

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
February 12, 2009

The Joint Appropriative and Non-Agricultural Pool Meeting were held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on February 12, 2009 at 10:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Ken Jeske, Chair	City of Ontario
Robert DeLoach	Cucamonga Valley Water District
Mark Kinsey	Monte Vista Water District
Robert Tock	Jurupa Community Services District
Mike McGraw	Fontana Water Company
Robert Young	Fontana Union Water Company
Charles Moorrees	San Antonio Water Company
Raul Garibay	City of Pomona
Dave Crosley	City of Chino
J. Arnold Rodriguez	Santa Ana River Water Company
Anthony La	City of Upland

NON-AGRICULTURAL POOL MEMBERS PRESENT

Kevin Sage	Vulcan Materials Company (Calmat Division)
Mohamad El Amamy	City of Ontario

Watermaster Board Members Present

Geoffrey Vanden Heuvel	Agricultural Pool - Dairy
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Watermaster Staff Present

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

Watermaster Consultants Present

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

Others Present

Jennifer Novak	State of California Dept. of Justice
Marv Shaw	Inland Empire Utilities Agency
Sandra Rose	Monte Vista Water District
Eunice Ulloa	Chino Basin Water Conservation District
Marty Zvirbulis	Cucamonga Valley Water District

Chair Jeske called the Joint Appropriative and Non-Agricultural Pool Meeting to order at 10:00 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Annual Non-Agricultural Pool Election Meeting held January 8, 2009
2. Minutes of the Annual Appropriative Pool Election Meeting held January 8, 2009
3. Minutes of the Joint Annual Appropriative and Non-Agricultural Pool Meeting held January 8, 2009

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of January 2009
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through December 31, 2008
4. Treasurer's Report of Financial Affairs for the Period December 1, 2008 through December 31, 2008
5. Budget vs. Actual July 2008 through December 2008

C. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 09-01 – Resolution of the Chino Basin Watermaster, San Bernardino County, California, authorizing the Watermaster's Investment Policy

Mr. DeLoach handed out a copy of the most recent Agricultural Pool attorney bills as reference material. There was no further discussion on this.

Motion by DeLoach, second by McGraw, and by unanimous vote – Non-Ag concurred
Moved to approve Consent Calendar A through C, as presented

D. ALLOCATION OF NON-AGRICULTURAL POOL VOLUME VOTE

Non-Agricultural Pool Allocation of Volume Vote effective Calendar Year 2009

Mr. Manning commented on the revised allocation of Non-Agricultural Pool volume vote.

Motion by Sage
Moved to approve Consent Calendar item D, as presented

II. BUSINESS ITEM**A. BUDGET TRANSFER**

Mr. Manning stated Watermaster reviews invoice monthly and meets with WEI on a quarterly basis to review task orders and progress on projects including funding. In reviewing these items, it was noted some changes needed to be made in the way of how funds will be distributed. There are four areas where we anticipate less activity and then were three areas where additional money will be needed; the budget transfer is to cover the areas that need additional funds. The budget transfer document which is included in the meeting packet explains all the details of this transfer.

Motion by DeLoach, second by Moorrees, and by unanimous vote – Non-Ag concurred
Moved to approve the Budget Transfer T-09-02-01 relating to: OBMP, HCMP, Desalters, Storage Program to Groundwater Level Monitoring Program, Recharge Master Plan, and MZ-3, as presented

B. AUCTION PRICE FLOOR AGREEMENT AND STORAGE & RECOVERY AGREEMENT

Mr. Manning stated staff and counsel are asking for two recommendations; 1) To review the approval of the auction price floor agreement which is included in the meeting package and, 2) Direct staff to prepare the storage and recovery agreement which is included in the meeting package in draft form. Mr. Manning described the changes in the agreement. Mr. Kinsey was particularly concerned about the equity of having the buyers pay enough to enjoy the benefits of the lower loss rates. Mr. Kinsey wants to know how Watermaster staff got the \$25 acre-feet financial equivalent to go from 6% to 2%. Mr. Kinsey wants to know what has Western

Municipal Water District (WMWD) contributed to waive the equivalency payment and thinks that Watermaster staff has a responsibility to justify this amount. Mr. Manning stated that Watermaster staff did produce this information and it's up to the Parties to accept or reject it. Mr. Kinsey's stated his main point is that the fee needs to be validated. Mr. Manning stated the amounts listed are what staff thinks is fair. Mr. Kinsey noted that it is not exportable water according to the Judgment and that it is bad precedent to export water when the yield is declining along with current drought conditions. A discussion regarding export ensued. Mr. Jeske requested Watermaster staff to prepare a detailed Gantt chart regarding the process of auction timing and the use of the revenue. Mr. Manning stated staff will put together that chart. Mr. Zvirbulis presented a financial analysis which was prepared by Cucamonga Valley Water District which states that there could be almost \$70 million in present value benefits after \$30 million are spent on new recharge projects. Mr. Vanden Heuvel inquired if Western Municipal Water District indicated that they will buy all the water. Mr. Manning stated initially yes but recently they are looking for some flexibility. Mr. Kinsey inquired if the finding of broad regional benefit would include how the money will be used. Counsel and staff agreed to prepare a draft finding of broad regional benefit. Mr. Garibay inquired about taxes and any are assessed, the buyer should pay tax. Counsel Fife stated he would look into that statement in the documents. A lengthy discussion regarding the auction floor price, procedures, and possible outcome ensued. Mr. Manning stated this will not be the last time this will be brought before this committee; staff is attempting to get this item moving through the long process.

Motion by DeLoach, second by Crosley, and by unanimous vote – Non-Ag concurred

Moved to review the Auction Price Floor Agreement and to direct counsel and staff to: (a) prepare: a conforming Storage and Recovery Agreement; (b) a finding of broad regional benefit; (c) a finding of No Material Physical Injury; and (d) a recommendation to retain a competent consulting firm to provide services in support of the auction, as presented

III. REPORTS/UPDATES

A. **WATERMASTER GENERAL LEGAL COUNSEL REPORT**

1. Court Hearing

Counsel Fife stated a court hearing took place last Monday and a notice of the hearing has not been sent out yet. After we receive the transcript a notice can then go out to the parties. Watermaster staff has been told by Judge Wade's clerk that the transcript should be ready tomorrow; once that is received counsel will put out a notice that will summarize the orders by the court that were made through the course of the hearing. Staff has contacted the court reporter and negotiated a deal so that Watermaster can distribute copies of the transcript. The court asked for another hearing which was scheduled for April 16, 2009. Counsel Fife noted April 16th conflicts with Mr. Wildermuth and staff schedule. Counsel is going to file a pleading today asking the court to provide us with a different date for the hearing. Once a new hearing date is scheduled a notice as to the new date will go out. Counsel Fife stated it appears Judge Wade will want a series of hearings to review sections of information at a time.

2. Dry Year Yield Agreement

Counsel Fife stated through the agreement with Inland Empire Utilities Agency (IEUA) and Metropolitan Water District (MWD) in order to get the LRP funding for the desalters, Watermaster needs to approve an expansion of the MWD storage account from 100,000 acre-feet to 150,000 acre-feet by September, 2009. Staff has asked IEUA to submit a Storage & Recovery Application which is the same process that was gone through for the first 100,000 acre-feet. Counsel Fife stated after the IEUA application is complete it will go through the Watermaster process, this item was placed under legal reports to let you know it is in the works to come back as a business item. A discussion regarding this process ensued.

B. ENGINEERING REPORT1. Engineering Update

Mr. Wildermuth stated staff is working with the Regional Board on the Hydraulic Control Monitoring Program in trying to get the monitoring requirements scaled back. This will take place late this year which means there will still be monitoring obligations early into next year's fiscal year. Mr. Wildermuth stated staff is ramping up for the Production Optimization work Mr. Wildermuth stated Tom McCarthy from the Wildermuth office is heading this project up. Tom is not contacting every single appropriator; he is contacting the appropriators that Wildermuth thinks need help with their production. Mr. Wildermuth asked that the appropriators that are contacted work fairly quickly with Tom on this project so that work can get finished in a timely manner because we are working on a tight time frame.

C. FINANCIAL REPORT1. Watermaster Budget

Ms. Rojo stated Watermaster is starting on the budget and staff is looking at getting input from the parties. Mr. Manning stated meetings are now taking place with consultants on their numbers in an attempt to start the process in order to get the numbers firmed up for the final budget that comes through the process for approval.

D. CEO/STAFF REPORT1. Legislative Update

Mr. Manning stated invitations have gone out recently for the Inland Empire Utilities Agency Legislative Reception on March 17, 2009 in Sacramento. This is the same day as the Agricultural Pool meeting and Mr. Manning will be leaving directly that meeting for this reception. Mr. Manning stated this is a very well attended reception. Mr. Manning noted he was in Sacramento over a week ago and met with several legislators to discuss groundwater issues.

2. Recharge Update

Mr. Manning stated the updated Recharge Spreadsheet is not available for the meeting. In January there was approximately 1,800+ acre-feet was captured in the recharge basins and a detailed report will be available at the Advisory Committee meeting later this month. Mr. Manning stated there was a breach in one of the berms at San Sevaine 5 basin and staff is working with IEUA and others to get the repairs love.

Fontana Barrier Study

Mr. Manning stated Watermaster staff has been contacted by a group that is interested in having Watermaster involved as the project manager, with no financial involvement whatsoever, to facilitate a USGS Isotope Study of perchlorate in the north eastern portion of the Chino Basin and the Rialto/Colton Basin. This will help resolve some of the issues in the long standing debate over whether water is moving between or across the fault. Watermaster is interested in participating at this level because it will help develop information that can be used in the modeling that helps us better describe what is doing on that portion of the basin. Watermaster will also be partnering up with other agencies on this study which will be a great partnership to be involved in. A question regarding costs was raised and Mr. Manning stated Watermaster has been assured it will be reimbursed for any and all expenses; an agreement has not been received to date.

Added Comment:

Mr. Manning noted Watermaster had put the word out that it was looking to purchase water from storage accounts to fulfill the replenishment obligation of approximately 20,000 acre-feet. There have been some interested parties and three have given staff a definite yes that they will sell Watermaster water which totals approximately 7,500 acre-feet. There is another party that is still working on this and we should have a decision from them within the

next couple days. Watermaster could be getting between 7,500 and 8,500 acre-feet of our 20,000 acre-feet obligation out of storage; the balance is still being worked on.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

The Non-Agricultural Pool meeting convened its meeting at 11:20 a.m.

The regular open Appropriative Pool meeting was convened to hold its confidential session at 11:20 a.m.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Appropriative and Non-Agricultural Pool Rules & Regulations, a Confidential Session may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

1. Budget Transfer For the Farming Portion of the TMDL Study

The closed session was convened at 12:04 p.m. with no comment or action reported for the confidential session.

VIII. FUTURE MEETINGS

February 12, 2009	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
February 17, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
February 26, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
February 26, 2009	9:00 a.m.	Advisory Committee Meeting
February 26, 2009	11:00 a.m.	Watermaster Board Meeting

The Appropriative Pool meeting was dismissed by Chair Jeske at 12:05 p.m.

Secretary: _____

Minutes Approved: March 12, 2009