

**Local Project Sponsor Agreement Between  
Regional Water Management Foundation (referred to herein as “RWMF” or “Grantee”)  
and City of Watsonville (referred to herein as “City” or “Local Project Sponsor”)  
for the Department of Water Resources Urban & Multibenefit Drought Relief Grant**

This Local Project Sponsor Agreement, is entered into force on the date of execution by and between the Regional Water Management Foundation, a subsidiary of the Community Foundation Santa Cruz County (referred to herein as “RWMF” or “Grantee”), and the City of Watsonville (referred to herein as the “Local Project Sponsor” or “City”). The City and RWMF are individually referred to herein as a “party” and collectively referred to herein as the “parties.”

**Recitals**

- A.** RWMF desires to enter into a Grant Agreement with the State of California (Department of Water Resources) [Agreement Number 4600014690] (referred to herein as the “Grant Agreement”) under which RWMF will be the Grantee to receive funds authorized under the Urban and Multibenefit Drought Relief Grant (the “Grant”). A copy of the proposed Grant Agreement is attached hereto as Attachment “A” and incorporated herein by this reference.
- B.** Subject to the approval of the Grant Agreement by the Department of Water Resources and RWMF, the City, as the “Local Project Sponsor” has agreed to assume all responsibilities of performing the work and obligations under the Grant Agreement relating to “Project 1 – Water Supply Storage – Zone 2 Water Tanks” (the “Project”) which is described as follows:
- The City of Watsonville Public Works and Utilities proposes to increase its water supply storage capacity by adding a new storage tank (up to 2.4 million gallons (MG)). The existing Zone 2 storage tank (Tank A) is more than 35 years old; it is beyond its useful life. The proposed new storage tank (Tank B) will increase seismic resiliency of the City’s water storage and distribution system and provide operational flexibility in Zone 2 with redundant storage capacity. Tank B will also allow for needed maintenance and repairs to Tank A. This project will improve the City's water supply reliability, increase operational flexibility, and resiliency while reducing vulnerability to supply disruptions.
- C.** Subject to the approval of the Grant Agreement, RWMF, as Grantee under the Grant Agreement, will receive and administer Grant funds; and the City, as the Local Project Sponsor, will implement the Project and receive reimbursement for Eligible Project Costs in accordance with the terms and conditions set forth herein.

NOW THEREFORE, the parties agree as follows:

- 1.** The above recitals are incorporated herein by reference.
- 2.** The term Local Project Sponsor refers to the proponent of the Project specific Task(s) in the Grant Agreement. All of the work to be completed by Local Project Sponsor is referred to in this Local Project Sponsor Agreement as “Project” and is defined as a group of activities as set forth in the Attachment A, the Grant Agreement Exhibit A (Work Plan). By executing this Local Project Sponsor Agreement, the City certifies,

represents and warrants that the purpose of the Project is to respond to a drought scenario, as defined by Water Code section 13198(a), which is intended to: (1) address immediate impacts on human health and safety; (2) address immediate impacts on fish and wildlife resources; or, (3) provide water to persons or communities that lose or are threatened with the loss or contamination of water supplies.

3. The term of this Local Project Sponsor Agreement begins on March 19, 2022, and ends three (3) years following the final payment unless otherwise terminated or amended as provided in this Local Project Sponsor Agreement or the Grant Agreement. All work to be performed by the City shall be completed by March 31, 2025, in accordance with the schedule set forth in the Grant Agreement and no funds may be requested after June 30, 2025.
4. The City agrees to be bound to perform and abide by all of the provisions applicable to RWMF set forth in the Grant Agreement as if the City had signed the Grant Agreement in the place and stead of RWMF. RWMF shall have all rights of the Department of Water Resources, "State," or "Division" conferred under the Grant Agreement with respect to the City in connection with this Local Project Sponsor Agreement.
5. The City shall be solely responsible for compliance with the requirements of the Grant Agreement and implementation of the Project, including but not limited to environmental review, design, permitting, Project management, oversight, compliance, construction, operation and maintenance. Any review or approval of plans, specifications, bid documents, or other construction documents by RWMF or the State is solely for the purpose of proper administration of funds by RWMF or the State and shall not be deemed to relieve or restrict the responsibilities of the City under this Local Project Sponsor Agreement.
6. The City agrees to:
  - a) Faithfully and expeditiously perform or cause to be performed all work and tasks associated with the Project, in accordance with Exhibit A (Workplan), Exhibit B (Budget) and Exhibit C (Schedule) attached to the Grant Agreement.
  - b) Accept and agree to comply with all terms, provisions, conditions, and written commitments of the Grant Agreement, including all documents incorporated by reference therein, and to fulfill all assurances, declarations, representations, and statements made by RWMF in the application, documents, amendments, and communications filed in support of its grant application.
  - c) Comply with all applicable California laws and regulations.
7. The City shall perform the work and provide the documentation required of RWMF pertinent to the Project in a timely manner as set forth in the Grant Agreement. Notwithstanding the foregoing, any documents or information required to be submitted to the State Department of Water Resources, agents of the Department of Water Resources, or agents of the State (each, a "State Representative"), shall not be submitted by the City to a State Representative, but rather shall be submitted to RWMF who in turn will submit the documents to the appropriate State Representative.
8. The City acknowledges that paragraph 4 of the Grant Agreement (Basic Conditions) establishes the State shall have no obligation to disburse money for the Project until the City has satisfied all the applicable conditions specified in paragraph 4.

9. Subject to receipt of Grant funds from the Department of Water Resources as a result of a particular request for disbursement of Grant funds by the City and subject to the other terms and conditions set forth herein, RWMF shall remit to the City such disbursement it receives from Department of Water Resources as a result of such request, up to a total amount not to exceed \$4,850,000 for Eligible Project Costs. Any additional costs related to the Project are the sole responsibility of the City.

Project Name	Project #	Grant Award
Water Supply Storage - Zone 2 Water Tanks	1	\$4,850,000

10. In order to receive disbursement of grant funds, the City shall submit to RWMF quarterly invoices for eligible project costs as defined in paragraph 6 of the Grant Agreement (Eligible Project Costs) in a form required by RWMF. Supporting documentation as described in paragraph 7 of the Grant Agreement (Method of Payment) shall accompany each invoice. The documentation required by this paragraph shall be sent to:

Tim Carson, Program Director  
Regional Water Management Foundation (RWMF)  
c/o Community Foundation of Santa Cruz County  
7807 Soquel Drive  
Aptos, CA 95003  
or such other address as RWMF may provide.

11. The City shall apply Grant funds only to Eligible Project Costs in accordance with applicable provisions of the law and Exhibit B (Budget) of the Grant Agreement. Eligible Project Costs include the reasonable cost of studies, engineering, design, land and easement acquisition and associated legal fees, preparation of environmental documentation, environmental mitigations, monitoring, and project construction. Costs incurred after March 18, 2022, may be eligible for reimbursement. Reimbursable administration expenses are the necessary costs incidental but directly related to the Project included in this Local Project Sponsor Agreement. The City acknowledges that Eligible Project Costs related to the Project are limited to those set forth in paragraph 6 of the Grant Agreement.
12. Notwithstanding any other provision of this Local Project Sponsor Agreement, no disbursement shall be required to be made by RWMF at any time or in any manner which is in violation of, or in conflict with, federal or state laws, rules, or regulations, or which may require any rebates to the Federal Government, or any loss of tax-free status on state bonds, pursuant to any Federal statute or regulation. Any and all money disbursed to RWMF under the Grant Agreement shall be deposited in a non-interest bearing account and shall be used solely to pay Eligible Project Costs, as identified in paragraph 6 of the Grant Agreement.
13. The City acknowledges the requirements and processes defined in paragraph 7 of the Grant Agreement Item 7 (Method of Payment) pertaining to reimbursement requests for Project costs incurred.
14. The City acknowledges its responsibility to comply with the applicable provisions of the Grant Agreement Exhibit D -- Standard Conditions.

15. This Local Project Sponsor Agreement is subject to and conditioned upon the approval of the Grant Agreement. The City shall not be entitled to, and RWMF shall have no obligation to make any disbursement of Grant funds as set forth herein if RWMF does not receive Grant funds from the Department of Water Resources for the Project. Further, if RWMF is required to refund any disbursement made to the City to the Department of Water Resources due to a violation of the Grant Agreement by the City, the City shall refund to RWMF such disbursement amount plus any interest or penalties required to be paid by RWMF to the Department of Water Resources, as well as for any expenses incurred by RWMF (e.g., personnel time, postage) due in connection with the coordination of such refund.
16. For the useful life of construction and implementation projects and in consideration of the funding made by State, the City agrees to ensure, perform or cause to be performed the commencement and continued operation of the Project, and shall ensure, perform or cause the Project to be operated in an efficient and economical manner; shall ensure, perform or cause to be performed all repairs, renewals, and replacements necessary to the efficient operation of the same are provided; and shall ensure, maintain or cause the same to be maintained in as good and efficient condition as upon its construction, ordinary and reasonable wear and depreciation excepted. The State or RWMF shall not be liable for any cost of such maintenance, management, or operation. The City or its successors may, with the written approval of State, transfer this responsibility to use, manage, and maintain the Project. Under the Grant Agreement, "useful life" means period during which an asset, property, or activity is expected to be usable for the purpose it was acquired or implemented; "operation costs" include direct costs incurred for material and labor needed for operations, utilities, insurance, and similar expenses, and "maintenance costs" include ordinary repairs and replacements of a recurring nature necessary for capital assets and basic structures and the expenditure of funds necessary to replace or reconstruct capital assets or basic structures. Refusal of the City to ensure or provide operation and maintenance of the Project in accordance with this provision may, at the option of State or RWMF, be considered a breach of this Agreement and may be treated as default under Grant Agreement Paragraph 10, "Default Provisions." The maintenance obligation herein shall survive the term of this Agreement.
17. The City agrees to provide all required reports as specified in paragraph 12 of the Grant Agreement (Submission of Reports) and Exhibit F (Report Formats and Requirements), according to a format and schedule as specified by RWMF. This pertains to the quarterly Progress Report, Final Report, and Post-Performance Reports. The City agrees to prepare and submit Post-Performance Reports. Post-Performance Reports shall be submitted to State within sixty (60) calendar days after the first operational year of a project has elapsed. This record keeping and reporting process shall be repeated annually for a total of three (3) years after the project begins operation. The City shall provide annual written notification to RWMF of the Post-Performance Report submittal.
18. The City agrees to promptly notify RWMF, in writing, if any of the items or matters listed in Grant Agreement paragraph 15 (Notification of State) occur.
19. RWMF is to provide administrative services for the benefit of the City in the administration of the Grant Agreement. RWMF is to receive compensation via grant reimbursement for these services as set forth in the Grant Agreement Exhibits A and B (Work Plan and Budget). The City shall be liable and agrees to reimburse RWMF for administrative costs incurred by RWMF that are not reimbursed under the Agreement and that are

attributable to the Project, including its actions, inaction, or breach of this Local Project Sponsor Agreement. RWMF agrees to provide grant administrative services for the term specified in the Grant Agreement. In the event the term of the Grant Agreement is extended by RWMF to accommodate the City, RWMF shall be reimbursed by the City for any additional administrative costs that are solely attributable to grant administration occurring beyond the end date of the initial term.

20. The City acknowledges the provisions of paragraph D10 under the Grant Agreement (CEQA). Activities funded under this Local Project Sponsor Agreement, regardless of funding source, must be in compliance with the California Environmental Quality Act (CEQA) (Pub. Resources Code, § 21000 et seq.) Any work that is subject to CEQA and funded under this Agreement shall not proceed until documents that satisfy the CEQA process are received by RWMF, the State's Project Manager and the State has completed its CEQA compliance review. Work funded under this Agreement that is subject to environmental review shall not proceed until and unless approved by the Department of Water Resources. Such approval is fully discretionary and shall constitute a condition precedent to any work for which it is required. If CEQA compliance by the City is not complete at the time the State signs this Agreement, once State has considered the environmental documents, it may decide to require changes, alterations, or other mitigation to the Project; or to not fund the Project. Should the State decide to not fund the Project, this Agreement shall be terminated in accordance with paragraph 10 of the Grant Agreement.
21. The City acknowledges the provisions of paragraph D10 (Competitive Bidding and Procurements) of the Grant Agreement and that the City's contracts with other entities for the acquisition of goods and services and construction of public works with funds provided by State under this Funding Agreement must be in writing and shall comply with all applicable laws and regulations regarding the securing of competitive bids and undertaking competitive negotiations. If the City does not have a written policy to award contracts through a competitive bidding or sole source process, the Department of General Services' State Contracting Manual rules must be followed and are available at: <https://www.dgs.ca.gov/OLS/Resources/Page-Content/Office-of-Legal-Services-Resources-List-Folder/State-Contracting>.
22. The City agrees to be bound by all applicable provisions of the Labor Code including but not limited to the payment of prevailing wages and shall monitor all contracts subject to reimbursement from this Local Project Sponsor Agreement to assure that the prevailing wage provisions of the Labor Code are being met. Current Department of Industrial Relations (DIR) requirements may be found at: <http://www.dir.ca.gov/lcp.asp>. For more information, please refer to DIR's Public Works Manual at: <http://www.dir.ca.gov/dlse/PWManualCombined.pdf>.
23. The City acknowledges the provisions of Exhibit D, paragraph 34 of the Grant Agreement (Retention) and agrees that disbursement of Grant funds may be withheld by the State and/or RWMF to satisfy the retention requirements set forth therein. Notwithstanding any other provision of this Grant Agreement, State may, for the Project, withhold ten percent (10%) of the funds requested by the City for reimbursement of Eligible Project Costs. The City will be eligible for the release of retention when the Project is complete and the City has met requirements of Paragraph 12 of the Grant Agreement (Submissions of Reports) including the requirement that the "Final Report" is submitted to and approved by State. Retained funds will be paid to the City through RWMF.

- 24.** The City acknowledges that RWMF is relying on the City's full and complete performance of the requirements under the Grant Agreement, excepting grant administration by RWMF. Accordingly, in the event City fails to perform any of its obligations hereunder, the City agrees to indemnify, defend, and hold harmless the State of California, RWMF and their officers, directors, agents, and employees (each, an "Indemnified Party") from and against any and all judgments, losses, claims, damages or liabilities, joint or several, to which any Indemnified Party may become subject which relate to or arise out of the Project, a breach of this Local Project Sponsor Agreement or a breach of the Grant Agreement. To the fullest extent allowed by law, such indemnification by the City shall include, but not be limited to, the following:
- a) Liability or claims resulting directly or indirectly from the negligence or carelessness of the City, its design professionals, contractors, subcontractors, and their respective officers, directors, employees, or agents (each, a "City Party") in the performance of the work associated with the Project, or in operating or maintaining the same.
  - b) Liability or claims arising directly or indirectly from bodily injury, occupational sickness or disease, or death of any person engaged in the work related to the Project;
  - c) Liability or claims arising directly or indirectly from or based on the violation of any laws or regulations by a City Party.
  - d) Liability or claims arising directly or indirectly from the use or manufacture by a City Party in the performance of this Local Project Sponsor Agreement of any copyrighted or non-copyrighted composition, secret process, patented or unpatented invention, article, or appliance.
  - e) Liability or claims arising directly or indirectly from the negligence or willful misconduct of a City Party.
  - f) Liability or claims arising directly or indirectly from any breach of the obligations assumed in this Local Project Sponsor Agreement by a City Party.
  - g) Liability or claims arising directly or indirectly from, relating to, or resulting from a hazardous condition or hazardous materials on or around the Project site.
  - h) Liability or claims arising directly, or indirectly, or consequentially out of any action, legal or equitable, brought against the Indemnified Parties, relating to the City's use of any premises acquired by permits, rights of way, or easements, the Project site, or any land or area contiguous to the Project or the performance of the work by a City Party thereon.
  - i) Liability arising directly or indirectly a violation of the California Labor Code that may be asserted by any person or entity.
  - j) The indemnification obligation under this Section shall not be limited in any way by any limitation on the amount or type of insurance carried by any City Party.
  - k) The Contractor's obligations pursuant to this provision will survive the expiration or earlier termination of this Local Project Sponsor Agreement.

- 25.** In the event the City violates any provision of this Local Project Sponsor Agreement that, in RWMF's judgment, could result in a violation of the Grant Agreement, RWMF may take (but is not required to take) any and all appropriate measures to attempt to prevent any such violation or to mitigate any damages RWMF would incur as a result thereof, including but not limited to performing any work required of the City hereunder, and in such case, the City shall be liable for any costs of RWMF incurred in connection with such measures.
- 26.** To enable RWMF to confirm the City's compliance with this Local Project Sponsor Agreement, upon request by RWMF, the City shall provide RWMF with: (i) any requested documentation; and (ii) access to any work sites or other areas associated with the Project for the purpose of making observations or conducting any necessary tests or studies.
- 27.** RWMF and the State reserves the right to conduct an audit during the term of the Grant and for a period of three years after final payment with respect to all matters connected with this Local Project Sponsor Agreement as specified in the Grant Agreement, Exhibit D 5 (Audits). All records of RWMF, the City, or its contractors or subcontractors shall be preserved for this purpose for at least three (3) years after project completion or final billing, whichever comes later. The City agrees to compensate RWMF for any costs incurred in complying with this provision related to the Project and shall return any audit disallowances to RWMF.
- 28.** The parties may, pursuant to mutual agreement, expand the scope of work to be performed by the City hereunder, but in any event modifications to the terms of this Agreement shall be valid only if made in writing and executed by RWMF and the City.
- 29.** The City shall not assign, delegate or otherwise transfer any of its duties, obligations, rights or interest under this Local Project Sponsor Agreement without prior written consent of RWMF, which consent may be given or withheld by RWMF in its reasonable discretion. Any attempted assignment or transfer without such consent shall be void.
- 30.** Subject to the provisions of the paragraph immediately below, all terms and conditions of this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, RWMF and the City and their respective legal representatives, successors and permitted assigns.
- 31.** A waiver of any provision of this Agreement in any given instance shall not constitute a waiver of (i) such provision in future instances or (ii) any other provision of this Agreement.
- 32.** This Local Project Sponsor Agreement, together with the other agreement specifically referred to herein, constitutes the entire understanding of RWMF and the City concerning the subject matter hereof and supersedes all prior and contemporaneous agreements, correspondence, representations or understandings between RWMF and the City relating to the subject matter hereof, whether written or oral.
- 33.** This Local Project Sponsor Agreement may be executed in counterparts, each of which when taken together shall constitute the entire Agreement. Any signature delivered by a party by facsimile or other similar method of electronic transmission shall be deemed to be an original signature hereto.

- 34.** This Local Project Sponsor Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event any dispute arises between the parties to this agreement concerning the matters contained in this agreement, the parties agree to pursue nonbinding mediation as a means to resolve the dispute before resorting to arbitration or litigation.
- 35.** INSURANCE: Throughout the duration of this Local Project Sponsor agreement, the City will maintain insurance in conformance with the requirements set forth below.

#### CERTIFICATE REQUIREMENTS

RWMF and the State of California will be issued a Certificate of Insurance (a Memorandum of Understanding will not be accepted) with the following minimum requirements:

- Certificate(s) will show current policy number(s) and effective dates;
- Coverage and policy limits will meet, or exceed, requirements below;
- The Certificate Holders will be:
  - i. Regional Water Management Foundation, 7807 Soquel Drive, Aptos, CA 95073
  - ii. The State of California, P.O. Box 942836, Sacramento, CA 94236-0001
- Certificate will be signed by an authorized representative;
- Two separate endorsements will be provided to show 1. RWMF, its officers, officials, employees, and volunteers and 2. The State, its officers, agents, and employees as additional insureds.

#### Minimum Scope and Limits of Insurance

The City acknowledges that the insurance coverage and policy limits set forth in this section constitute the minimum amount of coverage required. RWMF will be entitled to coverage for the highest limits maintained by the City. Coverage will be at least as broad as:

- a) General Liability Insurance. Commercial general liability insurance covering bodily injury, personal injury, property damage, products and completed operations with limits of no less than Two Million Dollars (\$2,000,000) per incident or occurrence.
- b) Professional Liability Insurance. Professional errors and omissions liability insurance with limits of no less than One Million Dollars (\$1,000,000) aggregate. Such professional liability insurance shall be continued for a period of no less than one year following completion of the City's work under this Agreement.
- c) Automobile Liability Insurance. If the City or City's officers, employees, agents or representatives utilize a motor vehicle in performing any of the work or services under this Agreement, owned/non-owned automobile liability insurance providing combined single limits covering bodily injury and property damage liability with limits of no less than One Million Dollars (\$500,000) per incident or occurrence.
- d) Workers' Compensation Insurance. Workers' Compensation insurance as required by the California Labor Code.

- e) Deductibles. Any deductibles or self-insured retentions over \$10,000 must be declared in writing and approved by RWMF. At the option of RWMF, either: (a) the insurer shall reduce or eliminate such deductibles or self-insured retentions, or (b) the City shall provide a bond, cash, letter of credit, guaranty or other security satisfactory to RWMF guaranteeing payment of the self-insured retention or deductible and payment of any and all costs, losses, related investigations, claim administration and defense expenses. RWMF, in its sole discretion, may waive the requirement to reduce or eliminate deductibles or self-insured retentions, in which case, the City agrees that it shall be responsible for and pay any self-insured retention or deductible and shall pay any and all costs, losses, related investigations, claim administration and defense expenses related to or arising out of the City's defense and indemnification obligations as set forth in this Agreement.
- f) Additional Insured Endorsement. The City shall obtain a separate endorsement to all required insurance policies, except Workers' Compensation insurance and Professional Liability insurance, naming the State of California and RWMF and their directors, officers, officials and employees and agents as additional insureds.
- g) City's Insurance is Primary. The City's insurance coverage shall be primary insurance regarding RWMF and RWMF's officers, officials and employees. Any insurance or self-insurance maintained by RWMF or RWMF's officers, officials and employees shall be excess of the City's insurance and shall not contribute to the City's insurance.
- h) Approved Insurers. Insurance shall be placed with California admitted insurers (licensed to do business in California) with a current rating by Best's Key Rating Guide of no less than A:VII; except as otherwise approved by RWMF.
- i) Subcontractors. The City shall require that all of its subcontractors are subject to the insurance and indemnity requirements stated herein or shall include all subcontractors as additional insureds under its insurance policies.
- j) Certificates of Insurance. Prior to the date the City begins performance of its obligations under this Agreement, the City shall furnish RWMF with certificates of insurance showing coverage required by this Agreement.

**36.** Whenever it is provided in this Agreement that RWMF or City shall give notice to the other, said notice shall be given by delivering a copy of said notice to the other party personally, or by mailing first class mail, postage prepaid, through the U.S. Postal Service, or by a nationally-recognized overnight courier, a copy of said notice at the following addresses:

- A. Address for the City:  
City of Watsonville  
275 Main St, Suite 400,  
Watsonville, CA 95076
- B. Address for RWMF:  
Regional Water Management Foundation  
c/o Community Foundation of Santa Cruz County  
7807 Soquel Drive  
Aptos, CA 95003

IN WITNESS WHEREOF RWMF and the City have executed this Local Project Sponsor Agreement the day and year first written below by their duly authorized representatives, having full authority to so act for and on behalf of the parties hereto.

**Regional Water Management Foundation (RWMF)**

By: \_\_\_\_\_  
Tim Carson  
Program Director

Date: \_\_\_\_\_

**City of Watsonville (City)**

By: \_\_\_\_\_  
Rene Mendez  
City Manager

Date: \_\_\_\_\_

**Attachment A**

DWR GRANT AGREEMENT #4600014690