

Minutes
CHINO BASIN WATERMASTER
APPROPRIATIVE POOL MEETING

The Appropriative Pool Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on October 7, 2010 at 1:00 p.m.

APPROPRIATIVE POOL MEMBERS PRESENT WHO SIGNED IN

Mark Kinsey, Chair	Monte Vista Water District
Robert Young	Fontana Union Water Company
Josh Swift	Fontana Water Company
Charles Moorrees	San Antonio Water Company
John Mura	City of Chino Hills
Mohamed El-Amamy	City of Ontario
Raul Garibay	City of Pomona
Robert DeLoach	Cucamonga Valley Water District
Tom Harder	Jurupa Community Services District
Dave Crosley	City of Chino

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
Scott Slater	Brownstein, Hyatt, Farber & Schreck
Andy Malone	Wildermuth Environmental Inc.

Others Present Who Signed In

Shaun Stone	City of Upland
Mike Maestas	City of Chino Hills
Tim Mim Mack	CDA
Marty Zvirbulis	Cucamonga Valley Water District
Scott Burton	City of Ontario
Jennifer Novak	State of California, Dept. of Justice, CIM
Steven G. Lee	Agricultural Pool Legal Counsel
Ryan Shaw	Inland Empire Utilities Agency
Ron Craig	City of Chino Hills
Jon Salmon	McCormick Kidman & Behrens

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

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Appropriative Pool Meeting held September 2, 2010

B. FINANCIAL REPORTS

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

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

Moved to approve Consent Calendar item A Minutes and to receive and file Consent Calendar item B Financial Reports, as presented

II. BUSINESS ITEMS**A. WATERMASTER RESOLUTION NO. 10-04 FOR PHASE III DESALTER EXPANSION**

Chair Kinsey stated he wants to poll the committee members to see if they want to move this item forward today, carry it over to next month's meeting, or hold a special meeting. It was noted the members would like Scott Slater to review the documents today; however, to schedule a special meeting for October 21, 2010 at 8:00 a.m. for final review and recommendation. Counsel Slater reviewed the presented documents in detail. A discussion regarding this matter ensued and it was noted the parties would like to get the revised documents as soon as possible prior to the October 21, 2010 meeting.

Moved to Hold a Special Meeting on October 21, 2010 at 8:00 a.m.

B. CHINO BASIN WATERMASTER 2010-2011 ASSESSMENT PACKAGE

Mr. Manning introduced the Assessment Package and noted an Assessment Package Workshop was held last week and was well attended. Mr. Manning stated staff is seeking approval to move this through the process and onto the Watermaster Board for final approval. Ms. Maurizio gave the 2010-2011 Assessment Year and 2009-2010 Production Year Assessment Package presentation and noted there are a few new slides added to this presentation that were not shown at the Assessment Package Workshop which came out of questions/comments made at the workshop. A lengthy discussion regarding this matter ensued and several questions were presented on the changes made since the workshop. Mr. Young noted his CFO has been out of town and has not had ample opportunity to review the Assessment Package thoroughly. Chair Kinsey inquired if the members wanted to make a motion today or with the comments made by Fontana Union Water Company, if this item could be discussed and a motion given at the already scheduled special meeting on October 21, 2010. The committee members noted they would like to hold off on a motion today and would review this item on October 21, 2010.

Moved to Hold a Special Meeting on October 21, 2010 at 8:00 a.m.

C. SAN SEVAINE CHANNEL REPAIR AGREEMENT

Mr. Manning stated this item has been an issue since Christmas of 2003. Mr. Manning stated there were a series of events that occurred just prior to Christmas of 2003 from work being done on the San Sevaime Channel and on the Etiwanda Chanel – both by the County and by Watermaster in the construction of a drop inlet which was going to be installed in the Channel. There were a series of events that took place and a situation occurred that the Inland Empire Unities Agency contractor had not anticipated. The contractor was given permission to leave the site as it was, not knowing the County had opened up the channel between San Sevaime and Etiwanda which allowed water to get into the Channel, therefore that water undermined all of the work that had been done on the drop inlet and undermined a large portion of the slide slopes and the bottom Channel. This required the County to get a contractor at that site on Christmas Day in 2003 to gunite the entire bottom in order to ensure the entire integrity was not lost. Since then the County has been working to restructure the Channel for that segment that was damaged during the storm. Discussions took place on payment, or the dividing payment, and it was

decided through a partnership that IEUA and Watermaster would pay 50% of the damages and the County would pay the other 50% - totaling approximately \$1 Million dollars. The County is going to begin work on this project following the rainy season this year. It is anticipated the work will take approximately six to seven months. The agreement that Watermaster has is as soon as that work has been completed, Watermaster will reimbursement 25% of the actual amount, not to exceed the amount listed in the contract. The County has agreed to these terms and understands Watermaster does not have the funds in the budget this year for the reimbursement and that will be done in the April/May 2011 timeframe. Mr. Manning stated Watermaster counsel has been working with the County counsel on this endeavor. Mr. Manning stated staff is seeking an approval for this agreement. A discussion regarding this matter including payment being made at a later date ensued. Counsel Fife offered commented on the reimbursement agreement and noted this is not a new type of contract for Watermaster to sign; other agreements have been handled in this matter.

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

Moved to approve the San Sevaïne Channel Repair Agreement, as presented

D. BUDGET MODIFICATION

Mr. Manning introduced this item and noted Mr. Joswiak will give the full report on this item. Mr. Joswiak stated there were two special assessments last year; one was for the Non-Agricultural Pool for their legal fees of \$100,000 and during the fiscal year the Non-Agricultural Pool allocated and used those funds for legal expenses. The Appropriative Pool also had a special assessment for \$100,000 for legal fees; however, that Pool did not use the entire amount and there was an amount left over. In speaking with Watermaster's external audit firm, it was recommended by them to roll the left over dollar amount into the new fiscal year budget and then if those funds are not utilized this year, to continue rolling them over into the subsequent years budget until all funds were allocated. This recommendation takes the \$63,333 and puts those funds into a general ledger account 8367 and will remain there to be used for legal fees incurred this year. Mr. Manning noted this is a different way of doing this type of action because it has been the past practice of Watermaster to zero out all funds and start with zero balances. The auditors stated this would be the most logical choice as opposed to refunding the money and then turning around and assessing the parties again for the same amount. Mr. Manning is recommending approval for this budget modification.

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

Moved to approve the Budget Modification, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. October 8, 2010 Hearing

Counsel Fife stated there is a scheduled hearing for tomorrow, October 8, 2010 at the Chino courthouse. There will be two items presented for consideration; 1) the Non-Agricultural Pool Judgment amendment, and 2) the Approval of Condition Subsequent Number Eight / Recharge Master Plan. Counsel Fife stated there should be no controversy with either of the presented items. Counsel Fife stated there are copies of the pleadings regarding this matter on the back table. Counsel Fife stated Judge Reichert has asked for some education to be provided to him, as Judge Wade did, and Mr. Malone will be giving an hour long presentation to the Judge in the form of testimony on the Recharge Master Plan and other items. This will be a very basic introduction and will be for educational information only.

2. Paragraph 31 Appeal

Counsel Fife stated the Court of Appeal has issued an order asking for further information from the appellants, both the Non-Agricultural Pool and California Steel Industries. Both parties did submit letters earlier this week and copies of those letters are on the back table. The question the Court of Appeal had was why this was an appealable issue and who these

people were who did not appear on the caption. The response as to why this is an appealable issue by both parties was that Paragraph 31E of the Judgment stated this is appealable. Counsel Fife stated, as Watermaster, it needs to be considered whether that response is sufficient and there are cases that support the validity of 31E of the Judgment and those were not cited by either of the appellants. Counsel Fife stated it appears to be in everyone's interest and/or Watermaster's job to defend the Judgment and the risk of what the Non-Agricultural Pool submitted would not be sufficient to give the Appellate Court they need to make a decision. Counsel Fife stated staff and counsel feel this is appealable and this action needs to be considered. If the Appellate Court is satisfied with the response, they will move forward and set a briefing schedule and a hearing date. A discussion regarding this matter ensued.

B. ENGINEERING REPORT

1. Progress Report on Safe Yield Determination

Mr. Malone gave the Safe Yield Determination presentation. Mr. Malone reviewed the areas of: Safe Yield According to the Judgment, the Requirements to Re-Determine Safe Yield, Why Expect a Change in Safe Yield, and the Method to Re-Determine Safe Yield. Mr. Malone reviewed a map of the Area of Subsidence (1992-2001) and Historical Artesian Area (early 1900s) in detail. A discussion regarding overlaying methodology, current land use, hydrology, and Rialto water ensued.

Added Comment:

Mr. Manning stated Inland Empire Utilities Agency (IEUA) took action to approve the Peace II SEIR and Watermaster received a letter from Orange County stating they did not like some of the language in 4.4-3 of the Mitigation Measures. There will be some additional language worked on through a committee from IEUA, Orange County, and Watermaster.

C. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated there is still no budget; however, it is supposed to be voted on today. Mr. Manning reviewed the changes being proposed for the budget in detail. Mr. Manning stated there were a number of bills waiting to be signed by the governor and some he did sign and some were vetoed. The bill which the Groundwater Coalition had worked on, AB2304 was vetoed. No reason was given by the governor as to why he vetoed it. Mr. Manning stated he has a comprehensive list of bills that were signed and vetoed for anybody who wants a copy of those.

2. Recharge Update

Mr. Manning stated it rained pretty well for the last few days; however, the recharge capture amount has not been tallied. The new recharge capture spreadsheet will be completed by the Advisory Committee meeting in a few weeks.

3. Strategic Planning Conference Update

Mr. Manning stated the conference was well attended and was an excellent way to kick off discussions on the implementation of the Recharge Master Plan. There were dynamic breakout groups, a panel discussion group, and many suggestions presented. Watermaster staff is putting together a draft of the large sheets of notes taken by the designated scribes and those draft notes will be distributed at the Advisory Committee meeting in a few weeks.

4. Budget Projections

Mr. Manning stated the first quarterly report on budget projections will be presented in November starting at the Appropriative Pool meeting.

IV. INFORMATION

1. Cash Disbursements for September 2010
No comment was made regarding this item.

2. Newspaper Articles
No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

Monday, October 4, 2010	7:30 a.m.	CBWM Strategic Planning Conference – Frontier
Tuesday, October 5, 2010	8:30 a.m.	CBWM Strategic Planning Conference - Frontier
Thursday, October 7, 2010	1:00 p.m.	Appropriative Pool Meeting @ CBWM
Thursday, October 7, 2010	2:30 p.m.	Non-Agricultural Pool Conference Call Meeting
Friday, October 8, 2010	10:30 a.m.	CBWM Hearing @ Chino Courthouse
Thursday, October 14, 2010	9:00 a.m.	Agricultural Pool Meeting @ IEUA
Thursday, October 21, 2010	8:00 a.m.	IEUA DYY Meeting @ CBWM
Thursday, October 21, 2010	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, October 21, 2010	11:00 a.m.	Water Quality Meeting @ CBWM
Thursday, October 28, 2010	11:00 a.m.	Watermaster Board Meeting @ CBWM
<i>Watermaster Holiday Schedule for Advisory Committee and Watermaster Board Meetings</i>		
Thursday, November 18, 2010	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, November 18, 2010	11:00 a.m.	Watermaster Board Meeting @ CBWM
Thursday, December 16, 2010	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, December 16, 2010	11:00 a.m.	Watermaster Board Meeting @ CBWM

The Appropriative Pool meeting was dismissed by Chair Kinsey at 2:17 p.m.

Secretary: _____

Minutes Approved: November 4, 2010