

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

August 27, 2009

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on August 27, 2009 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	City of Upland
Don Galleano	Western Municipal Water District
Jim Curatalo	Cucamonga Valley Water District
David DeJesus	Three Valleys Municipal Water District
Robert Young	Fontana Water Company
Michael Camacho	Inland Empire Utilities Agency
Kevin Sage	Vulcan Materials Company
Geoff Vanden Heuvel	Agricultural Pool
Paul Hofer	Agricultural Pool

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sherrilynne Molino	Recording Secretary

Watermaster Consultants Present

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

Others Present

Bob Kuhn	Three Valleys Municipal Water District
Ken Jeske	City of Ontario
Marv Shaw	City of Ontario
Scott Burton	City of Ontario
Marty Zvirbulis	Cucamonga Valley Water District
Mark Kinsey	Monte Vista Water District
Dave Crosley	City of Chino
Ron Craig	City of Chino Hills
Raul Garibay	City of Pomona
Eldon Horst	Jurupa Community Services District
Robert Tock	Jurupa Community Services District
Charles Moorrees	San Antonio Water Company
Robert Young	Fontana Union Water Company
Mike McGraw	Fontana Water Company
Josh Swift	Fontana Water Company
Anthony La	City of Upland
Bob Feenstra	Ag Pool - Dairy
Jeff Pierson	Ag Pool – Crops
John Bosler	Cucamonga Valley Water District
Eunice Ulloa	Chino Basin Water Conservation District
Terry Catlin	Inland Empire Utilities Agency
Ryan Shaw	Inland Empire Utilities Agency
Patrick Sheilds	Inland Empire Utilities Agency
Rich Atwater	Inland Empire Utilities Agency

Tom Crowley
Doug La Belle
Phil Rosentrater

West Valley Water District
City of Chino Hills, Representative
Western Municipal Water District

The Watermaster Board Meeting was called to order by Chair Willis at 11:00 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

Mr. Manning stated there is a revised staff letter for Business Item IIC on the back table; this is different than the staff letter that was distributed yesterday under separate cover from the meeting packet.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting on July 23, 2009
2. Minutes of the Special Watermaster Board Meeting on July 30, 2009

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of July 2009
2. Watermaster Visa Check Detail for the month of June 2009
3. Combining Schedule for the Period July 1, 2008 through June 30, 2009
4. Treasurer's Report of Financial Affairs for the Period June 1, 2009 through June 30, 2009
5. Budget vs. Actual July 2008 through June 2009

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 765 AF 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 2008-09, with any remainder to be recaptured from storage. Date of application: June 30, 2009

Motion by DeJesus, second by Camacho, and by unanimous vote

Moved to approve Consent Calendar A through C, as presented

II. BUSINESS ITEM

A. NOTICE OF INTENT TO PURCHASE

Mr. Manning stated one of the provisions of the Peace II Agreement is to provide a Notice of Intent to Purchase regarding the purchase of the 38,652 acre-feet of water from the Non-Agricultural Pool which needs to be approved prior to the actual purchase. The Notice of Intent to Purchase must be filed by December 21, 2009; the notice is dated December 18, 2009 which will allow enough time to get the process started. At the Advisory Committee meeting today there was a slight variation of this notice that was passed at that meeting; that variation was passed unanimously. There was a request made by Fontana Water Company to reconsider how the 2,652 acre-feet of water, which was noted in the staff report as being dedicated to desalter replenishment is to be allocated. The decision to use the additional acre-feet as desalter replenishment was made by the Appropriative Pool. Mr. Manning reviewed the Peace II Agreement definition of how this water can be used. Mr. Manning stated Fontana Water Company is not clear on how they would like to approach this; however, they did make a request that they have some time to consider how the 2,652 acre-feet might be applied to the current cumulative unmet replenishment obligation. Mr. Manning stated the Advisory Committee took action to approve the Notice of Intent to Purchase which will take the 36,000 acre-feet now and then next month after it is referred back to the Appropriative Pool, an action will be forwarded to the Board on their recommendation on the remaining 2,652 acre-feet. A discussion regarding this matter and a possible default plan ensued. Mr. Manning stated there is a Plan B which is being discussed right now in the event of a failed auction, that would go

ahead and pay for the water and then hold it in reserve for use for a possible future sale. A discussion regarding a special assessment ensued.

Motion by Willis, second by Camacho, and by unanimous vote

Moved to approve the Intent to Purchase to 36,000 acre-feet for use in a Storage and Recovery Agreement, and refer the 2,652 acre-feet back to the Appropriative Pool for further consideration and a separate motion, as presented

B. DYY EXTENSION

Mr. Manning discussed the action that is being proposed today and he stated there is a current 100,000 acre-foot Dry Year Yield Program agreement with Metropolitan Water District (MWD). An expansion of that DYY program to 150,000 acre feet is being negotiated and an agreement was signed by the three municipal water districts and the CDA which will expand that program to 150,000 acre-feet. Part of that 150,000 acre-foot deal point was a zeroing of losses for MWD going back to September 1, 2007 and this is a very important provision for MWD. In turn for this provision MWD has agreed to provide to the CDA an LRP subsidy of \$250.00 an acre-foot that is applied to the water produced to the CDA; this provision is still in place. In May, 2009, this item was placed on the Appropriative Pool agenda; however, at that meeting there was another proposal presented by the Cucamonga Valley Water District. Due to that proposal this item was placed on hold to allow meetings to take place with MWD staff; those discussions have been continuing for several months. Mr. Manning stated there is a deadline of September 1, 2009 for this agreement whereby Watermaster has to take action. For clarification Counsel Slater stated the parties are not waiving the losses, they would be assigning a responsibility for those losses to other members of the Judgment; you are not assuming an unmet replenishment obligation because it will be distributed amongst members. Counsel Slater noted what is being told to MWD is that even though there is a loss; the members will not be financially responsible for covering it. A lengthy discussion regarding this item and especially losses ensued. Counsel Slater stated the motion that is being recommended is to assign the uniform loss and then redistribute the obligation for that to other stakeholders. Mr. Vanden Heuvel stated the uniform loss rate by default is 2% will be charged against the MWD account; however, it will be made whole by allocating that loss to the other Appropriators. Mr. Vanden Heuvel inquired about the work being done by Wildermuth Environmental on the 2% loss figure. Mr. Wildermuth stated a presentation was brought through the Watermaster process which validated the 2%.

Motion by DeJesus, second by Curatalo, and by unanimous vote

Moved to approve the language described by Counsel Slater stating the approval by the Appropriative Pool under the section 2(b) shall occur prior to or simultaneous with the approval of an amendment to agreement 49960 as described in section 2a of the staff report and then the remainder of the language written in the staff report , as presented

C. ACWA COMMITTEE APPOINTMENT NOMINEES FOR 2010-2011 TERM

Mr. Manning explained this item in detail.

No motion was made regarding this item.

D. REGION 9 ELECTION FOR THE 2010-2011 TERM

Mr. Manning explained this item in detail. A brief discussion regarding this matter ensued.

Motion by Vanden Heuvel, second by Willis, and by unanimous vote

Moved to approve the slate, as presented

E. NWRA ELECTION

Mr. Manning explained this item in detail.

No motion was made regarding this item.

F. CalPERS SERVICE CREDIT PURCHASE

Mr. Manning noted this item is the final task for the action taken by this Board regarding Watermaster employees purchasing CalPERS service credit. Ms. Rojo offered further information on this item and noted there will be no cost to Chino Basin Watermaster.

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

Moved to approve the CalPERS Service Credit Purchase at no cost to Chino Basin Watermaster, as presented

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. August 11, 2009 Hearing**

Counsel Slater stated what a pleasure it has been to have Jude Wade overseeing Watermaster's affairs. Counsel Slater stated the August 11, 2009 hearing took place and went well. The hearing provided a status report of the OBMP, Program Elements 7, 8, and 9, and the approval of the Watermaster's motion to approve the template Storage & Recovery Agreement. A proposed order was submitted which was worked out in advance and the judge signed the revised order as submitted. Notice was provided to the parties. Counsel Slater stated a few items were discussed at the hearing regarding Judge Wade's retirement and the transition process into another judge. Counsel Slater commented on Judge Wade's recommendations for the new judge transition and noted there is a letter on the back table from counsel to the presiding judge. This letter has not been sent and is for review only and it will be sent to the parties' legal counselors. Once all the parties are in agreement of sending a letter out and the content of the letter it will be sent out. Counsel Slater stated the other item on the back table is a proposed case management order and this order is also something that has not been sent out and is for review. Counsel Slater offered comment on the proposed case management order and how it will work with Judge Wade. Counsel Slater stated there is another hearing scheduled for September 17, 2009 if it is needed and can be cancelled if it is not needed. Counsel Slater noted comments need to be back by next Thursday so that they can be filed with the court in a timely manner.

2. Auction Update

Counsel Slater handed out a proposed internal calendar for the water auction and offered comment on it. Counsel Slater stated since this auction is on such a tight time frame an auction update will be kept on all the agendas so the parties know what is happening. FTI was hired and there was a workshop with FTI to demonstrate how the auction will proceed. A due diligence package and marketing materials are now being put together that can be sent out to potential bidders. A strategy is being worked on as to how to go implement the marketing of the auction with FTI. Staff is looking at the auction being held on November 4, 2009. Mr. Manning offered comment on possible potential bidders and what the due diligence package will look like. Mr. Manning stated at the next Appropriative Pool meeting which will be held next Thursday, Watermaster staff, counsel, and consultants are going to give a presentation to go through the marketing plan along with many of the details on how the auction will be proceeding. A discussion regarding the November 4th auction date and what the promotion of the auction might look like ensued. Counsel Slater offered comment on the possible bidding parties and market segments.

3. MOU Development

No comment was made regarding this item.

B. FINANCIAL REPORT1. Year End Project/Budget Update

Ms. Rojo advised the pools that all Water Activity Reports have been sent out and some have already been received. We are looking to receive all of the Water Activity Reports by the end of the week. Ms. Rojo stated the assessment package workshop has now been scheduled for September 9, 2009 at 2:00 p.m.

2. Year End Audit Update

Ms. Rojo stated that Watermaster's fiscal year ended June 30, 2009 and our annual audit has been completed for the field work and the audit will be completed at their office shortly. If anyone has any questions or issues regarding Watermaster's financial activities, please see Ken Manning or feel free to contact the auditors directly.

C. ENGINEERING REPORT

Mr. Wildermuth stated Wildermuth Environmental staff is working diligently on the Recharge Master Plan. A meeting with Black & Veatch took place last month to go over a plethora of supplemental water recharge projects and those will be brought back through the Watermaster process in September. Mr. Wildermuth stated with regard to the modeling work that has been being worked on to optimize recharge and pumping is almost complete. A new Material Physical Injury report has been created for Peace II so that it could be used in CEQA. A lengthy discussion regarding Mr. Wildermuth's comments ensued. Concerns regarding purchasers following Watermaster's rules regarding export were expressed and discussed.

1. Balance of Recharge & Discharge Discussion

Mr. Wildermuth stated Watermaster is obligated to do the balance of recharge and discharge report every other year and Wildermuth staff will be working with Watermaster staff on trying to get a memo distributed for discussion next month. Mr. Wildermuth noted after discussions have taken place and any changes that need to be made are done, it will then be finalized. Mr. Wildermuth stated Watermaster has complete control and discretion on supplemental recharge in the Chino Basin pursuant to the Peace Agreement and there are certain issues in the Peace Agreement that Watermaster has to contend with. One of those issues is the 6,500 acre-foot MZ1 recharge commitment every year. That amount accrues annually if it is not satisfied in MZ1 area; then the balance of recharge and discharge has to be done after that.

Mr. Wildermuth stated Wildermuth Environmental produced Task 5 memorandum which talked about the projected groundwater production in the basin using the parties' projections from last year. Those projections have been analyzed to figure out what the replenishment requirements are going to be under various scenarios, including the recharge of recycled water. The last version was produced in April and it has subsequently been modified but did not get reprinted. Comments have been received from Inland Empire Utilities Agency in July from the April release and now that those have been received staff will be working to complete this task. A discussion on Mr. Wildermuth's report ensued.

D. CEO/STAFF REPORT1. Legislative Update

Chair Willis stated many parties will be interested in hearing about AB1366. Mr. Manning stated AB1366 is going to the senate next week. Mr. Manning stated now that the state budget has been approved, it appears there is certain consensus that the water issues are taking front and center stage in Sacramento. There are five separate bills that have been developed as part of a master water plan to resolve Delta issues and water problems in the State of California. Those five bills are being reviewed starting next week with a joint committee meeting between the assembly and senate. This first meeting will be the start of a series of meetings and will take approximately four weeks to resolve. There are still

discussions on what the joint committee will look like in terms of who will sit on the committee.

Mr. Manning stated he had an opportunity to meet face-to-face with former Senator Mike Machado and Tom Zukerman who represent interests in the Delta. Mr. Manning commented on the topics discussed at that meeting.

2. Recharge Update

Mr. Manning stated the most recent recharge update is available on the back table. Mr. Manning reviewed the current recharge numbers.

3. Strategic Planning Conference

Mr. Manning stated the Watermaster's next Strategic Planning Conference is filling up quickly and reminded the parties to get in their registration forms. Mr. Manning stated there will be a golf tournament the first day with kick-off reception following, as done in past years and then a full day meeting the following day. The golf tournament and reception will be held at Oak Quarry Golf Course in Riverside and the conference at Etiwanda Gardens which is where it was held two years ago.

4. Watermaster Meeting Date Changes

Mr. Manning stated there has been a lot of discussion amongst the Appropriative Pool members over the last nine months and noted some members have been meeting informally. Those informal meetings have been to discuss ways that might help improve Watermaster efficiencies. One of the recommendations was for Watermaster staff and the parties to look at meeting date changes to allow more time between meetings. This will allow for meeting packages to be progressive and reflect the actions taken at the previous Pools or Advisory Committee meetings. Mr. Manning stated the Appropriative and Non-Agricultural Pool took action to change their meetings to the first Thursday of every month starting in September at 1:00 p.m. The Agricultural Pool took action to change their meetings to the second Thursday of every month starting in October at 9:00 a.m. and still at the IEUA office. The Advisory Committee took action to change their meeting to the third Thursday of every month at 9:00 a.m. and then this Board will leave its meeting on the fourth Thursday of every month at 11:00 a.m. These changes will allow one week between each of the meetings. Mr. Manning noted some dates will be changed due to holiday schedules which are coming up shortly.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Hofer inquired if any of the information regarding the auction is confidential as it occurs. Counsel Slater stated everything is open to public scrutiny and is completely transparent. Mr. Hofer inquired if there will be a dedicated website for the water auction. Mr. Manning stated there will be a dedicated website and a link directing you to that website will be on Watermaster's current website. A discussion regarding bidders' confidentiality ensued. Counsel Slater offered comment on the auction process, potential bidders, and the on-line bidding process.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster committee meeting for the purpose of discussion and possible action.

No confidential session was called.

VIII. FUTURE MEETINGS

August 27, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
August 27, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
August 27, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
September 3, 2009	1:00 p.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM
September 10, 2009	9:00 a.m.	MZ1 Technical Committee Meeting @ CBWM
September 15, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
September 17, 2009	9:30 a.m.	Tentative CBWM Hearing @ San Bernardino Court
September 24, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
September 24, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
September 24, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM

The Watermaster Board meeting was dismissed by Chair Willis at 12:15 p.m.

Secretary: _____

Minutes Approved: September 24, 2009