement resulting from mediation unless the Party has expressly accepted and agreed to such provision in writing.
 - 9.3 The mediator may meet with the Parties and their counsel jointly or ex parte. The Parties shall participate in the mediation process in good faith and expeditiously, attending all sessions scheduled by the mediator. Representatives of the Parties, who shall have settlement authority (subject to governing board approval where such approval is required), will attend mediation sessions as requested by the mediator.
 - 9.4 All information presented to the mediator shall be deemed confidential and shall be disclosed by the mediator only with the prior consent of the Parties or their respective counsel. The mediator shall not be subject to subpoena by any Party. No statements made or documents prepared by any Party for mediation sessions shall be disclosed or utilized in any manner by the other Party in any subsequent proceeding, nor shall such statements or documents be construed as an admission of a Party.
 - 9.5 No Party shall be obligated to continue the mediation process either: (1) beyond a period of forty-five (45) days from the date of receipt of the initial request for mediation, or (2) if the mediator concludes that there is no reasonable likelihood that continuing mediation will result in a mutually agreeable resolution of the dispute.
 - 9.6 In the event that mediation does not result in a mutually agreeable resolution of the dispute, the Parties agree that they shall have the right to pursue all remedies which may be available to them at law or in equity.
 - 9.7 The costs of the mediator shall be borne equally by the Parties and each Party shall bear its own expenses, including attorneys' fees.
10. **NOTICE** Any notice, demand, request, consent, or approval that either party hereto may or is required to give the other pursuant to this Agreement shall be in writing and shall be either personally delivered or sent by mail, addressed as follows:

TO COUNTY

Terry Schutten, County Executive
County of Sacramento
700 H Street, Ste. 7650
Sacramento, CA 95814

TO SAFCA

Stein Buer, Executive Director
Sacramento Area Flood Control Agency
1007 7th Street, 7th Floor
Sacramento, CA 95814

and

G. Hardy Acree
Director of Airports
Sacramento County Airport
System
6900 Airport Blvd.
Sacramento, CA 98837

Either party may change the address to which subsequent notice and/or other communications can be sent by giving written notice designating a change of address to the other party, which shall be effective upon receipt.

11. COMPLIANCE WITH LAWS COUNTY and SAFCA shall observe and comply with all applicable Federal, State, and COUNTY laws, regulations and ordinances.
12. ENDANGERED SPECIES SAFCA shall at all times in all respects comply with all environmental laws and any amendments thereto affecting the NLIP, including all federal, state and local laws, ordinances and regulations relating to endangered, threatened and other sensitive species. Without limiting the generality of the foregoing, reference is made to the provisions set forth in the California Endangered Species Act (California Fish and Game Code Section 2050, et seq.); the Federal Endangered Species Act (16 U.S.C. Sections 1531 – 1543); and the Federal Migratory Bird Treaty Act (16 U.S.C. Sections 703-712). SAFCA shall, at all times, conduct its operation under the NLIP in compliance with permits issued to SAFCA by the USFWS and CDFG. The County Airport System Wildlife Biologist will be provided copies of these permits. In addition, SAFCA shall keep the aforementioned Wildlife Biologist of NLIP activities on Airport's land.
13. RETENTION OF A QUALIFIED ENVIRONMENTAL SPECIALIST – SAFCA shall, at SAFCA's sole cost and expense, retain the services of a qualified environmental specialist ("Specialist") to oversee the tree removal and transplantation process. Said Specialist shall be independent of and not affiliated with the firm hired by SAFCA to perform the tree removal and transplantation services. Documentation of the retention of a Specialist by SAFCA shall be presented to COUNTY at the time SAFCA executes this Permit.

14. GOVERNING LAWS AND JURISDICTION This Agreement shall be deemed to have been executed and to be performed within the State of California and shall be construed and governed by the internal laws of the State of California. Any legal proceedings arising out of or relating to this Agreement shall be brought in Sacramento County California.
15. AMENDMENT AND WAIVER Except as provided herein, no alteration, amendment, variation, or waiver of the terms of this Agreement shall be valid unless made in writing and signed by both parties. Waiver by either party of any default, breach or condition precedent shall not be construed as a waiver of any other default, breach or condition precedent, or any other right hereunder.
16. SUCCESSORS This Agreement shall bind the successors of COUNTY and SAFCA in the same manner as if they were expressly named.
17. INTERPRETATION This Agreement shall be deemed to have been prepared equally by both of the parties, and the Agreement and its individual provisions shall not be construed or interpreted more favorably for one party on the basis that the other party prepared it.
18. DUPLICATE COUNTERPARTS This Agreement may be executed in duplicate counterparts. The Agreement shall be deemed executed when it has been signed by both parties.
19. AUTHORITY TO EXECUTE Each person executing this Agreement represents and warrants that he or she is duly authorized and has legal authority to execute and deliver this Agreement for or on behalf of the parties to this Agreement. Each party represents and warrants to the other that the execution and delivery of the Agreement and the performance of such party's obligations hereunder have been duly authorized.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first written above.

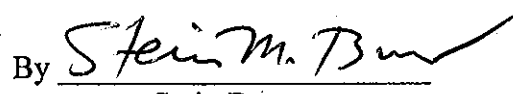
"COUNTY"

"SAFCA"

COUNTY OF SACRAMENTO, a
political subdivision of the State
of California

**SACRAMENTO AREA FLOOD
CONTROL AGENCY**, a joint
powers authority

By 
Terry Schutten
County Executive

By 
Stein Buer
Executive Director

Date: 3/24/2009

Date: 3/11/09

Approved as to form:

Diane E. McEl
COUNTY Counsel

Approved as to form:

M. Holly Gilchrist
SAFCA Counsel

LIST OF EXHIBITS

Exhibit A	Map of Sacramento River East Levee Area
Exhibit B	Easement for Temporary Construction form
Exhibit C	Property Exchange Map
Exhibit D	Permit to Enter form
Exhibit E	Grant of Perpetual Drainage Easement form
Exhibit F	Map of the West Drainage Canal Area
Exhibit G	Flood Control Easement form
Exhibit H	Map of Airport South Buffer Lands
Exhibit I	Perpetual Water Facilities Easement form
Exhibit J	Map of Parcel 1 Borrow Area and Relocated Irrigation Lateral 2A Canal
Exhibit K	Sacramento International Airport Contractor Security Requirements
Exhibit L	Map of Designated Swainson's Hawk Foraging Mitigation Area
Exhibit M	Map of Prichard Lake Preserve
Exhibit N	Sales and Purchase Agreement
Exhibit O	Summary of SAFCA - County Airport System Cost
Allocations	