

Minutes
CHINO BASIN WATERMASTER
ANNUAL APPROPRIATIVE POOL MEETING
January 12, 2012

The Annual Appropriative Pool Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on January 12, 2012 at 9:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT WHO SIGNED IN

Marty Zvirbulis, Chair	Cucamonga Valley Water District
Rosemary Hoerning	City of Upland
Raul Garibay	City of Pomona
Ron Craig	City of Chino Hills
Dave Crosley	City of Chino
Scott Burton	City of Ontario
Mark Kinsey	Monte Vista Water District
Van Jew	Monte Vista Irrigation Company
Robert Young	Fontana Water Company
Josh Swift	Fontana Union Water Company
Tom Harder	Jurupa Community Services District
Geoff Kamansky	Niagara Bottling Company
Ben Lewis	Golden State Water Company
Charles Moorrees	Santa Antonio Water Company
J. Arnold Rodriguez	Santa Ana River Water Company

Watermaster Board Members Present

Paula Lantz	City of Pomona
Bob Kuhn	Three Valleys Municipal Water District
Bill Kruger	City of Chino Hills

Watermaster Staff Present

Danielle Maurizio	Senior Engineer, Interim CEO
Joe Joswiak	Chief Financial Officer
Gerald Greene	Senior Environmental Engineer
Sherri Molino	Recording Secretary

Watermaster Consultants Present

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

Others Present Who Signed In

Seth Zielke	Fontana Water Company
Sheri Rojo	Fontana Water Company
David De Jesus	Three Valleys Municipal Water District
Ken Jeske	California Steel Industries
Mike Maestas	City of Chino Hills
Jo Lynne Russo-Pereyra	Cucamonga Valley Water District
Justin Scott-Coe	Monte Vista Water District
Sandra Rose	Monte Vista Water District
Craig Miller	Inland Empire Utilities Agency
Ryan Shaw	Inland Empire Utilities Agency
Eunice Ulloa	Chino Basin Water Conservation District
Curtis Paxton	Chino Desalter Authority
Veva Weamer	Wildermuth Environmental Inc.

Chair Zvirbulis called the Annual Appropriative Pool Meeting to order at 9:00 a.m.

AGENDA - ADDITIONS/REORDER

Ms. Maurizio stated Business Item D. has a revised version that was revised this morning, and it changes one of the reference numbers to a resolution from 09-01 to 11-01 and noted the revised resolution is available on the back table. Mr. Crosley asked that Consent Calendar Item. F. Levying Replenishment and Administrative Assessments is taken as a Business Item after Business Item A. Watermaster 2011/2012 Assessment Package. Chair Zvirbulis stated those changes were noted.

Chair Zvirbulis stated he wanted the committee to consider a matter regarding recent discussions offline about Business Items B. and C. related the applications for recharge and the need for additional discussion of those items before they are consider them as a committee. Chair Zvirbulis stated the recommendation would be to enter into a closed session after consideration of Business Item A. Chair Zvirbulis stated that change is noted.

I. ANNUAL ELECTIONS - ACTION

A. Calendar Year 2012 Appropriative Pool Officers

Nominations will be heard for the Appropriative Pool Chair to serve during calendar year 2012.

Chair	<u>Marty Zvirbulis, Cucamonga Valley Water District</u>
Vice-Chair	<u>Scott Burton, City of Ontario</u>
Secretary/Treasurer	<u>Watermaster Chief Executive Officer</u>

Motion by Kinsey, second by Hoerning, and by unanimous vote
Moved to approve 2012 Appropriative Pool Officers, as presented

B. Calendar Year 2012 Advisory Committee Members

According to the rotation sequence established among the pools, the appropriators will be asked to appoint a designated representative to serve on the Advisory Committee during calendar year 2012.

Vice-Chair	Appropriative Pool <u>Rosemary Hoerning, City of Upland</u>
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Motion by Kinsey, second by Craig, and by unanimous vote
Moved to approve 2012 Appropriative Pool Advisory Committee member, as presented

C. Calendar Year 2012 Advisory Committee Minor Representatives

According to the Appropriative Pool Pooling Plan, minor producers are to elect two representatives to serve on the Advisory Committee during calendar year 2012. The minor producers for 2012 are: Arrowhead Mountain Spring Water, City of Norco, County of San Bernardino, Golden State Water Company, Marygold Mutual Water Company, Monte Vista Irrigation Company, Niagara Bottling Company, Nicholson Trust, San Antonio Water Company, Santa Ana River Water Company, West End Consolidated Water Company, and West Valley Water District.

Minor Rep #1	<u>San Antonio Water Company</u>
Minor Rep #2	<u>Santa Ana River Water Company</u>

Motion by Jew second by Hoerning, and by unanimous vote
Moved to approve 2012 Advisory Committee Representatives as San Antonio Water Company and Santa Ana River Water Company, as presented

D. Calendar Year 2012 Pool Representation on the Watermaster Board

Based on the Court-adopted Rotation Schedule for Representatives to the Watermaster, during calendar year 2012, the following will represent the Appropriative Pool on the Watermaster Board.

City of Chino Hills 2012-2014

New Member: William Kruger

Alternate: Peter Rogers

Fontana Union Water Company 2012-2014

New Member: James Curatalo

Alternate: Kathy Tiegs

II. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Appropriative Pool Meeting held December 8, 2011

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of November 2011
2. Watermaster VISA Check Detail for the month of November 2011
3. Combining Schedule for the Period July 1, 2011 through November 30, 2011
4. Treasurer's Report of Financial Affairs for the Period November 1, 2011 through November 30, 2011
5. Budget vs. Actual Current Month, Year-To-Date, and Fiscal Year-End

C. NOTICE OF INTENT

Annual Filing of Notice of Intent Regarding the Determination of Operating Safe Yield

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 12-01 – Resolution of the Chino Basin Watermaster, San Bernardino County, California, Re-Authorizing the Watermaster's Investment Policy

E. LOCAL AGENCY INVESTMENT FUND

Resolution 12-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

NOTE: Consent Calendar Item F. was pulled for separate discussion and motion, and to be considered a Business Item rather than a Consent Calendar Item after Business Item A. Watermaster 2011/2012 Assessment Package

G. APPROPRIATIVE POOL VOLUME VOTE

Consider Approval For Continuing the Calendar Year 2011 Volume Vote (as Presented and Approved in January 2011) Until the 2011-2012 Assessment Package is Approved and a New Volume Vote Can be Calculated and Acted Upon

Motion by Garibay, second by Craig, and by unanimous vote

Moved to approve Consent Calendar items A through E, and G, as presented

III. BUSINESS ITEMS**A. WATERMASTER 2011/2012 ASSESSMENT PACKAGE**

Ms. Maurizio stated an Assessment Package Workshop was held last week and the Assessment Package was discussed in detail. Ms. Maurizio stated Watermaster normally does the Assessment Package process in the November/December time frame; however, there were a variety of reasons it was delayed this time. Ms. Maurizio gave the Assessment Package presentation in detail. Ms. Rojo inquired about the changes made to page 5A and asked for further clarification on specifics on that page, and also offered comment on this matter. Counsel Fife stated with regard to Ms. Rojo's comments it is not just Western Municipal Water District, it's

the expansion parties. Ms. Rojo stated this water is set aside to offset their replenishment obligation going in to the future. Counsel Fife stated that is correct. Mr. Rojo offered comment on the 400,000 acre-foot of drawdown and the two separate buckets. Ms. Maurizio stated staff will look at what Ms. Rojo presented and noted that will not affect the numbers in the Assessment Package and she knows there is a bit of true up that needs to occur on that account once the modeling work is all done. Chair Zvirbulis offered comment on the 225,000 acre-feet, which is looking empty over the next couple years and noted Ms. Rojo's points are important to clarify. Mr. Wildermuth stated when the 175 number was developed it was assumed that the expansion would come on time certain, it's coming on later. Mr. Wildermuth stated the planning date for building after these modeling runs Wildermuth is going to do, we have figured out that you can't use the 175 – you are going to use less, unless the desalter pumps more groundwater. Mr. Kinsey stated the point that is trying to be made here is, let's all take full advantage of the 400,000 acre-foot bucket that was created, if we have that flexibility. Mr. Kinsey stated as a point of clarity the Peace II Desalter Expansion, from his understanding, is the replenishment offset only applies to water which is used within the Chino Basin and doesn't apply as an offset for water which is exported out of the Chino Basin should that occur. Chair Zvirbulis asked if staff could go back and clarify those points for us. Counsel Fife stated it is an interesting concept which needs some thought and the language needs to be looked at in the Peace II Agreement to figure out what it exactly means. Mr. Young asked if this was going to the Advisory Committee and Watermaster Board this month and noted if that was the case the comments or concerns need to go to staff prior to those meetings so that all comments and concerns are presented to the Advisory Committee and Watermaster Board. Ms. Maurizio stated yes and prior the Advisory Committee meeting would be best.

Motion by Kinsey, second by Young, and by unanimous vote

Moved to approve Watermaster 2011/2012 Assessment Package, as presented

NOTE: Consent Calendar Item F. was pulled for separate discussion and motion, and to be considered a Business Item rather than a Consent Calendar Item after Business Item A. Watermaster 2011/2012 Assessment Package.

F. LEVYING REPLENISHMENT AND ADMINISTRATIVE ASSESSMENTS

Resolution 12-03 – Resolution Authorizing Levying Replenishment and Administrative Assessments for Fiscal Year 2011-2012

Motion by Kinsey second by Young, and by unanimous vote

Moved to approve Resolution 12-03 authorizing levying replenishment and administrative assessments for fiscal year 2011-2012, as presented

NOTE: The Confidential Session was taken out of order at 9:20 a.m. for discussion on Business Item B. and C.

The confidential session concluded at 10:20 a.m.

There was no reportable action from the confidential session.

The regular Appropriative Pool meeting reconvened at 10:20 a.m.

B. MATERIAL PHYSICAL INJURY ANALYSIS

Ms. Maurizio stated this item is on the agenda because last month Watermaster brought through the City of Upland and San Antonio Water Company's requests for Storage Agreements and for their Applications for Recharge, which triggered a great deal of discussion. Ms. Maurizio stated the discussions were reported to the Watermaster Board, and at the Board's request a Material Physical Injury Analysis was completed on all of the applications for Storage Agreements which have been received to date. Ms. Maurizio stated the Agricultural Pool at their meeting last month approved the Recharge Application component and not the Storage Agreement component.

Ms. Maurizio stated the Watermaster Board also requested that staff bring back this month only the Recharge Applications components. Mr. Wildermuth gave the Analysis of Material Physical Injury for the Local Storage Agreement Applications Pending on December 15, 2011 presentation in detail. Mr. Wildermuth reviewed the history of this matter, which applications were included in his analysis which equal 81,500 acre-feet of water, reviewed the impacts, and reviewed a Depth to Groundwater map in detail. Mr. Wildermuth stated with regard to the letter report that was in the meeting package, there is a support graphic that is used to show what the depth to water was in the areas of these recharge sites and the wells; which indicate we would not have any issues from high groundwater. Mr. Wildermuth reviewed the map in detail and noted the larger version of this map is available on the back table.

The Appropriative Pool Committee moved to receive and file the Material Physical Injury Analysis, as presented

C. APPLICATIONS FOR RECHARGE

1. **Consider Approval for Application for Recharge** - The City of Upland has submitted an application for recharge for 9,500.000 acre-feet to be placed into a Local Supplemental Storage Account. Date of Application: November 29, 2011. Consider Approval of the City of Upland's application in so far as Recharge is concerned but expressly condition the Storage element so that it is expressly subject to subsequent Watermaster determinations on: (1) the quantity of Local Supplemental Water in Storage; (2) the priority among all competing applications for Local Storage Agreements; and (3) the general terms and conditions concerning Preemptive Replenishment and Storage.
2. **Consider Approval for Application for Recharge** - San Antonio Water Company has submitted an application for recharge for 2,000.000 acre-feet to be placed into a Local Supplemental Storage Account. Date of Application: December 1, 2011. Consider Approval of SAWCO's application in so far as Recharge is concerned but expressly condition the Storage element so that it is expressly subject to subsequent Watermaster determinations on: (1) the quantity of Local Supplemental Water in Storage; (2) the priority among all competing applications for Local Storage Agreements; and (3) the general terms and conditions concerning Preemptive Replenishment and Storage.

Ms. Maurizio stated there are two Applications for Recharge being presented today from last month from the City of Upland and San Antonio Water Company. Ms. Maurizio stated, as stated previously at the request of the Board, staff has brought back just the Recharge Application component. Ms. Maurizio reviewed the two applications in detail. Ms. Maurizio stated the storage component of these applications are not being brought forward today; however, there will be meetings and/or workshops in the next few months to figure out how we are going to go forward with Storage Agreements. Ms. Maurizio stated with regard to the City of Upland's recycled water component it is unknown at this point and has not been evaluated for Material Physical Injury Analysis. Ms. Maurizio stated from discussions, she understands the City of Upland is a couple of years away from having that capacity anyway. Mr. Kinsey stated his motion will be for item C1 and C2 at the same time.

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

Moved to approve the Recharge Applications for the City of Upland and San Antonio Water Company Applications for Recharge exclusive of recycled water, and to direct Watermaster to account for supplemental water recharged in the existing local supplemental storage account, as presented

IV. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Aqua Capital Management versus California Steel Industries
Counsel Fife stated just before the holidays there was a hearing in the other court room that this case was filed in; California Steel Industries (CSI) was asking that the case be dismissed because there is the adjudication that exists, and CSI was arguing that this legal issue

should be heard through the adjudication. Counsel Fife stated the judge clearly had difficulties figuring out the Chino Basin Adjudication but could tell that is where it needed to be, so the judge transferred the case to Judge Reichert. Counsel Fife stated the judge did not dismiss the case, and did not consolidate the case, he just figured Judge Reichert was the judge to understand this case and moved it on. Counsel Fife stated subsequently last week, Aqua Capital Management filed a 170.6 motion which is a motion to disqualify a judge. Counsel Fife stated everyone is allowed to file one 170.6 with no reason. Counsel Fife stated this case will now be moved to yet another judge and it is unclear how CSI will respond to that motion. Counsel Fife stated Watermaster Counsel will be talking to the Watermaster Board this month about what Watermaster should do; whether to intervene in the case to try and bring it back to Judge Reichert. Counsel Fife stated Watermaster could also file a Paragraph 15 motion and tee up the resolution of this with Judge Reichert, and it could be resolved in a short 30 day period. Counsel Fife stated Watermaster's concern is not with the substance of who should win, the concern is with the procedure of having water rights in Chino Basin being adjudicated by courts other than the Watermaster court.

2. December 16, 2011 Hearing

Counsel Fife stated this was the hearing to ask the Judge to continue the report on the progress under the Recharge Master Plan. Counsel Fife stated it was a quiet hearing, the Judge read the papers and was fine with the continuance; Judge Reichert gave Watermaster a six month continuance on that reporting.

3. Board Finding Regarding Compliance with Recharge Master Plan

Counsel Fife stated the Watermaster Board before the holidays considered the annual finding that is required under Peace II Agreement regarding compliance with the Recharge Master Plan. Counsel Fife stated the ultimate resolution of the Watermaster Board was that they made the finding of compliance; however, it was conditioned that within the next twelve months an Implementation Plan and a Financial Plan be created for the Recharge Master Plan through meetings or workshops. Counsel Fife noted there is a meeting scheduled to take place January 17, 2012 at 10:00 a.m. Counsel Fife stated over the next twelve months a new look at the plan has to happen including the development of an Implementation and Finance Plan, and then halfway through that process, a report needs to be made to the court on its progress. Mr. Burton inquired how Watermaster is going to address the issue of ultimate pumping in the basin, because the recent projections from Wildermuth shows something a lot different than what we had two years ago with the Recharge Master Plan, and he inquired as to what the process is for determining which assessment is correct or if it is something in the middle. Counsel Fife stated from a process standpoint there is the workshop next Tuesday which is the Recharge Master Plan Update Steering Committee. Counsel Fife stated one of the actions taken last month was to open that committee up to a broader group to whomever wants to participate, and it is his understanding that one of the first charges of that committee will be to lay out a process for resolving these issues. Counsel Fife stated that committee may need to take a fresh look at the Recharge Master Plan and come up with how they do that, and then simultaneously start to develop an Implementation and Finance Plan. Mr. Kinsey stated Mr. Burton's questions are very important because there are significant changes on long-term recharge needs and supplemental water needs for the basin in general.

B. CEO/STAFF REPORT

1. Recharge Update

Ms. Maurizio stated there will be updated numbers for the recharge update at the Advisory Committee meeting next week. Ms. Maurizio noted 500 acre-feet of storm was captured in the month of December.

2. Notice of Availability - Non-Agricultural Water

Ms. Maurizio stated the Notice of Availability is included in the meeting package starting on page 181. Ms. Maurizio stated there has been one Non-Agricultural party who offered some

of their stored water; Auto Club Speedway offered 250 acre-feet at \$406.64 an acre-foot. Ms. Maurizio stated there is a table included in the meeting package which shows what each Appropriator's part of that would look like should each Appropriator want to participate in this and want to purchase their portion of the water. Ms. Maurizio stated if all the Appropriators want the water then it will have to be re-divided out. Ms. Maurizio stated staff needs to hear back from the Appropriators by March 1, 2012; the parties can email Ms. Maurizio if you would like to purchase your share. A brief discussion on this matter ensued.

3. WEI Analysis of Well Design for CDA Well I-20
Ms. Maurizio stated Wildermuth has analyzed the well design for the CDA for their well number I-20 and it's consistent with the objectives. Ms. Maurizio offered a brief report on this item.
4. Chino Basin Watermaster Excess Reserves
Ms. Maurizio stated this item was discussed in detail during the December meetings and it was decided at those meetings to give back the excess reserves. Ms. Maurizio stated a formula was developed. Ms. Maurizio stated, during those meetings, Ms. Rojo brought up the point that the recharge debt payment has to be treated separately, and Ms. Maurizio noted that she agrees. Ms. Maurizio stated there is a handout on the back table for this item, which was also provided in the meeting package as a separate pdf file because it is an 11x17 document. Ms. Maurizio stated the document shows what the parties' portion is of the excess reserves now that the entire computations have been completed. Ms. Maurizio stated this return will show up on the invoice that comes with the Assessment Package. Ms. Maurizio stated some of the parties have more credit than what you will be assessed for, so some parties might be receiving a check instead of an invoice. Ms. Rojo stated to clarify there are remaining funds available in the Appropriative Pool fund balance and she asked that it be on the record that those funds then would be based on production based assessments. Chair Zvirbulis stated last month there was some discussion about convening a committee of our Chief Financial Officers or accountants to be volunteered to work with Watermaster staff to develop a sound policy for reserves. Ms. Maurizio stated now that the holidays are done and that Mr. Joswiak has returned, staff needs to get that process going. Ms. Maurizio stated Cucamonga Valley Water District has been the only party to volunteer anybody so far. Ms. Maurizio asked that the parties let her know if they are interested in volunteering someone to assist in this process. Ms. Maurizio stated it would be really nice to have that policy established before the end of March which is prior to the next budget cycle. Ms. Maurizio asked that parties send either herself or Mr. Joswiak an email with this regard.
5. West Venture Development Water Rights
Ms. Maurizio stated the West Venture Development Water Rights item was brought through last month because the Non-Agricultural Pool had requested to have West Venture's rights reallocated amongst the Pool. Ms. Maurizio reviewed the actions taken by the other Pools. Ms. Maurizio stated this is an update until further research is done and staff is trying to determine exactly what lots came out of that parcel, and staff is working with the City of Chino on this matter.

Added to CEO/STAFF REPORT

6. Basin Plan Amendment
Ms. Maurizio stated with regard to the Basin Plan Amendment, and the issues surrounding it not being noticed by the Regional Water Quality Control Board (RWQCB), has finally been noticed and it will be going before the RWQCB board on February 10, 2012. Ms. Maurizio stated the RWQCB removed the controversial language which was inadvertently attached, and thought to possibly delay its approval. Ms. Maurizio stated staff will keep the parties updated on this matter next month after the hearing.

7. Vertical Extensometer

Ms. Maurizio stated some of the parties asked that an update be given on the vertical extensometer this month. Ms. Maurizio stated this is the extensometer that was having difficulties with what parcel of land to put it on. Ms. Maurizio stated a parcel has been identified with the County and staff has been working to get that easement approved. Ms. Maurizio stated staff hopes to bring this back in February. Ms. Maurizio stated Tom Dodson will be doing the CEQA work on this and we will be using Best Drilling through a change order with the Desalter wells to construct it.

8. GRCC Meeting

Ms. Maurizio stated the GRCC meeting has been rescheduled from the date on the original agenda to January 17, 2012 from 8:30 a.m. to 9:30 a.m., which is just before the Chino Basin Recharge Master Plan Update Steering Committee meeting.

V. INFORMATION

1. Cash Disbursements for December 2011

Chair Zvirbulis inquired about cash disbursements being under information. Ms. Maurizio stated there are two parts where the financials show up. Mr. Joswiak stated when he first started Mr. Bowcock asked for more updated information on checks and staff created a new report, which has always been in the information section of the agenda.

2. Newspaper Articles

No comment was made.

VI. POOL MEMBER COMMENTS

No comment was made.

VII. OTHER BUSINESS

No comment was made.

NOTE: The Confidential Session was taken out of order at 9:20 a.m. for discussion on Business Item B. and C.

VIII. 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.

There was no reportable action from the confidential session.

IX. FUTURE MEETINGS

Thursday, January 12, 2012	9:00 a.m.	Annual & Election Appropriative Pool Meeting @ CBWM
Thursday, January 12, 2012	11:00 a.m.	Annual & Election Non-Agricultural Pool Conference Call Meeting – and at CBWM
Thursday, January 12, 2012	1:00 p.m.	Annual & Election Agricultural Pool Meeting @ CBWM
Tuesday, January 17, 2012	8:30 a.m.	GRCC Meeting @ CBWM (New Date & Time)
Tuesday, January 17, 2012	10:00 a.m.	CB Recharge Master Plan Steering Committee Meeting @ CBWM
Thursday, January 19, 2012	8:00 a.m.	IEUA DYY Meeting @ CBWM
Thursday, January 19, 2012	9:00 a.m.	Annual & Election Advisory Committee Meeting @ CBWM

Minutes Annual Appropriative Pool Meeting

January 12, 2012

~~Tuesday, January 24, 2012 9:00 a.m. Cancelled GRCC Meeting @ CBWM~~
Thursday, January 26, 2012 11:00 a.m. Annual & Election Watermaster Board Meeting
@ CBWM

Chair Zvirbulis adjourned the Annual Appropriative Pool meeting at 10:45 a.m.

Secretary: _____

Minutes Approved: February 9, 2012