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Paul R. De Lay
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April 28, 2004

Fran Farina
General Manager
Monterey Peninsula Water
Management District
P. O. Box 85
Monterey, California 93942

Re: Legal Services Proposal for Fiscal Years Beginning July 1, 2004

Dear Ms. Farina:

This letter details our proposal to renew the existing legal services agreement for the Monterey Peninsula Water Management District commencing with the 2004-2005 fiscal year on July 1, 2004. I have been privileged to represent the Water Management District in the capacity of general counsel continuously since March, 1979. During this time a close and frank working relationship has been established with you, the District Board of Directors, appointed officials, and staff. I hope that this relationship will continue.

This firm continues to specialize in the representation of public agencies. I propose to continue as the lead attorney for the Water Management District on substantially the same terms and conditions that have applied to the current fiscal year. The Water Management District presently contracts for both retained and extraordinary legal services from this firm. For each of the twelve months of fiscal year 2003-2004, forty-five (45) hours of service have been provided at the retained service rate of one hundred fifty five dollars (\$155) per hour. If additional efforts were required beyond the retained hours, that time has been billed at the identical service rate of one hundred fifty five dollars (\$155) per hour.

We propose to renew this legal services agreement for a two (2) year term, ending June 30, 2006. It is proposed that this legal services agreement may be terminated at any time during its term, without cause, by the affirmative vote of five (5) members of the Board.

We do not propose any change to retained hours, fees or other terms or conditions for fiscal year 2004-2005. Effective July 1, 2005, we propose to increase retained rates by ten dollars (\$10) per hour and extraordinary service rates by fifteen dollars (\$15) per hour, resulting in a legal service rate of one hundred sixty five dollars (\$165) and one hundred seventy dollars (\$170) per hour for retained and extraordinary legal services, respectively.

As you know, support services expenses have rarely been incurred during our long relationship with the District, and only with the advance approval of the General Manager occasioned by extraordinary assignments. In accord with our past practice, you shall have advance notice and an

opportunity to approve our assignment of duties to any associate attorney who may work on your behalf.

During the period that this firm represents the District as general counsel, we continue in our understanding that our engagement is limited with respect to potential conflicts of interest, Fair Political Practice Act issues, and Government Code Section 1090 issues. As to these matters, we shall render advice only on specific matters as to which we are formally consulted. Each such consultation should be in writing. Our services agreement specifies the scope of our engagement as general counsel but does not impose a duty upon this firm to undertake an independent review or special investigation of District files, transactions, contractual arrangements, or other affairs for the purpose of those issues, except in response to a specific question or consultation. Our engagement also does not require separate inquiry or review of any statement of economic interest (or any inquiry as to the accuracy of such statement), nor does our engagement require an independent assessment by us of conflict or self-dealing issues absent a specific written consultation or written question thereon.

Fran, I have enjoyed providing legal services to the Water Management District continuously since 1979. I look forward to maintaining and enhancing this relationship.

If you have any question, comment, or concern, do not hesitate to contact me.

Sincerely,

De LAY & LAREDO



David C. Laredo

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