

PERS00256

Minutes
CHINO BASIN WATERMASTER
APPROPRIATIVE POOL MEETING
July 14, 2011

The Appropriative Pool Meeting was held at the offices of Chino Basin Watermaster, 8841 San Bernardino Road, Rancho Cucamonga, CA, on July 14, 2011 at 9:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT WHO SIGNED IN

John Mura, Chair	City of Chino Hills
Mark Kinsey	Monte Vista Water District
Raul Garbay	City of Pomona
Mohamed El-Amamy	City of Ontario
Jo Lynne Russo-Pereyra	Cucamonga Valley Water District
Sheri Rojo	Fontana Water Company
Josh Swift	Fontana Union Water Company
Tom Harder	Jurupa Community Services District
Charles Moorrees	San Antonio Water Company
Dave Crosley	City of Chino
Shaun Stone	City of Upland
Ron Craig	City of Chino Hills

Watermaster Staff Present

Deal Alvarez	Chief Executive Officer
Danni Maurizio	Senior Engineer
Joe Joswiak	Chief Financial Officer
Sheri Molino	Recording Secretary

Watermaster Consultants Present

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

Others Present Who Signed In

Andy Campbell	Inland Empire Utilities Agency
Chris Borch	Inland Empire Utilities Agency
Justin Scott-Coe	Monte Vista Water District
Seth Zielke	Fontana Water Company
David DeJesus	Three Valleys Municipal Water District
Eunice Ulloa	Chino Basin Water Conservation District
Ken Jeske	California Steel Industries
John Schatz	Attorney at Law
Dan McKinney	Ag Pool Special Counsel
Jill Willis	Best Best & Krieger

Chair Mura called the Appropriative Pool Meeting to order at 9:01 a.m.

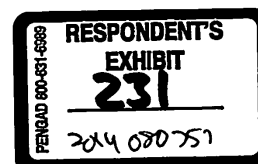
AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Appropriative Pool Meeting held June 2, 2011



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B. FINANCIAL REPORTS

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

*Motion by Kinsey second by El-Amamy, and by unanimous vote
Moved to approve Consent Calendar Items A and B, as presented*

C. WATER TRANSACTION

1. Consider Approval for Notice of Sale or Transfer – Fontana Water Company ("Company") has agreed to purchase from The Nicholson Trust annual production right in the amount of 7,000 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2010/2011. Date of Application: June 21, 2011, Date of Notice: July 7, 2011

Mr. Kinsey pulled the Water Transaction for discussion regarding the 85/15 Rule. Mr. Kinsey stated he has concerns regarding this matter and requested a more in depth analysis be done on the 85/15 Rule at a future meeting.

*Motion by Kinsey second by El-Amamy, and by unanimous vote
Moved to approve Consent Calendar Item C, as presented*

II. BUSINESS ITEMS

A. ACQUISITION OF RIGHT OF ENTRY AGREEMENT FOR HORIZONTAL EXTENSOMETER

Mr. Alvarez stated this is a Right of Entry Agreement that is being presented today for your approval and authorization for Watermaster to enter into the agreement. The purpose of the agreement is to obtain access to a property for the installation of a horizontal extensometer which will be to collect data as part of the study that is being done in conjunction with looking at land subsidence in the M21 area. Mr. Alvarez stated at that site there will be controlled aquifer tests which will induce some drawdown and will provide valuable data on settlement as part of this comprehensive study. Mr. Kinsey inquired about the length for the Right of Entry Agreement. Mr. Alvarez stated the agreement is for a period of 21 months and there is a fee of \$1,000, which will go to the property owner associated with the agreement. Chair Mura offered comment on work being done in the M21 area. Mr. Kinsey inquired about the costs of the extensometer. Mr. Wildermuth stated hardware was purchased last year; however, he does not know the other costs off hand. Mr. El-Amamy inquired about the \$1,000 fee. Mr. Alvarez stated this is what the owner agreed to and noted this is a onetime fee. Counsel Fife offered comment on the land owner's request for only a 21 month period. A discussion regarding this matter ensued. Mr. Alvarez stated staff recommends approval of the agreement, including the fee to the land owner.

*Motion by Kinsey second by Crosley, and by unanimous vote
Moved to approve Acquisition of Right of Entry Agreement for the Horizontal Extensometer and payment of \$1,000 to the land owner, as presented*

B. UPDATE OF CHINO BASIN GROUNDWATER MODEL - (Information Item Only)

Mr. Wildermuth stated the technical work that he is going to discuss was originally planned in the prior year's budget as part of the safe yield computation. Mr. Wildermuth stated when the Recharge Master Plan was updated last year, one of the items that was to be included was a recommended methodology to calculate safe yield. Mr. Wildermuth stated in Section 3 of that report the methodology was outlined in two parts. The first part was a ten year look back of computation of developed yield and a forward looking calculation for safe yield. Mr. Wildermuth stated due to budget constraints last year, this work was not included completely; only a portion of that work was included on the ten year look back on developed yield. Mr. Wildermuth stated

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In going forward, and looking at all the things that Watermaster is supposed to do pursuant to the Judgment, Peace Agreement, Peace II Agreement, the Rules & Regulations, and the September 2010 court order authorizing things to move forward for the Recharge Master Plan; this is a slightly expanded version of that scope. Mr. Wildermuth gave the Update to the Chino Basin Groundwater Model and Evaluation of the Basin Dynamics presentation in detail. Mr. Wildermuth thoroughly reviewed the general outline, questions that need to be answered, and what work has to be done to answer these questions. Mr. Wildermuth discussed the planning process for scenario 1 – recalibration; the planning process for scenario 2 – safe yield and balance; the planning process for scenario 3 – new yield; the planning process for scenario 4 – storage losses; and the planning process scenario 5 – transfers in detail. Mr. Wildermuth reviewed what is needed from the parties and others to complete this work in detail. Mr. Wildermuth noted a workshop needs to be held in the October time frame to discuss the calibration results and planning scenarios, and a second workshop needs to be held in the January/February time frame to present planning results. Mr. Kinsey inquired about the accuracy of the model with the new modifications. Mr. Wildermuth stated this is more than just a simple tweak to the model which will provide additional valuable information more accurately. A discussion regarding the model update ensued. Ms. Russo-Pereyra inquired about the actual cost of the model. Mr. Wildermuth stated he will get the cost of the study and present it at a future meeting because those numbers are not available presently. A lengthy discussion regarding Mr. Wildermuth's presentation ensued.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Paragraph 31 Appeal

Counsel Fife stated there is not much to add regarding the Paragraph 31 appeal from Watermaster's perspective. Counsel Fife stated Watermaster filed its reply brief in June and since then there have been settlement discussions going on between the Appropriative Pool and the Non-Agricultural Pool. Counsel Fife stated Watermaster has been involved only to facilitate those discussions; no settlement has been reached to date. Counsel Fife stated the Appropriative Pool is currently scheduled to file its reply brief on July 25, 2011.

2. Restated Watermaster Judgment

Counsel Fife stated there was a workshop on the Restated Watermaster Judgment on July 7, 2011. Counsel Fife stated there had been discussions on broadening the scope of the assignment that Judge Reichert gave to Watermaster. At the workshop last week three possible avenues were discussed for working on this assignment. The first one was to strictly adhere to what Judge Reichert assigned, which is to take the language of the amendments as they were approved over the course of the years since 1978, cut and paste them into the Judgment, and have some indication of where those changes were made. The group was supportive of creating such a document, which will be an unchanged document except for plug-ins of the amendments as they were made. Counsel Fife stated there was support for doing it that way, and that draft will be available next week. Counsel Fife stated that format will be provided to Judge Reichert at the September 30, 2011 hearing for his approval. There was also a discussion on doing something more than what was required by Judge Reichert as an annotated Judgment, which will be an unofficial document, not adopted by the court, that would contain footnotes so that for any given section of the Judgment a person/party could cross-reference the Peace Agreement, the Rules & Regulations, etc. There were discussions on possibly having work groups to work on various parts of this annotated Judgment and this is something that will be worked on an ongoing basis after the other document is produced and taken to court. A discussion regarding Phase 1 ensued. Counsel Fife stated the third alternative, which is to actually go in and update the language and change things in the Judgment, received no support at the workshop. Counsel Fife stated the goal is to stick to a Restated Judgment and not a rewritten Judgment. Counsel Fife stated there will be due process issues so a plan will need to be taken to the court for approval that meets due process requirements and will

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adequately provide notice to people so that the court has jurisdiction over them; this is currently being worked on.

3. September 30, 2011 Hearing

Counsel Fife stated this is the hearing which was going to take place on July 8, 2011; however, it has been continued to September 30, 2011. Counsel Fife stated the main subject for that hearing is the Desaster Resolution; Metropolitan Water District has approved the LRP Funding Agreement which was the last Condition Subsequent on that agreement. Counsel Fife stated the pleadings for that hearing will be drafted in August for the September hearing. Counsel Fife stated the goal is to have Phase 1 for the Restated Judgment completed for the approval by the court at the September hearing. A brief discussion regarding the hearing ensued.

B. **ENGINEERING REPORT**

1. Progress Report on the State of the Basin Report

Mr. Wildermuth stated back when the Judge approved the Peace Agreement, it was a requirement at that time that every two years a State of the Basin Report would be done; this report has evolved over time. Mr. Wildermuth stated this report, which contains all the analytical work, is done and staff is trying to pull the final graphics together. This year it is going to be done differently. Instead of being a big binder with a lot of drawings and text, it is going to be just a coffee table size book, unfolded, with no text and only annotated charts, maps, and tables. Mr. Wildermuth stated this is an experiment that was in last year's budget that will be tried this new way, which will save money and provide just the key exhibits. Mr. Wildermuth stated if Watermaster wants a full on text version of this report later, that can be done in a subsequent report. Mr. Wildermuth stated that report will be available near the end of this month and will be on the Watermaster website, with limited hard copies being made available.

C. **CEO/STAFF REPORT**

1. Recharge Update

Mr. Alvarez stated on May 16, 2011 Watermaster started taking deliveries of water purchased from Metropolitan Water District (MWD). Mr. Alvarez stated the goal was to take in 50,000 acre-feet of water from that date through the end of the year. Mr. Alvarez stated that to-date there has been 12,700 acre-feet taken in, which is at about 80% of the anticipated goal. Mr. Alvarez stated a few of the basins are in the process of having maintenance work done on them which will assist in taking in more water; however, even with those repairs, staff is not positive the entire 50,000 acre-feet will be able to be taken in. Mr. Kinsey inquired about where the other monies are coming from. Mr. Alvarez stated the second part of this item is regarding the financing of the water. Mr. Alvarez stated staff was directed to work out financing arrangements and one of those possibilities is a loan with the Chino Basin Water Conservation District (CBWCD). Mr. Alvarez stated recently the CBWCD board of directors met and approved a loan up to \$5M to Watermaster and authorized their general manager to execute a loan agreement with Watermaster subject to a few conditions; 1) The interest on the loan will be variable of LAIF plus 1.5%, 2) The interest will be paid at quarterly intervals with the principal due and payable in one lump sum in January 2015, and 3) The loan on the agreement once it is approved by the Watermaster Board is to be presented to the court for approval, recognizing that Watermaster, under its authority, is actually able to enter into a loan agreement to borrow money and will be pledging a future assessment for purposes of repaying those funds. Mr. Kinsey offered comment on the Investment Policy. A discussion regarding the Investment Policy ensued. Mr. Kinsey asked that staff look into in-lieu with regard to taking this water in; this might assist in reaching the 50,000 acre-foot goal. Mr. Alvarez stated he would look into that and would schedule a meeting to meet with IEUA staff to discuss this matter.

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2. 88/16 Rule Review

Mr. Alvarez stated this item was on the agenda from a request from the Appropriative Pool members and it will be brought back with a detailed presentation in the August/September timeframe.

D. INLAND EMPIRE UTILITIES AGENCY PRESENTATION

1. GWR Update - Andy Campbell

Mr. Campbell stated he is here today to give an update on the Groundwater Recharge Program. Mr. Campbell gave the Recycled Water Groundwater Recharge Program Background and Status Update. Mr. Campbell evaluated a map of the Chino Basin Recharge Facilities Overview in detail. Mr. Campbell reviewed the chronology of the Recharge Program from 1978 through the present. Mr. Campbell discussed the permitting overview, recycled water contribution, permit amendment process, and key changes of the 2009 permit amendment in detail. Mr. Campbell explained the recharge site recycled water contribution graph and management plans. Mr. Campbell reviewed several charts on historical and planned recharge. Mr. Campbell stated fiscal year 2010/2011 was a record year for recycled water recharge and reviewed a slide showing the acre-feet recharged during this period. Mr. Campbell discussed the value of groundwater recharge and Metropolitan Water District's water rates in detail. Mr. Campbell stated investment in the basin modifications is approximately \$80 million dollars, with 50% being grant funded. Mr. Campbell stated IEUA coordinates introduction of recharge waters and basin operation and maintenance, and noted Watermaster pays for operation and maintenance minus IEUA's pro rata cost share for recycled water. Mr. Campbell stated the basins need to be ready to take all waters at any time and he reviewed the various Chino Basins in detail. Mr. Campbell discussed proactive basin maintenance, which maximizes capture of available water and discussed what maintenance is and why it's important, along with proactive annual cleaning. Mr. Campbell discussed improvement ideas for increased stormwater capture in detail. Mr. Campbell reviewed maps of the San Sepalva Basin Pump Station and the Turner/Guasti Project Status.

IV. INFORMATION

1. Cash Disbursements for June 2011

No comment was made regarding this item.

2. 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 regular open Appropriative Pool meeting was convened to hold its confidential session at 10:30 a.m.

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 10:58 a.m.

There was no reportable action from the confidential session.

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VII. FUTURE MEETINGS

Thursday, July 14, 2011	9:00 a.m.	Appropriative Pool Meeting @ CBWM
Thursday, July 14, 2011	11:00 a.m.	Non-Agricultural Pool Conference Call Meeting
Thursday, July 14, 2011	1:00 p.m.	Agricultural Pool Meeting @ CBWM
Thursday, July 21, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, July 21, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, July 21, 2011	10:30 a.m.	Land Subsidence Committee Meeting @ CBWM
Tuesday, July 26, 2011	8:00 a.m.	GRCC Meeting @ CBWM
Thursday, July 28, 2011	11:00 a.m.	Watermaster Public Hearing @ CBWM
Thursday, July 28, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Friday, September 30, 2011	10:30 a.m.	Watermaster Court Hearing @ Chino Court

The Appropriative Pool Committee meeting was dismissed by Chair Mura at 10:58 a.m.

Secretary: _____

Minutes Approved: August 11, 2011