

PERS00240

Minutes
**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**
June 23, 2011

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9841 San Bernardino Road, Rancho Cucamonga, CA, on June 23, 2011 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair
Bob Kuhn
Steve Eile
Ken Jaske
Paula Lantz
Tom Haughey
Charles Field
Geoffrey Vanden Hauvel
Paul Hofer

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

WATERMASTER BOARD MEMBERS ABSENT

Bob Bowcock

Vulcan Material's Company (Calmat Division)

Watermaster Staff Present

Desi Alvarez
Danielle Maurizio
Joe Joswiak
Ben Pak
Sherri Molino

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

Watermaster Consultants Present

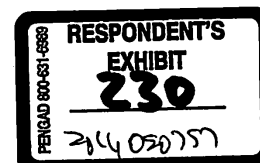
Scott Slater
Mark Wildermuth
Andy Malone

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

Others Present Who Signed In

Marty Zvirbulis
Mohamed El Amamy
Scott Burton
Dave Croaley
Ron Craig
John Mura
Ben Lewis
Terry Catlin
Chris Berch
Daryl Grigsby
Raul Garibay
Curtis Paxton
Bob Feenstra
Jeff Pierson
Jennifer Novak
Mark Kinsey
Jack Safely
Eunice Ulloa
David De Jesus

Cucamonga Valley Water District
City of Ontario
City of Ontario
City of Chino
City of Chino Hills
City of Chino Hills
Golden State Water Company
Inland Empire Utilities Agency
Inland Empire Utilities Agency
City of Pomona
City of Pomona
Chino Desalter Authority
Agricultural Pool - Dairy
Agricultural Pool - Crops
State of California, Dept. of Justice, CIM
Monte Vista Water District
Western Municipal Water District
Chino Basin Water Conservation District
Three Valleys Municipal Water District



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Hank Stoy
Sheri Rojo

Cucamonga Valley Water District
Consultant for Fontana Water Company

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

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

Mr. Alvarez stated Business Item II A. Watermaster 2011-2012 Budget will be pulled from the agenda. It was noted the budget will be brought back through a Public Hearing next month for consideration.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting held May 26, 2011

Minutes were pulled by Mr. Vanden Heuvel.

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of April 2011
2. Watermaster VISA Check Detail for the month of April 2011
3. Combining Schedule for the Period July 1, 2010 through April 30, 2011
4. Treasurer's Report of Financial Affairs for the Period April 1, 2011 through April 30, 2011
5. Budget vs. Actual July through April 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 28, 2011

Mr. Vanden Heuvel pulled the minutes for discussion. A discussion regarding the presented minutes ensued. It was noted Mr. Vanden Heuvel would work with the recording secretary to revise a portion of the minutes and then they would be brought back next month.

*Motion by Elle, second by Haughay, and by unanimous vote
Moved to approve Consent Calendar Items B and C, as presented*

Added Comment:

Mr. Pierson inquired about the restated Judgment and how the wording in the minutes would be involved in that effort. Counsel Slater stated there is an intention to take all prior Judgment amendments and bring them through in an integrated document so there are no negotiations associated with the effort. It is only a scribes exercise to efficiently produce a restated Judgment with all of its terms in one location as opposed to being scattered through amendments and court orders. Counsel Slater stated all those documents would then be in one place. There has been a suggestion that something more aggressive would be intended, which would be to transform the existing agreements into new provisions of the Judgment. That is a much more extreme effort and it is unclear that there is support for doing that type of work. Counsel Slater stated Watermaster is intending to hold a meeting and, when this board convenes next month, staff will have the input of the parties as to which path they would like Watermaster to take. Counsel Slater stated it depends on what that effort ends up looking like to answer Mr. Pierson's question. If it is only a scribes exercise then no, there are already articulations about what de minimus means.

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II. BUSINESS ITEMS

A. WATERMASTER 2011-2012 BUDGET

Staff Recommends Approval of the 2011-2012 Watermaster Budget

This item was pulled from the Agenda. No further comment was made.

B. PURCHASE OF 50,000 ACRE-FEET WATER FROM METROPOLITAN WATER DISTRICT

Mr. Alvarez stated this is an updated item and for follow-up action on the progress of the purchase of the 50,000 acre-feet of replenishment water. This was an opportunity that became available last month when the Metropolitan Water District made the replenishment rate through the end of this year. Mr. Alvarez stated the Board considered this item last month. The item before this Board today is to approve two recommendations. Mr. Alvarez explained the recommendations in detail. Mr. Alvarez stated after the vote is taken on the first two items, a presentation regarding the financing of the water will be given. It was noted the Advisory Committee approved the two recommendations last week. A brief discussion regarding this item ensued.

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

Moved to approve 1. The applications of Fontana Water Company and Niagara Water Company for Local Storage Agreements, and 2. The Watermaster Board waived the thirty day notice period (Watermaster Rules and Regulations Section 10.10) and the twenty-one day consideration period (Watermaster Rules and Regulations Section 10.11) for Applications for Local Storage Agreements. This request is sought with the express acknowledgment that it does not create precedent for future applications, as presented

Mr. Alvarez stated the upcoming presentation will provide information on the financing alternatives which are being considered for the purchase of a portion of the MWD replenishment water. Mr. Alvarez stated a portion of this water is already being paid for by Fontana Water Company and Niagara Water Company, who are purchasing some of the replenishment water. The financing will be for the remainder of the water. Mr. Alvarez gave the financing presentation in detail which included Financing Alternatives, Special Assessment, Watermaster Bank Financing, and Regional Agency Financing. Mr. Alvarez stated this is an information item only and meant to begin dialogue amongst the parties. Mr. Alvarez stated this item will come back next month for consideration, and a workshop has been scheduled with this regard on July 5, 2011 at 2:00 p.m. Mr. Kuhn inquired about the Bank of America financing. Mr. Alvarez stated Mr. Joswiak has been speaking with the banks under consideration. A discussion regarding interest and other bank charges ensued. Mr. Elle stated Inland Empire Utilities Agency (IEUA) is not a bank; however, the agency recognizes the availability of this water and parties want to take the water in as soon as possible. If IEUA needs to assist in that endeavor then that will be the case. Mr. Elle stated the motion he made at the IEUA Board meeting was that if IEUA finances this loan IEUA will receive full reimbursements for anything out of pocket that had to be paid out. Also, IEUA wants to encourage the Watermaster family to find other creative ways so that IEUA does not have to loan the money, including the 2% waived fee. Mr. Vanden Heuvel stated he sits on the Chino Basin Water Conservation District's (CBWCD) board and they voted to authorize staff to enter into discussions with Watermaster to facilitate a loan. Mr. Vanden Heuvel offered comment on the differences between IEUA and CBWCD loans. Mr. Joswiak noted he reviewed the Term Sheet and it is a fixed rate of 1.9% from Bank of America. Mr. Kuhn inquired about the number of years the loan will be for. Mr. Joswiak stated the loan would be for 30 months.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. CDA Facilitation

Counsel Slater stated that last November the Board adopted a resolution which set the stage to proceed to court and obtain direction including a court order to proceed with the

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expansion. Counsel Slater thanked all the agencies who participated in this extremely long process. Counsel Slater stated MWD approved the request for a local resources program grant. Watermaster is now in the position to meet with all of the Watermaster stakeholders to present the case to the court this fall. Counsel Slater stated there is an ongoing technical issue which relates to achieving Hydraulic Control and there is now a designated well field. Watermaster is now in the process of locating the wells. Counsel Slater stated Watermaster wants to make sure that staff is as efficient as possible in both obtaining Hydraulic Control and meeting the production demands of the expansion group and CDA members; discussions are underway. Counsel Slater stated this is an issue that requires additional technical attention. Mr. Vanden Heuvel stated in prior month's reports, both from legal and staff, it has been indicated that as the test wells are drilled a question arises whether the original plans for the number of wells are going to meet the production targets. Mr. Vanden Heuvel inquired about meeting those targets. Counsel Slater stated this issue is of critical importance and Watermaster is going to court with a final plan. Under the Peace II Agreement, once the final plan is set with court approval, there is no further obligation with regard to the project for course corrections if the targets are not met. Counsel Slater stated there are two elements with this regard; one will be to achieve Hydraulic Control and to achieve the production requirements. Counsel Slater stated, based upon recent conversations with Wildemuth Environmental staff and the CDA staff, it is felt that the Hydraulic Control aspect is within our sites and that we will hit that one target. Counsel Slater stated the issue is still present whether or not we will hit the production requirements. The hope is that with further input we will, in fact, hit the production expectations; this is currently not done and further dialog needs to take place. Counsel Slater stated this all needs to be resolved prior to taking this to the court and more will be known next month to report on. Counsel Slater stated a few technical meetings will need to take place prior to next month's meetings. Mr. Vanden Heuvel stated it is not just the court; it is the Regional Water Quality Control Board (RWQCB) which needs to approve this. Mr. Vanden Heuvel wanted to make sure that the RWQCB is kept fully apprised of what is going on and, if there is any paperwork exchanged, he would like the Board to receive copies. Counsel Slater stated he understood the request.

2. Restated Watermaster Judgment

Counsel Slater stated what is most needed is 20 years of court orders located in one single place. There have been several amendments made to the Judgment, there have been amendments made to the Rules & Regulations, and two agreements on the implementation plan associated with those; however, what we don't have is a cross referenced or an integrated tool. Counsel Slater stated that what will benefit the court and the parties is to have a fully annotated stack of documents where everything is together and all the material orders, and the provisions in those orders, are referenced. Counsel Slater explained how those documents influence how the Judgment is interpreted, or should be enforced. It is by inputting footnotes and cross references so that when a person/party reads a specific paragraph in the Judgment, they can see where it was originally referenced. Counsel Slater stated this format was the preferred thought rather than a complete rewrite, which would be a daunting task. Counsel Slater stated a meeting on the Restated Judgment will be scheduled within the next 2 weeks and after that meeting staff will be back seeking direction from this Board. Mr. Vanden Heuvel stated he does not want this exercise turning into Peace III and he offered comment on the creation of this process.

3. September 30, 2011 Court Hearing

Counsel Slater stated this was a convenient date for the Judge and for Watermaster. This hearing will accomplish two goals. The first is the report on the CDA Expansion, and the second is whatever is going to be done regarding the Restated Judgment. Counsel Slater stated it is possible that one of those items will be presented at that hearing. However, the anticipation is to take both matters to court. This will dictate a pace and a schedule for Watermaster through the months of July, August, and September.

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Added Comment:

Mr. Vanden Heuvel stated there is nothing on the agenda with regards to the Chino Airport Plume as it intersects with the CDA, and no new report has been given with this regard recently. Mr. Vanden Heuvel offered comment on this matter. Mr. Ellis stated this should be a closed session item because of the litigation. Mr. Vanden Heuvel inquired if Watermaster is still involved in this issue, or is this now a complete CDA issue. Counsel Slater stated this is part of this Board's concern. Mr. Paxton stated the CDA board voted to file litigation against the county and are waiting on a determination whether Watermaster still wants to join in that litigation. Mr. Vanden Heuvel inquired if counsel is going to report on this matter. Counsel Slater stated yes and possibly during the closed session today.

B. CEO/STAFF REPORT

1. Recharge Update

Mr. Alvarez stated the replenishment water has been being taken in since May 16, 2011, and 7,500 acre-feet of water has been recharged to date. This is slightly less than what was anticipated. Mr. Alvarez stated this is about 75% of what was thought to be recharged and staff is going to be looking at ways to increase that intake.

2. Horizontal Extensometer Update

Mr. Alvarez stated there are some ongoing negotiations for a temporary lease for access to some property for installation of a horizontal extensometer. When that lease is negotiated and ready, it will come to the Board for approval next month. A brief discussion regarding this item ensued.

IV. INFORMATION

1. Cash Disbursements for May 2011

No comment was made regarding this item.

2. Newspaper Articles

No comment was made regarding this item.

3. State Water Supply Conditions

No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

Ms. Lantz stated that last month she requested something in writing regarding the Brown Act. Counsel Slater stated that is being worked on and it will be brought forth shortly.

VI. OTHER BUSINESS

No comment was made regarding this item.

The regular open Watermaster Board meeting was convened to hold its confidential session at 11:50 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. South Archibald Plume
2. Paragraph 31 Motion

The confidential session concluded at 12:24 p.m.

There was no reportable action from the confidential session.

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VIII. FUTURE MEETINGS

Thursday, June 23, 2011	11:00 a.m.
*** Tuesday, July 5, 2011	2:00 p.m.
* Thursday, July 14, 2011	9:00 a.m.
* Thursday, July 14, 2011	11:00 a.m.
** Thursday, July 14, 2011	1:00 p.m.
Thursday, July 21, 2011	8:00 a.m.
Thursday, July 21, 2011	9:00 a.m.
Thursday, July 21, 2011	10:30 a.m.
Tuesday, July 26, 2011	9:00 a.m.
Thursday, July 28, 2011	11:00 a.m.

Watermaster Board Meeting @ CBWM
Replenishment Water Financing Workshop
Appropriative Pool Meeting @ CBWM
Non-Agricultural Pool Conference Call Meeting
Agricultural Pool Meeting @ CBWM
IEUA Dry Year Yield Meeting @ CBWM
Advisory Committee Meeting @ CBWM
Land Subsidence Committee Meeting @ CBWM
GRCC Meeting @ CBWM
Watermaster Board Meeting @ CBWM

- * Note Date and Time Change
- ** Note Date, Time, and Location Change
- *** New Workshop Added to July Calendar

The Watermaster Board meeting was dismissed by Chair Willis at 12:31 p.m.

Secretary: _____

Minutes Approved: July 28, 2011