

PERS00406

Minutes
**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**
August 25, 2011

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 8841 San Bernardino Road, Rancho Cucamonga, CA, on August 25, 2011 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair
Bob Kuhn
Terry Catlin
Bob Bowcock
Paula Lantz
Earl Etrod
Charles Field
Geoffrey Vanden Heuvel
Paul Hofer

West End Consolidated Water Company
Three Valleys Municipal Water District
Inland Empire Utilities Agency
Vulcan Materials Company (Calmat Division)
City of Pomona
City of Chino
Western Municipal Water District
Agricultural Pool
Agricultural Pool

WATERMASTER BOARD MEMBERS ABSENT

Tom Haughoy
Steve Elle

City of Chino
Inland Empire Utilities Agency

Watermaster Staff Present

Desi Alvarez
Danielle Maurizio
Gerald Greene
Joe Joswiak
Sheri Molino

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

Watermaster Consultants Present

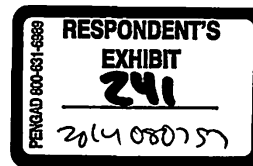
Scott Slater

Brownstein, Hyatt, Farber & Schreck

Others Present Who Signed In

Mayor Acquanetta Warren
Mark Kinsey
Chuck Hays
Ken Jeske
Rosemary Hoerning
Marty Zvirbulis
Jo Lynne Russo-Pereyra
Mohamed El-Amamy
Scott Burton
Bob Gluck
Dave Crosley
Rob Burns
Ron Craig
Mike Maestas
Ryan Shaw
Bob Feenstra
Jeff Pierson
Pete Hall
Michael Hughes

Mayor, City of Fontana
Monte Vista Water District
City of Fontana
California Steel Industries
City of Upland
Cucamonga Valley Water District
Cucamonga Valley Water District
City of Ontario
City of Ontario
City of Ontario
City of Chino
City of Chino
City of Chino Hills
City of Chino Hills
Inland Empire Utilities Agency
Agricultural Pool - Dairy
Agricultural Pool
State of California, CIM
Department of Justice, CIM



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months. Mr. Vanden Heuvel stated he is going to make a motion that this water not accrue the 2% loss - any potential losses is attributable to this desalter production offset water will be determined and accounted for in the next determination of safe yield in the Chino Basin done by Watermaster and that would be the direction. Mr. Vanden Heuvel appreciates the fact that this is not going to be the easiest task because there are a couple different theories on how this could be done, none of which have actually been tested and approved by the court; this is very important and speaks directly to Mayor Warren comments. Mr. Vanden Heuvel stated this was maybe not anticipated when other documents were written earlier, this is a way to do this that is fair and equitable and in keeping with the spirit of our agreements and that would be my motion that we give staff instruction to make this happen, and Mr. Bowcock gave a second. Counsel Slater stated in eleven years he has never told this Board they can't do something; however, in this instance there are probably five paragraphs in the Judgment and OEMP which expressly require you to impose 2% losses on water held in storage; no party can store water in this basin, without your approval, without an agreement, and without the inclusion of losses. Counsel Slater stated he can write an opinion for this Board that says he would advocate to the court that you can waive the losses for storage; however, what has been discussed at this meeting is a different subject in storage. Counsel Slater offered comment on a past Strategic Planning Conference which covered the Recharge Master Plan and the focal point of that was something called preemptive replenishment, and should Watermaster have the discretion to engage, not in storage, but in the active acquisition of water for purposes of replenishment. Counsel Slater stated what this Board has been struggling with is the fact that circumstances overtook you; you were looking at world where MWD historically provided replenishment water 7 out of 10 years and now looking at providing it 3 out of 10. Parties acknowledged that the rules need to develop rules for preemptive replenishment. Counsel Slater stated the Peace Agreement extends Watermaster the discretion to be able to replenish water so long as it does not cause material harm. Counsel Slater stated the only limitation that is in the Judgment on the parties advance replenishing relates to the financing plan, which comes out of the Appropriative Pool and the Non-Agricultural Pool financing plans, which limit Watermaster's ability to level assessments to the replenishment obligation occurred in the preceding year. Counsel Slater stated that a storage agreement must have losses assigned to it. However, if the Board would allow staff and counsel to develop a Preemptive Replenishment Agreement which will allow you the ability to acquire water preemptively and then subsequently develop a policy or set of rules under which that water is provided for replenishment in the future, but not held in a storage account. If the Board's policy direction could be incorporated into the motion to draft conforming Preemptive Replenishment Agreements, that would be a way to move forward. Mr. Vanden Heuvel stated that is part of his motion; all of it. Chair Willis stated that is part of the motion. Mr. Bowcock offered further comment on the choice on in lieu deliveries or the tap going off. Mr. Vanden Heuvel stated he would like to initiate the idea of parties putting water into designated desalter replenishment accounts and stop the losses, possibly by a motion to give staff direction on that. Mr. Bowcock offered comment on Mr. Vanden Heuvel's comments. A discussion regarding this new matter ensued. Mr. Vanden Heuvel offered comment on the cost of that water. Counsel Slater stated the subject of preemptive replenishment is inexplicably intertwined with your future Recharge Master Plan, which is due in December and staff is planning on putting together a sub-committee to work through this matter and to come up with some way to develop rules of fairness that will guide us into the future. Counsel Slater stated the court is going to be looking to Watermaster for direction on how this program is going to be implemented in the future; this would account for what you are talking about. Mr. Vanden Heuvel inquired if staff and counsel have enough direction to begin exploring this matter. Mr. Alvarez stated he understands where the Board would like to go with this regard including setting aside more water for either the desalter or other future replenishment needs; the issue is going to be cost. A discussion regarding in lieu replenishment ensued.

*1st Motion by Vanden Heuvel, second by Bowcock, and by unanimous vote - Caitlin abstained
Moved to approve staff's recommendation, as presented*

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want as a financing charge. Ms. Lantz offered further comment on the way the motion reads and noted our goal is to protect our customers as Mayor Warren commented; to approve any kind of cost that is un-capped or capped by subjective determination puts our customers at risk. Mr. Vanden Heuvel read the last paragraph of the Storage Agreement on page 74 of the meeting package. A discussion regarding that paragraph, noted objections to a loan, replenishment obligations, and carrying costs ensued. Ms. Lantz inquired if we can fix the finance charges through the period of time that the other loan would have been fixed. Mr. Vanden Heuvel stated Watermaster needs to cover IEUA's legitimate costs. Mr. Vanden Heuvel stated Watermaster staff knows our intent and asked that before a final agreement comes before this board again, the language is to be shored up so that we are not going to get taken advantage of. Mr. Catlin offered comment on administrative costs to process the loan. Mr. Miller stated IEUA wanted to help Watermaster and find out the best way to do so. We do not want to be economically disadvantaged in this transaction. Mr. Miller offered further comment on costs; we are not looking to make money on this deal. Mr. Catlin offered comment on commercial paper and other options for IEUA that need to be clarified sooner rather than later. Ms. Lantz inquired if we could follow-up on Mr. Vanden Heuvel's recommendation to capture the comments which were just made regarding IEUA not having to do a paper loan, and then Watermaster would be paying what they would be making on investments currently and how we define what those investments are. Mr. Bowcock stated LAIF, which is what he keeps hearing. Mr. Kuhn stated the parties are looking at 60,000 acre-feet of water; however, the reality is that there probably will not be that amount in the end. Mr. Kuhn offered comment on the end numbers. Mr. Alvarez stated for clarification, it was always his intent in negotiating the financing to really look at IEUA's alternative investment earning potential and it would be reasonable for them to argue that they should be kept whole. Mr. Alvarez stated if that is the Board's desire, then that should be further articulated. Mr. Alvarez discussed administrative financing charges. Mr. Alvarez stated it would be worthwhile for the Board to also express its desire that there be no administrative charge as part of the finance charges. Mr. Catlin asked how that would change if the loan was taken out with possibly the Conservation District, where they would charge LAIF plus 1.5%; what is that 1.5% for? Mr. Alvarez stated that was an arbitrage charge and it was used for comparison purposes. Mr. Alvarez offered further comment on this matter. Mr. Catlin stated this can be worked on; however, there is a cost of doing business and offered further comment on the recovery of staff costs. Mr. Kuhn stated the motion is clear that Watermaster will reimburse IEUA for those costs and Ms. Lantz' point is that it needs to be clearer. Ms. Lantz stated 1% is doable but HUD allows 15% - who is to determine that if it isn't staff to negotiate that and bringing it back to this Board. Mr. Vanden Heuvel stated all we can do right now is to give the best direction as we can to staff, who will then sit down with IEUA and finalize the agreement including the concerns addressed today. A discussion regarding this matter ensued. Mr. Vanden Heuvel stated the motion is basically to direct staff to negotiate a cost based price for when Watermaster takes the water out and noted through these discussions today, we have been pretty clear on what it is we want and need, and then called for the question. Chair Willis called for the question. Ms. Lantz asked if the contract will come back to this Board with all that has been discussed in it. Mr. Kuhn asked when the contract is going to come back because there is money due in October. Mr. Alvarez stated the recommendation before this Board is to authorize to move forward with finalizing of the negotiations and executing the agreement, so it would only come back as an information item and not for voting and approval. Mr. Alvarez stated if you want it to come back for voting and approval then the motion should not just reflect staff recommendation in the staff report. Mr. Alvarez stated the luxury of time is gone. Mr. Bowcock offered final comments. Mr. Alvarez stated it is Watermaster's intention to dole it out so that at all times it will be the least expensive option; it's basically binding all of us and whether they do it with this water or their water, it will effectively be the same while still recognizing there is still a delta. Mr. Catlin stated he acknowledges Ms. Lantz's comments regarding a cap and encourages all the parties to indicate to Watermaster sooner rather than later what their intent is because there have been so many ideas floating out there such as direct purchase, in lieu replenishment, or loans. This is important to IEUA because there is an over subscription at this time. Mr. Vanden Heuvel stated this loss issue is huge and he has heard several concerns over this matter over the last few

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stated his concern is if the loan process is gone through it will cost the City of Chino Hills roughly another \$94,000 to pay that money up front as opposed to being able to put the water up out of our storage accounts; this is our concern. A discussion regarding Mr. Macatae's comments ensued. Mr. Bowcock stated he believes parties can pay with water. Mr. Alvarez reviewed a graph/slide from the earlier presentation and discussed it in detail. Mr. Alvarez stated 50% of the funds required will be assessed against the operating safe yield; every party that has an operating safe yield will pay their pro rata share of that 50%. Mr. Alvarez stated the other 50% will be assessed against the previous year's production; every party that produced in the previous year will be assessed on their prorated share of their production. Mr. Alvarez stated parties can pay with water. Mr. Alvarez offered further comment regarding this matter and acknowledged nothing that Watermaster is doing precludes parties from using water that they have in storage and noted there has to be an accounting. A lengthy discussion regarding this matter, the cost of water being sold by agencies, and flexibility ensued. Mr. Tock stated he believes issues are being confused and offered comment on the CURO situation which was discussed several years ago, and on the financial situation Watermaster is facing now. Mr. Alvarez stated he is seeking the authority to proceed with something regarding the finances today so that agreements can be finalized and executed. Mr. Tock stated he wanted it on the record that at the Appropriative Pool meeting, the voice vote majority was for the loan program; it was not a volume vote. Mr. Tock stated the Advisory Committee's recommendation was different. Mr. Tock offered final comments on this matter. Mr. Vanden Heuvel stated there are assumptions embedded in this discussion that he is going to challenge. Mr. Vanden Heuvel commented on those assumptions in detail. Mr. Vanden Heuvel referenced page 73 of the meeting packet and proposed that on the pricing issue, rather than it saying the price paid for stored water shall cover all the storage parties direct costs, be changed to, the price paid for stored water will be equal to all of the storage parties direct costs, which are the acquisition costs of the water and all documentable financing expenses incurred by the storage party. Mr. Vanden Heuvel stated this makes the second paragraph in the draft a moot point because there won't be a difference and then the pricing issue is solved. Mr. Vanden Heuvel stated the second item that needs to be addressed is the storage. Mr. Vanden Heuvel offered comment on direct storage losses, safe yield losses, possible loan agreements, in lieu, and Watermaster owning property. Mr. Vanden Heuvel stated he does not know if we are ready for a motion. However, if we were, his motion would be that a condition of doing this, is that we will pay the cost of the water and not some future cost; this opportunity, this benefit, is today and we should lock in that benefit as we heard from various members of the Watermaster family. Chair Willis stated the price is to be locked in. Mr. Vanden Heuvel stated yes, as a condition of our agreeing to move forward on this matter. Chair Willis asked for staff and counsel's opinion. Mr. Alvarez stated that would be fine, and what is being sought after today is some direction as to how to negotiate in terms of the purchase price. Chair Willis offered comment on this matter and noted we need to be aware of the public good and do this the right way. Mr. Miller stated one of the issues that has been discussed with the board about the price is that there is some uncertainty as to what the future price will be, which caused hesitancy from staff to recommend to the IEUA board to set a future price. Mr. Miller stated by this board taking an action to limit that, the hands are being tied for the IEUA board to make a decision on what to sell that water for. Mr. Miller offered further comment on the costs from IEUA and noted IEUA is not looking at making money off the deal. However, the board wanted to protect themselves so they have the flexibility to charge what they wanted for the water. Mr. Bowcock offered comment on Mr. Miller's comments and noted this is a trust and control issue. Mr. Vanden Heuvel stated time is running out and offered further comment on this matter and on keeping IEUA whole on the costs. Mr. Bowcock stated he will offer a second on Mr. Vanden Heuvel's hypothetical motion. Chair Willis asked that the motion be restated. Mr. Vanden Heuvel stated his motion is that the price paid for the stored water will be equal to all of the storage parties' direct costs, which are the acquisition costs of the water and all documented financing expenses incurred by the storage party. Mr. Alvarez stated including the storage losses. The parties stated that will be dealt with next. Ms. Lantz stated the fact that you are allowing them to document un-described costs for carrying means that you are giving an unlimited financing cost to them and people can create whatever they

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recommendations now are to remove the loan agreements from the table and in place of those put in the storage agreements. Mr. Vanden Heuvel asked that a graph on one of the slides from the presentation be clarified. Mr. Alvarez stated the \$449 is \$423 dollars, plus interest for thirty-eight months at 2%. Mr. Alvarez offered further comments on Mr. Vanden Heuvel's inquiry. Mr. Vanden Heuvel stated the difference between those two numbers is applying the 2% storage loss. Mr. Vanden Heuvel inquired about how much water that would be applied to. Mr. Alvarez stated to the total amount of water in the agreement; per acre-foot. Mr. Vanden Heuvel offered comment on the math. Mr. Alvarez stated he could go over the math at a sidebar later. Mr. Kinsey stated he wanted to clarify the 2% storage losses and offered history and lengthy comments with this regard. Mr. Kinsey asked as Watermaster moves through this entire process to please respect the contractual documents that the Appropriative Pool entered into which allows the parties to exercise its rights. Mr. Bowcock asked that Mr. Kinsey narrow down what it is that he is asking for. Mr. Kinsey stated the reason Watermaster initiated the idea of borrowing money was because the imported water agencies were hesitant to move forward with acquisitioned water and storing it in the basin; those agencies are now willing to do that and are willing to do it in a cost effective way. Mr. Kinsey stated if the agencies make any profit off the water, they are basically willing to agree to wrap that back into basin management. Mr. Kinsey stated it is collectively believed that the municipals go out and acquire the water and park it for replenishment purposes because they have a lot more flexibility in acquisition of money, and a lot more capability than Watermaster does. Mr. Kinsey stated collectively parties want to make sure there is a commitment to allow the parties to exercise what was agreed to in the Peace Agreements, in terms of how the parties' individually meet their desalter obligation. Mr. Kinsey stated there have been some statements made at previous meetings that Monte Vista Water District (MVWD) can't do in lieu replenishment; we certainly think we can do that because that is a contract between MVWD and IEUA, and MVWD and MWD. Mr. Kinsey stated MVWD wants to make sure now that we are proceeding with the in lieu and incurring those costs, that we can use that to offset our desalter replenishment obligation. A lengthy discussion ensued regarding the three items Mr. Kinsey discussed including storage losses, safe yield calculations, and general benefits. Mr. Vanden Heuvel stated this is a unique opportunity for the Watermaster Board to actually have some policy input because there is not a mandate on this matter to open, up an opportunity for agencies to dedicate water they have in storage to desalter replenishment and stopping the 2% losses is absolutely an idea that should be developed. A discussion regarding this matter ensued. Mr. Vanden Heuvel stated out of this discussion today, he wants to instruct staff to begin to develop some concepts and go back through the Watermaster process to see what can be developed. Mr. Bowcock stated he agrees with Mr. Vanden Heuvel in asking staff to start the development of a program with this regard. Mr. Bowcock offered comment regarding the possibility of having a "tax free zone" for preemptive desalter water and how that might be applied. Ms. Rojo offered comment on the costs being discussed today. Mr. Alvarez reviewed the costs discussed in the presentation and noted the direction from the Advisory Committee was to not set a price right now. Mr. Alvarez stated the question and direction he is seeking from the Board is, in the negotiating and finalizing of these agreements, what would this Board like to see in terms of an upper amount; right now it is left silent to be decided at the time the water is called for. Ms. Rojo offered comment on what took place at the Pool meetings regarding this matter and noted the motion taken at the Advisory Committee was a split opinion. Ms. Hoeming offered comment on the price of this water once Watermaster goes to purchase it and noted there should be an opportunity to provide the various parties with the least cost option whatever way that needs to happen; this needs further discussion. A discussion regarding Ms. Hoeming's comments ensued. Mr. Young offered comment regarding CURO and stated it is in the best interest for Fontana's customers for this matter to be resolved by obtaining this water at the least rate possible. Mayor Warren stated she represents the 200,000 customers Mr. Young was speaking about and it is very important that she has some certainty and stability. Mayor Warren stated she agrees with Ms. Hoeming's statements and she thinks we need to begin to look at the facts - the facts are that our water rates have become so high that we are looking at every opportunity to work closely with all the water agencies. Mayor Warren reviewed the most recent census information; we need stable water rates and the least cost possible. Mr. Maestas

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of the salary of the employees. The Advisory Committee was under the impression the Watermaster employees were making 3% of the 8% for the CalPERS contribution. Mr. Alvarez stated that was the case until July 1, 2011 at which time the employees are no longer making that contribution, Watermaster is now picking that up. The reason for that change is there was agreement entered into with the Watermaster employees in which the employees would pick up that contribution for a couple years and effective July 1, 2011 that would change to fully being picked up by Watermaster. Mr. Alvarez stated the Watermaster Budget which was just passed recently included that amount being paid by Watermaster. Mr. Alvarez stated this issue was discussed at a Personnel Committee meeting. Mr. Alvarez stated the Personnel Committee and the Watermaster employees clearly remember making that commitment for that change. Mr. Alvarez stated the item before the Board today is to adopt the Resolution. Mr. Alvarez offered further comment on why the Advisory Committee had concerns. Mr. Kuhn stated he would like to make a motion to pass Resolution 11-05 and asked that Resolution 11-06 be moved to closed session. Mr. Alvarez stated if the Board approves both Resolutions then they will be binding. A discussion regarding this matter ensued. Counsel Slater stated paragraph 38 of the Judgment provides the Watermaster Board with the discretion where there is not a mandated action by the Advisory Committee to take a different position. However, the predicate to doing so is the Board needs to articulate the basis for the different decision and to adopt that to the finding pursuant to the motion to approve it. Mr. Kuhn stated the reason this is before this Board today is because this was an agreement that was made with the previous general manager and the Personnel Committee. This item was discussed for approximately over a two year period. Mr. Kuhn stated the agreement was that the staff would forgo a cost of living increase for two years and, in lieu of that at the beginning of the third year, Watermaster would pick up that portion for them. Counsel Slater stated this was already in the budget which was recently passed. A discussion regarding this matter ensued. Mr. Kuhn stated the second Resolution will be discussed during closed session today.

*Motion by Kuhn, second by Bowcock, and by unanimous vote
Moved to approve Watermaster Resolution 11-05 to tax defer member paid
contributions, as presented*

*Motion by Kuhn, second by Willis, and by unanimous vote
Moved to move Watermaster Resolution 11-06 to closed session, as presented*

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

Mr. Alvarez stated these agreements deal with the purchase of the replenishment water. Mr. Alvarez gave the Replenishment Water Acquisition/Storage Agreement presentation in detail. Mr. Alvarez stated the recommendation before the Board today is to authorize Watermaster to execute preemptive storage agreements subject to final financing and purchase price terms. Mr. Alvarez stated staff is looking for discussions on how this water should be paid for. Mr. Alvarez stated the Advisory Committee also requested individual parties can enter into these storage agreements and also be allowed to purchase some of this replenishment water, with the understanding that it is to be dedicated and restricted to future desalter replenishment through existing storage agreements that they have in place. Mr. Alvarez stated the preference would be that staff finalizes negotiations of these agreements, and once there is resolve with the storage accounting issues that are pending, if there is still further need for storage agreements, staff will then move forward with the existing storage agreements with those Appropriators that want to move forward in this manner. Mr. Alvarez stated this Board previously considered a loan agreement. Mr. Alvarez reviewed this matter in detail and noted the Advisory Committee's recommendation was not to proceed with any loan agreements and this matter be taken care of through storage agreements. Mr. Alvarez noted the draft agreement is provided in the meeting packet and will be subject to some additional word editing; this agreement has been discussed with IEUA. Chair Willis asked for questions and/or comments. Ms. Lantz inquired about the loan which was being considered and noted it seemed it was for only half of what was necessary to purchase the water. Ms. Lantz asked for clarification. Mr. Alvarez stated the

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**Tracy Egoscue
Ben Lewis
Craig Miller
Robert Teck
Eunice Ulloa
Rick Hansen
David De Jesus
Robert Young
Shari Rcoj
Josh Swift
Seth Zieike
Allison Burns
Curtis Paxton**

**Agricultural Pool Legal Counsel
Golden State Water Company
Inland Empire Utilities Agency
Junipia Community Services District
Chino Basin Water Conservation District
Three Valleys Municipal Water District
Three Valleys Municipal Water District
Fontana Water Company
Consultant for Fontana Water Company
Fontana Water Company
Fontana Union Water Company
Representative for CDA
Chino Desalter Authority**

Chair Willis called the Watermaster Board meeting to order at 11:01 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

There were no additions or deletions made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

- 1. Minutes of the Watermaster Board Meeting held July 28, 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. WATER TRANSACTIONS

- 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**

D. SEMI-ANNUAL STATUS REPORT 2011-1

Motion by Kuhn, second by Field, and by unanimous vote

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

II. BUSINESS ITEMS

A. RESOLUTION 11-05 RESOLUTION TO TAX DEFER MEMBER PAID CONTRIBUTIONS AND RESOLUTION 11-08 RESOLUTION FOR PAYING AND REPORTING THE VALUE OF EMPLOYER PAID MEMBER CONTRIBUTIONS

Mr. Alvarez stated he would like to take the first Resolution first, and then discuss the second one after that. Mr. Alvarez stated Resolution 11-05 explicitly recognizes there are certain contributions that are made on a tax deferred basis for the Internal Revenue Service. CalPERS requires that these be recognized; that is what that Resolution does. The Resolution does not come before this Board today with the recommendation of the Advisory Committee. The Advisory Committee, at their recent meeting by a voice vote, recommended that this not be moved forward at this time due to an issue that was brought up at that meeting. The issue deals with the CalPERS contributions and who makes them. The CalPERS contribution is 8%

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2nd Motion by Vanden Heuvel, second by Bowcock, and by unanimous vote moved to approve counsel's recommendation to allow staff and counsel to develop a Preemptive Replenishment Agreement which will allow the parties the ability to acquire water preemptively and then to develop a policy or set of rules under which that water is produced in the future but not held in a storage account, as presented

C. STATUS OF LOAN AGREEMENTS (FOR INFORMATION ONLY)

No comment was made regarding this item.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. September 30, 2011 Hearing

Counsel Slater gave a detailed report on the upcoming hearing and noted the date of this hearing will be changed due to more time need for preparation of some documents.

2. Restated Judgment

Counsel Slater stated the first part of the restated Judgment process was to produce a technically accurate form of the Judgment, inclusive of all orders and amendments, which has been on the Watermaster ftp site and has been circulated. Staff, counsel, and the parties now feel this is the completed and accurate form of the Judgment. Counsel Slater stated this portion was the scrivener's exercise and a secondary portion of the process has now begun. Counsel Slater stated that actually starts with counsel preparing a fully annotated Judgment, which takes the Judgment itself and then cross-references the Rules & Regulations, Optimum Basin Management Plan, and the Pooling Plans so that when any person or party opens a page, they will see not only the text in the Judgment but the related cross-references to that text in other documents. Counsel Slater stated it is anticipated to have something out on this regard within the next 30 days, which will then be sent out to smaller committees that will be comprised of stakeholders, lawyers, and their principals to review the document. Counsel Slater stated that consistent with the earlier direction from the stakeholders, staff and counsel intends on this not being a negotiating exercise, but one that is more scholarly in its effort to pull together all the resources and put them in one place so that the Judge has a quick reference book with everything in it.

B. CEO/STAFF REPORT

1. Recharge Update

Mr. Alvarez stated 22,000 acre-feet of replenishment water has been recharged to date and gave a further detailed report.

Added Comment:

Mr. Alvarez introduced Watermaster's new Senior Environmental Engineer, Gerald Greene.

IV. INFORMATION

1. Cash Disbursements for July 2011

No comment was made.

2. Newspaper Articles

No comment was made.

V. BOARD MEMBER COMMENTS

No comment was made.

VI. OTHER BUSINESS

No comment was made.

CSWM016