

MINUTES
CHINO BASIN WATERMASTER
APPROPRIATIVE POOL MEETING

April 12, 2012

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

APPROPRIATIVE POOL MEMBERS PRESENT

Marty Zvirbulis, Chair	Cucamonga Valley Water District
Dennis Mejia	City of Ontario
Rosemary Hoerning	City of Upland
Raul Garibay	City of Pomona
Dave Crosley	City of Chino
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
Ben Lewis	Golden State Water Company
Charles Moorrees	San Antonio Water Company

Watermaster Board Members Present

Paula Lantz	City of Pomona
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Watermaster Staff Present

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

Watermaster Consultants Present

Brad Herrema	Brownstein, Hyatt, Farber & Schreck
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Seth Zielke	Fontana Water Company
Sheri Rojo	Fontana Water Company
David De Jesus	Three Valleys Municipal Water District
Mike Maestas	City of Chino Hills
Chuck Hays	City of Fontana
Eldon Horst	Jurupa Community Services District
Robert Tock	Jurupa Community Services District
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
Curtis Paxton	Chino Desalter Authority
John Schatz	John J. Schatz, Attorney at Law

Chair Zvirbulis called the Appropriative Pool Meeting to order at 9:01 a.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 March 8, 2012
2. Minutes of the Special Confidential Appropriative Pool Conference Call Meeting held March 13, 2012
3. Minutes of the Special Confidential Appropriative Pool Conference Call Meeting held March 21, 2012
4. Minutes of the Special Confidential Appropriative Pool Conference Call Meeting held March 26, 2012

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of February 2012
2. Watermaster VISA Check Detail for the month of February 2012
3. Combining Schedule for the Period July 1, 2011 through February 29, 2012
4. Treasurer's Report of Financial Affairs for the Period February 1, 2012 through February 29, 2012
5. Budget vs. Actual Report for the Period July 1, 2011 through February 29, 2012

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 169.944 acre-feet of water from the City of Upland. The transfer will be made first from the City of Upland's under-production in Fiscal Year 2011-12, then any additional from storage. Date of Application: March 26, 2012
2. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 169.944 acre-feet of water from Monte Vista Irrigation Company. The transfer will be made from Monte Vista Irrigation Company's Excess Carryover Account. Date of Application: March 26, 2012
3. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 169.944 acre-feet of water from Monte Vista Water District. The transfer will be made from Monte Vista Water District's Excess Carryover Account. Date of Application: March 26, 2012
4. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 169.944 acre-feet of water from the Santa Ana River Water Company. The transfer will be made first from the Santa Ana River Water Company's under-production in Fiscal Year 2011-12, then any additional from storage. Date of Application: March 26, 2012
5. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 169.944 acre-feet of water from the City of Chino. The transfer will be made from the City of Chino's Excess Carryover Account. Date of Application: March 26, 2012
6. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 16.394 acre-feet of water from Aqua Capital Management. The transfer will be made from Aqua Capital Management's Local Storage Account. Date of Application: March 26, 2012
7. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 16.394 acre-feet of water from Auto Club Speedway. The transfer will be made from Auto Club Speedway's Local Storage Account. Date of Application: March 26, 2012

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

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

II. BUSINESS ITEMS**A. WATERMASTER INVESTMENT POLICY**

Mr. Jeske stated through the processes of amending policies on reserves and during the committee meetings some of the members raised questions about amending the investment policy to allow additional investments that might provide a better rate of return. Mr. Jeske stated

several agencies are using an addition to LAIF, CalTRUST, and staff is bringing forward a proposed amendment to include CalTRUST as a potential for investments in addition to LAIF.

Mr. Kinsey stated this came up with the finance officers questioning why Watermaster does not take some of the same investment approaches that other agencies take. Mr. Kinsey noted there is a difference because of Watermaster's ability to hold money for longer period of time. Mr. Kinsey offered further comment on CalTRUST.

Mr. Jeske stated that is accurate because of other agencies being able to hold various types of reserves in-house, where Watermaster is not, which causes Watermaster to be more limited. Chair Zvirbulis stated our district looked at this fund and our understanding is that it's unlike LAIF; it is more like a mutual fund so the principal can be at risk, and he would encourage the parties to review this endeavor in its entirety.

Mr. Crosley stated the City of Chino thinks this is going in the proper direction. Mr. Crosley stated we were one of those voices during the discussion of the other policy documentation that suggested that the Watermaster look into expanding its investment policy options. Mr. Crosley stated the staff report seems to highlight the short-term programs, and perhaps with some experience with this investment program, Watermaster will become more comfortable with considering the medium-term programs as well; those currently offer more than twice the rate of return on interest.

Mr. Garibay inquired when it comes to investment policies there are risks; is CalTRUST a low, medium, or high risk option. Mr. Joswiak stated he would consider, since Watermaster is only looking at the short-term, this is the same risk as LAIF. Mr. Garibay stated then it would be a low risk option. Mr. Joswiak stated that is correct.

Mr. Crosley stated while the staff report seems to highlight the short-term and then Mr. Joswiak mentioned short-term, the revised policy language is not limited to only short-term. Mr. Joswiak stated it is not specific in the language as to short-term, medium-term, or long-term. Mr. Jeske stated one of the reasons for that with the new reserve policies and particularly the policy of returning excess reserves, staff believes they need to get a year or two of experience with that in order to determine if there is a potential for longer term holdings and investments. Mr. Jeske stated right now staff wants to make sure we can comply with the policies on the return of reserves.

Ms. Hoerning inquired if CalTRUST is just agency pooling or are there other investors in this, and is it insured. Mr. Jeske stated he does not know if there are other private investors in it. Mr. Joswiak stated it is his understanding that it is only public agencies, and in the staff letter there some water agencies provided that are members of CalTRUST.

Mr. Garibay stated he assumes CalTRUST operates on commission and he inquired how CalTRUST costs are compared to LAIF costs. Mr. Joswiak stated very comparable to LAIF and where we will gain is on the basis points which are the difference between LAIF and CalTRUST. Mr. Joswiak stated currently LAIF is in the low 3% and CalTRUST is up in the medium 4%.

Chair Zvirbulis stated if this item is approved it does not necessarily mean that immediately Watermaster has a need to go out and make changes, and invest large sums of money into this, it just provides an additional option on a go forward basis. Mr. Jeske stated that is correct.

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

Moved to approve the amended Watermaster Investment Policy to include Investment Trust of California CalTRUST, as presented

B. WATERMASTER RESOLUTION 12-04 APPROVING MEMBERSHIP IN THE ACWA JOINT POWERS AUTHORITY

Mr. Jeske introduced this item and noted this is a requirement by ACWA Joint Powers Authority to be able to continue in their health benefits program. Ms. Hoerning inquired if this is just a substitution because the current health benefit program is going away, and there is no increase in dollars. Mr. Joswiak stated there is absolutely no change financially. Mr. Joswiak stated the only thing that is changing is their name.

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

Moved to approve Resolution 12-04 approving membership in the ACWA Joint Powers Authority, to terminate the Health Benefits Authority Joint Powers Agreement and authorize and direct the Chino Basin Watermaster to execute all necessary documents, as presented

III. REPORTS/UPDATES**A. LEGAL REPORT****1. Restated Judgment**

Counsel Herrema stated at last month's Pool meetings the Appropriative Pool approved the submission of the Restated Judgment to the court for approval as the official Judgment; however, the Non-Agricultural and Agricultural Pools asked to put this item on hold in order to allow more time for review. Counsel Herrema stated since that time counsel has spoken with counsel for both the Non-Agricultural and Agricultural Pools and they have some conflicting opinions on how the Restated Judgment might be approved by the court as the official copy of the Judgment because the court directed at its last hearing that Watermaster move forward with that motion. Counsel Herrema stated this has been put on pause at this time.

2. Extension of Time for San Sevaine Project State Water Resources Control Board Permit 20753

Counsel Herrema stated Watermaster holds in trust for all of the Watermaster parties, three separate storm water recharge permits that are issued by the State Water Resources Control Board. Counsel Herrema stated there is a Day Creek permit, a San Sevaine permit, and the last is a catch all permit which covers all the recharge basins within the Chino Basin. Counsel Herrema stated the San Sevaine permit was set to expire at the end of 2010, and in the fall of 2010 Watermaster submitted a petition for extension of time to make that full beneficial use. Counsel Herrema stated at that time Watermaster asked for the extension through 2057 which is the deadline for full beneficial use under Watermaster's permit. Counsel Herrema stated Watermaster received recently a copy of a draft extension from the State Board staff; this is now being reviewed and it appears that request will be granted within the next month. Counsel Herrema stated this will mean that Watermaster's recharge permits will have deadlines for full beneficial use in 2057. Counsel Herrema stated the third permit which is the Day Creek permit is still in the process of having its extension approved for that same 2057 date.

3. Paragraph 31 Motion

Counsel Herrema stated at the March 22, 2012, Watermaster Board meeting the Board approved a settlement among Watermaster, the Appropriative Pool, and the Non-Agricultural Pool resolving the dispute regarding the Purchase and Sale Agreement. Counsel Herrema stated the essential mechanism for the settlement is an acknowledgement and acceptance of the court of appeals opinion that the option was not exercised, and that opinion has become final. Counsel Herrema stated the purchase and sale will take place at a substitute price that has been agreed upon. Counsel Herrema stated since that time counsel for Watermaster, with counsel for the Appropriative and Non-Agricultural Pools have been working toward a final documentation of that settlement. Counsel Herrema stated as of Monday this week, we have agreed to what we think will be the final language; this is being reviewed by the Pools counsel and their members.

B. CEO/STAFF REPORT1. Recharge Master Plan Update/Storage Issues Review Process

Mr. Jeske stated the next Recharge Master Plan Update/Storage meeting is scheduled for Thursday, April 19, 2012 following the Advisory Committee meeting. Mr. Jeske stated at that meeting it is expected to have Chapters 1 through 4 and portions of 6 drafted by Wildermuth Environmental and Inland Empire Utilities Agency (IEUA) for review. Mr. Jeske stated staff is expecting to begin the Watermaster process for the May meetings.

2. OBMP Semi Annual Status Report 2011-2

Mr. Jeske stated provided in the meeting packet is the semiannual status report for the OBMP; this report is now complete.

Mr. Crosley inquired about agenda packet page 155 which is page 5 of the report, in the first paragraph there is a discussion of the 32,500 acre-feet which is described as a cumulative obligation satisfied by 37,063 acre-feet of supplemental water, which he believes has been referred to as the preemptive replenishment water – is that correct. Mr. Crosley stated the question would be, if we have a credit now of 4,563 acre-feet, that would mean that with the 32,500 that we have actually accomplished zero in Management Zone 1 because it's a 6,500 acre-foot per year obligation and this is five years worth. Mr. Greene stated he believes Mr. Crosley is looking at a cumulative and thinking in an annual way; this is a cumulative 32,500 acre-feet that happens to sound very similar to what we replenished last year, and so Watermaster was required to meet the demands over several years to have put in 32,000 acre-feet, and we have actually put in a bit more than that so we are actually ahead of what was the original commitment. Mr. Crosley stated he was still confused on this matter and asked that he and Mr. Greene get together to discuss this outside this meeting.

Mr. Garibay inquired about program element item 9 on page 156 of the meeting package, there is a discussion on developing and implementing a storage and recovery program; however, given the updates received from Three Valleys Municipal Water District, he believes they are also part of that discussion with Metropolitan Water District. Mr. Garibay asked that staff make reference to them in the report so they are not left out since they did contribute. Mr. Jeske stated staff can add that additional language and then that will go forward to the Advisory Committee and Watermaster Board.

3. Fiscal Year 2012/2013 Watermaster Budget

Mr. Jeske stated staff would like to start the initial budget workshop around April 30, 2012 of this month. Mr. Jeske stated staff is looking at bringing a proposed budget through the Watermaster process at the May meetings, which would provide opportunity to offer comments and then bring the budget back for adoption in the June meetings. Mr. Jeske stated he would like to discuss two additional items with regard to the budget. Mr. Jeske stated the Watermaster Board had previously approved, in December 2011, approximately \$166,000 for work at the Turner Basin which was done by entering into a not-to-exceed agreement for that amount with IEUA. Mr. Jeske stated in order to accomplish this staff used the recharge capital budget for this work; those are dollars that come in for safe yield. Mr. Jeske stated the capital costs that were budgeted in that line item for this year are lower this year due to lower financing costs, so staff has used that difference between what staff expect our cost to be this year and what staff has already budgeted and assessed to fund this project. Mr. Jeske stated if all the work is not completed and all the invoicing in, that is the not-to-exceed amount on the contract, staff will be able to carry over that expense without any further needs for assessments through our new Reserve Policy. Mr. Jeske stated staff found that in 2007 Watermaster had approved the Hickory Basin project. Mr. Jeske stated due to a number of reviews with the Flood Control District and others, that work is just now completing and the final invoicing is getting ready to come in. Unfortunately, because of our prior policies there was no way of carrying those expenses

over. Mr. Jeske stated this work that has been fully authorized and contracted for so staff will be using that same capital reserve budget for that same type of similar work. Mr. Jeske stated there is enough savings this year, on the financing on that, to accomplish both of those projects; staff will then be able to pay the balance which is approximately \$31,000.

IV. INFORMATION

1. Cash Disbursements for March 2012
No comment was made.

V. POOL MEMBER COMMENTS

A. JURUPA COMMUNITY SERVICES DISTRICT PRESENTATION

1. Hydrologic Imbalance in Management Zone-3 of the Chino Basin

Mr. Jeske stated this presentation was created and provided at the request of Jurupa Community Services District (JCSD). Mr. Tock thanked Mr. Jeske and Chair Zvirbulis for providing the time to give this presentation. Mr. Tock stated JCSD is very encouraged by the progress made by the Recharge Committee, which was started in January and restructured. Mr. Tock discussed the contents of the presentation and noted some of the slides have been prepared by Wildermuth Environmental. Mr. Tock stated JCSD realized several months ago that their staff wanted to bring a tentative discussion, based on the issue, to all the stakeholders and not just the committee participants, a presentation which started with their board of directors, through the CDA process, the technical advisory committee, and the board of directors of the CDA. Mr. Tock stated this presentation will try and educate and explain the issues from the southerly part of MZ3. Mr. Tock stated Mr. Tom Harder will be giving the presentation today. Mr. Harder stated this same presentation has been given to several boards and there is a lot of background information that people already understand. Mr. Harder gave the Hydrologic Imbalance in Management Zone 3 of the Chino Basin presentation in detail. A lengthy discussion regarding the items presented ensued.

Added Comment:

Mr. Kinsey offered comment on Justin Scott-Coe completing his oral arguments for his PhD that he has been diligently working on.

VI. OTHER BUSINESS

No comment was made.

The regular open Appropriative Pool meeting was convened to hold its confidential session at 9:40 a.m.

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.

1. Appropriative Pool Special Assessment in the amount of \$70,000 for expenses related to Paragraph 31 Motion

The confidential session concluded at 10:07 a.m.

Chair Zvirbulis stated there is one reportable action from the confidential session. Chair Zvirbulis stated the action which was made by Mr. Kinsey and seconded by Mr. Young, authorizing Watermaster to make special assessment of \$75,000 to cover legal expenses associated with the Paragraph 31 matter.

VIII. FUTURE MEETINGS AT WATERMASTER

Thursday, April 12, 2012	9:00 a.m.	Appropriative Pool Meeting
Thursday, April 12, 2012	11:00 a.m.	Non-Agricultural Pool Conference Call Mtg.
Thursday, April 12, 2012	1:30 p.m.	Agricultural Pool Meeting

Minutes Appropriative Pool Meeting

April 12, 2012

Thursday, April 12, 2012	2:30 p.m.	Special Confidential WM Board Meeting
Thursday, April 19, 2012	8:00 a.m.	IEUA DYY Meeting
Thursday, April 19, 2012	9:00 a.m.	Advisory Committee Meeting
Thursday, April 19, 2012	10:00 a.m.	CB RMPU Steering Comm. and Storage Mtg.
Thursday, April 26, 2012	9:00 a.m.	Land Subsidence Committee Meeting
Thursday, April 26, 2012	11:00 a.m.	Watermaster Board Meeting

Chair Zvirbulis adjourned the Appropriative Pool meeting at 10:08 a.m.

Secretary: _____

Minutes Approved: May 10, 2012