

MUNICIPAL UTILITIES & ENGINEERING DEPARTMENT

MEMORANDUM

TO: N. Enrique Martinez, City Manager

FROM: Rosemary Hoerning, Director of Municipal Utilities & Engineering *RH.*

DATE: April 13, 2010

SUBJECT: Agreement to Lease Crafton Water Company Shares to Craig Wesson

This memo is transmitting a request for your signature for the agreement to lease 30 shares of Crafton Water Company stock to Craig Wesson. The City in the past has leased Crafton Water Company shares for the purpose of irrigating groves. Mr. Wesson has leased shares from the City in the past and wishes to do so again this year.

After signing, please forward to the City Clerk for signature, attest and further processing

Thank you.

RH/pb

Attachment: Shares Lease Agreement



COMMUNICATIONS

Meeting Attendance - There were no reports forthcoming from Councilmembers regarding any meetings attended at City expense. Councilmember Gil commended Police Chief Bueermann for hosting the Southern California Summit on Policing, Parole and Prisoner Reentry in conjunction with the California Correctional Peace Officers Association, the San Bernardino County Police Chiefs and Sheriff's Association and the San Bernardino County District Attorney's Office on May 14, 2007. Councilmember Gallagher also attended the summit and commended Municipal Utilities Director Phelps and his staff for their recent "Fly In" event at the Redlands Municipal Airport.

Water Stock Leases - Due to a potential conflict of interest, Councilmember Gilbreath retired from the Council Chambers and did not participate in this matter; a Public Disclosure of Potential Conflict of Interest form is on file in the City Clerk's Office. Municipal Utilities Director Phelps explained how the City derives its water supply especially to meet the demands during the summer season, and he proposed that in future years the annual water stock leases be entered into based upon recommendation by the Municipal Utilities Director to the City Manager and City Attorney.

Bear Valley Mutual Water Company - Councilmember Gallagher moved to approve leases for Bear Valley Mutual Water Company stock from San Bernardino Valley Municipal Water District (21,180 shares), David Knight (1,000 shares) and Arnold and Margaret Wright (900 shares) for the 2007-08 water delivery season and authorized the Mayor to execute, and the City Clerk to attest to, the document on behalf of the City. Motion seconded by Councilmember Aguilar and carried by AYE votes of all present with Councilmember Gilbreath having abstained.

Crafton Water Company - Councilmember Gallagher moved to approve the lease of 60 shares of Crafton Water Company stock to R. Craig Wesson, 10 shares of Crafton Water Company to Mike Micallef, seven shares of Crafton Water Company to Willis Bruns, five shares of Crafton Water Company stock to Debbie Prutsman and 30.75 shares of Crafton Water Company stock to Pete Marcum for the 2007-08 water delivery season and authorized the Mayor to execute, and the City Clerk to attest to, the document on behalf of the City. Motion seconded by Councilmember Aguilar and carried by AYE votes of all present with Councilmember Gilbreath having abstained.

✓ Policy - Water Stock Leases - Councilmember Gallagher moved to authorize that for future water delivery seasons that annual stock leases shall be entered into based upon recommendation by the Municipal Utilities Director to the City Manager and the City Attorney and as authorized by the City Manager and the City Attorney. Motion seconded by Councilmember Aguilar and carried by AYE votes of all present with Councilmember Gilbreath having abstained.

SHARES LEASE

This agreement for the lease of Crafton Water Company Shares ("Lease") is entered into this 1st day of April, 2010 ("Effective Date"), by and between the City of Redlands ("Lessor") and Craig Wesson ("Lessee"). Lessor and Lessee are sometimes individually referred to herein as a "Party" and, together, as the "Parties." Lessor and Lessee agree as follows:

RECITALS

WHEREAS, Lessor is the owner of shares of the Capital Stock of the Crafton Water Company ("Shares"); and

WHEREAS, Lessor desires to lease thirty (30) of its Shares (hereinafter the "Leased Shares") to Lessee on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises contained herein, Lessor and Lessee agree as follows:

AGREEMENT

1. **Lease.** Lessor hereby leases the Leased Shares to Lessee and Lessee leases the same from Lessor for the purpose of providing water to Lessee. Such water shall not be used by Lessee for human consumption without prior treatment by Lessee to California Department of Public Health, Office of Drinking Water standards, and all other applicable laws.
2. **Term.** The term of this Lease shall commence on its Effective Date and shall end on March 31, 2011, ("Lease term"). Notwithstanding the foregoing, Lessee agrees that (a) the real property owned by the Lessor ("Lessor's Real Property") could be the subject of a condemnation proceeding or other taking, (b) the Leased Shares are not currently subject to a condemnation proceeding or other taking, (c) in the event the Leased Shares are the subject matter of a condemnation award or in the event, the Leased Shares as described are the subject matter of a condemnation proceeding then in that event the entire amount of any such award shall be the sole and exclusive property of Lessor and the Lessee shall have no

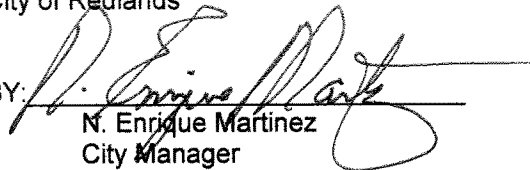
interest therein, (d) in the event there is a taking of the Leased Shares by condemnation, then in that event this Lease shall terminate and Lessee shall be entitled to a pro rata refund of the Rent as defined herein below, and (e) there is no implied intention that this Lease or any rights or interest hereunder will be extended beyond the Lease Term.

3. **Rent.** Lessee shall pay Lessor the sum of \$2,500.00 within three (3) business days from and after the Effective Date of this Lease. Lessee further agrees to pay Lessor the amount of any stock assessment on the Leased Shares, which would result in an annual assessment in excess of \$80.00 per share, if any, and any delivery or entitlement charge levied by Crafton Water Company for delivery of water associated with the Leased Shares.
4. **Assignability.** Lessee shall not assign, sublet or otherwise transfer or encumber the Leased Shares.
5. **Voting Rights.** Lessor retains voting rights associated with ownership of the Leased Shares.
6. **Waiver.** Lessee shall defend, indemnify and hold harmless Lessor from any loss, cost, expense and claims arising directly or indirectly out of (a) condemnation of the Lessor's Real Property or the Leased Shares prior to expiration of this Lease, (b) this Lease, and (c) from any environmental contamination of any water attendant to the Leased Shares, from whatever cause. Lessor assumes no responsibility for the quality or purity of any water attendant to the Leased Shares.

This Lease is executed on the 12th day of April, 2010.

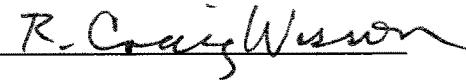
"Lessor:"
City of Redlands

BY: _____


N. Enrique Martinez
City Manager

"Lessee:"
Craig Wesson

BY: _____



Attest: _____


City Clerk