

EMPLOYMENT AGREEMENT

This Employment Agreement ("**Agreement**") is effective as of January 5, 2026 and is between the **TRABUCO CANYON WATER DISTRICT**, a County Water District ("**District**") acting by and through its Board of Directors ("**Board**"), and **LARRY B. MCKENNEY**, an individual ("**Mr. McKenney**") (individually sometimes referred to as "**Party**" or collectively as "**Parties**").

A. The District is a county water district, organized and operating pursuant to the provisions of Water Code Section 30000 *et seq.*

B. The District is authorized pursuant to the terms of Water Code Sections 30540(a) and 30542 to appoint and hire a General Manager to have the function of principal administrator of the District's operations and functions.

C. The District and Mr. McKenney intend by this Agreement to provide for the terms of employment under which Mr. McKenney will serve as General Manager.

The Parties therefore agree as follows:

1. Term.

1.1 The term of this Agreement commences on the Effective Date, and ends on December 31, 2027.

1.2 This Agreement will automatically renew on a month-to-month basis beginning on January 1, 2028, unless terminated by either Party upon 30 days notice.

2. Status of Employee; Employment and Duties.

2.1 Duties. The job description set forth in Attachment A sets out the minimum duties the General Manager is expected and required to perform. The Board of Directors may further reasonably define the General Manager's duties from time to time.

2.2 Exclusive Role. So long as he serves as the General Manager of the District, Mr. McKenney shall devote his full energies, interest and abilities and productive time to the performance that role and shall not, without the prior written consent of the Board, render to others services of any kind, for compensation, or that would materially interfere with the performance of his duties, responsibilities, and services under this Agreement.

3. Compensation

The District shall pay Mr. McKenney a gross annual salary of **\$305,000** for his services as General Manager, payable in equal increments at the same time that other District employees are paid. Compensation will be subject to renegotiation each November for the annual period beginning each January.

4. Benefits.

4.1 Benefits. Except as otherwise provided for herein, Mr. McKenney will be entitled to all of the same benefits given to other District employees, which benefits specifically include

vacation time (as set out in Section 4.2), holidays, sick/personal necessity leave, health insurance (subject to Section 4.4), life insurance (defined benefit plan) and other benefits.

4.2 Leave. Notwithstanding Section 4(a) above, Mr. McKenney shall receive **four weeks** annual paid vacation, subject to all other conditions as provided in the District's Personnel and Salary Policy ("**Policy**"). Vacation time cannot be carried over from year to year.

4.3 Car Allowance. Mr. McKenney is expected to primarily use his own vehicle in the performance of his services as General Manager, including being available 24 hours per day when practical to respond to emergency situations for the District. The District shall pay Mr. McKenney **\$650.00 per month**, as reimbursement for automobile expenses. The monthly reimbursement may be adjusted at the sole discretion of the Board. Mr. McKenney will maintain insurance coverage for his vehicle at the following minimum limits: \$250,000 / \$500,000. The District will also maintain insurance coverage for Mr. McKenney's vehicle for its use during the course and scope of his performing services as General Manager. Mr. McKenney may, on occasion, use a District vehicle, if necessary or appropriate to the circumstances.

4.4 Cash In Lieu. Mr. McKenney may, at his option, elect to receive cash in lieu of medical and dental coverage benefits in an amount equal to 50% of such benefit(s) costs, but only if Mr. McKenney has and shows proof of coverage under another medical insurance plan that provides coverage that is comparable to the medical benefits provided under the medical insurance plan available to eligible employees of the District. If Mr. McKenney qualifies and elects to receive cash in lieu of medical and dental coverage benefits as described above, Mr. McKenney shall receive, as an additional compensation hereunder, an amount of money equal to 50% of the amount(s) that the District would otherwise expend to maintain such medical and dental coverage for Mr. McKenney. Mr. McKenney may restore medical and dental benefits in lieu of cash payments at any time, subject to applicable enrollment and eligibility rules of those policies.

4.5 Relocation Benefits. In acknowledgement of the need for Mr. McKenney to relocate from Northern California to Orange County to serve in the role of General Manager, the District shall reimburse Mr. McKenney for up to \$10,000 in relocation costs, subject to submittal of documentary evidence of those relocation-related costs.

5. Reimbursement of Business Expenses.

Mr. McKenney is authorized to incur reasonable business expenses in the discharge of his functions as General Manager. The District will reimburse Mr. McKenney upon submittal of appropriate documentary evidence as required by District policies.

6. Periodic Review.

The Board shall meet with Mr. McKenney to conduct a review of and confer with Mr. McKenney regarding his performance at least annually, but the Board may conduct a review of and confer regarding Mr. McKenney's performance at any time.

7. Termination, Resignation, Severance.

7.1 At-Will. The District employs Mr. McKenney to serve as its General Manager, at the pleasure of the Board, upon the terms and conditions set forth in this Agreement.

Notwithstanding the term of this Agreement, Mr. McKenney will be an "at-will" employee of the District and will not be afforded any termination or discipline-related access to due process, appeal, or grievance procedure. Mr. McKenney's employment may be terminated with or without cause, at any time, with or without notice, by the Board or by Mr. McKenney.

7.2 Severance.

A. If the Board terminates Mr. McKenney's employment before the expiration of the term of employment set forth in Section 1.1, and during any time that Mr. McKenney is willing and able to perform the duties of the General Manager position, the District shall make a lump severance payment to Mr. McKenney equal to the lesser of

(i) six months of Mr. McKenney's monthly salary at the time of termination; or

(ii) Mr. McKenney's monthly salary at the time of termination multiplied by the number of months left on the unexpired term of this Agreement. "Unexpired term" includes the remainder of any automatic renewal period that has already begun, but does not include any future automatic renewal periods.

B. Pursuant to California Government Code § 53260, in no event will the lump sum severance payment exceed the monthly salary of Mr. McKenney multiplied by six.

(i) Any severance payment will be made within 15 days after the effective date of the termination.

(ii) The lump sum severance payment is in addition to any accrued and unused vacation to which Mr. McKenney is entitled. All sums paid herein are subject to applicable withholding taxes. Pursuant to California Government Code § 53243.2, if Mr. McKenney is convicted of a crime involving an abuse of his/her office or position, including as set forth in California Government Code § 53243.4, then Mr. McKenney shall reimburse to the District any lump severance payment paid to Mr. McKenney under this section.

7.3 Resignation. The District prefers Mr. McKenney provide it at least 90 days advance notice before Mr. McKenney voluntarily resigns from the General Manager position. While such courtesy is desired, it is not required as the employment relationship created in this Agreement is "at-will." If he voluntarily resigns, Mr. McKenney acknowledges that he will not be eligible to receive any severance pay. In that instance, Mr. McKenney will only receive his accrued but unused holiday and vacation leave, if any.

7.4 Benefits. All health and other benefits set forth in this Agreement will cease on the day of termination of this Agreement by either Party or on the expiration of this Agreement.

8. Confidential Information.

In the performance of his duties, Mr. McKenney will obtain confidential information of the District. Mr. McKenney shall not directly or indirectly disclose or use at any time during the term of his employment by the District or after, any confidential District information (including records, lists, data, drawings, reports of a business or technical nature) unless such disclosure is authorized by the Board President and Vice President in writing.

9. District's Personnel and Salary Policy.

The terms and conditions of employment will be governed by this Agreement and all provisions of the District's Personnel and Salary Policy as amended from time to time. If any provisions of the District's Personnel and Salary Policy conflict with a provision in this Agreement, the provision in this Agreement will control.

10. Waiver

Either Party may specifically and expressly waive, in writing, compliance by the other Party with any term, condition or requirements set forth in this Agreement. Either Party may specifically and expressly waive, in writing, any breach of any term, condition or requirement of this Agreement. Any single waiver will not constitute a further or continuing waiver of any preceding or succeeding breach, or requirement of compliance with, the same or any other provision or contractual requirement unless a specific statement to the contrary is contained within that waiver. The waiving Party may, at any time thereafter, require further compliance by the other Party with the requirements or provisions of this Agreement that have been so waived. No waiver or consent will be implied from the silence or from the failure of any Party to act, except as otherwise specified in this Agreement.

11. Notices.

Any notice, request, demand, consent, or approval or other communication required under this Agreement must be sent by U.S. mail to the following addresses, with a courtesy copy by email:

To District: Trabuco Canyon Water District
32003 Dove Canyon Drive
Trabuco Canyon, CA 92679
Attn: Board President
and by email to the current board president

Copy to: Hanson Bridgett, LLP
Attn: Claire Collins,
Esq.
601 W. Fifth Street, Suite 300
Los Angeles, CA 90071
Email: ccollins@hansonbridgett.com

To Mr. McKenney: Larry B. McKenney
10886 Sutter Circle
Sutter Creek, CA 95685
Larry.McKenney@gmail.com

12. Jurisdiction.

This Agreement is governed by California law.

13. Amendments.

No addition to or modification of any provision of this Agreement will be effective unless set forth in a writing signed by both Parties.

14. Mutual Agreement To Arbitrate All Disputes and Claims.

The Parties shall arbitrate any and all disputes and claims between them that cannot otherwise be resolved voluntarily.

15. Interpretation.

If a dispute arises between the Parties regarding this Agreement, it will be interpreted according to the Agreement's plain meaning, and no presumption will arise concerning the drafter of any particular provision.

The Parties are signing this Agreement to be effective as of the Effective Date.

TRABUCO CANYON WATER DISTRICT

By: Ed Mandich
Ed Mandich, President

Approved as to Form:

Claire H. Collins
Claire H. Collins, General Counsel

Larry B. McKenney
Larry B. McKenney

ATTACHMENT "A"

Trabuco Canyon Water District General Manager Description

JOB SUMMARY: Under the direction of the Board of Directors, the General Manager organizes, controls and directs the overall activities of the District, acts as liaison with the Board of Directors, administers all functions of the District through management staff, and represents and advocates for the District in the community and at local, county and state governmental entities.

SPECIFIC DUTIES AND RESPONSIBILITIES:

- Prepares or supervises the preparation of proposed District policy and recommends such policy for action of the Board of Directors.
- Ensures that the Board of Directors is informed of major activities of the District and the extent to which objectives are being met; discusses possible agenda items with the Board and management staff; determines items to be presented; reviews agenda and items to be presented prior to meetings.
- Implements policy or procedural decisions of the Board; provides for adequate guidelines for management to implement new or revised policies or procedures.
- Prepares, in conjunction with management staff, and recommends overall District plans, budgets, operating philosophies, and objectives.
- Seeks counsel of the Board of Directors, individually or collectively, on difficult decisions or issues.
- Coordinates efforts of the District's legal counsel in the presentation and resolution of matters requiring legal attention and informs Board of litigation and/or potential liability.
- Provides for a well-staffed, motivated, and efficient organization, including operational (water and sanitation), administrative service (public relations, customer service, purchasing), and financial departments.
- Makes decisions on critical issues within the framework of established policy or guidelines of the Board of Directors; establishes priorities where conflicts or schedules require.
- Prepares, or supervises the preparation of, objectives for each department; establishes organizational controls and measures performance against approved objectives.
- Reviews financial, operations, engineering, and other reports periodically; identifies trends; presents and highlights results to the Board.
- Encourages cooperative efforts of District staff; develops subordinates through delegation of authority, monitoring performance, and providing feedback and counseling to key personnel.

- Monitors and reviews expenditures through budgets and other guidelines; identifies and resolves questions regarding variances from expected expenditure levels.
- Evaluates personnel needs of the District and skill levels required in key management staff; makes recommendations to Board for selection of management personnel.
- Selects, or reviews the selection of, consultants; approves capital expenditures within established authorization limits.
- Represents the District to outside interest groups and special water or sanitation agencies; represents the District in appearances before legislative bodies and regulatory agencies.
- Communicates and interfaces with general managers of other districts; negotiates agreements with other districts at the local, regional, or state levels.
- Provides for a community image stressing high quality, efficiency, and community concern.
- Performs other special projects or studies as required.

EMPLOYMENT STANDARDS

ABILITY TO:

- Plan, organize, coordinate, and direct the work of staff to achieve efficient operations and meet program goals.
- Prepare and administer a District budgeting and fiscal control process.
- Collect, organize, and analyze data on a variety of industry-related topics.
- Prepare concise and comprehensive reports.
- Oversee the preparation of Board agendas and materials.
- Communicate well during public presentations.
- Exercise leadership, authority; supervision tactfully and effectively.
- Evaluate and make recommendation on improvements to existing District operations, programs, and services.
- Provide advice and consultation to the Board of Directors on the development of ordinances, regulations, programs, and policies.
- Effectively represent the District's policies, programs, and services with individual citizens, community groups, and other government organizations.
- Establish and maintain cooperative working relationships.

KNOWLEDGE OF:

- Principles and practices of public administration, including administrative analysis, fiscal planning and control, and policy and program development.
- Laws, rules, ordinances, and legislative processes controlling District functions, programs, and operations.
- Organization, operations, and problems of special districts.
- Research and evaluation methods
- Budgeting principles and practices.
- Cost estimating and contract administration.
- Public personnel administration and employer-employee relations.
- Principles of supervision training and management.