

De LAY & LAREDO

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June 2, 2008

Darby W. Fuerst
General Manager
Monterey Peninsula Water
Management District
P. O. Box 85
Monterey, California 93942

Re: Legal Services Proposal for Fiscal Years 2008/9 and 2009/10

Dear Mr. Fuerst:

At your request, I am pleased to forward the proposal of De Lay & Laredo to renew the existing legal services agreement for the Monterey Peninsula Water Management District commencing with the 2008-2009 fiscal year on July 1, 2008. 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 past two-year contract. The Water Management District presently receives both retained and extraordinary legal services from this firm. For each of the past twenty-four months, our firm has provided forty-five (45) hours of service at our retained service rate. In Fiscal Year 2007/8 this rate was one hundred eighty five dollars (\$185) per hour. Additional efforts beyond retained hours have been provided at the rate of one hundred ninety dollars (\$190) per hour.

In accord with past practice, we propose to renew this legal services agreement for a two (2) year term, ending June 30, 2010. In accord with past practice, the 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 the terms or conditions of our agreement other than to increase our rates by approximately 5%. Effective July 1, 2008, we propose to increase retained and extraordinary service rates by ten dollars (\$10) per hour, resulting in rates of one hundred ninety five dollars (\$195) and two hundred dollars (\$200) per hour for retained and extraordinary legal services, respectively. An identical modification is proposed to take effect July 1, 2009, with rates then at two hundred and five dollars (\$205) and two hundred and ten dollars (\$210) per hour for retained and extraordinary legal services, respectively.

The rationale for the proposed increase to rates is several fold. First and foremost, market rates for

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legal services continue to exceed, by a large margin, the rates charged for our services. Secondly, we have experienced a variety of cost increases that exceed inflation, including increases to the cost of professional liability insurance and library maintenance.

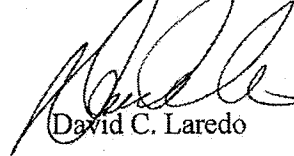
As you know, we rarely tender separate charges for support services, and then only with advance approval of the General Manager occasioned by extraordinary assignments. We shall provide you with advance notice and an opportunity to approve any cost expenditure which exceeds the sum of one thousand (\$1,000) dollars on your behalf.

Darby, I am proud of my length of service with the Water Management District, and am happy for this renewed opportunity to support you in your role as General Manager. As always, I enjoy working with your board and its staff. I look forward to maintaining and enhancing each of these relationships.

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

Sincerely,

De LAY & LAREDO



David C. Laredo

DCL:wg