

**EMPLOYMENT AGREEMENT
FOR THE POSITION OF
GENERAL MANAGER/CHIEF ENGINEER**

This Employment Agreement (Agreement) is made and entered into this 21st day of March, 2017, by and between San Bernardino Valley Municipal Water District (DISTRICT) and Douglas D. Headrick (HEADRICK), an individual, on the following terms and conditions:

RECITALS

A. DISTRICT, by and through the Board of Directors (Board), desires to continue its employ of HEADRICK as General Manager/Chief Engineer of District; and

B. HEADRICK desires to continue employment as General Manager/Chief Engineer in consideration of and subject to the terms and conditions set forth in this Agreement.

OPERATIVE PROVISIONS

In consideration of the promises and covenants contained herein, the parties agree as follows:

1. Position, Duties, and Term.

1.1 Position and Duties. HEADRICK accepts continued employment with DISTRICT as its General Manager/Chief Engineer and shall perform all duties, services, acts and functions necessary and proper to lawfully manage and conduct business of DISTRICT in accordance with all legal requirements and the policies, procedures, rules, and regulations established from time to time by DISTRICT's Board of Directors. HEADRICK's responsibilities shall include, but are not limited to, day-to-day leadership of the DISTRICT, direct work supervision of all DISTRICT personnel, management of all DISTRICT financial matters, attending meetings and workshops of the Board of Directors, and managing and conducting all business of DISTRICT. HEADRICK shall report directly to the Board of Directors and shall perform additional duties assigned and/or delegated to him necessary to achieve the Board's goals and objectives in a manner that protects and enhances the long-term financial capacity of DISTRICT.

1.2 Term.

A. HEADRICK's employment as General Manager/Chief Engineer shall continue for three years until March 20, 2020 (hereinafter March 20, 2020 will be referred to as Term Date). The Term Date may be extended as provided in subsection 1.2 B. below unless HEADRICK is terminated prior to the Term Date pursuant to the provisions of Section 4 of this Agreement.

B. This Agreement shall automatically renew for three (3) year increments on each anniversary of the Term Date unless either party gives to the other written notice not to renew this Agreement no less than sixty (60) calendar days prior to the expiration of the current

Term and provided the Board of Directors has not authorized renewal of this Agreement for a term of less than three (3) years. Each party to this Agreement may elect not to renew this Agreement with or without cause.

C. HEADRICK acknowledges that he is an at-will employee of DISTRICT who shall serve at the pleasure of the Board of Directors at all times during the period of his service under this Agreement. Nothing in this Agreement is intended to, nor does it, confer upon HEADRICK any right or property interest in continued employment, or any due process right to a hearing before or after a decision by the Board of Directors to terminate his employment except as expressly provided in Section 4 of this Agreement. Nothing in this Agreement shall prevent HEADRICK from resigning from this position subject to the provisions of Section 4.3 of this Agreement.

D. During the course of his employment, HEADRICK shall not accept any other employment or engage, directly or indirectly, in any other business, commercial, or professional activity that is, or may be, competitive with DISTRICT, that might cause a conflict-of-interest with DISTRICT, or that might otherwise interfere with the business or operation of DISTRICT or the satisfactory performance of HEADRICK's duties as General Manager/Chief Engineer.

2. Compensation.

2.1 Salary. For all services performed by HEADRICK as the General Manager/Chief Engineer under this Agreement, DISTRICT shall pay HEADRICK a salary of \$263,988.00 per year paid according to the payroll schedule in place for DISTRICT employees. HEADRICK shall be entitled to all benefits provided to other DISTRICT employees hired prior to April 2011 except as specified below.

2.2 Vacation. HEADRICK shall be entitled to twenty (20) days of vacation each calendar year accrued pro rata through the year. HEADRICK's vacation accrual and payments on termination of employment shall be the same as provided to other DISTRICT employees.

2.3 Executive Leave. HEADRICK shall receive fifteen (15) days of Executive Leave each calendar year that must be used in the year earned or forfeited.

2.4 Sick Leave. HEADRICK shall be entitled to sick leave in the same amounts and with the same accrual rights and payments on termination of employment as provided to other DISTRICT employees.

2.5 Automotive Allowance. HEADRICK shall be entitled to an automobile allowance of \$850.00 per month as compensation for the use of personal automobile(s) for DISTRICT business. HEADRICK shall operate any vehicle used in connection with the performance of his duties as General Manager/Chief Engineer in a safe manner and otherwise in observance of all established traffic safety laws and shall maintain a valid California driver's license during the period of employment. In addition, HEADRICK shall, at his sole expense, acquire and maintain in full force and effect during the term of this Agreement, valid automobile

liability insurance providing liability limits for bodily injury and property damage of not less than \$500,000, and uninsured and underinsured motorist coverage of at least \$500,000 combined single limit per occurrence. DISTRICT shall be expressly covered as additional insureds on all insurance required under this Agreement and endorsements evidencing such coverage shall be provided to DISTRICT.

3. Performance Evaluation.

3.1 During the term of this Agreement the Board of Directors shall review and evaluate HEADRICK's performance annually in the month of January or as soon as reasonably possible thereafter provided it may in its discretion review and evaluate HEADRICK's performance more often if the Board of Directors deems it necessary.

3.2 As long as HEADRICK maintains at least a satisfactory Performance Evaluation, DISTRICT shall increase HEADRICK's salary by five percent (5%) on January 1, 2018.

3.3 Cost of living adjustments and other increases in salary shall be limited to the same amounts provided to other DISTRICT employees in accordance with current DISTRICT Policy, provided that any future salary increases or performance awards based on HEADRICK's Performance Evaluation, will be at the sole discretion of the Board of Directors.

3.4 Except for the five percent (5%) salary increase on January 1, 2018, DISTRICT may choose to provide contributions to HEADRICK's 457 Account in lieu of merit increases which are contingent on a satisfactory Performance Evaluation.

4. Termination.

4.1 DISTRICT may terminate HEADRICK's employment and this Agreement without cause at any time. In the event HEADRICK is terminated without cause, DISTRICT agrees, upon receipt of a Comprehensive General Release and Settlement Agreement signed by HEADRICK, to pay HEADRICK a lump sum cash payment equal to three (3) months of salary only (no benefits) as severance pay.

4.2 DISTRICT may terminate HEADRICK's employment and this Agreement for cause at any time for any of the following: commission of an act involving moral turpitude, conviction of a felony or other crime punishable by jail or imprisonment (or entry of a plea of guilty or *nolo contendere*), possession of, use of, or working while under the influence of alcoholic beverages or other non-prescribed controlled substances or abuse/misuse of lawfully prescribed controlled substances during working hours, engaging in an actual conflict of interest, unauthorized absence for more than three (3) days, or material breach of this Agreement.

4.3 Pursuant to Government Code Section 53243 et seq., if HEADRICK is convicted of a crime involving an abuse of office or position, as defined below, all of the following shall apply: (1) if HEADRICK was provided with paid leave pending an investigation into the matter, HEADRICK shall be required to fully reimburse DISTRICT for those amounts paid; (2) if DISTRICT, in its discretion, paid for the criminal defense of HEADRICK, HEADRICK shall

be required to fully reimburse DISTRICT for all amounts paid; (3) if DISTRICT paid any severance pay under this Agreement, HEADRICK shall be required to fully reimburse DISTRICT for all amounts paid.

- (a) "Abuse of office or position" means either:
 - (i) An abuse of public authority, including but not limited to, waste, fraud, and violation of the law under color of authority; or
 - (ii) A crime against public justice, including, but not limited to, a crime described in Title 5 (commencing with Section 67), Title 6 (commencing with Section 85), or Title 7 (commencing with Section 92) of Part 1 of the Penal Code.

4.4 At any time, HEADRICK may terminate his employment for any reason by providing DISTRICT with ninety (90) days advance written notice. DISTRICT shall have the option in its complete discretion to make such termination effective at any time prior to the end of such notice period; thereafter, all of DISTRICT's obligations under this Agreement shall cease provided that HEADRICK shall be paid all amounts due him hereunder as of the effective date of termination.

5. Conflict of Interest.

HEADRICK represents and warrants to DISTRICT that he presently has no interest, and represents that he will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or interfere with performance of his services under this Agreement.

6. Dispute Resolution; Arbitration.

6.1 If HEADRICK has any grievance or complaint under this Agreement or arising out of this employment, HEADRICK shall first attempt to resolve the grievance or dispute by use of the procedures contained in DISTRICT's Employee Handbook, office policies and/or procedures in effect from time to time. This includes, but is not limited to, claims for any discrimination, sexual harassment, wrongful termination or other alleged misconduct that is in violation of and remediable under any state or federal law as more particularly described in Subsection 6.1C. HEADRICK expressly waives any right to file suit or pursue any other administrative or legal action to remedy any alleged wrong, unless and until HEADRICK has exhausted all the administrative remedies available under the applicable policies of DISTRICT.

A. If HEADRICK's grievance or dispute has not been resolved through the administrative process of DISTRICT, and if HEADRICK chooses to pursue the grievance or dispute, HEADRICK agrees that the grievance or dispute shall be submitted to binding arbitration before a neutral arbitration panel, as hereinafter provided, on the express written request of either party.

B. The arbitrability of any controversy, dispute or claim under this Agreement shall be determined by application of the substantive provisions of the Federal Arbitration Act (9 U.S.C. Sections 1 and 2) and by application of the procedural provisions of the California Arbitration Act. Arbitration shall be the exclusive method for resolving any dispute; provided, however, that either party may request provisional relief from a court of competent jurisdiction, as provided in California Code of Civil Procedure Section 1281.8.

C. The claims which are to be arbitrated under this Agreement include, but are not limited to, claims for wages and other compensation, claims for breach of contract (express or implied), claims for violation of public policy, wrongful termination, tort claims, claims for unlawful discrimination and/or harassment (including, but not limited to, race, religious creed, color, national origin, ancestry, physical disability, mental disability, gender identity or expression, medical condition, marital status, age, pregnancy, sex or sexual orientation) to the extent allowed by law, and claims for violation of any of the federal, state, or other government law, statute, regulation, or ordinance, except for claims for workers' compensation, unemployment insurance benefits and petitions or charges that could be brought before the National Labor Relations Board.

D. HEADRICK and DISTRICT will select an arbitrator by mutual agreement. If HEADRICK and DISTRICT are unable to agree on a neutral arbitrator, either party may elect to obtain a list of arbitrators from the Judicial Arbitration and Mediation Service (JAMS) or other reputable dispute resolution organization. HEADRICK and DISTRICT will alternately strike names from the list, with the employee striking the first name, until only one name remains. The remaining person shall be the arbitrator.

E. The demand for arbitration must be in writing and must be made by the aggrieved party within the statute of limitations period provided under applicable California and/or federal law for the particular claim. Failure to make a written demand within the applicable statutory period constitutes a waiver to raise that claim in any forum. Arbitration proceedings will be held in County of San Bernardino.

F. The arbitrator shall apply applicable California and/or federal substantive law to determine issues of liability and damages regarding all claims to be arbitrated, and shall apply the California Evidence Code to the proceeding. The parties shall be entitled to conduct reasonable discovery, including conducting depositions, requesting documents and requesting responses to interrogatories and the arbitrator shall have the authority to determine what constitutes reasonable discovery. The arbitrator shall hear motions for summary disposition as provided in the California Code of Civil Procedure.

G. Within thirty (30) days following the hearing and the submission of the matter to the arbitrator, the arbitrator shall issue a written opinion and award which shall be signed and dated. The arbitrator's award shall decide all issues submitted by the parties, and the arbitrator may not decide any issue not submitted. The arbitrator shall prepare in writing and provide to the parties a decision and award which includes factual findings and the reasons upon which the decision is based. The arbitrator shall be permitted to award only those remedies in law or equity which are requested by the parties and allowed by law.

H. The decision of the arbitrator shall be binding and conclusive on the parties and cannot be reviewed for error of law or legal reasoning of any kind. Judgment upon the award rendered by the arbitrator may be entered in any court having proper jurisdiction.

I. The cost of the arbitrator and other incidental costs of arbitration that would not be incurred in a court proceeding shall be borne by DISTRICT. The parties shall each bear their own costs and attorneys' fees in any arbitration proceeding, provided however, that the arbitrator shall have the authority to require either party to pay the costs and attorneys' fees of the other party during the arbitration, as is permitted under federal or state law, as a part of any remedy that may be ordered.

BOTH DISTRICT AND HEADRICK UNDERSTAND THAT BY USING ARBITRATION TO RESOLVE DISPUTES, THEY ARE GIVING UP ANY RIGHT THAT THEY MAY HAVE TO A JUDGE OR JURY TRIAL WITH REGARD TO ALL ISSUES CONCERNING EMPLOYMENT.

J. If any term, provision, covenant or condition of this arbitration provision is held by a court of competent jurisdiction or an arbitrator to be invalid, void, or unenforceable, the remaining terms and provisions of this provision will remain in full force and effect and shall in no way be affected, impaired or invalidated.

7. Integration.

This Agreement is intended to be the final, complete, and exclusive statement of all of the terms of HEADRICK's employment with DISTRICT. This Agreement supersedes all other prior and contemporaneous agreements and statements, whether written or oral, express or implied, pertaining in any manner to the employment of HEADRICK and it may not be contradicted by evidence of any prior or contemporaneous statements or agreements.

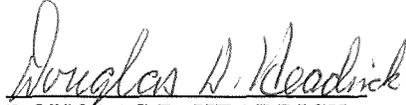
8. Governing Law.

This Agreement shall be governed and construed in accordance with the laws of the State of California, with venue proper only in County of San Bernardino, State of California.

9. Acknowledgment.

HEADRICK acknowledges that he has had the opportunity to consult with his own legal counsel in regard to this Agreement, that he has read and understands this Agreement, that he is aware of its legal effect, and that he has entered into it freely and voluntarily and based on his own judgment and not on any representations or promises other than those contained in this Agreement.

IN WITNESS WHEREOF, DISTRICT has caused this Agreement to be signed and executed on its behalf by its Board President and HEADRICK has signed and executed this Agreement as of the date first indicated above.


DOUGLAS D. HEADRICK


President, Board of Directors
SAN BERNARDINO VALLEY
MUNICIPAL WATER DISTRICT

ATTEST:


Secretary,
SAN BERNARDINO VALLEY
MUNICIPAL WATER DISTRICT