

EMPLOYMENT AGREEMENT

This **Employment Agreement** (“Agreement”) is made and effective this 21st day of March, 2025, by and between the **CAYUCOS SANITARY DISTRICT** (hereinafter referred to as “**Employer**” or “**CSD**”) and **RICHARD L. KOON** (hereinafter referred to as “**Employee**”), who understand as follows:

WITNESSETH:

WHEREAS, Employer desires to employ the services of Employee as District Manager and Capital Projects Manager; and

WHEREAS, it is the desire of Employer to provide certain benefits, establish certain conditions of employment and to set working conditions of Employee; and

WHEREAS, it is the desire of Employer to receive and retain the services of Employee and to provide for him to remain in such employment; to make possible full work productivity by assuring his morale and peace of mind; to act as a deterrent against malfeasance, misfeasance or substandard performance on his part; and to provide for terminating his services at such time as he may be unable to fully discharge his duties or when Employer may otherwise desire to terminate his employment; and

WHEREAS, Employee desires to accept employment as District Manager and Capital Projects Manager; and

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:

1. Duties of District Manager

Employee agrees to perform the functions and duties of the position of District Manager, and any additional duties as may be assigned by the Board of Directors (“Board”) from time to time. Such duties and responsibilities include, but are not limited to, planning, organizing, directing and supervising the operations and maintenance activities of the District, including accounting, fiscal and budgetary, personnel and organization, wastewater collection and conveyance, and solid waste. Employee shall exercise direct supervision of the Chief Plant Operator, Lead Collections Operator, and the Administrative Services and Accounting Managers, and shall plan and administer the work of professional, technical operational, maintenance and support staff, typically through subordinate levels of supervision. Employee shall work under the policy, direction and action of the Board of Directors. In addition to the foregoing general responsibilities, Employee will also provide services as the Capital Projects Manager, including managing the Water Resource Recovery Facility and other capital improvement projects, as further set forth in Exhibit A.

2. Term of Agreement

This Agreement commences March 21, 2025, and shall remain in effect through September 21, 2025.

Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of Employer to terminate the services of Employee at any time, subject only to the provisions set forth in Section 4 of this Agreement. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of Employee to resign at any time from his position with Employer, subject only to the provisions set forth in Section 4 of this Agreement.

3. Devotion to District Business and Hours of Work

Employer understands that Employee resides out of state and will perform most of his work offsite remotely. Notwithstanding, Employee shall attend all CSD regular Board meetings in person and shall work within the CSD boundaries, primarily at the District office or Water Resource Recovery Facility, a minimum of three consecutive days per month, which time will be scheduled to coincide with regular Board meetings. Employee shall work a minimum of thirty (30) hours per week and shall submit timesheets documenting the hours worked. Employee shall prepare and submit a report to the Board outlining his work performed for the District at the conclusion of each week. Employee shall pay for all of his travel expenses, including flights, lodging, rental car and meals, related to the requirements of this Section 3.

4. Termination and Severance Pay

Employee understands that he has no constitutionally protected property or other interests in his employment as District Manager and Capital Projects Manager. Employee understands and expressly agrees that he serves in the District Manager and Capital Projects Manager positions at the will and pleasure of the Board of Directors and that he may be terminated or asked to resign from that position at any time by the Board of Directors, without cause, for any reason or for no reason, immediately upon notice to Employee, and as further set forth below.

Employer may terminate this Agreement without cause, for any reason or for no reason, on thirty (30) days' notice to Employee. If this Agreement is terminated by Employer or by operation of law, Employee shall continue to work and receive his salary and other compensation during the notice period. In the alternative and at its sole discretion, Employer may terminate Employee at any time during the notice period and in that event Employee shall receive no severance pay other than compensation for his work during the thirty (30) day notice period; provided, however, Employer shall have no obligation to provide such notice in the event Employee is terminated for good cause. For the purpose of this Agreement, "good cause" shall include, but not necessarily be limited to, any of the following:

1. A material breach of the terms of this Agreement;

2. A failure to perform his duties in a professional and responsible manner consistent with generally accepted standards of the profession;

3. Conduct unbecoming the position of District Manager or likely to bring discredit or embarrassment to the CSD.

“Good cause” shall not mean a mere loss of support or confidence by a majority of the Board of Directors of the CSD.

5. Salary

Commencing March 21, 2025, Employer agrees to pay Employee a salary of Ninety-Eight Thousand Four Hundred Twenty-Nine Dollars (\$98,429) for his services under this Agreement.

6. Other Compensation

Employee agrees to pay one-hundred percent (100%) of the Employee designated share of the contribution to the Public Employees Retirement System. In addition, Employee shall receive the following benefits:

- A. Employee shall be reimbursed at the standard CSD mileage rate for all District business travel miles.
- B. Employee shall accrue ten (10) days of vacation leave through the end of the term of this Agreement, which shall be subject to an accrual cap of thirty (30) working days of vacation benefits at any one time.

7. Professional Development

As part of its normal budget process and reserving the right to establish appropriate priorities and funding amounts, Employer shall consider requests for funds for certain items, activities and materials deemed necessary and desirable for Employee’s continued professional development, participation, growth and advancement. Those items, activities and materials shall include:

- A. Professional dues and subscriptions necessary for full participation in appropriate and relevant associations and organizations;
- B. Travel and subsistence expenses for professional meetings and similar functions (e.g., conferences, workshops, seminars, meetings, etc.) to foster professional development or represent the CSD;
- C. Other items, activities and materials as may be agreed upon from time to time between Employee and Employer.

8. Performance Review

Employee shall receive a performance review on or before June 20, 2025.

9. General Provisions

- A. The terms of this Agreement are intended by the parties as the final expression of their agreement and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. The parties further intend that this Agreement constitutes the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Agreement. Any amendments to this Agreement must be in writing and executed by both parties.
- B. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.
- C. This Agreement shall be governed by the laws of the State of California. Employee and the District agree that venue for any dispute shall be in San Luis Obispo County, California.
- D. The parties acknowledge that they understand the significance and consequences of this Agreement. The parties also acknowledge that they have been given full opportunity to review and negotiate this Agreement and execute it only after full reflection and analysis, and that they have had an opportunity to review this document and its application and meaning with their respective attorneys and advisors. This Agreement shall not be interpreted against the party who prepared the initial draft because all parties participated in the drafting of this Agreement by having ample opportunity to review and submit suggested changes or corrections for incorporation into the final version of this Agreement.
- E. Employee may not assign this Agreement in whole or in part.
- F. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. The text herein shall constitute the entire Agreement between the parties. Any amendments to this Agreement must be in writing and executed by both parties. This Agreement shall be binding upon and inure to the benefit of the heirs at law and executors of Employee.

[Remainder of page left intentionally blank.]

10. Effective Date

This Agreement shall be effective on March 21, 2025.

In Witness Whereof, Employer and Employee have signed and executed this Agreement, both in duplicate, the day and year first above written.

EMPLOYEE:

EMPLOYER:

Richard L. Koon

Robert Enns, President
Board of Directors

EXHIBIT A

DUTIES OF CAPITAL PROJECTS MANAGER

WATER RESOURCE RECOVERY FACILITY

Phase 1

- Oversee the operations and maintenance of the wastewater treatment facility.
- Oversee the operations and maintenance of the improvements to lift station #5.
- Oversee the construction, startup, operations and maintenance of the pipelines and infrastructure required for connection to the existing District facilities.
- Coordinate the design, construction, operations and maintenance of the 1 megawatt solar facility.
- Coordinate with the California Coastal Commission for the implementation and compliance with the conditions of the Coastal Development Permit.
- Coordinate with Central Coast Regional Water Quality Control Board for the renewal of and compliance with the conditions of the NPDES discharge permit.
- Coordinate the development of a 5 and 10 year Recycled Water Management Plan for the beneficial reuse of treated wastewater through potential construction use, agricultural use, water storage in Whale Rock Reservoir and indirect or direct potable reuse for the community.

Phase 2

- Work with the Board of Directors to determine the best possible use of District assets located in Morro Bay.
- Identify, prioritize and oversee the repair or replacement of existing District infrastructure due to capacity issues and inflow and infiltration issues.
- Coordinate the second phase of the solar project to include the aggregation of all existing District facilities.
- Coordinate with CalTrans the replacement of District facilities within the Highway 1 right-of-way.

OTHER CAPITAL PROJECTS

Oversee the design, permitting and construction of the Chaney to Toro main lines.

Oversee the design, permitting, and construction of the realignment of the Lucerne to LS #1 main line.

Develop a feasibility study for the distribution of recycled water.

Develop capital projects based on inspection and evaluation of sewer mains by District staff.

Prepare a five (5) year Capital Improvement Project Plan.