

Minutes
CHINO BASIN WATERMASTER
APPROPRIATIVE POOL MEETING
July 1, 2010

The Appropriative Pool Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on July 1, 2010 at 1:00 p.m.

APPROPRIATIVE POOL MEMBERS PRESENT WHO SIGNED IN

Mark Kinsey, Chair	Monte Vista Water District
Mohamed El-Amamy	City of Ontario
Robert DeLoach	Cucamonga Valley Water District
Charles Moorrees	San Antonio Water Company
Raul Garibay	City of Pomona
Tom Harder	Jurupa Community Services District
Gil Aldaco	City of Chino
John Mura	City of Chino Hills
Shaun Stone	City of Upland
Ben Lewis	Golden State Water Company

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Joe Joswiak	Chief Financial Officer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

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

Others Present Who Signed In

Ryan Shaw	Inland Empire Utilities Agency
Chris Berch	Inland Empire Utilities Agency
Scott Burton	City of Ontario
Chuck Hays	City of Fontana
Jennifer Novak	California State, Department of Justice
Steven G. Lee	Agricultural Pool Legal Counsel
Eunice Ulloa	Chino Basin Water Conservation District

Chair Kinsey called the Appropriative Pool Meeting to order at 1:00 p.m.

AGENDA - ADDITIONS/REORDER

It was noted Consent Calendar item D has a new staff letter which was sent out via email, and is available on the back table. It was noted Legal Reports/Updates for Item 3 Policy Manual / Data Base Management will be moved to CEO Reports/Updates as Item 5.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Appropriative Pool Meeting held June 3, 2010

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of May 2010

2. Watermaster Visa Check Detail for the month of May 2010
3. Combining Schedule for the Period July 1, 2009 through May 31, 2010
4. Treasurer's Report of Financial Affairs for the Period May 1, 2010 through May 31, 2010
5. Budget vs. Actual July 2009 through May 2010

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Cucamonga Valley Water District is purchasing 500 acre-feet of water from West Valley Water District. This purchase is made from WVWD's water in storage and is to be placed in CVWD's Excess Carryover Account – Date of Application: June 14, 2010
2. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 765 acre-feet from San Antonio Water Company to the City of Ontario. This lease is made first from San Antonio's net under-production in Fiscal Year 2009-2010, with any remainder to be recaptured from storage – Date of Application: June 21, 2010 (*Page 31*)
3. **Consider Approval for Notice of Sale or Transfer** – Monte Vista Water District is purchasing 19.245 acre-feet of water from the San Antonio Water Company. This purchase is made first from San Antonio's net underproduction, if any, in Fiscal Year 2009-2010, with any remainder to be recaptured from storage – Date of Application: June 7, 2010 (*Page 43*)
4. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company ("Company") has agreed to purchase from The Nicholson Trust annual production right in the amount of 6.082 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2009/2010 – Date of Application: June 23, 2010

Motion by DeLoach, second by Moorrees, and by unanimous vote

Moved to approve Consent Calendar items A through C, as presented

Item D was pulled for separate discussion and motion.

D. LOCAL STORAGE AGREEMENT

Notice of Application for a Local Storage Agreement – The City of Fontana ("City") has submitted an application for a Local Storage Agreement for 5,000 acre-feet to be placed into a Local Supplemental Storage Account – Date of Application: May 18, 2010

Mr. Manning stated this is an application for a local storage agreement from the City of Fontana. In talking with the city, they are interested in primarily in the short term, taking advantage of water that is in excess of the agreement that they have with the City of Ontario for their recycled water; ensuring there is a place for that water to be stored. The City of Fontana is interested in exercising their options as a party to the Judgment to create a local storage agreement. Staff is recommending approval. Mr. Manning stated with the approval of this item for a local storage account that there are a lot of other issues that need to be dealt with in the way of storage, and dialog could begin on them today. A lengthy discussion regarding this item, losses, payment into the OBMP, payment through assessments, and storage accounts ensued. Appropriative Pool members requested to defer making a decision or motion on this item and to hold a special workshop as soon as possible, with this item coming back at a later date.

Motion by Garibay, second by El-Amamy, and by unanimous vote

Moved to defer motion until a workshop on local storage is held on item D, as presented

II. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Paragraph 31 Motion

Counsel Fife stated a decision was made by the court on the 18th and the motion was denied. Counsel Fife offered comment about the auction, which was basically put on hold because of the work being put into the Paragraph 31 Motion, and now that there has been resolve it might be time to resume those discussions on the auction. Chair DeLoach stated

he also felt it was time to resume discussions, and noted he had recently discussed the auction with Mr. Penrice. He, along with other members of the Agricultural Pool, would assist Watermaster with the auction process. Mr. Garibay inquired about an appeal process which he had heard might be taking place regarding the Paragraph 31 Motion. Counsel Fife stated Paragraph 31 Motions and the order that results from them, is an appealable final order under the Judgment which means the parties have 60 days to appeal. That period began to run the Monday after the hearing; expiring August 22nd to appeal. Chair DeLoach inquired about attorney's fees which accumulated regarding the Paragraph 31 Motion which need to be recouped from the Non-Agricultural Pool. That needs to be worked out through the Watermaster process and from his calculations the amount is in excess of \$350,000 between Watermaster counsels, Mr. Schatz, Ms. Willis, and Mr. Kidman. Chair DeLoach inquired about how that will be handled. A lengthy discussion regarding this matter ensued. Counsel Fife stated there is no method spelled out under Paragraph 31, meaning this should be deferred to each Pool's legal counsel for those questions. It was considered if this should be discussed in closed session. Counsel Fife stated a copy of the decision is posted on the website and staff is currently working on obtaining a transcript of the hearing. Once the transcript is ready it will be posted to the Watermaster website.

2. CDA Facilitation

Counsel Fife stated this matter is continuing; Scott Slater and Ken Manning are leading for Watermaster. This is moving forward at a steady pace and meetings are taking place on a regular basis.

3. Policy Manual / Database Management

Counsel Fife stated this item will be discussed under the CEO Reports/Updates portion of the agenda.

4. Non-Agricultural Pool Volume Vote Changes

Counsel Fife stated this item is on this particular agenda because at the May Watermaster Board meeting the Non-Agricultural Pool representative asked Watermaster to inform the Non-Agricultural Pool about procedures under the Judgment for them to change their volume vote process. The vote was taken at the last Non-Agricultural Pool meeting to change their volume vote; however, in the overall process there has been discussion that different members of the Watermaster family have wanted the same items placed on all agendas so each Pool is being kept informed of what the other Pools are discussing. Counsel Fife stated in order for the Non-Agricultural Pool to change their volume vote process the way the Non-Agricultural Pool wants to change it, it will require an amendment to Exhibit G of the Judgment, which is the Non-Agricultural Pool Pooling Plan; this would require obtaining a Judgment amendment by the court. A lengthy discussion regarding this matter ensued.

B. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated that a handout regarding the desire by the governor and others who are involved in Proposition 18 Safe, Clean, and Reliable Drinking Water Supply Act, which is going to now be delayed, is on the back table for review. Mr. Manning commented on legislative activities which are now taking place in Sacramento. A discussion regarding legislation issues ensued.

2. Recharge Update

Mr. Manning noted the most recent recharge update spreadsheet is available on the back table for review. Mr. Manning reviewed the recharge numbers in detail. Mr. Manning stated staff was notified a day and a half ago by West Valley that they had 500 acre-feet of water that they wanted to sell us at a preferable rate. Watermaster did purchase that water, which will be put towards the CURO within the basin.

Item 3 was taken from the Legal Reports section and put on the CEO Report section of the agenda:

3. Policy Manual / Database Management

Mr. Manning stated due to the recent Paragraph 31 Motion the updating of the Policy Manual and changes to the Watermaster Database were put on hold. Staff is now taking a look at working on those items again and bringing them forward through the Watermaster process. These items will take several months to be worked on and meetings and/or workgroup meetings before they are brought back on the agendas.

III. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

IV. POOL MEMBER COMMENTS

An announcement was made regarding Mr. El-Amamy being appointed as the new General Manager for the City of Ontario and a letter with this regard is available on the back table.

V. OTHER BUSINESS

No comment was made regarding this item.

The regular open Appropriative Pool meeting was convened to hold its confidential session at 1:46 p.m. after a 5 minute break.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

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

The confidential session was convened at 2:10 p.m.

Chair Kinsey stated the following action was taken:

- 1) Directed legal counsel to pursue all legal means, including negotiation with Non-Agricultural Pool representatives to recover legal fees associated with the Paragraph 31 Motion.

Chair Kinsey stated separately, it was discussed but took no action was taken at this time regarding the retention of permanent Appropriative Pool legal counsel.

VII. FUTURE MEETINGS

Thursday, July 1, 2010	1:00 p.m.	Appropriative Pool Meeting @ CBWM
Thursday, July 1, 2010	2:30 p.m.	Non-Agricultural Pool Meeting @ CBWM
Thursday, July 8, 2010	9:00 a.m.	Agricultural Pool Meeting @ IEUA
Thursday, July 15, 2010	8:00 a.m.	IEUA DYY Meeting @ CBWM
Thursday, July 15, 2010	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, July 22, 2010	11:00 a.m.	Watermaster Board Meeting @ CBWM
Tuesday, July 27, 2010	9:00 a.m.	GRCC Technical Committee Meeting @ CBWM

The Appropriative Pool meeting was dismissed by Chair Kinsey at 2:13 p.m.

Secretary: _____

Minutes Approved: August 5, 2010