

PERS00420

Minutes
CHINO BASIN WATERMASTER
NON-AGRICULTURAL POOL CONFERENCE CALL MEETING
August 11, 2011

The Non-Agricultural Pool Conference Call Meeting was held via conference call using the Chino Basin Watermaster conference call number on August 11, 2011 at 11:00 a.m.

NON-AGRICULTURAL POOL MEMBERS PRESENT ON CALL

Bob Bowcock, Chair	Vulcan Materials Company (Calmet Division)
Ken Jeske, Vice-Chair	California Steel Industries
Dennis Poulsen, Alternate	California Steel Industries
Brian Geys	Auto Club Speedway
Tom O'Neill, Alternate	City of Ontario Non-Agricultural Pool
David Penrice	Aqua Capital Management LP
Bob Lawhn	Genon Electric

NON-AGRICULTURAL POOL MEMBERS PRESENT AT WATERMASTER

Scott Burton City of Ontario Non-Agricultural Pool

WATERMASTER BOARD MEMBER PRESENT AT WATERMASTER

Bob Kuhn Three Valleys Municipal Water District

Watermaster Staff Present at Watermaster

Desi Alvarez	Chief Executive Officer
Joe Joswiak	Chief Financial Officer
Janine Wilson (first 12 minutes)	Recording Secretary
Shari Molino	Recording Secretary

Watermaster Board Counsel Present at Watermaster

Michael Fife Brownstein, Hyatt, Farber & Schreck

Chair Bowcock called the Non-Agricultural Pool Conference Call meeting to order at 11:04 a.m.

ROLL CALL

Janine Wilson called roll call.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

I. BUSINESS ITEMS

A. MINUTES

1. Minutes of the Non-Agricultural Pool Conference Call Meeting held July 14, 2011

*Motion by Jeske second by Geys, and by unanimous vote
Moved to approve July 14, 2011 minutes*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of June 2011
2. Watermaster VISA Check Detail for the month of June 2011



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spread out over the previous year's production; all will be assessed. Mr. Crosley stated the numbers that are being described here are an attempt to estimate what that unknown future is. Mr. Alvarez stated that is correct. Mr. Crosley offered final comments on this matter and noted there might be Appropriators that want to transfer water instead of transferring money to pay for their share of the assessment. Ms. Rojo stated what she understands is there is a set formula to assess for the desalter over production and then if a party has water they want to contribute it needs to be kept separate. Watermaster could buy water out of storage at the same rate that Watermaster is assessing the party, effectively it would be a wash but in two separate transactions. Mr. Alvarez stated that is correct and the parties will be paying with water but will still be assessed, and then the two basically cancel each other out. Mr. Crosley stated the City of Chino would like to express appreciation to the municipal agencies and the Conservation District for stepping forward and lending a hand.

Revised: Motion by Kinsey second by Russo-Pereyra, and by majority vote – Tock voted no
Moved by a majority vote to move staff recommendations, adding the conditions that Watermaster staff, Three Valleys Municipal Water District, and Inland Empire Utilities District negotiate final terms of the Storage Agreement for consideration at the next Advisory Committee meeting, and that Fontana Water Company and Cucamonga Valley Water District participate in that process on behalf of the Appropriative Pool, as presented

- D. PRESENTATION ON THE STATE OF THE BASIN REPORT (For Information Only)**
Mr. Alvarez stated this is more than a five minute presentation and inquired if the parties want to take the time to see this presentation or hold off until next month. It was noted this presentation will be given at the next Appropriative Pool meeting in September.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. **September 30, 2011 Hearing**
Counsel Fife stated there is a hearing scheduled for September 30, 2011 for the CDA Resolution and the Restated Judgment. Counsel Fife stated counsel is in the process of preparing all those materials and there will also be witnesses at the hearing which will provide the Judge more information on the Desalters; like the hearings that were done for Judge Wade a few years ago. Counsel Fife stated as materials are presented they will be circulated.
2. **Restated Judgment**
Counsel Fife stated that Phase I has been posted to the Watermaster ftp site and the only comment received back so far was that there was an appendix to the land use conversion amendment which was supposed to be part of the Judgment. An electronic copy was created and posted on the ftp site. A database was also created of all of the prior orders of the court going back to 1978. Counsel Fife stated no other comments were received and a conference call or meeting will be scheduled to make sure all the parties are comfortable with the materials. If there is no objection that will be included as part of the agenda for the September 30th hearing which will conclude that part of the project.

B. CEO/STAFF REPORT

1. **Recharge Update**
Mr. Alvarez stated approximately 18,000 acre-feet has been recharged and water recharge has regained some of the capabilities. If we stay at this rate the goal of 50,000 acre-feet estimate might be accomplished.
2. **Water Activity Reports (WAR) Reminder**
Mr. Alvarez stated it is that time of the year when Water Activity Reports are sent out and due back to Watermaster as quickly as possible. After they are received the assessment process can begin.

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(CBWCD) did ask that they take priority in the repayment of any money that is borrowed from them. Mr. Crosley stated there was a second part of his question which related to FWC and Niagara's amounts of water purchased regarding the possibility that it be prorated into some lesser number depending on what was actually purchased and put into the ground. Mr. Alvarez stated they can be prorated and the agreement with both of those agencies states that it is "up to" that amount. Ms. Russo-Pereyra inquired if IEUA and TVMWD are comfortable purchasing the remainder amount minus the 28,000 acre-feet. Mr. Shaw stated IEUA is comfortable with that, and IEUA needs to know sooner rather than later depending on the purchase amount. Mr. Hansen stated TVMWD is willing to help out and staff recognizes the flexibility that the parties need. However, TVMWD is locking at this as a business perspective financially. Ms. Russo-Pereyra stated both of those agencies are willing to help and noted she is not sure why Watermaster does not just go with this offer since they are providing some flexibility. A lengthy discussion regarding going with IEUA and TVMWD for the loans and the terms of the agreements ensued. Mr. Alvarez stated staff needs direction as to what the parties are comfortable with in terms of what should go into the Storage Agreements. The proposal is the total amount of water that is going to go into that agreement is to be determined depending on financing arrangements, and the terms which are being suggested is the replenishment rate as published by MWD and is subject to final negotiations. Mr. Kinsey stated what he is hearing is that Watermaster defined terms as of today. It is a good starting point but still needs refinement. Mr. Kinsey inquired if this can be moved forward now knowing that the final terms are going to be negotiated. Mr. Kinsey inquired from legal if this Committee can approve this subject to finalization of terms that could be brought back to the Advisory Committee. Counsel Fife stated that given there is no term sheet, and legal counsel has not been involved in this process so far, that would really be the only way at this point to move it forward. Counsel Fife stated since IEUA and TVMWD are already talking it should not be that difficult to put together a term sheet to be able to bring back to the Advisory Committee next week. Mr. Kinsey stated it is those who are actually obligated to acquire the water to offset the desalter replenishment obligations that are impacted by the storage losses. Mr. Kinsey also stated there has to be some mechanism where all or a portion can be stuffed into that same bucket that avoids storage losses. Ms. Rojo stated she agrees with Mr. Kinsey's comments and would agree if he made that into a motion. Ms. Russo-Pereyra inquired if a few Appropriators would sit in on those negotiations because if it is going to go straight to the Advisory Committee this will allow for input. Mr. Kinsey stated he has a recommendation for a motion which is to move staff recommendation, with additional items for consideration as to finalizing terms of the Storage Agreement, for consideration by the Advisory Committee at next week's meeting, and that FWC representatives and CVWD representatives participate in the negotiation process. Mr. Tock stated it looks like wherever it goes it is going to have a 2% storage loss. Mr. Tock stated that perhaps it would be cleaner if the Appropriators were asked if they want to purchase this for their storage account. Mr. Tock offered further comments on this matter. A discussion regarding Mr. Tock's comments ensued. Mr. Alvarez stated from the beginning one of the conditions that needed to be certified was that this is replenishment water that is being purchased for replenishment purposes, so all the restraints have always tried to adhere to that requirement. Ms. Russo-Pereyra asked that Mr. Kinsey repeat his proposed motion. Mr. Kinsey stated it is to move staff's recommendations, adding the conditions that Watermaster staff, TVMWD, and IEUA negotiate final terms of the Storage Agreement for consideration at the next Advisory Committee meeting, and that FWC and CVWD participate in that process on behalf of the Appropriative Pool. Mr. Crosley stated it is his understanding that the interests of the City of Ontario and Jurupa Community Services District to enter into this form of a loan agreement would then eliminate them from having to pay any of the financing costs that the Watermaster may incur as it purchases the remainder of water that's desired, and that would be known in approximately the year 2014, and inquired if his understanding was correct. Mr. Alvarez stated what they are trying to do is keep their costs to a bare-bone minimum, so they are anticipating what their assessment would be in 2014 and covering that assessment today by loaning Watermaster that money. Watermaster would still need to go through the assessment formula at the time this obligation is incurred, and then that assessment would be approximately equal to the loan amount that is there. Mr. Alvarez stated there is a specific formula for assessing for the desalter replenishment and the assessment is 80% of that incurred obligation, whatever that number is, spread out over the operating safe yield, and the other 20% of that obligation is

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point in time. Mr. Alvarez stated staff is recommending storage agreements with respective agencies that are interested, and to authorize negotiations with those agencies. Mr. Alvarez stated in the event that Watermaster pays more for the actual cost of the water, staff's recommendation is that a condition be put in to the agreement that the difference in revenue between the actual cost and the actual amount paid be reserved solely for investments in the Chino Basin to be mutually agreed to between the agency and Watermaster. Mr. Garibay stated this item has changed over the past few weeks from when it was first being discussed and offered comment on the participants to date. Mr. Garibay inquired about hitting the mark of 60,000 acre-feet and the possibility of falling short for the entities that purchased the water preemptively. Mr. Alvarez stated that originally the water was split into two portions, and because of the financing arrangement that 50% of the water would be available for preemptive replenishment for the accounts that truly has to acquire replenishment water every year. Then the other 50% was going to be preemptive replenishment for the desalter. The issue became how to finance that water, and Mr. Alvarez reviewed the history on the financing of this water further. Mr. Garibay stated he understands the process; however, there are more players now involved regarding the remainder of water after the purchase from Niagara Bottling Company and Fontana Water Company (FWC) and how will that play out if the 50,000 acre-feet is not accomplished - it's basically short on the spreading and how will that then be allocated amongst those parties. Mr. Alvarez stated that whatever amount is recharged, the idea is a 50/50 split, so 25,000 acre-feet may not be what Niagara and Fontana end up with. Mr. Alvarez stated the other 50% will go towards the desalter replenishment account, and what the actual amounts will be are dependent on the decisions that the parties agree to and the direction given to staff in how to proceed. Mr. Alvarez stated that if Watermaster has financing available then that is going to pay for a significant amount of water. That water would be purchased by Watermaster for an augmentation for the overdraft account. The remaining water would be purchased by IEUA, TVMWD, or whomever a Storage Agreement is entered into with. The actual numbers will be floating on what the total amounts are. Mr. Kinsey offered comments regarding options and issues, and noted the questions are how do we do this and how do we pay for it because there are several different approaches. Mr. Kinsey stated feedback needs to come from IEUA and TVMWD on the terms of the storage deal. Mr. Alvarez stated the proposal that is being recommended by staff is to go back and work with them on the structure the storage deal. A lengthy discussion regarding this matter ensued. Mr. Kinsey stated he is hesitant to having his hands tied as to how he can meet his replenishment obligation, offered further comment on this matter, and noted the parties want flexibility. Mr. Kinsey stated there is a difference of opinion whether the Non-Agricultural Pool has a desalter replenishment obligation. There is no question that the Agricultural Pool does not have any obligation, so as this moves forward the question would be is it appropriate for all three of the Pools to give an approval or not on an obligation that may vested with one or two Pools. Mr. Kinsey stated in going through the conditions for IEUA, they should be afforded more flexibility as to how the water would be used because they don't want to be stuck with this water in storage and be unable to recover their investment because everyone is using their own water in storage to do this. Mr. El-Amamy asked to clarify the City of Ontario's position. Ontario is trying to meet their obligation with minimal costs at whatever vehicle is available to them. Mr. El-Amamy offered comment on costs. A discussion regarding costs ensued. Mr. Tock offered comment on the CDA draw schedule, and noted it would be helpful if the parties had an actual year-to-date or year projection, which might be helpful to see the pace of production and when this assessment is going to happen. Mr. Tock stated one of the key items on the Chino Basin Water Conservation loan was no storage losses would be assessed and this would be directly add to the bucket of non-assessed production. To see a storage account with 2% losses is surprising to Jurupa Community Services District. Mr. Tock stated his most significant concern was the repayment plan. Mr. Alvarez stated the production schedules can be revisited. Mr. Alvarez explained the storage losses of 2% in detail. Mr. Crosley inquired as to the financing of the 24,000 acre-feet of water that the parties want to purchase. Mr. Alvarez stated the financing approach and the amount of water purchased are to be determined on the direction that is provided by the Pools, Advisory, and Board. Mr. Alvarez stated that 100% of that water could go into Storage Agreements because the decision could be parties are not interested in the financing mechanisms. Mr. Alvarez stated in the event there is financing, it is anticipated that it will be common across the board and that everyone will have the same terms with the exception of one, the Chino Basin Water Conservation District

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regarding Counsel Fife's comments ensued. Mr. Alvarez stated nothing precludes the in lieu; Watermaster is trying to make the commitment to pay for the wet water recharge and the in lieu will be above and beyond that, and will be a separate agreement. Mr. Kinsey offered comment on storage losses. Mr. Kinsey stated he is concerned about incurring costs to meet his agencies replenishment obligation for the desalters now, and having to incur costs again because of revenue constraints. Mr. Crosley stated the unrestricted reserve has been mentioned a few times and those reserves are going to be used to make the interest payments on the loans. The parties are curious as to how much each of the parties has contributed over the years into those unrestricted reserves and how that compares with what the parties anticipated being their portion of the loan finance cost. Mr. Alvarez stated the computation of the individual contributions to the unrestricted reserves is more than a difficult task. It should be recognized that the unrestricted reserves are there in the aggregate and that everyone has made some contribution to it. Mr. Kinsey stated it would be easy to prorate percentage of production over the last five years and break up the shares accordingly. Mr. Alvarez offered comment on the reserve break down. Chair Mura stated there is a motion and a second and called for the question.

Motion by El-Amamy second by Rojo, and by majority vote - Mura, Kinsey, and Russo-Pereyra voted no

Moved by a majority vote to authorize staff to work on the loan agreements with the Chino Basin Water Conservation District in an amount not to exceed \$5,000,000.00, with the City of Ontario in an amount not to exceed \$2,125,000, with Jurupa Community Services District in an amount not to exceed \$1,000,000 and other interested Appropriators with the condition that Watermaster would obtain Advisory Committee approval before executing the agreements, as presented

Business Item IIC was reordered to take item IIC prior to item IIB.

C. STORAGE AGREEMENT WITH INLAND EMPIRE UTILITIES AGENCY AND THREE VALLEYS MUNICIPAL WATER DISTRICT

Mr. Alvarez stated this item is regarding the preemptive replenishment water which Watermaster began taking on May 18, 2011. Mr. Alvarez stated the availability of the replenishment water was unplanned. Therefore, when Watermaster decided it would be a worthwhile investment, it was not a previously budgeted item and now terms need to complete as to how the water is going to be paid for. Mr. Alvarez stated approximately 50% of the water has been paid for through preemptive replenishment purchases that is being done by Appropriators who need replenishment water, and that water is being put into storage accounts that are limited for replenishment purposes only. Mr. Alvarez stated in September Watermaster needs to start making provisions for how the remainder is going to be paid for. Mr. Alvarez stated there are two options available to accomplish that task; 1) For Watermaster to obtain financing and pay for the water directly through loans, or 2) The water would be acquired by other regional agencies and be put into storage accounts. Mr. Alvarez stated this item has to do with the potential storage accounts with Inland Empire Utilities Agency (IEUA) and Three Valleys Municipal Water District (TVMWD). Mr. Alvarez stated the proposal before this Committee is for extending a potential storage agreement to the regional agencies, and that the water put into storage would be for preemptive replenishment of the desalter obligations which start accruing in 2013. Mr. Alvarez stated the cost of the water would be \$409 an acre-foot, plus \$12 acre-foot for an IEUA surcharge for delivering water to the basin, and an additional cost of \$42 an acre-foot for that water that's being recharged through direct injection. The actual acquisition cost is approximately \$420.34 per acre-foot. Mr. Alvarez stated once the storage agreements are entered into there would be a condition that the water would be called for desalter replenishment at such time as necessary, and the storage agreements would be subject to not only the limitation that the water is there for preemptive replenishment but that Watermaster would pay for the acquisition costs plus the carrying costs. The carrying costs would be the finance costs for the agencies as well as the annual losses and storage losses at 2%. The anticipated base price for the water in 2014 is \$473.62. Mr. Alvarez stated staff is suggesting that Watermaster pay no more than the anticipated MWD replenishment rate at that

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forward with the agreement, it may limit the agencies flexibility until the terms of the agreement are paid off. Mr. Crosley questioned the ability of Watermaster to consider other Appropriators taking a similar action as the City of Ontario or JCSD. Mr. Alvarez stated that in the staff recommendation the parties recognize there may be other parties that might want to step forward and authorize Watermaster to negotiate that. Chair Mura inquired if the motion that was made on the previous action may eliminate the need to do this. Mr. Alvarez stated no, and the direction comes from how the parties direct staff. Ms. Russo-Pereyra stated she would make a motion to continue to proceed with the negotiations with the Mun's but also to direct staff to not proceed with the loan with CBWCD. A discussion regarding Ms. Russo-Pereyra's motion ensued. Mr. Alvarez inquired whether the parties were going to approve Watermaster entering into a Loan Agreements with CBWCD, the City of Ontario, JCSD, and possibly with other parties that may be interested in entering into a Loan Agreement. Mr. Alvarez offered comment on how this item would be dealt with by using both the Loan Agreements and the Storage Agreements. A lengthy discussion regarding agreements, scenarios, interest payments, the amount of water available, financing options, and a possible delta ensued. Mr. Alvarez stated the delta will be small and is very difficult to calculate. Mr. El-Amamy stated he will move the item as presented. Ms. Russo-Pereyra inquired as to why we are continuing with the CBWCD loan. Mr. El-Amamy stated we are pursuing all these options and are giving authorization to negotiate these agreements. Mr. Alvarez stated we are going through the process, all the parties understand what is going on and this will come back to the Advisory Committee, and then finally, the Board. A discussion regarding the loan with CBWCD and the costs of the loans ensued. Mr. Kinsey inquired if there was a second made to the motion. It was noted there was not a second. Mr. Kinsey stated it is obvious the parties have differences as to what the best deal is, and the best deal for the majority of the agencies is in lieu replenishment. Mr. Kinsey offered comment on his concerns and noted he does not want to approve this and preclude other options. Mr. Kinsey stated Watermaster needs to figure out how to prepare for these types of activities in the future. Mr. Alvarez offered further comment on the history of this item. Mr. Shaw inquired whether both Business Items B and C were approved, and if that means the parties are going to give direction as a priority list. Mr. Kinsey asked if the maker of the motion considered some conditionality of approval, which could possibly be to recommend finalization of the agreement for forwarding to the Advisory Committee with the understanding that Watermaster would come back and seek approval on actually beginning to recharge water under the terms of the agreement. Mr. El-Amamy stated he would amend his motion accordingly. Mr. Kinsey inquired if Watermaster would maintain first come, first served. Mr. Alvarez stated it is replenishment water and it is going to be done through a storage account for the Mun's and/or acquisitions on behalf of the greater good. Watermaster acquires the water and borrows the money, which allows all the parties to participate in the financing. Mr. Alvarez stated the recommendation before this Committee today is to also consider that these three agreements are not all exclusive, that there may be some additional parties that may want to enter into similar Loan Agreements. A lengthy discussion regarding this matter ensued. Mr. Alvarez stated nothing here precludes the in lieu acquisition of water and that is a separate entity. The commitment is that in 2014 there will be a repayment of the loan, or in 2015 in terms of the Storage Agreements. There needs to be a commitment that at some point in time Watermaster is going to call for the water, and this has been discussed with the Mun's. Mr. Alvarez stated there will be a commitment in those Storage Agreements that the water will be called for, and that it is not an indefinite period of time. Counsel Fife stated he wanted to clarify some things in terms of the responses to the questions and also with the priority. Counsel Fife stated it is his understanding if the parties approve this item, the overall structure for purchase of the 60,000 acre-feet is that FWC and Niagara have committed to purchasing 28,000 acre-feet of that. The next step will be a loan, which right now CBWCD, the City of Ontario, and JCSD have been identified as the loaning parties. There is a cap under the Judgment as to how much Watermaster can borrow so the loan can't be inflated indefinitely as more parties come in. The loan amount will purchase approximately the next 15,000 acre-feet of the water, and if there is remainder then that will be through the Storage Agreement with the Mun's. Mr. Kinsey inquired about individual agencies purchase of in lieu replenishment water. Counsel Fife stated that is separate, as Mr. Alvarez stated. Counsel Fife stated the Loan Agreements are for a certain amount of money which will enable the purchase of a certain amount of water, and there may be additional water that is recharged from MWD that goes beyond the FWC and Niagara purchase. A discussion

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the entire Watermaster process. Ms. Russo-Pereyra offered final comments on what Cucamonga Valley Water District is doing for its employees presently.

*Motion by Crosley second by Moorrees, and by unanimous vote
Moved to approve Resolution 11-06 to tax defer member paid contributions and
Resolution 11-06 for paying and reporting the value of employer paid member
contributions, as presented*

Business Item IIB was reordered to take IIB after item IIC.

B. LOAN AGREEMENT WITH CHINO BASIN WATER CONSERVATION DISTRICT, CITY OF ONTARIO, AND JURUPA COMMUNITY SERVICES DISTRICT

Mr. Alvarez stated this item has to do with the financing of the replenishment water. Mr. Alvarez stated one of the items discussed was why Watermaster does not just purchase the water and noted that is a topic needs to be brought back at a future date. Mr. Alvarez stated it would be to discuss what Watermaster does when future opportunities present themselves like this. Mr. Alvarez stated since Watermaster was not set up for this purchase, one alternative is that Watermaster could acquire the funds through a loan arrangement. Mr. Alvarez stated in pursuing this option, the Chino Basin Water Conservation District (CBWCD) had stepped forward and stated they wanted to help in any way they could and informed Watermaster they had money available to loan. Mr. Alvarez stated the CBWCD board adopted specific terms for a loan for Watermaster. There have also been discussions with other parties who expressed their interest in purchasing the water now through a special assessment. Mr. Alvarez stated for those parties that would like to take care of their obligation now, the loan would be equivalent to the anticipated amount that they are going to be approximately assessed in three years. That would protect them from having to pay additional costs for this water. Mr. Alvarez stated the item before this Committee is to approve the generic terms of the Loan Agreement. This Loan Agreement would be the one Watermaster would enter into with CBWCD, JCSD, and the City of Ontario, which are the parties that expressed interest in loaning the money. Mr. Alvarez stated the terms of the Loan Agreement are that those parties are entitled to interest at a variable rate equal to LAIF plus 1.5%, and that interest payments would be made on a monthly basis. Mr. Alvarez stated funding for the interest would come out of the unrestricted reserves that Watermaster has and the interest would be recovered at the time of assessments to pay the loans. Mr. Alvarez stated staff is looking for direction on whether to move forward with the Loan Agreements or not. Mr. Alvarez stated the assessments will go out in 2014 and the payment is due in 2016, which is how the Loan Agreements will be structured. Mr. Alvarez stated another condition in these Loan Agreements is that once these Loan Agreements are approved through the Watermaster process, they will then be taken to the Judge for approval and acknowledgment that there will be a special assessment for the repayment of these loans. Mr. Alvarez stated the last caveat has to do with the priority of repayment of the loans, which is still in negotiations. Mr. Kinsey stated it appears that both JCSD and the City of Ontario are loaning Watermaster money equal to what they anticipate their obligation will be; it's a loan they don't anticipate getting repaid on with only small adjustments. Mr. El-Amamy stated that was his understanding. Mr. Kinsey stated this was mentioned during the last item in that all the parties agree that it is important to preserve individual agencies right to say, in lieu of money, here is water. A discussion regarding this matter ensued. Mr. Alvarez stated Watermaster is going to go to the court if these agreements go through the process, and then, there will be a priority and a commitment by Watermaster to do a special assessment to raise sufficient revenues to pay off the loans. Mr. Alvarez offered a worst case scenario as an example to this matter. Mr. El-Amamy stated a solution could be to extend the repayment date to 2016. Mr. Alvarez stated the only one that is set in stone is the loan agreement with CBWCD, who set very specific conditions. Mr. Kinsey stated it is his understanding that by approving this agreement, the parties are potentially waiving the ability to choose to provide either water or money. Mr. Alvarez stated that could potentially happen, and noted he had looked at all the numbers. A discussion regarding this matter ensued. Mr. Kinsey stated the cheapest way for Monte Vista Water District to secure water to meet its replenishment obligation, right now, is through in lieu replenishment. Mr. Kinsey offered further comments on this matter with regard to Monte Vista Water District. Mr. Kinsey stated the parties need to understand that if we move

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I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Appropriative Pool Meeting held July 14, 2011

B. FINANCIAL REPORTS

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

C. SEMI-ANNUAL STATUS REPORT 2011-1

*Motion by El-Amamy second by Russo-Pereyra, and by unanimous vote
Moved to approve Consent Calendar Items A through C, as presented*

II. BUSINESS ITEMS

A. RESOLUTION 11-08 RESOLUTION TO TAX DEFER MEMBER PAID CONTRIBUTIONS AND RESOLUTION 11-09 RESOLUTION FOR PAYING AND REPORTING THE VALUE OF EMPLOYER PAID MEMBER CONTRIBUTIONS

Mr. Alvarez stated this is an item regarding CalPERS requirements and primarily relates to tax deferred contributions. The Chico Basin Watermaster pays for the contributions made on behalf of the employees for retirement benefits. What CalPERS is asking for is a resolution that recognizes the obligation. Mr. Alvarez stated staff had received a letter from CalPERS in 2008 regarding the resolution. A second letter was recently received reminding Watermaster again that this resolution was due; the resolutions are to that effect. The first resolution addresses an IRS ruling. The second resolution recognizes there are required contributions by members of either the Watermaster or by the employees and that these contributions are not subject to state and federal income taxes nor are they for social security/Medicare purposes. Mr. Alvarez stated the contributions being made are recognized as part of the whole salary compensation package. Mr. Alvarez stated these are basically administrative items to align Watermaster with CalPERS requirements. Mr. Garbay stated as he read these Resolutions they appear to be just a personnel issue and within the CEO's purview without the need to go through the Watermaster process. Mr. Alvarez stated these are Resolutions that need to be adopted by the Board through the process. Ms. Rojo asked for clarification as it was her recollection that in the past staff picked up a portion of their PERS, and inquired if this Resolution now says Watermaster is going to be picking up the full cost. Mr. Alvarez stated as of this fiscal year Watermaster is picking up the full cost of the PERS. Ms. Russo-Pereyra inquired what the employees picked up in the past. Mr. Alvarez stated 3%. Ms. Russo-Pereyra inquired when that change was made. Ms. Alvarez stated that was changed through the recent budget process. Mr. Alvarez stated it is his understanding that as of this fiscal year Watermaster pays 100% of the PERS contribution. Mr. Kuhn stated he is a Board member and on the Personnel Committee. Mr. Kuhn stated that this was an agreement which was made with staff a couple of years ago, that if the employees forgo their COLA the following year Watermaster would pick up the PERS. Ms. Russo-Pereyra asked if Watermaster employees were union or contracted employees. Mr. Kuhn stated they are not union or contracted employees. Ms. Russo-Pereyra asked for that agreement. Mr. Kuhn stated this was done by a handshake/gentlemen's agreement which was made with Watermaster employees and the CEO at that time. The Personnel Committee made the recommendation and it was approved by the Board. A lengthy discussion regarding this matter ensued. Mr. Alvarez stated staff is recommending approval for both Resolutions to be forwarded through the process, and ultimately to CalPERS. Ms. Russo-Pereyra stated it appears this was not clear when the budget process was going on and asked that in the future, if there are other changes like this, to make sure they are forwarded through the process for consideration. A discussion regarding staffs' increase in compensation ensued and it was noted Watermaster staff has not received a COLA in four years. Chair Mura stated he agreed with the Pool comments made today, including the need for transparency and having an active Personnel Committee looking at these types of transactions, which would then be put through

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Added Comment:

Mr. Alvarez stated this is a reminder of an upcoming activity in which Non-Agricultural Pool has the ability to make water available every year. They have indicated this year they will probably make water available. Mr. Alvarez stated how this normally proceeds is the Pool lets Watermaster know that water will be made available, including the amount, by December 31st. Watermaster will then notify all the parties; the acquisition of that water is pegged to 92% of the MWD rate in 2012.

IV. INFORMATION

1. Cash Disbursements for July 2011

No comment was made.

2. Newspaper Articles

No comment was made.

V. POOL MEMBER COMMENTS

No comment was made.

VI. OTHER BUSINESS

No comment was made.

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.

No confidential session was called.

VIII. FUTURE MEETINGS

Thursday, August 11, 2011	9:00 a.m.	Appropriative Pool Meeting @ CBWM
Thursday, August 11, 2011	11:00 a.m.	Non-Agricultural Pool Conference Call Meeting
Thursday, August 11, 2011	1:00 p.m.	Agricultural Pool Meeting @ CBWM
Thursday, August 18, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, August 18, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, August 18, 2011	10:30 a.m.	Land Subsidence Committee Meeting @ CBWM
Thursday, August 25, 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 11:04 a.m.

Secretary: _____

Minutes Approved: October 13, 2011

CBWM0141