

**Minutes**  
**CHINO BASIN WATERMASTER**  
**ADVISORY COMMITTEE MEETING**

*July 21, 2011*

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on July 21, 2011 at 9:00 a.m.

**ADVISORY COMMITTEE MEMBERS PRESENT WHO SIGNED IN**

**Agricultural Pool**

|                     |                                     |
|---------------------|-------------------------------------|
| Jeff Pierson, Chair | Ag Pool – Crops                     |
| Bob Feenstra        | Ag Pool – Dairy                     |
| Pete Hall           | Ag Pool – State of California - CIM |

**Non-Agricultural Pool**

|              |                    |
|--------------|--------------------|
| Brian Geye   | Auto Club Speedway |
| Scott Burton | City of Ontario    |

**Appropriative Pool**

|                        |                                 |
|------------------------|---------------------------------|
| Mark Kinsey            | Monte Vista Water District      |
| Jo Lynne Russo-Pereyra | Cucamonga Valley Water District |
| Raul Garibay           | City of Pomona                  |
| Dave Crosley           | City of Chino                   |
| Ron Craig              | City of Chino Hills             |
| Mohamed El-Amamy       | City of Ontario                 |
| J. Arnold Rodriguez    | Santa Ana River Water Company   |
| Robert Young           | Fontana Water Company           |
| Seth Zielke            | Fontana Union Water Company     |
| Shaun Stone            | City of Upland                  |
| Ben Lewis              | Golden State Water Company      |

**BOARD MEMBERS PRESENT WHO SIGNED IN**

|          |  |
|----------|--|
| Bob Kuhn | Three Valleys Municipal Water District |
|----------|--|

**Watermaster Staff Present**

|                   |                         |
|-------------------|-------------------------|
| Desi Alvarez      | Chief Executive Officer |
| Danielle Maurizio | Senior Engineer         |
| Joe Joswiak       | Chief Financial Officer |
| Sherri Molino     | Recording Secretary     |

**Watermaster Consultants Present**

|                 |                                     |
|-----------------|-------------------------------------|
| Michael Fife    | Brownstein, Hyatt, Farber & Schreck |
| Mark Wildermuth | Wildermuth Environmental Inc.       |

**Others Present Who Signed In**

|                  |  |
|------------------|--|
| Bob Gluck        | City of Ontario                        |
| Rick Rees        | Department of Justice/CIM              |
| Van Jew          | Monte Vista Water District             |
| Justin Scott-Coe | Monte Vista Water District             |
| Ryan Shaw        | Inland Empire Utilities Agency         |
| Chris Berch      | Inland Empire Utilities Agency         |
| Craig Miller     | Inland Empire Utilities Agency         |
| David DeJesus    | Three Valleys Municipal Water District |
| Rick Hansen      | Three Valleys Municipal Water District |
| Bill Kruger      | City of Chino Hills                    |

John Mura  
Eunice Ulloa

City of Chino Hills  
Chino Basin Water Conservation District

Chair Pierson called the Advisory Committee meeting to order at 9:08 a.m.

**AGENDA - ADDITIONS/REORDER**

Mr. Alvarez added an information item to the CEO/Reports regarding the upcoming Watermaster 2011-2012 Budget, to be heard during the Public Hearing at the Watermaster Board meeting on July 28, 2011 at 11:00 a.m.

**I. CONSENT CALENDAR**

**A. MINUTES**

1. Minutes of the Advisory Committee Meeting held June 16, 2011

**B. FINANCIAL REPORTS**

1. Cash Disbursements for the month of May 2011
2. Watermaster VISA Check Detail for the month of May 2011
3. Combining Schedule for the Period July 1, 2010 through May 31, 2011
4. Treasurer's Report of Financial Affairs for the Period May 1, 2011 through May 31, 2011
5. Budget vs. Actual July through May 2011

*Motion by Garibay, second by Young, and by unanimous vote*

***Moved to approve Consent Calendar items A and B, as presented***

**II. BUSINESS ITEMS**

**A. ACQUISITION OF RIGHT OF ENTRY AGREEMENT FOR HORIZONTAL EXTENSOMETER**

Mr. Alvarez stated this is a Right of Entry Agreement that is being presented today for your approval and authorization for Watermaster to enter into the agreement. The purpose of the agreement is to obtain access to a property for the installation of a horizontal extensometer, which will be used to collect data as part of the study that is being done in conjunction with looking at land subsidence in the MZ1 area. Mr. Alvarez stated the Right of Entry Agreement is for a 21 month period, which should be sufficient for the term of the study. Mr. Alvarez stated the cost associated with the agreement is a fee paid to the property owner. Mr. Alvarez stated, at that site, there will be controlled aquifer tests which will induce some drawdown and will provide valuable data on settlement as part of this comprehensive study. Mr. Alvarez stated staff is recommending approval of the Right of Entry Agreement and payment of \$1,000 to the property owner; this was passed unanimously through the Pools process earlier this month.

*Motion by Kinsey, second by El-Amamy, and by unanimous vote*

***Moved to approve Acquisition of Right of Entry Agreement for the Horizontal Extensometer and payment of \$1,000 to the land owner, as presented***

**B. AGREEMENT TO PROVIDE LOAN BETWEEN CHINO BASIN WATERMASTER AND CHINO BASIN WATER CONSERVATION DISTRICT**

Mr. Alvarez stated this item has to do with the funding for the replenishment water which has been taken in since May, and part of that process was to work out financing alternatives. Mr. Alvarez stated one of those financing alternatives is to borrow the money. Mr. Alvarez offered history on discussions with other agencies and banks with this regard. Mr. Alvarez stated the Chino Basin Water Conservation District (CBWCD) is interested in loaning Watermaster money, and last week their board approved and authorized their general manager to enter into a loan agreement of up to \$5M for the purposes of purchasing the replenishment water. The terms of the CBWCD loan would be at the interest rate of LAIF plus 1 ½%. This would be a variable rate with the interest payable monthly, and the principal would all be due in January 2015. Mr. Alvarez stated the agreement for the loan would also require that, after the agreement has been approved through the Watermaster process, it will then be provided to the court for its approval, and recognizes the repayment of the loan would be through a future

assessment. Mr. Alvarez stated since those conversations took place, an agreement has been put together between Watermaster and CBWCD, which is before the Advisory Committee today for approval. Mr. Alvarez stated if it is chosen to go this route of borrowing the money, the cost of the water would be at the least expensive cost; there are no upfront associated costs with this agreement. Mr. Alvarez stated if the water is put in by Watermaster for purposes of augmenting the overdraft account, it is not subject to a storage loss. Mr. Alvarez stated the other issue is now that Watermaster has a form of a loan agreement in place, there have been various parties that have suggested just doing an assessment at this present time; this was the original idea. Not all parties were financially ready to meet that special financial assessment obligation. Mr. Alvarez stated it is possible that Watermaster could enter into the same financing agreement with individual parties that would like to pay their obligation at this time by loaning Watermaster the money, and then three years down the road, when it was time to pay through an assessment, the parties would then be paid back, which would be considered a wash. Mr. Alvarez offered further comment on the assessment process for this endeavor. Chair Pierson stated this would then be a subsequent issue after the approval of the maximum \$5M recommendation for a loan. Mr. Alvarez stated that was correct. Mr. Kinsey inquired about when interest is to be paid. Mr. Alvarez stated it will be monthly. A discussion regarding the interest payments ensued. Mr. Kinsey inquired about the source of revenues to pay the monthly interest. Mr. Alvarez stated there are some reserves in the Watermaster account that would be sufficient to pay for the interest. Mr. Kinsey stated it would seem there needs to be some sort of action through the Watermaster process to authorize this; it's the parties' money that is being held in reserves over the 30/30. Mr. Alvarez stated he was under the impression that, by approving this today, this committee would be giving that authorization. Mr. Kinsey inquired if there would be an increase in assessments. Mr. Alvarez stated none at all. Mr. Kinsey inquired about the Watermaster approval process and the bypassing of the Pools on this agreement, which is obligating the Pools without this being an urgent matter. Mr. Alvarez stated this has been discussed at the Pool level last week; however, the agreement was not ready until the Advisory Committee package was being prepared. Mr. Alvarez stated if it is the wish of the Advisory Committee to put this through the Pool process first, then that is what will be done. A discussion regarding the time frame for this agreement and additional financing agreements ensued. Mr. Kinsey inquired about the cost allocation with regard to the Non-Agricultural Pool sharing in the Desalter Replenishment obligation or not. Mr. Kinsey offered further comments on the Desalter Replenishment obligations. Mr. Kinsey stated he believes after this is done Watermaster needs to go to court and have the court bless zero storage losses on this increment of water. Mr. Young inquired if there are any legal requirements that this agreement go through the entire Watermaster process for this type of an agreement. Counsel Fife stated that is correct in emphasizing this type of an agreement; the rules require applications to go through the Pool process first. There is nothing in the Judgment that requires anything to go through the Pool process before it gets to the Advisory Committee – this is not an application so the rules do not apply. Chair Pierson stated the Advisory Committee does have the opportunity to send it back to the Pools if it so desires. Counsel Fife stated yes, by tradition and practice everything has gone through the Pools before it goes to the Advisory Committee, and that has been the general pattern of activity of the Advisory Committee to not act on things without recommendations from the Pools first. However, there is no strict requirement for that in the Judgment. Mr. Kinsey stated he would like to see this go through the Pool process, and also needs his legal department to review the documents. Ms. Russo-Pereyra stated as for Cucamonga Valley Water District, it would be preferable that it be referred back through the Pool process in an effort of transparency and due diligence. Mr. Young stated he agrees that this should go through the Pool process first unless there is urgency in needing this done right away. Mr. Garibay supported the comments of putting this agreement through the Pool process first. Mr. Craig inquired about the drop-dead timing for having the money in place. Mr. Alvarez stated all of the financing should be in place and finalized by the end of August 2011. Mr. Alvarez stated it appears the wishes of this committee is to put this back through the Pool process. There might be a need of some special meetings to try and pick up some lost time. Mr. Craig stated he believed there were already some commitments made by a few parties to pay for the first half of the water; does that give us some additional time? Mr. Alvarez stated not

much beyond August, and noted this could become a critical issue. A lengthy discussion regarding this matter ensued. Mr. El-Amamy stated once this is brought back, and if and when the interest is being drawn from the reserves, it would be good to see a process to compare the different criteria, maybe some sort of reconciliation process. Mr. Alvarez asked for a better description of what Mr. El-Amamy is asking for. Mr. El-Amamy stated because the reserves are collected based on certain percentages assessed to the different parties, if the reserves are used to pay for the interest of this loan to pay for the replenishment for the desalter water, when the desalter water is used, the criteria or percentage of the assessment would be a totally different criteria of percentages. Mr. Alvarez stated what is being sought after is the reserves basically apportioned based on what the contribution was to those reserves; this does not seem doable and, in the end, will not be a not very arbitrary number because the reserves were not acquired just in this past year, they have been building up over several years. The pro rata of percentages that then go to any one year differ, and to try and go back and attempt to apportion that is probably next to impossible. Mr. Alvarez stated the money is all there and should just be used for the greater good. Mr. Kinsey offered further comment on what he thought Mr. El-Amamy was asking for and understands the difficulty of doing this exercise; however it could be done. Mr. Kinsey stated Watermaster is buying water in advance of a pending obligation. The actual obligation that each party will have for Desalter Replenishment will be determined when that obligation occurs. There will be some in 2013, based on the projections and agencies now using the basin and, in meeting their demands, has changed from five years ago and it will be different in the future. Mr. Kinsey stated prorating the interest obligation may be done the same way the actual replenishment obligation is prorated; that's doable and would allow for a one-time adjustment at the end of the process. Chair Pierson stated there seems to be a sufficient lack of understanding, and the need by the parties that this should be taken back through the Watermaster process. The issues that have been brought up today need to be addressed at some point in time, those parties who spoke might want to prepare an outline of their thoughts and submit them to Watermaster staff to be brought back as a report at a later date.

*Motion by El-Amamy, second by Russo-Pereyra, and by unanimous vote*

**Moved to requested that the loan agreement between Chino Basin Watermaster and Chino Basin Water Conservation District be presented to the Pools in August for further discussion and approval of the use of the accumulated reserves to offset monthly interest payments, as presented**

**C. UPDATE OF CHINO BASIN GROUNDWATER MODEL - (Information Item Only)**

Mr. Wildermuth stated since this presentation was given at all three Pool meetings, he will forgo the presentation and only offer comments; this presentation will be given at the next Watermaster Board meeting next week. Mr. Craig inquired if there were any questions or comments that needed to be addressed from the Appropriative Pool meeting last week. Mr. Wildermuth stated there were, and he will address those now. Mr. Wildermuth stated there were questions related to the modeling and to the cost of the horizontal extensometer. Mr. Wildermuth stated the cost of the model, as it came out in 2007, was budgeted for and Wildermuth worked around that budget. It was noted that it was built in two different fiscal years and the cost to develop the model for a complete rebuild was approximately \$700,000. However, Wildermuth Environmental wrote off approximately \$150,000 as the cost of the model ran over the budgeted amount. Mr. Wildermuth stated, with regard to the horizontal extensometer, the total cost to get it constructed is \$92,000, and about half of that was in the prior fiscal year. This does not include the monitoring costs. Mr. Wildermuth stated there is a large amount of subcontractor costs on this endeavor. Mr. Wildermuth stated the monitoring costs for the entire Subsidence Monitoring Program in the current fiscal year is approximately \$30,000, with the costs of the horizontal extensometer monitoring built into that. There were no further comments or questions presented.

**III. REPORTS/UPDATES****A. WATERMASTER GENERAL LEGAL COUNSEL REPORT**1. Paragraph 31 Appeal

Counsel Fife stated there is nothing new to report on since the Pool meetings other than the Appropriative Pool will be filing its reply brief shortly and it is due to the court on Monday, July 25, 2011.

2. Restated Watermaster Judgment

Counsel Fife stated at the recent Restated Judgment Workshop, Watermaster committed to producing what is described as the first phase of the Restated Judgment Project, and that is now ready to be posted to the Watermaster website. Counsel Fife offered comment on preparing this document with exact text in it and the exact amendments added in. Mr. Crosley inquired about the Restated Judgment task as there was an estimated figure presented in the budget around \$60,000 to \$70,000 for that entire task. During a workshop discussion there were identified three different levels of effort needed to complete this task and, with the previously budgeted amount, inquired if that is for level 1 work product or more than level 1. Counsel Fife stated it is more than level 1, and we will see what happens with level 2 and whether it becomes a big effort; what was contemplated in the original budget was more of a level of work than just this first phase. Counsel Fife stated he did not get from the workshop that this effort would change the budget; however, it will be see-as-it happens with the process and it does appear this will stay in the previously budgeted projection. Mr. Feenstra inquired if a schedule of meetings for the Restated Judgment will be sent out officially. Counsel Fife stated scheduling meetings has not been thought about yet and it was important to get the first task completed and then move on from there; however, some workshops/meetings will be scheduled in the near future. Mr. Feenstra inquired if those meeting dates will be announced. Mr. Alvarez stated they will be announced and noticed once they are set. Mr. Garibay asked if, once this entire Restated Judgment process is complete, it can be put on a DVD or in some electronic format for distribution instead of a large binder. Counsel Fife stated this is now in a Word document format and that is what will be posted. If all goes as planned, a Word document can be transferred onto a DVD or printed out, whichever is more convenient. A brief discussion regarding this matter ensued.

3. September 30, 2011 Hearing

Counsel Fife stated there is a hearing scheduled for September 30, 2011 at 10:30 a.m. and the main subject will be to consider the CDA issues and the Restated Judgment issue. Counsel Fife stated with the discussions that have taken place over the loan agreement, one of the conditions in that agreement that Watermaster gets court approval. Counsel Fife stated for the agreement Watermaster might want to get ahead of September 30<sup>th</sup> hearing, maybe after the August Board meeting; the court likes to do its hearings on Fridays and if that date was free then it could be presented to the court the day after the Board meeting to get the loan agreement approved. Counsel Fife stated it would be good to have court approval of the whole issue of the pre-purchase of replenishment water because Watermaster has never done this before and Watermaster has never had its own storage account; these are all new and should be run by the court. Counsel Fife stated with this there might be another court date prior to the September 30, 2011 hearing date scheduled.

**B. ENGINEERING REPORT**1. Progress Report on the State of the Basin Report

Mr. Wildermuth stated the State of the Basin Report is ready to get posted around the end of the month; the graphics are breathtaking.

**C. CEO/STAFF REPORT**1. Recharge Update

Mr. Alvarez stated this item is regarding the MWD Replenishment Water. Mr. Alvarez stated approximately 14,000 acre-feet has been recharged, which is at a lower rate than

originally anticipated. Mr. Alvarez stated at the current rate Watermaster will recharge 40,000 acre-feet versus the originally planned 50,000 acre-feet; although, the final number is subject to change and there might be strategies to make up some capacity, including actual storm water or additional replenishment water. Mr. Alvarez stated actual recharge basin capacity is going to be lost shortly due to some of the basins needing maintenance work. However, to attempt to make up for that lost capacity, Watermaster has been working on getting some additional basins in place and is currently in the discussion process with IEUA for this to possibly take place in enough time to assist in making up some additional capacity. Mr. El-Amamy inquired about the time frame at looking at different options for taking in this water, such as in lieu deliveries. Mr. Alvarez stated he believes it is time to begin the process for discussions regarding in lieu deliveries.

2. 85/15 Rule Review

Mr. Alvarez stated this was a request made of Watermaster last week to bring this item back for discussion; however, it will be coming back as a full report/presentation item in September.

3. Water Activity Report Update

Mr. Alvarez stated the most up-to-date spreadsheet is available on the back table which summarizes all the storm and supplemental water recharge through June. Mr. Alvarez stated through June 3<sup>rd</sup>, 4,323 acre-feet of water has been recharged including the recent MWD replenishment water.

Mr. Alvarez stated Watermaster staff is in the process of preparing the Water Activity Reports (WAR) which will go out shortly. Mr. Alvarez stated this will begin the next step towards the Assessments process. Mr. Alvarez stated those reports are due back to Watermaster as quickly as the parties can get them back; this will speed up the process and allow the Assessment Package to be developed in a timely manner.

Added Comment:

Mr. Alvarez stated this is not on the agenda but is a matter which needs addressing; it is the subject of the Watermaster 2011-2012 Budget, which is up for consideration at a Public Hearing next week during the Watermaster Board meeting. Mr. Alvarez stated the last time the Watermaster Budget was up before this Committee, the Budget was approved. One of the items that were discussed last month was a request by the Agricultural Pool for inclusion in the Budget of a legal expense item for support of the Restated Judgment. Mr. Alvarez stated at that time, the Agricultural Pool asked for \$100,000 for their special counsel to review the Restated Judgment. Mr. Alvarez stated the Advisory Committee had previously indicated that would be ok to include if there was documentation provided for justification on those budgetary numbers being added to the Budget. Mr. Alvarez stated the documentation asked for was not available at the last Advisory Committee meeting when the Watermaster Budget was presented, so that \$100,000 was not included in the Budget that is being presented to the Watermaster Board/Public Hearing. Mr. Alvarez stated subsequently, as of last week, the Agricultural Pool now does have a breakdown of anticipated legal costs that they believe they will incur to get this task accomplished. Mr. Alvarez stated that budget is available and is broken down by the number of hours and tasks, and that dollar amount is now being presented as \$84,000. Mr. Alvarez stated he would like to now put this new number out for discussion to see if there is a way to proceed with this matter. Mr. Alvarez stated the motion or recommendation made today will be provided to the Watermaster Board/Public Hearing and that amount will be included in the presented Budget next week for consideration. Mr. El-Amamy stated he would like to make that recommendation to add \$84,000 specifically for the Agricultural Pool to use for the legal review of the Restated Judgment. Chair Pierson stated there is now a motion on the table and he asked for any further comments. Mr. Kinsey stated a decision needs to be made to add this item to the Agenda as a discussion item with the recommendation for approval. Mr. Kinsey stated it is his opinion that the Advisory Committee committed to operate under the provisions of the Brown Act, so some kind of finding needs to be made that this is an urgent item and add it on to the Agenda for consideration.

Chair Pierson stated he will hold the motion in abeyance and asked if Mr. Feenstra had any further comments. Mr. Alvarez stated he wanted to discuss the matter of adding the item to the Agenda before Mr. Feenstra speaks. Mr. Alvarez stated if this Committee wants to formally add this item to the Agenda, this Committee has the basis to do that because the information became available within the last few days and a Public Hearing has already been noticed and scheduled to be conducted next week. Mr. Alvarez stated there is a need that has come up subsequent to the posting of the agenda and there is urgency, because any actions taken today will need to be made available for next week's Public Hearing. Chair Pierson stated this Committee can either act today or allow this information to be presented at the Public Hearing to the Board and then allow the Board to make the final decision. Chair Pierson called the chairman of the Agricultural Pool to the floor. Mr. Feenstra stated the Agricultural Pool did what was requested and had special counsel draw up the time involved and what the costs could reflect at the end of the Restated Judgment. Mr. Feenstra stated we, as an Agricultural Pool, have fallen short a few times and found ourselves in a situation of budget shortfalls which created some real controversy in the past. Mr. Feenstra stated special counsel has done their best to speak with people and find out what might be needed for this task, and we now have a document ready for inclusion into the Watermaster Budget, as requested. Mr. Feenstra offered further comment on this matter. A lengthy discussion regarding this matter ensued. Mr. Feenstra stated the action taken at the Agricultural Pool regarding this matter, was to include an additional \$100,000 in the budget for special counsel to work on the Restated Judgment, and it was requested of the Ag Pool to provide justification, and this is what was done. This is a \$100,000 dollar budget item and the motion stands at that amount. Mr. Feenstra stated he believes approximately \$84,000 will be spent on this endeavor if the whole process goes as discussed/described. Mr. Feenstra offered further comment on this matter when it was discussed at the Agricultural Pool meeting with Mr. John Mura in attendance at that meeting. Mr. Feenstra stated the Agricultural Pool has a responsibility to protect those within the Agricultural Pool, and those water users within the Agricultural area and according to Peace II. Ms. Russo-Pereyra inquired if the justification was on the Watermaster ftp site. Mr. Feenstra stated Mr. Alvarez was given a hard copy. Mr. Alvarez stated it has not been posted yet. Mr. Crosley inquired if that Assessment would include whatever amount is identified in the budget, and if the actual spending is less than that amount, then will the delta be added to the \$1.3M reserves that are currently on hand. Mr. Alvarez stated the delta at the end of the fiscal year can either go to the reserves, because that is how they have been built up over time, or alternatively there have been years when the delta was used to offset other increases then brought back through the Watermaster process. Mr. Alvarez stated it is either/or – it could be that delta would be used to offset other expenditures that go over the line, or it could go towards a credit, which was done this year towards the following year's budget. Mr. Crosley stated from his recollection Mr. El-Amamy's motion was to only use the money budgeted in this case towards the legal review of the Restated Judgment, and if that were the case, it would require, a subsequent and separate action. Mr. Craig inquired about what the amount in the budget would be without the special legal counsel. Mr. Alvarez stated, for legal expenses for the Agricultural Pool, that number is currently \$125,000. Mr. Craig stated his preference would be that at the time we approve Watermaster legal counsel for additional budget monies, that we at the same time would approve a specific budget for the Agricultural Pool's legal review. Mr. Alvarez stated at the special workshop that legal counsel held to discuss this item; it was decided to address the court's request for clarification of the Judgment and of all of the agreements in two parts. Mr. Alvarez described them in detail as described in previous meetings. Mr. Alvarez stated from that workshop the Agricultural Pool's special counsel took that request and prepared the justification on the basis of what was understood at that workshop. A lengthy discussion regarding this matter ensued. Mr. Kinsey stated all the parties have worked very hard to try and keep the assessments at a lower rate than the previous year, and there is now additional monies being added in, essentially increasing what has been reduced. Mr. Kinsey stated whether the Agricultural Pool spends all the monies allocated will leave different scenarios open as to what to do with the extra funds. Mr. Kinsey stated it appears the \$120,000 already allocated for Agricultural Pool legal expenses should suffice for this activity and ongoing Agricultural Pool expenses; although, the Agricultural Pool feels differently – it is a lot of money to ask for tax payers/customers to pay. Mr. Kinsey offered further comment regarding this matter and on the situation which occurred in the past for the Agricultural Pool to obtain additional monies once the budget was passed. Mr. Kinsey stated Monte Vista has stated repeatedly that our

desired approach would be to leave the \$120,000 in the budget as it stands now and then if additional monies are needed, to come back through the Watermaster budget process and Watermaster will find the additional money for that within the existing budget. This will eliminate unnecessary assessment costs. Mr. Kinsey stated reducing the assessments are our goal. Mr. Feenstra stated he could bring up other instances; however, that would not be to anyone's benefit and the motion is what was made by the Agricultural Pool and it stands. Mr. Feenstra offered closing comments. Chair Pierson stated there is a Public Hearing scheduled, justification has been provided to the Watermaster CEO, and the Watermaster Board will act on it as it sees fit. Chair Pierson offered comment on this matter. Mr. Garibay inquired if a copy of the justification can be provided to the parties and Mr. Alvarez stated it would be made available. Mr. Garibay offered comment on this situation, especially if their special counsel already worked on this in the past, meaning his review should be that much faster and easier and he noted that is what he is struggling with. Chair Pierson stated Phase 1 is a quick operation; however, Phase 2, with how it has been outlined, becomes a much more laborious activity. Mr. Garibay stated this is why the justification should be made public. Chair Pierson stated he has not seen this document to date either. A lengthy discussion regarding this matter ensued. Chair Pierson offered final comments on this important discussion item.

#### **D. INLAND EMPIRE UTILITIES AGENCY**

1. MWD Update – oral

Mr. Shaw stated last fiscal year Metropolitan's water sales were down substantially which put them in a \$100M hole; however, the good news is there is an abundance of water. This was a record water year! Mr. Shaw reviewed water numbers in detail.

a) CDA LRP Status

Mr. Shaw offered a brief report on the CDA LRP status.

b) Replenishment Update

Mr. Shaw stated, as of last week, approximately 60,000 acre-feet of the water made available through MWD has been purchased. All of that water is now fully subscribed, of which approximately 130,000 acre-feet had been requested; it is still first come first served. Mr. Shaw stated, as mentioned earlier, parties are working together to get as much water as we can into the Chino Basin and discussions are going to begin on getting in-lieu in the future. A discussion on the amount of water MWD is willing to sell ensued. Mr. Miller stated we are participating, and MWD is trying to figure how they are going to retool the Replenishment Program. There are a long series of workshops taking place and agricultural does come up in those discussions; there will be an effort at MWD to try and figure out how to bring the two together. Mr. Miller stated that was one of the terms of selling replenishment water. One of the stipulations that was put into the motion was a new Replenishment Program has to be brought back by the end of the year. There has been talk if agricultural is going to be a part of that, is it surface water storage, or is it going to go back to only groundwater storage.

Mr. Miller stated he would like to discuss the urgency in getting agreements in place for financing the replenishment water and what needs to be brought up is if IEUA is to help finance this endeavor. Depending on the amount, IEUA may need to apply for a commercial paper program and that process takes approximately 6 weeks. Mr. Miller stated he has told Mr. Alvarez that IEUA needs to know by August in order to start the 6 week process. A lengthy discussion regarding this matter and other potential financing options ensued.

2. Water Softener Update

No comment was made regarding this item.

3. Monthly Water Use Report

No comment was made regarding this item.



- 4. State and Federal Legislative Reports  
No comment was made regarding this item.
- 5. Community Outreach/Public Relations Report  
No comment was made regarding this item.
- 6. IEUA Monthly Water Newsletter  
No comment was made regarding this item.

**E. OTHER METROPOLITAN MEMBER AGENCY REPORTS**

No comment was made regarding this item.

**IV. INFORMATION**

- 1. Cash Disbursements for June 2011  
No comment was made regarding this item.
- 2. Newspaper Articles  
No comment was made regarding this item.

**V. COMMITTEE MEMBER COMMENTS**

No comment was made regarding this item.

**VI. OTHER BUSINESS**

No comment was made regarding this item.

**VII. CONFIDENTIAL SESSION - POSSIBLE ACTION**

Pursuant to the Advisory Committee Rules & Regulations, a Confidential Session may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

No confidential session was called.

**VIII. FUTURE MEETINGS**

|                           |            |   |
|---------------------------|------------|---|
| Thursday, July 21, 2011   | 8:00 a.m.  | IEUA Dry Year Yield Meeting @ CBWM            |
| Thursday, July 21, 2011   | 9:00 a.m.  | Advisory Committee Meeting @ CBWM             |
| Thursday, July 21, 2011   | 10:30 a.m. | Land Subsidence Committee Meeting @ CBWM      |
| Tuesday, July 26, 2011    | 9:00 a.m.  | GRCC Meeting @ CBWM                           |
| Thursday, July 28, 2011   | 11:00 a.m. | Watermaster Public Hearing @ CBWM             |
| Thursday, July 28, 2011   | 11:00 a.m. | Watermaster Board Meeting @ CBWM              |
| Thursday, August 11, 2011 | 9:00 a.m.  | Appropriative Pool Meeting @ CBWM             |
| Thursday, August 11, 2011 | 11:00 a.m. | Non-Agricultural Pool Conference Call Meeting |
| Thursday, August 11, 2011 | 1:00 p.m.  | Agricultural Pool Meeting @ CBWM              |
| Thursday, August 18, 2011 | 8:00 a.m.  | IEUA Dry Year Yield Meeting @ CBWM            |
| Thursday, August 18, 2011 | 9:00 a.m.  | Advisory Committee Meeting @ CBWM             |
| Thursday, August 18, 2011 | 10:30 a.m. | Land Subsidence Committee Meeting @ CBWM      |
| Thursday, August 25, 2011 | 11:00 a.m. | Watermaster Board Meeting @ CBWM              |

The Advisory Committee meeting was dismissed by Chair Pierson at 10:20 a.m.

Secretary: \_\_\_\_\_

Minutes Approved: August 18, 2011