

## Memorandum of Understanding

This Memorandum of Understanding (“**Memorandum**”) is entered into by and between Reclamation District 108 (“**RD 108**”), the County of Yolo (“**Yolo**”) and Yolo Subbasin Groundwater Agency (“**YSGA**”), collectively the “Parties”, this \_\_\_day of May, 2026.

WHEREAS, the Fair Ranch, located within Yolo County and YSGA, consists of approximately 7,521 acres and is presently owned by RRG Garden Properties, LLC (“**RRG**”), and there are various water rights associated with the property, including a Settlement Contract with the U.S. Bureau of Reclamation (“**Reclamation**”) for 29,800 acre-feet annually, subject to certain conditions;

WHEREAS, the California Department of Water Resources (“**DWR**”) has proposed to enter into various agreements with RRG whereby DWR would have a right to secure from the Fair Ranch a minimum of 5,000 acre-feet, up to 16,000 acre-feet annually, of surface water available under said Settlement Contract, to use for instream flow purposes;

WHEREAS, DWR on February 10, 2026, filed a Notice of Exemption related to such transaction, which caused concern to Parties hereto, and which concerns were not timely resolved to the satisfaction of Yolo and YSGA, resulting in litigation under the California Environmental Quality Act (“**CEQA**”) against DWR;

WHEREAS, the Parties wish to coordinate and cooperate in a mutually agreeable approach to the management of Fair Ranch that avoids impacts to local water supplies, groundwater resources, habitat, and the economy; and

WHEREAS, RD 108 has agreed to acquire title to the Fair Ranch subject to completion of the agreements between RRG and DWR, and Yolo and YSGA are willing to dismiss their litigation against DWR and RRG if certain matters are addressed by RRG in a separate settlement agreement, which RD108 is not a party to, and RD 108 provides additional assurances with respect to operation of the Fair Ranch when it acquires title, as herein provided.

ACCORDINGLY, the Parties agree to the following:

1. RD 108 will execute a purchase and sales agreement to acquire ownership of Fair Ranch, subject to various conditions set forth in that separate agreement. RD 108 will provide a lease back to RRG to complete farming of Fair Ranch in 2026.
2. Under its ownership, RD 108 will pay all applicable taxes and assessments related to the Fair Ranch. Furthermore, RD 108 agrees not to transfer title to a tax-exempt entity, other than DWR as required by the “Irrevocable Offer to Dedicate Title in Fee and Declarations of Restrictive Covenants”, absent a binding agreement

obligating that entity to pay local taxes and assessments or subventions in an equivalent amount.

3. RD 108 concurs with DWR's representation that the February 10, 2026, Notice of Exemption is limited to the transaction between RRG and DWR and does not apply to any action by RD 108. Before any water transfers or physical changes in the environment occur related to the Fair Ranch, RD 108 shall comply with CEQA.

4. Nothing herein authorizes or approves surface water transfers at Fair Ranch, including but not limited to groundwater substitution transfers. RD 108 will not consider water transfers involving groundwater substitution at Fair Ranch until:

a. YSGA agrees that the North Yolo Management Area is not in a condition where groundwater pumping related to a water transfer would cause undesirable results (determined by analysis of the most recent 10 years of record),

b. At least one year prior to any groundwater substitution transfer, RD 108, at its own expense, installs one GPS-based subsidence station (cGNSS or equivalent) at the existing monitoring well on Fair Ranch identified as F-93MW,

c. RD 108 performs appropriate site-specific CEQA analysis for annual, multi-year and any permanent water transfers, and

d. YSGA reviews and approves the respective groundwater substitution transfer application.

5. Excepting fallowing that occurs customarily for farm management/stewardship reasons, the Fair Ranch property will continue to be farmed with three potential exceptions, the implementation of which is subject to the prior completion of any necessary environmental review:

a. Fallowing as needed to make water available for the Sacramento River Settlement Contractors conveyance to the proposed Healthy Rivers and Landscapes Program ("**HRLP**") (about 1,400 acre-feet from the Fair Ranch in certain years) or to satisfy the proportionate obligations of the Fair Ranch under the Drought Protection Program Agreement with Reclamation.

b. To meet the terms of the "Instream Flow and Forbearance Agreement" with DWR, which runs with the land. If this would result in permanent fallowing, RD 108 would first review with the County in connection with implications under the Williamson Act.

- c. To create habitat as expected under the “Easement” with DWR, which runs with the land (anticipated by RD 108 to be 10-20 percent of the Ranch).
6. RD 108 will exercise all available authorities as owner of Fair Ranch to maintain flood control responsibilities of the Fair Ranch for Reclamation District 787, paid for by and transferred from revenues generated by Fair Ranch.
7. RD 108 will work with the County to explore public access to Fair Ranch, taking into account, among other things, logistics, safety and liabilities associated with developing a program or project to provide such access. If a project appears feasible, RD 108, the County and other appropriate parties will cooperate to identify and pursue necessary resources. To the extent reasonably possible, any public access planning process shall proceed concurrently with any habitat restoration planning and environmental review efforts that may occur during RD 108’s ownership.
8. RD 108 acknowledges the Carbon Farm Plan for Fair Ranch prepared in December 2023 by the Yolo County Resource Conservation District (RCD) and agrees to consider its implementation in good faith as part of its stewardship of Fair Ranch. Within one year of taking ownership, RD 108 shall consult with the RCD and the County to identify which recommended practices are feasible to implement given current farming operations, available funding, and any applicable CEQA requirements. RD 108 shall make reasonable efforts to pursue available grant funding to support implementation, and shall not take actions that are materially inconsistent with the Carbon Farm Plan's conservation objectives without first consulting with the County and the RCD. Nothing in this provision requires RD 108 to implement any specific practice identified in the Carbon Farm Plan.
9. In recognition of the Knights Landing Levee Improvement Project’s (the Project) direct contribution to public safety and the protection of developed property within the immediate vicinity of Fair Ranch, within six months of the full execution of this MOU, RD 108 and the County will cooperate to reach mutually agreeable terms for the County to have a first priority right to no less than half of excess soil or other earthen material that the County deems suitable for the Project that is generated by habitat development, habitat restoration, or related ground-disturbing activities on the Fair Ranch from the time RD 108 takes ownership of the Fair Ranch until 12/31/2032. The foregoing commitment to reserve no less than half of any such excess soil shall constitute a floor for purposes of any further negotiation between the parties regarding the County's share of excess soil for the Project, and shall not be construed to limit the County's ability to negotiate for a greater share. RD 108 will store any such excess soil for a period of up to three years.
10. Nothing in this Memorandum constitutes an approval by the County or YSGA of any action or activity to be undertaken by RD 108 pursuant to its acquisition of the

Fair Ranch or its assumption of obligations under the transaction documents between RRG and DWR. This Memorandum shall not be cited or relied upon as evidence of County or YSGA approval of any project or activity subject to CEQA or the Williamson Act, and the County and YSGA expressly reserve all rights to exercise their independent regulatory authority with respect to any such action or activity.

11. Disputes arising under this Memorandum shall be resolved, whenever possible, through good faith negotiation. In the event of a dispute regarding compliance with any term or condition of this Memorandum, the Parties agree as follows:

a. The Party asserting a dispute shall provide written notice to the other Parties as soon as reasonably practicable after the event giving rise to the concern, setting forth the issues in dispute with reasonable specificity.

b. Within ten calendar days after receipt of such notice, unless the Parties agree in writing to an extension, designated staff representatives of each Party involved in a dispute shall meet and confer in a good faith attempt to resolve the dispute through negotiation.

c. If the dispute is not resolved at the staff level within 30 calendar days after the first meeting, each Party involved in the dispute shall designate two members of its governing board to participate in further negotiations. The designated board members shall meet and confer within 30 calendar days of their designation, unless the Parties agree in writing to an extension, in a good faith attempt to resolve the dispute.

d. If the dispute is not resolved through board-level negotiations within 30 calendar days after the first board-level meeting, the Parties may, upon mutual written agreement and at the sole option of each Party involved in a dispute, refer the dispute to a single neutral mediator mutually agreed upon by the Parties, or if the Parties cannot agree on a mediator, selected through JAMS or another mutually acceptable mediation service. Each Party shall bear its own attorneys' fees and costs, and the Parties shall share equally the fees and costs of the mediator and mediation service.

e. If the Parties do not agree to mediation, or if mediation does not resolve the dispute, any Party to a dispute may seek resolution through litigation in a court of competent jurisdiction.

12. This Memorandum anticipates a variety of later activities that may result in "projects" within the meaning of CEQA. As of the date of this Memorandum, however, no specific projects have been explored, formulated, or proposed in any level of meaningful detail. For all of these reasons, environmental review of such projects is thus premature and not required by CEQA. The Parties shall conduct all

appropriate environmental review, if necessary, at the time when such review is proper, and before the approval or implementation of any project that may result from the activities anticipated in this Agreement. Responsibility for performing environmental review, including which entity will serve as the “lead agency,” will be determined at the appropriate time and in the customary manner.

13. RD 108 will reimburse YSGA for its staff costs associated with the Fair Ranch litigation, in the amount of \$6,208.49, and for any legal costs associated with YSGA’s CEQA litigation not otherwise provided by RRG.

**Reclamation District 108**

By \_\_\_\_\_

its \_\_\_\_\_

**Yolo Subbasin  
Groundwater Agency**

By \_\_\_\_\_

its \_\_\_\_\_

**County of Yolo**

By \_\_\_\_\_

its \_\_\_\_\_