

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD CONFIDENTIAL MEETING
AND
ANNUAL WATERMASTER BOARD MEETING
January 27, 2011

The Watermaster Board Confidential Meeting and the Annual Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on January 27, 2011 at 10:00 a.m. and 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair
Steve Elie
Ken Jeske
Bob Kuhn
Paula Lantz
Tom Haughey
Charles Field
Geoffrey Vanden Heuvel
Bob Feenstra

West End Consolidated Water Company
Inland Empire Utilities Agency
California Steel Industries (CSI)
Three Valleys Municipal Water District
City of Pomona
City of Chino
Western Municipal Water District
Agricultural Pool
Agricultural Pool

WATERMASTER BOARD MEMBERS ABSENT

Paul Hofer
Bob Bowcock

Ag Pool - Crops
Vulcan Materials Company (Calmat Division)

Watermaster Staff Present

Kenneth R. Manning
Sherri Lynne Molino

Chief Executive Officer
Recording Secretary

Watermaster Consultants Present

Scott Slater
Steve Hoch
Mark Wildermuth
Joe LeClaire

Brownstein, Hyatt, Farber & Schreck
Brownstein, Hyatt, Farber & Schreck
Wildermuth Environmental, Inc.
Wildermuth Environmental, Inc.

Chair Willis called the Watermaster Board Confidential meeting to order at 10:04 a.m.

1. Ontario Airport Plume

Introductions were made for the Watermaster Board members and consultants present for the confidential session.

Mr. Vanden Heuvel stated the following were not present for the ABGL Group presentation given December 16, 2010: Ken Jeske, Paula Lantz, Marty Zvirbulis, Bob Kuhn, Danielle Soto, Steve Elie, and Tom Haughey and a second presentation is to be scheduled in the near future for them to see it.

The confidential session concluded at 11:10 a.m.

There were no reportable actions recorded for the confidential session.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair
Steve Elie
Ken Jeske
Bob Kuhn
Paula Lantz
Tom Haughey
Charles Field
Geoffrey Vanden Heuvel
Bob Feenstra

West End Consolidated Water Company
Inland Empire Utilities Agency
California Steel Industries (CSI)
Three Valleys Municipal Water District
City of Pomona
City of Chino
Western Municipal Water District
Agricultural Pool
Agricultural Pool

WATERMASTER BOARD MEMBERS ABSENT

Paul Hofer
Bob Bowcock

Ag Pool - Crops
Vulcan Materials Company (Calmat Division)

Watermaster Staff Present

Kenneth R. Manning
Joe Joswiak
Danielle Maurizio
Ben Pak
Sherri Lynne Molino

Chief Executive Officer
Chief Financial Officer
Senior Engineer
Senior Project Engineer
Recording Secretary

Watermaster Consultants Present

Scott Slater
Steve Hoch
Mark Wildermuth
Joe LeClaire
Andy Malone

Brownstein, Hyatt, Farber & Schreck
Brownstein, Hyatt, Farber & Schreck
Wildermuth Environmental, Inc.
Wildermuth Environmental, Inc.
Wildermuth Environmental, Inc.

Others Present Who Signed In

Michael Camacho
Tom Love
Robert DeLoach
Marty Zvirbulis
Jolynne Russo-Pereyra
Rick Hansen
John Rossi
Jack Safely
Mohamed El Amamy
Bob Gluck
Dave Crosley
Curtis Paxton
Pete Hall
Julie Cavender
Jeff Pierson
Mark Kinsey
Ron Craig
Danielle Soto
Tim Mim Mack
David Penrice
Brian Geye
Raul Garibay
Steven G. Lee
Ben Lewis
Terry Catlin
Eunice Ulloa

Inland Empire Utilities Agency
Inland Empire Utilities Agency
Cucamonga Valley Water District
Cucamonga Valley Water District
Cucamonga Valley Water District
Three Valleys Municipal Water District
Western Municipal Water District
Western Municipal Water District
City of Ontario
City of Ontario
City of Chino
Chino Desalter Authority
State of California – CIM
State of California - CIM
Agricultural Pool
Monte Vista Water District
City of Chino Hills
City of Pomona
Chino Desalter Authority
Aqua Capital Management
Auto Club Speedway
City of Pomona
Reid & Hellyer for the Agricultural Pool
Golden State Water Company
Inland Empire Utilities Agency
Chino Basin Water Conservation District

Dee Mateyck
Hank Stoy
David DeJesus
Rick Hansen
Sheri Rojo

Community Garden
Cucamonga Valley Water District
Three Valleys Municipal Water District
Three Valleys Municipal Water District
Consultant for Fontana Water Company

Chair Willis called the open Annual Watermaster Board meeting to order at 11:15 a.m.

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

No public comments were received.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

INTRODUCTIONS - CALENDAR YEAR 2011 WATERMASTER BOARD MEMBERS

| | |
|------------------------|--|
| Bob Bowcock | Non-Agricultural Pool |
| Steve Elie | Inland Empire Utilities Agency |
| Tom Haughey | City of Chino |
| Charles Field | Western Municipal Water District |
| Paul Hofer | Agricultural Pool (Crops) |
| Bob Kuhn | Three Valleys Municipal Water District |
| Paula Lantz | City of Pomona |
| Geoffrey Vanden Heuvel | Agricultural Pool (Dairy) |
| Ken Willis | West End Consolidated Water Company |

RECOGNITION OF OUTGOING WATERMASTER BOARD MEMBERS

1. Mr. Michael Whitehead, Fontana Water Company

I. CALENDAR YEAR 2011 OFFICERS – Action

A. ELECTION OF OFFICERS

Nominations took place for the Watermaster Board positions to serve during calendar year 2011. Appointees Nominated:

1. Watermaster Board Chair: **Mr. Ken Willis**
2. Watermaster Board Vice-Chair: **Mr. Bob Kuhn**
3. Watermaster Board Secretary/Treasurer: **Mr. Tom Haughey**

II. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board meeting held on December 16, 2010

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of November 2010
2. Watermaster Visa Check Detail for the month of November 2010
3. Combining Schedule for the Period July 1, 2010 through November 30, 2010
4. Treasurer's Report of Financial Affairs for the Period November 1, 2010 through November 30, 2010
5. Budget vs. Actual July through November 2009

C. INTERVENTION INTO THE AGRICULTURAL POOL

Intervention of Restorative Justice Center (dba the Community Garden Project of Rancho Cucamonga) into the Agricultural Pool

Item C was pulled for discussion:

Mr. Manning stated this item has gone to the Pools and the Advisory Committee and is coming before this Board with more than an 80% in favor vote for the Community Garden Project. Mr. Manning stated that both the Appropriative Pool and Advisory Committee meetings recommended this action be delayed in order for additional clarity to be made for the criteria necessary for inclusion, and other kinds of issues related to these inclusions of the Agricultural Pool. Mr. Kinsey stated his comments today are a follow up to the comments which were made at the recent Appropriative Pool and Advisory Committee meetings. Mr. Kinsey stated he does believe this is an agricultural use; however, the concern is there are prohibitions in the Peace II Agreement which would make it difficult for community gardens to be formed and set up throughout the balance of the Chino Basin. Mr. Kinsey offered comment regarding equitable treatment for the land use, water delivery methods, and the established assignment process. Mr. Kinsey stated the issue is being raised as to the intent of Peace II in terms of agricultural usage out of agricultural area number 1, and offered further comment on this matter of concern. Mr. Kinsey stated he voted no because before this is moved forward with this process, this issue should be addressed and show consistency. A lengthy discussion regarding Mr. Kinsey's comments ensued. Mr. Manning stated staff understands what Mr. Kinsey is discussing and that these issues going forward could have some implication on approvals or interventions. The Advisory Committee moved to approve with a caveat which was slightly different than the motion given by the Appropriative Pool; both left this intervention as recommended by staff because it is clearly an agricultural use. Mr. Manning stated separate from the criteria that Mr. Kinsey describes, the Advisory Committee took action to approve the intervention into the Agricultural Pool and included in their motion was the creation of a sub-committee that would look at criteria for future interventions dealing with these issues of community gardens. Staff accepts this is something that needs to be done and that is the motion sent to this board. A discussion regarding this matter ensued.

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 11-01 – Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy

E. LOCAL AGENCY INVESTMENT FUND

Resolution 11-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

F. NOTICE OF INTENT

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

Motion by Kuhn, second by Jeske, and by majority vote – Ms. Lantz, Mr. Elie, and Mr. Jeske abstained

Moved to approve Consent Calendar items A, B, D through F, as presented

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

Moved to approve Consent Calendar item C acknowledging this area is out of the conversion area and to direct staff to schedule a workshop to create criteria by which these types of uses will be more expansive to other than community gardens; community type use, as presented

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT**1. Draft Restated Watermaster Judgment

Counsel Slater stated the draft Restated Watermaster Judgment is in process and is posted on the Watermaster ftp site. Counsel Slater stated most of the comments received relate not to the textural matters but to the party clean up, and there have been efforts by the Agricultural Pool to address the special circumstances within the Pool. Counsel Slater stated it is the opinion of staff and counsel that we are not prepared to take anything to the court at the present time. There is an April hearing scheduled and staff and counsel are preparing to present it to the court at that hearing.

2. January 21, 2011 Hearing

Counsel Slater stated the January 21, 2011 hearing did take place and the Watermaster nine-member board was reapproved at that hearing. A subsequent hearing has been scheduled for April 22, 2011 at 10:30 a.m. and there will be a couple of matters before the court; the Restated Watermaster Judgment and the Resolution regarding the CDA Expansion.

3. January 26, 2011 Settlement Conference

Counsel Slater stated the January 26, 2011 settlement conference occurred yesterday regarding the Purchase and Sale Agreement and the opposition of the Overlying Non-Agricultural Pool regarding the disposition of that water. The conference was attended by Director Field, Director Camacho, and Director Kuhn. The process was well attended and lasted most of the day; however, no settlement was forth coming. Counsel Slater stated it appears that if there is not a backchannel breakthrough the court will begin setting a briefing schedule and it will proceed to a hearing on the merits. Counsel Slater stated this item will be discussed in greater detail during the closed session.

4. Santa Ana Sucker Critical Habitat Designation

Counsel Slater stated this matter is being followed closely. The parties most affected by the recent decision are getting together to develop a strategy to take into account administrative, legal, and legislative options. Counsel Slater stated Watermaster is not leading that effort and are only monitoring it, and will apply whatever effort is thought necessary. Counsel Slater stated counsel will keep the parties apprised.

B. ENGINEERING REPORT1. MZ1 Progress Report

Mr. Malone stated there was a Land Subsidence Committee meeting last week which was the first meeting for this newly formed committee. This committee was formerly the MZ1 Technical Committee which was comprised of MZ1 parties and their technical consultants. This committee is now being opened up to all Watermaster parties and the reason is that over the years subsidence has been seen as a phenomenon that is not unique to the Management Zone 1 and it seems to be occurring in other parts of the basin as well. Subsidence is a very important issue to many parties of the Watermaster, especially as this basin urbanizes out and water levels are purposely being drawing down; this is controlled overdraft. Mr. Malone stated there are other parts of the basin where subsidence and ground fissuring could potentially be a threat. Mr. Malone stated another reason to open this committee up is because all Watermaster parties financially contribute to these monitoring and subsidence management efforts. This should be an opportunity for all to have a say or come to the meetings and learn about these issues and how their money is being spent. Mr. Malone stated these meetings have typically occurred in a series of monthly meetings about this time of the year for two reasons: 1) A look at the historical data and the recent data that has been collected, and 2) A scope of work is put together and cost estimates are attached for the next fiscal year's efforts. Eventually, this committee recommends to Watermaster that scope of work and that budget for Watermaster's budgeting efforts. Mr. Malone reviewed InSAR maps and discussed them in great detail.

Mr. Malone noted there is another meeting for the Land Subsidence Committee which will take place on January 31, 2011, at the Wildermuth Environmental office; however, this particular meeting will be a highly technical meeting. All are invited to this meeting. The next regular Land Subsidence Committee meeting is scheduled for February 17, 2011, at 10:30 a.m. directly after the Advisory Committee meeting. A discussion regarding the recent heavy rainfall which could affect the subsidence areas and costs with regard to InSAR and land sources data ensued. Mr. Vanden Heuvel offered comment on monies being spent on these types of technical instruments.

2. Modeling of the Chino Desalter Well Field

Mr. Malone stated Wildermuth has performed some modeling for the Chino Desalter Well Field and he expects to have the results in shortly and will review the modeling efforts at an upcoming meeting.

Added Comment:

Chair Willis stated Mr. Manning has been offered a position elsewhere and he has accepted it; he will be starting that new position on March 1, 2011. Chair Willis thanked Mr. Manning for his hard work and dedication over these past six plus years with Chino Basin Watermaster. Mr. Manning stated since he started as the CEO of Watermaster since 2004, he has gotten to know so many wonderful people and has thoroughly enjoyed working with each person. Mr. Manning stated this basin is an example of how basin management should be done anywhere; this interaction of stakeholders is the solution to groundwater basin management.

C. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated there is a lot of discussion in Sacramento about the budget, especially regarding redevelopments and how that is going to affect water agencies or enterprise districts. Mr. Manning stated a lot more emphasis is going to be put on enterprise agencies and waste water agencies in raising fees to cover expenses. The governor is looking at \$25 billion dollars in reductions at the state level. Mr. Manning noted the May revision will come prior to the election. Mr. Manning stated there is going to be a lot of discussions taking place and everyone is watching closely. Mr. Manning offered comment on the President's State of the Union speech and noted there was no discussion on water in that speech.

2. Recharge Update

Mr. Manning commented on the calls received by various newspapers regarding the drought situation with all the recent rain. Mr. Manning commented on the recent storms and our ability to capture storm water in our basins; approximately 20 inches of rain in December in the foothills. Mr. Manning reviewed the most recent recharge spreadsheet in detail.

3. Notice of Availability - Non-Agricultural Water

Mr. Manning stated that the Notice of Availability was sent out regarding the Non-Agricultural water agencies. Mr. Manning stated Watermaster has received no affirmative notice that the Non-Agricultural Pool wants to sell any water. Mr. Manning stated Swan Lake Mobile Home Park did ask for an extension to declare whether or not they will have water available to the Appropriative Pool. Mr. Manning stated that every year before December 31st, the Non-Agricultural Pool members have to declare that they have water available to sell by January 31st and if there is water to sell, the Appropriative Pool has to declare they are going to buy it. Then, by the end of June, that water transaction has to take place.

4. New Board Members

Mr. Manning welcomed new Board members Paula Lantz and Steve Elie to the Watermaster Board and Ken Jeske who is Bob Bowcock's alternate. Mr. Manning stated that the Watermaster accomplishes great things in the Chino Basin.

5. CDA Update

Mr. Manning stated the CDA has hired a new General Manager, Curtis Paxton, and he is present today to observe our Board meeting. Mr. Manning stated at the last CDA board meeting action was taken to approve the whole suite of agreements and resolutions necessary to expand the CDA to its ultimate designation at 40,000 acre-feet per year production and the acquisition of Hydraulic Control on the west side of the basin; those two goals are critical for Watermaster. Mr. Manning thanked the key participants in accomplishing this tremendous undertaking.

6. General Electric Pool Designation

Mr. Manning stated in 1995 General Electric intervened into the Judgment. At the time GE intervened specifically into the Appropriative Pool. A series of events took place that occurred between that time and the next couple of years where they were reassigned into the Non-Agricultural Pool. Watermaster does not have records of what those circumstances were; however, there was a deliberate move to enter them into the Non-Agricultural Pool, which is where they have been since 1997. In reviewing records for the upcoming restated Judgment, this discrepancy was found. General Electric has made it known they would like to stay in the Non-Agricultural Pool and staff feels that is an appropriate designation. This is for your information only. Eventually, during an upcoming court filing staff will ask the court to clarify General Electric's position into the Non-Agricultural Pool. Mr. Manning stated all the annual reports note them as being part of the Non-Agricultural Pool and all financial records show that they are part of the Non-Agricultural Pool. A lengthy discussion regarding this matter ensued. Mr. Jeske stated GE does not have any pumping allocation in the Non-Agricultural Pool; their safe yield rights are zero. They do pump, treat, and discharge, and in the course of doing that there is a consumptive use of some of the water in the recharge process. Mr. Jeske stated for as long as he has been involved, since 1998, all the pumping has been included in the Annual Reports and the Assessment Packages in the Non-Agricultural Pool. Mr. Jeske stated the assessments paid have been recorded that way and to do anything differently could result in unwinding years of financial reports. GE came to the Non-Agricultural Pool for confirmation that that's where they were and asked that the discrepancy and the documentation be corrected in the next filing. That was a unanimous action of the Non-Agricultural Pool. Counsel Slater stated GE qualifies as a member of the Overlying Non-Agricultural Pool on the basis of the beneficial use that's being conducted on the property pursuant to the Judgment. Counsel Slater stated the definition is in paragraph 43 discussing the formation of the Pools and a production of water for industrial or commercial purposes. Counsel Slater stated the question is, do they have an allocation, and are all parties enjoined? Counsel Slater stated they did not have an allocation and would be enjoined but for the fact they produce pursuant to the physical solution, and that is to pay the replenishment costs.

IV. INFORMATION

1. Cash Disbursements for December 2010

No comment was made regarding this item.

2. Newspaper Articles

No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

The regular open Watermaster Board meeting was convened to hold its confidential session at 12:13 p.m.

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.

- 1. Response to the ABGL presentation

The confidential session concluded at 12:50 p.m.

Chair Willis gave the following action item from the confidential session:

Chair Willis stated a panel formed of Ken Willis, Bob Kuhn, Geoffrey Vanden Heuvel, and Charles Field was appointed to begin the selection process for the search for a new CEO for Watermaster.

VII. FUTURE MEETINGS

| | | |
|-----------------------------|------------|---|
| Wednesday, January 26, 2011 | 9:30 a.m. | State Court of Appeal @ Riverside Courthouse |
| Thursday, January 27, 2011 | 11:00 a.m. | Annual Watermaster Board Meeting @ CBWM |
| Thursday, February 3, 2011 | 1:00 p.m. | Appropriative Pool Meeting @ CBWM |
| Thursday, February 3, 2011 | 2:30 p.m. | Non-Agricultural Pool Conference Call Meeting |
| Thursday, February 10, 2011 | 9:00 a.m. | Agricultural Pool Meeting @ IEUA |
| Thursday, February 17, 2011 | 9:00 a.m. | Advisory Committee Meeting @ CBWM |
| Thursday, February 24, 2011 | 11:00 a.m. | Watermaster Board Meeting @ CBWM |

The Watermaster Board meeting was dismissed by Chair Willis at 12:51 p.m.

Secretary: _____

Minutes Approved: February 24, 2011