EMPLOYMENT AGREEMENT
BETWEEN
RAINBOW MUNICIPAL WATER DISTRICT
AND THOMAS M. KENNEDY

RAINBOW MUNICIPAL WATER DISTRICT ("District"), a municipal water district organized and operating under California Water Code section 71000 et seq. and, located at 3707 Old Highway 395, Fallbrook, California, and Thomas M. Kennedy ("Employee"), of Escondido, California, in consideration of the mutual promises made herein, agree as follows:

ARTICLE 1. TERM OF EMPLOYMENT

Specified Period

Section 1.1. District agrees to employ Employee and Employee accepts employment with District for a term commencing on August 28, 2022, and continuing through August 31, 2023. For the purposes of calculating items such as Paid Time Off where the overall length of tenure is a factor, Employee's tenure at the District began on August 28, 2014.

Continuation of Agreement

Section 1.2. This agreement may continue in full force and effect beyond the expiration date of the Specified Period by mutual written agreement between Employee and the District.

"Employment Term" Defined

Section 1.3. "Employment term" refers to the entire period of employment of Employee by District, whether for the period provided above, or whether terminated earlier as hereinafter provided or extended by mutual agreement between District and Employee.

ARTICLE 2. DUTIES AND OBLIGATIONS OF EMPLOYEE

General Duties

Section 2.1. Employee shall serve as the General Manager of Rainbow Municipal Water District. In his capacity as General Manager, Employee shall be the Chief Executive Officer of the District. Employee shall do and perform all services, acts, or things necessary or advisable to manage and conduct the business of District, including hiring and firing of all employees other than the officers of District, subject at all times to the policies set by District's Board of Directors, and to the Rules, Regulations, Policies, and Ordinances of the District, and in conformance with State and Federal laws.

Devotion to District's Business

Section 2.2. Employee shall fully devote his productive time, ability, and attention to the business of District during regular District business hours throughout the term of this agreement. The District acknowledges that Employee has formed a private consulting firm and may provide

consulting services to other agencies and organizations to the extent such services do not interfere with employee's performance under this agreement. Employee has announced his intent to retire from the District in 2023.

District Property

Section 2.3. Employee agrees that all files, records, documents, equipment, software, and similar items, whether maintained in hard copy or on-line relating to District's business, whether prepared by Employee or others, are and shall remain exclusively the property of District and that they shall be removed from the premises, or, if kept on-line, from the computer systems of District only with the express prior written consent of District's Board of Directors.

ARTICLE 3. COMPENSATION OF EMPLOYEE

Annual Salary

Section 3.1. (a) As compensation for services to be performed hereunder, Employee shall receive a salary at the rate of $272,332.06 per annum, payable bi-weekly at the regular District pay periods during the employment term, and a one-time discretionary bonus in the amount of $25,000.00 to be paid on the next regular pay date after execution of this contract.

(b) If this agreement is extended for additional terms, Employee may receive such annual merit increases in salary as may be determined by District's Board of Directors in its sole discretion. If this agreement is extended for additional terms, Employee shall be entitled to annual cost-of-living increases based upon the average 12-month increase, if any, in the Consumer Price Index (CPI) for the area in which Employee's office is located, based upon the smallest geographic area for which such information is available, for the reported months in the most recent 12 month period for which CPI data is then available, with a maximum increase equal to the maximum cost of living adjustments in the collective bargaining agreements with other District employees, effective August 28 of each year of employment.

(c) Employee shall be entitled to apply for and retain San Diego County Water Authority Board Member Per Diem compensation during the term of this agreement. Employee shall be solely responsible for all income tax reporting for compensation received from San Diego County Water Authority.

(d) Employee may be entitled to a retention bonus payable in two installments provided the milestones set forth herein are completed to the satisfaction of the District as determined by a majority vote of the District Board of Directors. The first retention bonus shall be in the amount of $10,000.00, and shall be payable upon the Employee's successful replacement and transition of a new District General Manager. Employee shall assist the District in finding a suitable replacement General Manager and provide transitional training to the new General Manager to the Board's satisfaction. Employee may be entitled to a second retention bonus of $15,000.00 for the Employee's efforts to achieve goals and objectives as directed by the Board of Directors.

Deferred Compensation

Section 3.2. Employee may participate in the District's deferred compensation program at Employee's own expense.

ARTICLE 4. EMPLOYEE PERFORMANCE

Evaluation

Section 4.1. Employee may receive a performance evaluation as deemed necessary by the Board of Directors. The evaluation shall be made in relation to the goals and objectives as the Board may from time to time establish for accomplishment by the Employee. The performance evaluation shall be a written evaluation that shall be presented to the Employee, and the Board shall meet with Employee to mutually discuss the evaluation.

ARTICLE 5. EMPLOYEE BENEFITS

Paid Time Off (PTO)

Section 5.1. Employee shall be entitled to PTO consistent with the PTO formula applied to Employee in prior years of service to the District. Employee shall be entitled to Paid Time Off Buy Back in accordance with the rules for other employees with a requirement to maintain a minimum balance of 80 hours.

Automobile

Section 5.2. At all times while employed as the General Manager of the District, Employee shall be allowed to use a District-owned or District-leased vehicle for all use related to District business and for personal use. Employee's use of the District vehicle shall be consistent with the Vehicle Use Agreement between District and Employee dated October 25, 2016.

Retirement

Section 5.3. Employee is required to participate in the California Public Employees Retirement System (CalPERS) pension plan as either a "Classic Member" or "New Member" as outlined in Assembly Bill (AB) 34 which created the Public Employees' Pension Reform Act (PEPRA) effective January 1, 2013.

Medical/Dental/Vision and Life Insurance Coverage

Section 5.4. District will provide Employee and qualified dependents the current medical, dental, vision, and life insurance plans available to District employees or qualified dependents.

Professional Development

Section 5.5. District shall pay the reasonable and necessary costs for Employee's professional development, including professional conferences, seminars, meetings, participation in professional associations, professional dues and subscriptions as are deemed appropriate and

approved by the Board. The Board of Directors may pay the costs of educational courses that enhance Employee's ability to perform his duties, including tuition and books that the Board deems appropriate, reasonable and necessary.

ARTICLE 6. BUSINESS EXPENSES

Section 6.1. (a) District shall promptly reimburse Employee for all reasonable business expenses incurred by Employee in connection with the business of District.

(b) Each such expenditure shall be reimbursable only if Employee furnishes to District adequate records and other documentary evidence normally required by District for the substantiation of each such expenditure.

ARTICLE 7. TERMINATION

Section 7.1. It is understood and agreed that Employee serves at the pleasure of the District's Board of Directors. Accordingly, the Board of Directors of the District may terminate Employee's employment and thereby terminate this employment agreement by a vote of the majority of the Board of Directors. Prior to any such vote, the Employee shall be provided advance notice and a reasonable opportunity to address the Board of Directors regarding any such concerns.

Termination without Cause

Section 7.2. (a) Termination without Cause by Vote of the Board of Directors. If this contract is terminated for any reason or no reason (excluding Termination For Cause, per Section 7.2 below) by a majority vote of the Board of Directors, Employee shall be entitled to severance compensation through August 31, 2023 in an amount equal to the employee's current base compensation which may be paid by the District in a lump sum within 45 days of termination. In addition to severance pay, the District shall pay for COBRA continuation coverage (EAP, medical, dental and vision) through August 31, 2023, provided the Employee requests coverage for such period. The District will also pay Employee's group life insurance premiums through August 31, 2023, provided the Employee submits proof of insurance and proof of premium payments to the District to assist Employee in purchasing individual group life insurance following termination of employment. The District's payments towards Employee's group life insurance premiums following termination shall be paid in consecutive equal installments.

(b) Release of Claims. Employee's right to receive severance pay is conditioned upon execution of a release of claims against the District, in a form provided by and satisfactory to District.

(c) Government Code § 53260 *et seq.* Notwithstanding any provision of this agreement, Employee's right to severance shall not exceed the amounts permitted by law, including Government Code section 53260, et seq.

Termination for Cause

Section 7.3. The Board of Directors of District may also terminate Employee's employment at any time for cause. In the event Employee is terminated for Cause, Employee shall

not be entitled to any severance compensation or any other compensation from District, except for such salary and benefits as he may have earned prior to his termination. Cause shall mean serious abuse, such as fraud, embezzlement, misappropriation of District property or undue use of influence as a District official, criminal activities, whether or not prosecution or conviction occurs, Employee's repeated failure to perform the essential functions of his job in a satisfactory fashion, including those circumstances where such failure is due to death or disability, and use of illegal drugs or abuse of legal drugs, including alcohol, after a prior warning concerning such abuse of legal drugs.

By Death or Disability

Section 7.4. The employment of Employee, and this agreement, shall automatically terminate upon the death of Employee or upon the termination of his employment because of permanent disability. As used herein, disability shall have the same meaning, and shall be determined in the same manner, as provided under the Public Employees Retirement System (PERS). Neither Employee nor his heirs, administrators, successors or assigns shall have any right under this Agreement to salary after such death or disability, but they shall have such rights and benefits as may be provided by law.

Voluntary Termination

Section 7.5. Employee may resign and hereby terminate this Agreement at any time upon giving thirty (30) days' written notice to the Board of Directors of the District. Upon such termination, Employee shall be entitled to receive only such accrued benefits that may be due and payable at the time, but he is not entitled to any severance pay or other compensation and shall receive salary through and including the last day of employment with health benefits remaining in effect until the end of the month of termination.

ARTICLE 8. GENERAL PROVISIONS

Notices

Section 8.1. Any notices to be given hereunder by either party to the other shall be in writing and may be transmitted by personal delivery or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses appearing in the introductory paragraph of this agreement, but each party may change that address by written notice in accordance with this section. Notices delivered personally shall be deemed communicated as of the date of actual receipt; mailed notices shall be deemed communicated as of the date of mailing.

Complete Agreement

Section 8.2. This agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Employee by District and contains all of the covenants and agreements between the parties with respect to that employment in any manner whatsoever. Each party to this agreement acknowledges that no representation, inducements, promises, or agreements, orally or otherwise, have been made by any party, or

anyone acting on behalf of any party, which is not embodied herein, and that no other agreement, statement, or promise not contained in this agreement shall be valid or binding on either party.

Other Terms and Conditions of Employment

Section 8.3. The Board, in consultation and agreement with Employee, may fix any such other terms and conditions of employment, as it may determine from time to time, relating to the performance of Employee, provided that the terms and conditions are not inconsistent, or in conflict, with the provisions of this agreement.

Modifications

Section 8.4. Any modification of this agreement will be effective only if it is in writing, approved by the Board of Directors, and signed by the parties to this agreement.

Effect of Waiver

Section 8.5. The failure of either party to insist on strict compliance with any of the terms, covenants, or conditions of this agreement by the other party shall not be deemed a waiver of that term, covenant, or condition, nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other times.

Partial Invalidity

Section 8.6. If any provision in this agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

Law Governing Agreement

Section 8.7. This agreement shall be governed by and construed in accordance with the laws of the State of California.

WHEREAS, The Board of Directors of the Rainbow Municipal Water District have duly authorized and approved this Agreement by action of the Board on 8/30/22;

IN WITNESS WHEREOF, the parties have executed this Agreement as of the 30 day of August 2022.

By: _____
HAYDEN HAMILTON
President, Board of Directors
Rainbow Municipal Water District

_____
THOMAS M. KENNEDY
Employee

Approved as to form:

_____
ALFRED E. SMITH, General Counsel