

PERS00191

Minutes
CHINO BASIN WATERMASTER
APPROPRIATIVE POOL MEETING
May 5, 2011

The Appropriative Pool Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on May 5, 2011 at 1:00 p.m.

APPROPRIATIVE POOL MEMBERS PRESENT WHO SIGNED IN

John Mura, Chair	City of Chino Hills
Mark Kinsey	Monte Vista Water District
Raul Garibay	City of Pomona
Geoff Kamansky	Niagara Water Company
Mohamed El-Amany	City of Ontario
Marty Zvirbulls	Cucamonga Valley Water District
Sheri Rojo	Fontana Water Company
Tom Harder	Jurupa Community Services District
Charles Moorrees	San Antonio Water Company
Dave Crosley	City of Chino
Anthony La	City of Upland
Ron Craig	City of Chino Hills

Watermaster Staff Present

Desi Alvarez	Chief Executive Officer
Danni Maurizio	Senior Engineer
Joe Joswiak	Chief Financial Officer
Ben Pak	Senior Project Engineer
Sheri Molino	Recording Secretary

Watermaster Consultants Present

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

Others Present Who Signed In

Ryan Shaw	Inland Empire Utilities Agency
Scott Burton	City of Ontario
Eunice Ulloa	Chino Basin Water Conservation District
Ken Jeske	California Steel Industries
Jo Lynne Russo-Pereyra	Cucamonga Valley Water District
Curtis Paxton	Chino Desalter Authority
John Schatz	Attorney at Law

Chair Mura called the Appropriative Pool Meeting to order at 1:03 p.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 April 7, 2011
2. Minutes of the Special Appropriative Pool Conference Call Meeting held on April 19, 2011



PERS00192

Minutes Appropriative Pool Meeting

May 5, 2011

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of March 2011
2. Watermaster VISA Check Detail for the month of March 2011
3. Combining Schedule for the Period July 1, 2010 through March 31, 2011
4. Treasurer's Report of Financial Affairs for the Period March 1, 2011 through March 31, 2011
5. Budget vs. Actual July through March 2011

C. WATER TRANSACTIONS

1. Consider Approval for Notice of Sale or Transfer – The purchase of 1,100,000 acre-feet of water from Santa Ana River Water Company (SARWC) to Jurupa Community Services District (JCSD). This purchase is made first from SARWC's Annual Production Right, with any additional from storage. Date of Application: April 26, 2011

Motion by Zvirbulis second by La, and by unanimous vote

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

II. BUSINESS ITEMS

A. OUTSIDE AUDIT FIRM

Mr. Joswiak stated in March of this year Watermaster sent out an RFP to sixteen local and regional audit firms. Mr. Joswiak stated Watermaster has used Mayer Hoffman McCann for the past twelve years. Mr. Joswiak stated out of the sixteen RFP's that were sent out, staff only received six back and the prices ranged from \$70,000 up to \$147,000. Mr. Joswiak stated staff respectfully requests that the firm of Charles Z. Fedak & Company be awarded the outside audit firm contract for five years with an optional two years. Mr. Joswiak reviewed Charles Z. Fedak & Company's background information. Mr. Joswiak noted their prices are almost the exact same as Watermaster was paying Mayer Hoffman McCann. A brief discussion regarding this matter ensued.

Motion by La second by Moorrees, and by unanimous vote

Moved to approve awarding a five year contract (with an optional two years) to Charles Z. Fedak & Company for Watermaster's outside audit firm, as presented

B. PROPOSED FISCAL YEAR 2011-2012 BUDGET (Discussion & Possible Action)

Mr. Joswiak reviewed what the 2011-2012 Budget looked like when it was presented last month to the Advisory Committee and the Watermaster Board. Mr. Joswiak noted staff is looking for approval of the 2011-2012 Budget which will be presented again today. Mr. Joswiak noted changes have been made which reflect comments made at recent meetings and in case it does not get approved today, there is another Budget Workshop scheduled for May 19, 2011 directly after the Advisory Committee meeting. Mr. Joswiak gave the newly revised 2011-2012 Budget presentation. This presentation does include the 30% reserve for both the Administrative and the OBMP. Chair Mura commented on the new presentation and noted it appeared staff went through the budget and prioritized projects. Mr. Joswiak noted that was correct. Mr. La inquired if the work in the MZ3 area is back on this budget and Mr. Joswiak noted that it was put back in. A discussion regarding footnote J ensued. Ms. Maurizio stated that footnote was not changed with the changes made to the new presentation. Mr. La inquired about the OBMP elements which were discussed at the Advisory Committee meeting and Mr. Joswiak noted that handout is available on the back table. Mr. Crosley inquired about the \$65,945 item pertaining to the Chino Creek Wellfield Extensometer and offered comment on this matter. Mr. Malone stated his recollection from the last Land Subsidence Committee meeting was that the committee decided to put back into the budget the planning to install a cable extensometer but not to put back into the budget the installation of the extensometer itself; that can be revisited at the next meeting. A discussion regarding the extensometer matter ensued. Mr. Joswiak continued with the budget presentation. A discussion regarding the CPI calculations ensued. Mr. Joswiak continued with the budget presentation. A discussion regarding conferences ensued. Mr. Joswiak reviewed the

PERS00193

Minutes Appropriative Pool Meeting

May 5, 2011

conference category noting it has been broken down into different categories and overall has been reduced by \$5,500 from last year. Mr. Joswiak reviewed the Next Steps. Chair Mura asked for any comments. Mr. Garibay inquired about the contingency portion of the budget. Mr. Joswiak stated that was calculated into the Assessment for this year. A lengthy discussion regarding reserve funds ensued. Ms. Maurizio stated Watermaster has gone back to the way the Assessments were done five years ago because that was the request by the Appropriative Pool; whatever was under spent for the year that just closed would be given back to the parties and would be carried over. Ms. Maurizio offered comment on offsetting the Assessments, and on the discussions today and at the last few meetings. Mr. Zvirbulis stated he would rather see a new way of looking at this as opposed to going back to the old way of doing things. Mr. Zvirbulis stated the key point for today would be that staff does not use those funds to reduce Assessments; however, there needs to be continued discussions on this matter. Mr. Zvirbulis stated if possible he wants the COLA and the contingencies eliminated and offered comment on why those should be eliminated. Mr. Crosley inquired if a workshop should be scheduled to discuss the funds that could possibly come back to the parties. It was noted by other parties that it would be very helpful to hold a workshop. Mr. Zvirbulis stated it is difficult to track all the changes that have been made to the 2011-2012 Budget and asked if staff could put something together to see a side by side comparison. Mr. Joswiak stated he has created that sheet and it will be posted to the fip site for all to review. Chair Mura offered comment on the revised Budget presentation and noted there is still work that needs to be done, especially with regard to projects that are in the works or have been delayed, and for those that staff knows are not going to be completed this fiscal year. Chair Mura offered comment on the legal contingency plan and noted legal should be reduced significantly, if at all possible.

*Motion by El-Amamy second by Zvirbulis, and by unanimous vote
Moved to continue to this item until June, as presented*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Paragraph 31 Appeal

Counsel Fife stated there is nothing new to report on regarding this item from the reports given at the Advisory Committee and Watermaster Board meetings a few weeks ago. Counsel Fife stated that the reply is currently being worked on and is due on May 17, 2011. It is anticipated that the reply will be filed on time.

2. Restated Watermaster Judgment

Counsel Fife stated after the hearings on the Paragraph 31 Motion, the Judge instructed counsel/staff to prepare a Restated Judgment. That project was started on; however, when Mr. Manning left, that project was put on hold to save on costs for the remainder of the fiscal year. Also, it was felt this would be an excellent job for the new CEO to work on so they he could get to know the Judgment and other related documents. Counsel Fife stated now that Desi has started with Watermaster, this project will begin again. Counsel Fife stated, as a reminder, the idea behind the Restated Judgment is to put it in a form so that people/parties can look in one place for items rather than wade through thirty years of documents to find what they are looking for. Counsel Fife stated the Policy Manual also ties into this project; this will begin simultaneously with the Restated Judgment.

3. California Steel Industries (CSI) Request for Assessment Package Correction

Counsel Fife stated this is a request from California Steel Industries for an Assessment Package correction. Counsel Fife stated this is something that was put into place by the Peace II Agreement, which stated if there are errors in the Assessment Package or anywhere in the Watermaster records parties have a number of years to request that those errors be fixed and that revisions occur. Counsel Fife stated on April 19, 2011, California Steel provided a letter to Watermaster identifying an error in the Assessment Package concerning joint rights held between them and Aqua Capital Management. Counsel Fife stated a copy of that letter is available on the back table for review. Counsel Fife stated

PERS00194

Minutes Appropriative Pool Meeting

May 5, 2011

Watermaster wanted to make sure all parties knew of what was taking place; however, a response has not yet been received from Aqua Capital Management.

Added Comment:

Counsel Fife noted Brownstein, Hyatt, Farber & Schreck are holding their annual party at the ACWA Conference next Tuesday night. Counsel Fife stated if you have not received an invitation to that party let him know because all are invited.

B. ENGINEERING REPORT

1. GE Application for Recharge Description and Status

Mr. Malone stated an update has been given on this item in the past; however, there is nothing new to report on for this meeting. Mr. Malone stated he would have more information at the Advisory Committee meeting in a few weeks.

2. Summary of HCMP Annual Report

Mr. Malone stated this item is for the annual report for the Chino Basin Maximum Benefit Monitoring Program and it goes out every year. It is sometimes referred to as the Max Benefit Monitoring Program. With this annual report Wildermuth Environmental is looking at the groundwater and surface water hydrology in the southern end of the basin. The Desalter Wellfield is being looked at along with how the pumping there is changing that hydrology with respect to Hydraulic Control. Mr. Malone gave the HCMP Annual Report presentation. Mr. Malone stated the Hydraulic Control Monitoring Program and annual reporting is a commitment that Watermaster and Inland Empire Utilities Agency made to the Regional Water Quality Control Board and is written in the Basin Plan. The reason why it is a commitment is it was an exchange Maximum Benefit Groundwater Quality Objectives for the Chino North Management Zone. The Regional Board artificially raised those water quality objectives to create a sum of capacity and allow for all the recycled water recharge and reuse that's occurring in the Chino North Management Zone without mitigation. In exchange for that, the Regional Board wanted this Monitoring Program implemented and an annual report presented on that. Hydraulic Control is the whole concept at the southern end of the basin for the Desalters to lower groundwater levels and limit the amount of rising groundwater outflow that occurs down in the Prado Basin area. Mr. Malone stated that groundwater is contaminated and the concept is to protect the water quality of the Santa Ana River. Mr. Malone stated the reviewers of this report are the Regional Board staff and specifically the Orange County Water District. Mr. Malone reviewed several maps in detail. A discussion regarding drawdown ensued. Mr. Harder inquired if we are still on schedule. Mr. Malone stated he did not have that answer and noted that Desi was recently at the Regional Board for a meeting. Mr. Alvarez stated he was at the meeting yesterday and noted we are running behind schedule and there is a revised schedule being prepared which will be submitted to the Regional Board. Mr. Malone discussed the main conclusions and the recommendations which include eliminating surface monitoring along the Santa Ana River and add limited monitoring along the Chino Creek.

C. CEO/STAFF REPORT

1. Recharge Update

Ms. Maurizio stated the new recharge update is not available; however, it will be available at the upcoming Advisory Committee meeting.

2. MWD Replenishment Rate Water

Ms. Maurizio stated Metropolitan Water District (MWD) had a board meeting a few weeks ago. At that meeting they were expected to make an announcement that they were going to offer between 200,000 and 250,000 acre-feet of water at the replenishment rate. Ms. Maurizio stated MWD did not take that action and deferred it until the May 10, 2011 meeting. It is anticipated they will offer that water at the replenishment rate at that meeting. Ms. Maurizio stated there has been at least one Appropriator who expressed interest in

PERS00195

Minutes Appropriative Pool Meeting

May 5, 2011

purchasing some of that water at a pre-purchase against future overproduction. Ms. Maurizio stated Watermaster does not have the finances to purchase this water; it would be up to each Appropriator to purchase this water. The replenishment rate is \$409 per acre-foot plus the \$14.00 per the Inland Empire Utilities Agency (IEUA) and Orange County Water District's charges. Mr. Alvarez stated it is important to purchase this water. It is understood that special assessments are done here from time to time and this just might be a time to authorize Watermaster to inquire how much water can be purchased with the anticipation that a special assessment would be imposed so the water can be purchased quickly; these types of opportunities do not come along very often. Mr. Zvirbulis stated discussions regarding this matter have taken place and there are issues with this endeavor. Mr. Zvirbulis inquired if IEUA knows exactly how much water is available, how quickly it will be bought up, and how quickly does Watermaster/parties need to make a decision. Mr. Shaw stated maybe 225,000 acre-feet was available and Metropolitan Water District (MWD) did say that approximately 150,000 acre-feet was already spoken for in commitments. Mr. Shaw stated the timing is through the calendar year, or that is what was told to IEUA. Mr. Shaw stated IEUA could take approximately 50,000 acre-feet. That includes a small percentage in lieu which will be used for direct spreading. A lengthy discussion regarding this matter and issues surrounding this matter ensued. It was noted that Watermaster needs to work with IEUA with this regard as quickly as possible and possibly hold a workshop on this matter.

3. FY 2010/11 Land Use Conversions and Voluntary Agreements

Ms. Maurizio stated this item is regarding the 2010/2011 land use conversions and voluntary agreements. If your agency is one of those that does participate, your agency should have just received a letter which is asking for any new voluntary agreements information, or any new land use conversion or assignment information. Staff will collect the numbers associated with the voluntary agreements and assignments at the close of the fiscal year with the fourth quarter production. If there any new ones, then staff needs to begin looking at them and inspect properties if there are any new land use conversions. Ms. Maurizio asked that the forms be filled right away.

IV. INFORMATION

1. Cash Disbursements for April 2011

No comment was made regarding this item

2. Newspaper Articles

No comment was made regarding this item

V. POOL MEMBER COMMENTS

Mr. Garibay offered comment on a recent email that was sent out regarding employment.

Chair Mura welcomed Desi to his new position at Watermaster and invited him to the upcoming Appropriative Pool workshop on May 24, 2011 at 8:00 a.m. at the Frontier Project.

Mr. Alvarez thanked the Committee members and is looking forward to working with all the parties.

VI. OTHER BUSINESS

No comment was made regarding this item

The regular open Appropriative Pool meeting was convened to hold its confidential session at 2:17 p.m.

PERS00196

Minutes Appropriative Pool Meeting

May 5, 2011

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. Paragraph 31 Motion

The confidential session concluded at 2:46 p.m.

There was no reportable action from the confidential session.

VIII. FUTURE MEETINGS

Thursday, May 5, 2011	1:00 p.m.	Appropriative Pool Meeting @ CBWM
Thursday, May 5, 2011	2:30 p.m.	Non-Agricultural Pool Conference Call Meeting
Thursday, May 12, 2011	9:00 a.m.	Agricultural Pool Meeting @ IEUA
Thursday, May 19, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, May 19, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
* Thursday, May 19, 2011	10:30 a.m.	Watermaster 2 nd Budget Workshop @ CBWM
** Tuesday, May 24, 2011	9:00 a.m.	GRCC Meeting @ CBWM or CBWCD (?)
Thursday, May 26, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Friday, July 8, 2011	10:30 a.m.	Watermaster Court Hearing @ Chino Court

* This time slot was originally set for the Land Subsidence Committee Meeting which has now been cancelled and replaced with the Watermaster 2nd Budget Workshop

** It has not been decided if the GRCC meeting will be held at Chino Basin Watermaster or the Chino Basin Conservation District – a notice will go out prior to the meeting

The Appropriative Pool Committee meeting was dismissed by Chair Mura at 2:47 p.m.

Secretary: _____

Minutes Approved: June 2, 2011