

PERS00204

Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
May 19, 2011

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9841 San Bernardino Road, Rancho Cucamonga CA, on May 19, 2011 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT WHO SIGNED IN

Non-Agricultural Pool

Ken Jeske, Chair	California Steel Industries
Scott Burton	City of Ontario
Brian Geye	Auto Club Speedway

Appropriative Pool

Mark Kinsey	Monte Vista Water District
Marty Zvirbulis	Cucamonga Valley Water District
Dave Crostey	City of Chino
Raul Garibay	City of Pomona
John Mura	City of Chino Hills
Ben Lewis	Golden State Water Company
Anthony La	City of Upland
Mohamed El-Amamy	City of Ontario
Robert Young	Fontana Water Company
Josh Swift	Fontana Union Water Company
Tom Harder	Jurupa Community Services District

Agricultural Pool

Jeff Pierson	Ag Pool – Crops
Bob Feenstra	Ag Pool – Dairy
Jennifer Novak	State of California, Dept. of Justice, CIM

BOARD MEMBERS PRESENT WHO SIGNED IN

Bob Kuhn	Three Valleys Municipal Water District
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Watermaster Staff Present

Desi Alvarez	Chief Executive Officer
Danielle 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.
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present Who Signed In

Tom Love	Inland Empire Utilities Agency
Craig Miller	Inland Empire Utilities Agency
Ryan Shaw	Inland Empire Utilities Agency
Chris Berch	Inland Empire Utilities Agency
Christina Valencia	Inland Empire Utilities Agency
Terry Catlin	Inland Empire Utilities Agency
David DeJesus	Three Valleys Municipal Water District
Eunice Ulloa	Chino Basin Water Conservation District



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Robert DeLoach
Ron Craig
Bill Kruger
Robert Tock
John Bosler
Jo Lynne Russo-Pereyra
Curtis Paxton
Sheri Rojo

DeLoach & Associates
City of Chino Hills
City of Chino Hills
Jurupa Community Service District
Cucamonga Valley Water District
Cucamonga Valley Water District
Chino Desalter Authority
Consultant for Fontana Water Company

Chair Jeske called the Advisory Committee meeting to order at 9:04 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Advisory Committee Meeting held April 21, 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. BANK OF AMERICA

Bank of America Visa Request to Appoint Desi Alvarez, CEO as Authorized Agent at Chino Basin Watermaster with a Credit Limit of \$10,000.00 for the Visa Account No. XXXX-XXXX-XXXX-9341

D. LOCAL AGENCY INVESTMENT FUND – NEW CEO NAME ADDITION

Revised Resolution 11-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF) for Desi Alvarez to be Renamed as the Chief Executive Officer/Secretary for Chino Basin Watermaster

E. WATER TRANSACTIONS

1. Consider Approval for Notice of Sale or Transfer – Fontana Water Company ("Company") has agreed to purchase from Monte Vista Water District water in storage in the amount of 500,000 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2010-2011. Date of Application: February 24, 2011
2. Consider Approval for Notice of Sale or Transfer – Chino Basin Watermaster will purchase 4,055.720 acre-feet of water from the City of Chino (Chino). The transfer will be made first from Chino's net under-production in Fiscal Year 2010-11, with any remainder to be recaptured from storage. Date of Application: March 1, 2011
3. Consider Approval for Notice of Sale or Transfer – Chino Basin Watermaster will purchase 1,595.170 acre-feet of water from the City of Pomona. The transfer will be made from the City's Excess Carryover Account. Date of Application: March 1, 2011
4. Consider Approval for Notice of Sale or Transfer – Chino Basin Watermaster will purchase 957.102 acre-feet of water from the Santa Ana River Water Company (SARWC). The transfer will be made first from SARWC's net under-production in Fiscal Year 2010-11, with any remainder to be recaptured from storage. Date of Application: March 1, 2011
5. Consider Approval for Notice of Sale or Transfer – Chino Basin Watermaster will purchase 2,233.238 acre-feet of water from the City of Upland (Upland). The transfer will be

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made first from Upland's net under-production in Fiscal Year 2010-11, with any remainder to be recaptured from storage. Date of Application: March 1, 2011

6. Consider Approval for Notice of Sale or Transfer – Chino Basin Watermaster will purchase 47,855 acre-feet of water from the City of Ontario (Ontario). The transfer will be made first from Ontario's net under-production in Fiscal Year 2010-11, with any remainder to be recaptured from storage. Date of Application: March 1, 2011

*Motion by Zvirbulls, second by Young, and by unanimous vote
Moved to approve Consent Calendar Items A, through E, as presented*

II. BUSINESS ITEMS

A. OUTSIDE AUDIT FIRM

Mr. Joswiak noted this item has gone to all three pools with unanimous support. Chair Jeske asked if there were any further comments. No further comments were made.

*Motion by Pierson second by El-Amamy 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. PURCHASE OF 50,000 ACRE-FEET WATER FROM METROPOLITAN WATER DISTRICT

Mr. Alvarez stated as of last week Metropolitan Water District (MWD) has made available replenishment water at the replenishment rate. This presents a tremendous opportunity for Watermaster to purchase some of this water fairly inexpensively. MWD announced they will make 225,000 acre-feet of water available, which will be available through the end of 2011. Mr. Alvarez stated our current understanding is MWD will apportion that water depending on the demand, and this water will be on a first come basis. Mr. Alvarez stated this was discussed at the Appropriative Pool meeting recently on the premise MWD was going to make this happen. Once MWD officially made the announcement, staff quickly put together what is being presented today. Mr. Alvarez noted the Chino Basin has a physical limitation of 50,000 acre-feet that can be put into the ground this year. Mr. Alvarez stated staff has had meetings with Inland Empire Utilities Agency (IEUA) regarding finances and water deliveries. Watermaster did inform MWD that Chino Basin Watermaster would take the 50,000 acre-feet of water, as of May 16, 2011, that water has started being put into the ground. Mr. Alvarez stated the 50,000 acre-feet of water will be split into two accounts; one account for Watermaster and the second for replenishment storage accounts for other parties, which still need to be determined. Chair Jeske commented on the draft assessments attached to the staff letter which included assessments to the Non-Agricultural Pool. Chair Jeske offered history on why the Non-Agricultural Pool should not be put on the assessment scheme for desalter replenishment; this needs to be corrected. Chair Jeske stated it appears the Appropriative Pool will need a lot of discussion on this item because of the prioritization that will be required. Chair Jeske stated the Non-Agricultural Pool feels that their assessment should be taken out of the equation and let the individual parties look to purchase water to meet their own overproduction. A discussion regarding the payment/assessment upfront ensued. Mr. Alvarez stated the water needs to be purchased this year and MWD is going to be billing in a sixty day period, and the water must be paid for. Mr. Alvarez stated Watermaster has no reserve that is sufficient to pay for this quantity of water; the driver is how Watermaster is going to pay for the water. Mr. Alvarez stated counsel will address several of these discussion items and offered comment on the need to take advantage of this replenishment priced and available water. Ms. Rojo inquired about the cost allocation and method on page 3 of the handout and noted she felt there was a discrepancy in the percentage of allocation as it is being divided out to the Appropriators. Ms. Rojo reviewed the handout and numbers in detail, and offered comment on the discussions which took place during the Peace II process and the final Peace II Agreement. Mr. Kinsey stated the real discussion, at this point in time, is whether or not it is prudent to acquire this water rather than getting into the details of how we are going to assess ourselves. Mr. Kinsey stated there is still water in the storage account for the next few years so this is really a discretionary item before us today. Mr. Kinsey stated there is a policy making board in the

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Watermaster process, so if there is a policy to go out and acquire water in advance of a need then that decision should come through this process. Mr. Zvirbulis stated that levying these assessments for desalter replenishment is a complicated matter, and there are a lot of varying concerns/opinions on how those costs will be shared in the future. This is not something that can be resolved today. Mr. Zvirbulis stated some of that dialog is going to start next week at the workshop. Mr. Zvirbulis stated he is an advocate of taking advantage of purchase supplies of replenishment water at a great price to offset future needs; however, how this water is paid for must be discussed. Mr. Zvirbulis offered comment on purchasing this water, the financial aspects and how lengthy this process could be because of approvals. Mr. Alvarez stated he has made the decision that Watermaster will purchase this water and he has received commitments to purchase some of the water, so there is no damage done by starting to put the water into the ground. Mr. Alvarez reviewed the recommendations given in the staff report. A discussion regarding this matter ensued. Mr. Kinsey stated he does not have the authority from the district to authorize our purchase of the water today, nor does he have the authority to commit the district to make a payment of in excess of \$1M today. Mr. Kinsey stated possibly working out a funding strategy first would start this process in the best order. Mr. Kinsey stated he understands discussions have taken place with IEUA for them to possibly purchase the water now, with the understanding that when there is a desalter replenishment obligation beginning in 2013, Watermaster would purchase the water back from them to meet that replenishment obligation. Mr. Love stated that IEUA does not have the money to purchase this water; however, discussions have begun on some financial scenarios, but there has been no IEUA board approval to proceed with any financial obligations presently. Mr. Love offered comment on some of the financial scenarios. A discussion regarding finances ensued. Chair Jeske offered comment on some of the next steps that need to take place and offered some suggestions and possible recommendations. Mr. Young stated he is in agreement with what has been discussed and noted whether it is 25,000 or 26,000 acre-feet that has been committed to being purchased by parties, is going to take some time to get that water into the ground so there is time for decisions to be made on how that is going to be paid for. Mr. Young stated Fontana Water Company is still waiting for some sort of term sheet. A discussion on Mr. Young's comments ensued. Ms. Rojo stated the method for this has already been approved through the Peace II process. Ms. Rojo discussed page 25 of the meeting package regarding returning funds to the Appropriators through the assessment process and other potential available funds. Ms. Maurizio offered comment on the six water transactions just approved in the Consent Calendar and noted some of the monies Ms. Rojo are referring to will almost be completely depleted for the reserve amount in the replenishment column. Mr. Tock offered comment on wet water, the process, and MWD needs as far as timing is concerned. Mr. Tock inquired if Watermaster can take this endeavor through the June Watermaster process while giving MWD enough notice. Mr. Alvarez stated 'the sooner the better' is the answer MWD needs. Mr. Love stated the water is available from now until December 31, 2011, and as of last Tuesday, MWD staff stated they had received comments of interest for a little less than 200,000 acre-feet. The water will be prioritized on the basis of first delivery and they will not honor any reserve commitments; IEUA is the first agency to begin taking delivery of this water. Mr. Kinsey discussed the recommendations and commented on this item. Counsel Fife stated the fourth item in Watermaster's recommendation regards the legal matters and needs to taken care of as we go through this process. Counsel Fife offered legal comments on this potential course of action, or actions, so that the legal side of this does not interfere with the physical side of this. A lengthy discussion regarding Counsel Fife's comments, what the motion should capture, and storage accounts ensued. Mr. Garibay inquired about the restrictions for this water to the end user. Mr. Alvarez stated the restrictions from MWD is that it be replenishment water.

Motion by Kinsey second by Zvirbulis and by unanimous vote

Moved to: 1) Authorize individual agencies/parties to directly purchase the MWD replenishment water themselves 2) Authorize Watermaster to work with Inland Empire Utilities Agency to negotiate a potential financing plan with the goal of bringing the plan back through the Watermaster process in June for the purchase of the MWD replenishment water, and 3) Authorize, if necessary, the preparation of

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agreements required to implement these measures and to pursue and obtain expedited ex parte Court approval, if necessary, of the preemptive purchase of replenishment water and to shorten time for the review and approval of storage agreements for supplemental water for the reasons set forth below. This approval will be sought with the express acknowledgment that it does not create precedent for future preemptive purchases and that Watermaster will be submitting a broader policy application to the Court in coordination with the Recharge Master Planning effort, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Paragraph 31 Appeal

Counsel Fife stated Watermaster's deadline for filing its brief was May 17, 2011 and there is an automatic 15 day grace period for that filing. There are some discussions taking place presently between the Appropriative and Non-Agricultural Pool. The Ad-Hoc Committee, which was appointed by the Watermaster Board, indicated to counsel to hold on to the brief while those discussions take place. A brief discussion regarding this matter ensued.

2. Restated Watermaster Judgment

No comment was made regarding this item.

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

Counsel Fife stated the letter supporting this item is available on the back table and there is no new update since the Pool meetings.

B. ENGINEERING REPORT

1. GE Application for Recharge Description and Status

Mr. Malone stated Wildermuth Environmental is conducting an analysis of the potential for material physical injury with the GE Injection Project. The analysis is complete and conclusions are being developed presently. There is nothing further to report on today; however, there will be a full report given during the Pool meetings in June.

2. Summary of HCMP Annual Report

Mr. Malone stated the Maximum Benefit Annual Report has been published and is on the Watermaster website. A presentation on this report was given at the Pool meetings earlier this month. There were no questions or further comments made regarding this item.

C. CEO/STAFF REPORT

1. Recharge Update

No comment was made regarding this item.

2. MWD Replenishment Rate Water

No comment was made regarding this item.

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

No comment was made regarding this item.

D. INLAND EMPIRE UTILITIES AGENCY

1. MWD Update

Mr. Love offered comment on the recent MWD board meeting and noted the vote for the sale of replenishment water was 56 in favor to 44 against, so their board was not in full support of this item. Mr. Love stated with that motion for the sale of that water, there was direction that staff will come back to the MWD board by the end of this year with proposed revisions to the Replenishment Program. Mr. Love offered further comment on this matter.

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2. Proposed Water Softener Ordinance Update

Mr. Love stated with regard to the proposed water softener ordinance, there is a public hearing scheduled for June 15, 2011 at 7:00 p.m. and all are welcome to attend that workshop. Mr. Love offered comments on the history of this matter and what is taking place presently. A brief discussion regarding this matter ensued.

3. Monthly Water Use Report

No comment was made regarding this item.

4. State and Federal Legislative Reports

No comment was made regarding this item.

5. Community Outreach/Public Relations Report

No comment was made regarding this item.

7. IEUA Monthly Water Newsletter

No comment was made regarding this item.

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

No comment was made regarding this item.

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. COMMITTEE MEMBER COMMENTS

Mr. Craig offered comments regarding implementing/developing groundwater resources which help MWD manage its peak demands. Mr. Craig encouraged all the parties who have an influence in their social network or have any political connections to fight the fight and push MWD in a direction that benefits this basin; this is a dangerous point in time that we are in. Mr. Craig stated we need to rely on long-term replenishment capability through MWD. Chair Jeske commented on Mr. Craig's statements.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

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

No confidential session was called.

VIII. FUTURE MEETINGS

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.	2 nd Budget Workshop @ CBWM
Tuesday, May 24, 2011	9:00 a.m.	GRCC Meeting @ CBWM
Thursday, May 26, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Thursday, June 2, 2011	1:00 p.m.	Appropriative Pool Meeting @ CBWM
Thursday, June 2, 2011	2:30 p.m.	Non-Agricultural Pool Conference Call Meeting

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Thursday, June 9, 2011	9:00 a.m.	Agricultural Pool Meeting @ IEUA
Thursday, June 16, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, June 16, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, June 23, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Friday, July 8, 2011	10:30 a.m.	Watermaster Court Hearing @ Chino Court

The Advisory Committee meeting was dismissed by Chair Jeske at 10:00 a.m.

Secretary: _____

Minutes Approved: June 16, 2011