

MINUTES
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

March 22, 2012

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on March 22, 2012 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Bob Kuhn, Chair
Jim Curatalo
Paula Lantz
Steve Elie
Bob Bowcock
Charles Field
Bill Kruger
Paul Hofer
Geoffrey Vanden Heuvel

Three Valleys Municipal Water District
Fontana Union Water Company
City of Pomona
Inland Empire Utilities Agency
Vulcan Materials Company (Calmat Division)
Western Municipal Water District
City of Chino Hills
Agricultural Pool
Agricultural Pool

Watermaster Staff Present

Ken Jeske
Danielle Maurizio
Joseph Joswiak
Gerald Greene
Sherri Molino

Interim CEO
Senior Engineer
Chief Financial Officer
Senior Environmental Engineer
Recording Secretary

Watermaster Consultants Present

Scott Slater
Brad Herrema
Andy Malone

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

Others Present

Jeff Pierson
Pete Hall
Mark Kinsey
Sandra Rose
Art Kidman
David DeJesus
Marty Zvirbulis
Jo Lynne Russo-Pereyra
Hank Stoy
Raul Garibay
Dave Crosley
Ron Craig
Mike Maestas
Scott Burton
Sheri Rojo
Craig Miller
Terry Catlin
Curtis Paxton
Tim Mim Mack
Jack Safely
Ben Lewis

Ag Pool – Crops
Ag Pool – State of California – CIM
Monte Vista Water District
Monte Vista Water District
McCormick, Kidman & Behrens
Three Valleys Municipal Water District
Cucamonga Valley Water District
Cucamonga Valley Water District
Cucamonga Valley Water District
City of Pomona
City of Chino
City of Chino Hills
City of Chino Hills
City of Ontario
Fontana Water Company
Inland Empire Utilities Agency
Inland Empire Utilities Agency
Chino Desalter Authority
Chino Desalter Authority
Western Municipal Water District
Golden State Water Company

Robert DeLoach
Daryl Grigsby

DeLoach & Associates, LLC
City of Pomona

Chair Kuhn called the Watermaster Board meeting to order at 11:00 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting held February 23, 2012

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of January 2012
2. Watermaster VISA Check Detail for the month of January 2012
3. Combining Schedule for the Period July 1, 2011 through January 31, 2012
4. Treasurer's Report of Financial Affairs for the Period January 1, 2012 through January 31, 2012
5. Budget vs. Actual Report for the Period July 1, 2011 through January 31, 2012

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

Moved to approve Consent Calendar items A and B, as presented

II. BUSINESS ITEMS

A. MATERIAL PHYSICAL INJURY ANALYSIS

Mr. Jeske stated over the past couple of months Watermaster has received several applications for storage, some of which have included applications for recharge. Mr. Jeske stated this particular item was a Material Physical Injury Analysis (MPIA) for the City of Ontario which has been completed on their Application for a Local Supplemental Storage Agreement. Mr. Jeske stated all of the applications are going to be reviewed within a review process. Mr. Jeske stated all three Pools and the Advisory Committee passed this item unanimously.

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

Moved to receive and file the Material Physical Injury Analysis for the City of Ontario Application for Local Storage Agreement, as presented

B. PROPOSED SUPPLEMENTAL ORDER FOR RESOLUTION 2010-04

Counsel Slater stated this is follow-up item having to do with the entry of the proposed stipulation request for direction regarding the Chino Desalter Authority (CDA) expansion. Counsel Slater stated there was a question about potential impacts on private wells and there is a CDA process pursuant to which potential harm would be evaluated, and that was done in connection with CEQA; the court wanted to make sure that the individual private well owners were not waiving whatever water rights/property rights they had by the court approving the expansion. Counsel Slater stated this supplemental order has been prepared, circulated, and commented on, and we are not aware of any objections. Counsel Slater stated this has been approved through the Pools and Advisory Committee. Mr. Vanden Heuvel noted this item was of interest to the Agricultural Pool and that Pool reviewed it, and it satisfies their concerns.

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

Moved to approve the supplemental order for Resolution 2010-04, as presented

C. PROPOSED CASH RESERVE POLICY

Mr. Jeske stated this is a part of beginning the assessment process for last year and the budget process for this year. Mr. Jeske stated there has been a good amount of discussion at several meetings on Watermaster reserves. Mr. Jeske stated the Board recommended that Watermaster hold a workshop on this topic and that has taken place. Mr. Jeske stated before you today are the recommendations out of the workshop and out of the recent Pool meetings. Mr. Jeske stated all three Pools and the Advisory Committee have recommended approval of the proposed Cash Reserve Policy. Mr. Jeske stated Watermaster will continue to require the six month operating reserve for cash flow and instead of Watermaster holding as much cash for OBMP and administrative contingency reserves, the recommendation is to hold 10% for administrative and 15% for OBMP reserves. Mr. Jeske stated the policy also deals with the return of excess cash reserves, which was an issue last year, and it includes how Watermaster deals with recharge improvement debt payments. Mr. Jeske stated not included, at the request of all three Pools and Advisory Committee, is the start of a reserve for proactive replenishment work; that will have to be reviewed on a case-by-case basis. Mr. Jeske stated it is staff's recommendation to approve the presented policy. Mr. Jeske noted it has been requested by a few parties that Watermaster take another look at its Investment Policy and staff is working on that now. A discussion on investments ensued.

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

Moved to approve Cash Reserve Policy 4.17, as presented

D. CEO RECRUITMENT CONTRACT

Mr. Jeske stated this item has gone through the three Pools and Advisory Committee with unanimous support. Mr. Jeske stated this item is needed to move forward with a thorough recruitment process that includes input from the various Pools and groups. Mr. Jeske stated it is best to move forward with a professional firm in that business to assist in this entire endeavor. Mr. Jeske stated it is recommended to appropriate \$32,000 as the maximum amount for this recruitment firm. Mr. Jeske stated there is the question of who to use, and that will be discussed during closed session today.

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

Moved to appropriate \$32,000 to fund the Watermaster CEO Recruitment contract and costs, and authorize Interim CEO to complete negotiating and execute a contract with the recruitment consultant, as presented

III. REPORTS/UPDATES**A. ENGINEERING REPORT****1. Extensometer Progress**

Mr. Malone stated Watermaster is getting ready to install a sophisticated monitoring facility to monitor land subsidence that might be associated with Desalter pumping. Mr. Malone gave the Extensometer Progress presentation in detail. Mr. Malone stated installation will begin in April and it will be finished before the end of the fiscal year. Mr. Malone reviewed several maps in detail. Mr. Malone stated there are a number of agreements for this endeavor, one is the land lease agreement with the County and Watermaster approved that last month, and the County Board of Supervisors at the end of this month is scheduled to approve it. Mr. Malone stated the second agreement is the reimbursement agreement that Watermaster and the Chino Desalter Authority have agreed to. Mr. Elie inquired about some of the wells and inquired if they were deep or shallow. Mr. Malone stated they are deep but they will only pump from the shallow aquifers zone because they are backfilled in the deep part of the aquifer system with gravel and then they have a cement cap. Mr. Malone offered further comment on Mr. Elie's question. Mr. Hofer inquired as to what the benchmark is for critical subsidence. Mr. Malone stated for this basin it has been feet of subsidence that has led to the ground fissuring. Mr. Malone stated the ground fissuring is really the hazard that is trying to be avoided the most. Mr. Malone offered further comment on differential subsidence. Mr. Hofer inquired what would be anticipated in a situation like

this for subsidence. Mr. Malone stated some limited monitoring has been done in the past and some subsidence has occurred. Mr. Malone stated they are not expecting to see subsidence here; however, there is a potential for feet to occur, but again they are not expecting to see that occur. A discussion regarding this matter ensued. Mr. Malone stated the Watermaster process for this is that there is a formed Land Subsidence Committee which meets several times a year to review this type of data, and recommendations will come from that review of the data on how to proceed or if mitigation is required by the Land Subsidence Committee.

B. CEO/STAFF REPORT

1. Recharge Master Plan Update/Storage Issues Review Process

Mr. Jeske stated with regard to the Recharge Master Plan Update, there is a court filing due in June, and then again in 2013. Mr. Jeske stated the June filing is to provide pathways through 2013 showing decision points, decision making and data updates, and to show how we can move forward for the next year. Mr. Jeske offered comment on what the committee has been working on. Mr. Jeske stated it is anticipated to bring the draft reports to the committee a week or two before the Pool meetings, and then discuss that with both the Watermaster attorney and engineering consultants. Mr. Jeske stated this will provide us the opportunity to start working on storage issues. Mr. Jeske stated at this point in time, it appears this is on schedule, and noted these will not be easy decisions to make this coming fall/winter; however, they are decisions we can work through with good data and commitment from all the parties to come up with resolutions that make sense.

Mr. Vanden Heuvel inquired to Mr. Jeske if he thought this plan will propose any hard projects in the near term. Mr. Jeske stated it may and noted the data has changed quite a bit from the first-cut data that staff had two months ago. Mr. Jeske stated it looks like we need to address some of the problems and offered further comment on this matter. Mr. Jeske stated this is all part of the engineering work that Watermaster is doing now and will do over the next couple years to determine what the impacts may be from nearby basins to areas of pumping depression. Mr. Vanden Heuvel stated he knows that Jurupa Community Services District (JCSD), in the past, has brought to our attention several times their concerns regarding MZ3, and he wanted to make sure that those concerns are being satisfactorily addressed through this process. Mr. Jeske stated JCSD is an active partner in the process and they have been supportive of the process that Watermaster has proposed to move forward with in June.

2. Investment Policy

Mr. Jeske stated this item was previously mentioned when discussing the reserves.

3. Record and Document Request

Mr. Jeske stated quite frequently Watermaster staff gets requests, particularly on Fridays when we are short staffed and trying to get agendas packages out, and sometimes from third parties. Mr. Jeske stated when people call in and reach one of the support staff, sometimes it is very unclear what they want or need, and in looking at how to make this easier on them and on Watermaster staff, an already Board approved policy is in place which is not being utilized presently. Mr. Jeske stated on the back table is the Request for Information form which is also posted to the Watermaster website, along with the Resolution adopting this policy that staff is now requesting be used each and every time any kind of information is being requested. Mr. Jeske stated this will alleviate any confusion on what the party wants. Chair Kuhn offered comment and inquired if that was done with any kind of a time limit set on it for written requests. Mr. Jeske stated the policy stated ten working days from receipt of the request. A discussion regarding this matter ensued. Mr. Elie inquired if the policy has people paying for copies and items like that. Mr. Jeske stated it does provide for that, except for parties who are parties to the Judgment.

4. Restated Judgment

Counsel Slater stated Watermaster is taking a pause from the Restated Judgment to address the settlement around Paragraph 31. Counsel Slater stated some of the parties have expressed concerns related to the process for creating a new official Judgment, and then there is a second layer of the utility of an annotated version. Counsel Slater stated while the parties are supportive of the notion of having an unofficial annotated version Watermaster is working on the previous stated item and there is no urgency to addressing the restatement, so the Pools have asked for a pause on this item and staff would like to grant that request. Counsel Slater stated this item will come back soon.

IV. INFORMATION

1. Cash Disbursements for February 2012

No comment was made.

V. BOARD MEMBER COMMENTS

Mr. Field thanked Counsel Slater on doing a wonderful job.

VI. OTHER BUSINESS

No comment was made.

The regular open Watermaster Board meeting was convened to hold its confidential session at 11:26 a.m.

Chair Kuhn inquired if the alternates could attend the confidential session today. Counsel Slater stated at the discretion of this Board there is no problem to have the alternates attend as they are the equivalent of the designee and also bound by the rules of confidentiality. Counsel Slater stated if the Board finds it helpful to communicate the information and make it clear what the intention of the Board is, he finds no problem with that request.

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. CEO Recruitment
2. Paragraph 31 Motion

The confidential session concluded at 12:20 p.m.

Chair Kuhn stated Counsel Slater will provide the motions from the confidential session.

1. Moved to retain Roberts Consulting Group Inc. for the executive search, and then in approximately two weeks hold a special Watermaster Board meeting with a single item agenda to discuss with Mr. Roberts the scope of work and provide direction for the CEO search.

Counsel Slater stated in lieu of reading the list of reportable items on the Paragraph 31 motion, Counsel Slater handed the following written document to the recording secretary.

1. Approved a settlement among Watermaster, the Appropriative Pool and the Overlying (Non-Agricultural) Pool finally resolving the pending dispute regarding the Purchase and Sale Agreement Between Watermaster and the Overlying (Non-Agricultural) Pool - (otherwise referred to as the Paragraph 31 Appeal).
2. The essential terms of the Settlement are set forth in the Settlement Agreement.
3. The Board finds that:
 - A. Pursuant to Paragraph H of the Purchase and Sale Agreement, that if the Tentative Opinion of the Court of Appeal becomes final, the option will not have

been exercised and the stored water will becomes surplus. Paragraph H of the Purchase and Sale Agreement set forth permissible distribution of surplus water pursuant to the Judgment.

- B. As surplus stored water it may be transferred to Watermaster and then the members of the Appropriative Pool as provided in Paragraph 8 of the Judgment and Exhibit G Paragraph 9(iv) of the Judgment.
 - C. The pending dispute, delays and uncertainty caused by the litigation provide good cause for the Parties to the Settlement to substitute the time and price schedules in the Settlement Agreement for the Parties for those set forth in Exhibit G, Paragraph 9(iv).
 - D. The substitute time and price schedules have been reached consensually by arms length bargaining.
 - E. There is no evidence that the members of the Overlying (Non-Agricultural) Pool are out of compliance with their obligation to use recycled water and in absence of such evidence the Board finds compliance with Exhibit G, Paragraph 9(g).
 - F. As the stored water will be transferred to Watermaster and then individual members of the Appropriative Pool in accordance with Exhibit G, Paragraph 9(iv), it may be used for beneficial use in the same manner as other stored water in the members of the Appropriative Pool local storage accounts.
4. Counsel is authorized to make changes to the Settlement Agreement that do not modify any material terms.
 5. The Board is approving the Settlement Agreement on condition that the Appropriative Pool approves the assessments set forth in Exhibit C.
 6. The Chair is authorized to execute the Settlement Agreement after the Appropriative Pool has approved the assessments and the Settlement Agreement.

VIII. FUTURE MEETINGS AT WATERMASTER

Thursday, April 5, 2012	10:00 a.m.	CB RMPU Steering Committee Mtg.
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
Thursday, April 19, 2012	9:00 a.m.	Advisory Committee Meeting
Thursday, April 19, 2012	10:00 a.m.	CB RMPU Steering Committee Mtg.
Thursday, April 26, 2012	11:00 a.m.	Watermaster Board Meeting

*** PLEASE NOTE: THE AGRICULTURAL POOL HAS CHANGED THEIR REGULAR MEETING TIME FROM 2:00 P.M. TO 1:30 P.M.**

Chair Kuhn adjourned the Watermaster Board meeting at 12:21 p.m.

Secretary: _____

Minutes Approved: April 26, 2012