

EXHIBIT "E" - TERMS AND CONDITIONS OF APPROVAL LAFCO NO. 928 AND 929

Condition 1-

The City of Santa Cruz will implement and maintain a UCSC water-neutral program whereby all future increases in water demand on the entire UCSC campus will be offset by new water conservation within the entire water service area served by the City of Santa Cruz. Until such time that LAFCO, at a noticed public hearing, determines that either:

- a. The City of Santa Cruz has an adequate, reliable, and sustainable water supply for its entire system in all realistic drought scenarios, or
- b. The portion of the UCSC campus inside the adopted City of Santa Cruz Sphere of Influence is built out.

The required water-neutral program will conform to the following requirements:

a. The baseline from which future increases in water demand on the entire UCSC campus will be measured is 176 million gallons per year (mgv), which LAFCO finds is the average annual water demand on the entire UCSC campus over the last five calendar years (2007-2011).

b. For every increment of 85,000 gallons of water used over 176 mgv, UCSC will contribute funds to the City as follows:

\$6,530 per 85,000 gallon increment, with adjustments from time to time in accordance with the procedural and substantive requirements of the Mitigation Fee Act, California Government Code Sections 66,000 et seq. The required payment amount may be decreased, as well as increased, pursuant to the requirements of the Mitigation Fee Act, no more often than once per year, after the submission of the annual report required by these terms and conditions of approval. Any such change in the required payment shall be based on a determination, supported by substantial evidence, including the annual reports called for by these terms and conditions of approval, whether or not the mitigation fee amount of \$6,530 per 85,000 gallon increment is, has, and will successfully in the future produce the required offsets of new water demand on the entire UCSC campus.

c. The City of Santa Cruz shall file annual reports with LAFCO no later than December 15 of each year that include:

1. The amount of annual water use on the entire main campus
2. The amount of annual water use on the entire main campus above or below the baseline amount of 176 million gallons per year.
3. The amount the University has paid into the UCSC water neutrality account.
4. The amount that the City has spent from the UCSC water neutrality account.
5. The amount of water conservation that the City calculates has resulted from the City's spending from the UCSC water neutrality account.
6. Whether the amount of water saved equals or exceeds the increased demand over the baseline water demand amount of 176 mgv.
7. If the amount of water saved is less than the increased demand over the base,

what steps the City and University are taking to get into full compliance with LAFCO Condition No. 1 of Resolution No. 928/929 (UCSC growth is water demand neutral for City water system).

8. Any additional information the City wishes to provide.

d. If any annual report filed pursuant to these terms and conditions of approval indicates that the UCSC water-neutral program has not offset all new water demand on the entire UCSC campus above the baseline amount of 176 million gallons per year, the City shall not thereafter deliver any more water to the entire UCSC campus than the amount of water that the City delivered to the entire UCSC campus during the year covered by such annual report or until the water-neutral program has achieved an offset equal to the increased demand.

e. LAFCO will use the City's annual UCSC water neutrality reports when preparing subsequent Municipal Service Reviews, Sphere of Influence Updates that concern the City of Santa Cruz, and requests for extraterritorial water service.

Condition 2 –

The City of Santa Cruz will commit to reducing stream and river diversions to a level authorized by the federal and state resource agencies. **To ensure that this condition is fulfilled, the City shall not commence the delivery of water to the UCSC campus, outside of the City's water service area as that water service area exists on March 7, 2012, until the City has entered into a binding Habitat Conservation Plan agreement with and has received an incidental take permit from the National Marine Fisheries Service, and has entered into a binding Habitat Conservation Plan agreement with and has received an incidental take permit and any necessary stream alteration permits from the California Department of Fish and Game, indicating that these federal and state resource agencies have determined that the City's stream and river diversions conform, or will conform, according to any program approved by the resources agencies, to the requirements of federal and state law.**

Condition 3 -

The City of Santa Cruz will apply to annex the unincorporated portions of the Crown/Merrill and College 9/10 Apartments no later than December 31, 2012. The City of Santa Cruz will apply for the annexation of the 240-acre development footprint within two years of the extraterritorial service approval. The City will file a written report with LAFCO no later than January 1, 2017 addressing the desirability and feasibility of annexing additional lands in the North Campus in advance of development.

Condition 4 -

No later than December 15, 2014, the University of California shall prepare a report to be included with the City's annual report to LAFCO evaluating the feasibility of utilizing a well or wells on the main campus to provide water for agricultural, landscape, and/or athletic field irrigation on the main campus.