

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
February 23, 2012

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on February 23, 2012 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Bob Kuhn, Chair	Three Valleys Municipal Water District
Jim Curatalo	Fontana Union Water Company
Paula Lantz	City of Pomona
Steve Elie	Inland Empire Utilities Agency
Bob Bowcock	Vulcan Materials Company (Calmat Division)
Charles Field	Western Municipal Water District
Bill Kruger	City of Chino Hills
Paul Hofer	Agricultural Pool
Geoffrey Vanden Heuvel	Agricultural Pool

Watermaster Staff Present

Danielle Maurizio	Senior Engineer
Joseph Joswiak	Chief Financial Officer
Gerald Greene	Senior Environmental Engineer
Sherri Molino	Recording Secretary

Watermaster Consultants Present

Scott Slater	Brownstein, Hyatt, Farber & Schreck
Brad Herrema	Brownstein, Hyatt, Farber & Schreck
Joe LeClaire	Wildermuth Environmental Inc.

Others Present

Jeff Pierson	Ag Pool – Crops
Bob Feenstra	Ag Pool – Dairy
Pete Hall	Ag Pool – State of California – CIM
Brian Geye	Auto Club Speedway
Ron La Brucherie	Farmer
Mark Kinsey	Monte Vista Water District
Justin Scott-Coe	Monte Vista Water District
Sandra Rose	Monte Vista Water District
Art Kidman	McCormick, Kidman & Behrens
Rick Hansen	Three Valleys Municipal Water District
David DeJesus	Three Valleys Municipal Water District
Marty Zvirbulis	Cucamonga Valley Water District
Jo Lynne Russo-Pereyra	Cucamonga Valley Water District
Hank Stoy	Cucamonga Valley Water District
John Bosler	Cucamonga Valley Water District
Raul Garibay	City of Pomona
Gil Aldaco	City of Chino
Rosemary Hoerning	City of Upland
Scott Burton	City of Ontario
Ron Craig	City of Chino Hills
Mike Maestas	City of Chino Hills
Sheri Rojo	Fontana Water Company
Craig Miller	Inland Empire Utilities Agency

Terry Catlin
Curtis Paxton
Eunice Ulloa
Bob Wagner
Jack Safely
Chris Brown
Mike Mullen

Inland Empire Utilities Agency
Chino Desalter Authority
Chino Basin Conservation District
Wagner & Bonsignore
Western Municipal Water District
Auditor
San Gabriel Valley Tribune

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

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

Ms. Maurizio offered comment on the request, which just came in this morning, for a letter of support from the Inland Empire Utilities Agency Water Softener Ordinance for the Fontana Water Company public hearing for March 6, 2012. Ms. Maurizio stated with this due date there is no time to add this item to next month's agenda. Chair Kuhn asked for a motion to add this item to the agenda.

Motion by Curatalo second by Field, and by unanimous vote

Moved to approve adding the Inland Empire Utilities Agency Water Softener Ordinance to the agenda as Business Item F., as presented

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Annual Watermaster Board Meeting held January 26, 2012

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2011
2. Watermaster VISA Check Detail for the month of December 2011
3. Combining Schedule for the Period July 1, 2011 through December 31, 2011
4. Treasurer's Report of Financial Affairs for the Period December 1, 2011 through December 31, 2011
5. Budget vs. Actual Report for the Current Month, Year-To-Date, and Projected Fiscal Year

C. INTERVENTION INTO THE AGRICULTURAL POOL

Consider Approval for the Intervention of Tad Nakase (TDN Land Company) into the Agricultural Pool

Chair Kuhn stated he wants to pull the minutes for clarification.

Chair Kuhn asked for a motion on items B and C.

Ms. Lantz stated she did not want anything pulled and she wanted to make a comment on the Budget versus Actual Report and the Treasurer's Report in the Financial Reports. Ms. Lantz stated the way those reports are described, in terms of budget amounts, are not consistent with what she is seeing. Ms. Lantz offered detailed comments on this matter and asked that staff provide some kind of explanation on how staff arrives at the numbers which are shown. Chair Kuhn stated maybe it would be best if Mr. Joswiak, Ms. Lantz, and the Chair get together and find out exactly what is needed for this to be worked out prior to the next Board meeting.

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

Moved to approve Consent Calendar items B and C, as presented

Chair Kuhn stated, with regard to the minutes from last month, when this Board came out of closed session it was reported there was no action; however, there was action taken during closed session, and that action taken needs to be reported. Counsel Slater stated there was

action taken at the Board closed session, and the report on that action can be recorded in these minutes. Counsel Slater stated at the January 26, 2012 Watermaster Board closed session legal counsel was authorized to file a request for oral argument in the Paragraph 31 motion, because not to file would waive our opportunity to ask for oral argument, so consequently given the approaching deadline, counsel was instructed to do so, and we in fact did so. Counsel Slater stated what needs to take place is a motion to approve the correct action taken at that meeting to account for an accurate statement of what occurred and this account can be adopted in that fashion. Chair Kuhn asked for comments on this matter. No other comments were made. Chair Kuhn stated there was also an Ad-Hoc Committee appointed and he inquired to legal if that needed to be reported. Counsel Slater stated Watermaster already had a standing Ad-Hoc Committee to deal with Paragraph 31 Motion. Chair Kuhn stated what we did was then to change the outgoing members for the incoming members. Counsel Slater stated your report item here would be to report of a substitution of two members for the earlier two members who went off the Board. Counsel Slater inquired to the Chair if he wanted to discuss who was now on the Committee. Chair Kuhn stated Mr. Curatalo and himself were added to that Ad-Hoc Committee. Chair Kuhn stated the minutes of today will properly reflect the action taken out of the January confidential session. Chair Kuhn asked for a separate motion to approve the January 26, 2012 minutes.

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

Moved to approve the action that was taken at the Watermaster Board meeting during closed session on January 26, 2012, as presented

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

Moved to approve Consent Calendar Item A, as presented

II. BUSINESS ITEMS

A. WATERMASTER ANNUAL AUDIT FISCAL YEAR 2010/2011

Ms. Maurizio stated Watermaster's annual audit has now been performed and the auditor, Mr. Brown, is here today to give a brief verbal presentation. Mr. Brown introduced himself and the Charles Z. Fedak & Company. Mr. Brown stated he will be discussing the financial and management reports today. Mr. Brown reviewed the audit report in detail. Chair Kuhn inquired to Mr. Brown if the auditors also look at internal documents when performing the audit. Mr. Brown stated yes they do, and offered a detailed answer on how that is accomplished. Chair Kuhn stated the auditors work for the Board and Mr. Brown acknowledged that was his understanding. Mr. Vanden Heuvel inquired if Mr. Brown personally did this audit. Mr. Brown stated yes, he was at Watermaster and he helped prepare this report.

Mr. Vanden Heuvel offered some history on Watermaster and noted Watermaster is a different type of agency. Mr. Vanden Heuvel stated this Board made a policy decision that we have too much cash and Watermaster is going to return a large portion of that cash back to our payers via a reduction in assessments, so the way you characterize this was showing it as a loss and you will see next year that Watermaster lost a lot of money; this was intentional. Mr. Vanden Heuvel offered further comment on this matter. Mr. Joswiak stated Mr. Vanden Heuvel's comments are correct. Mr. Vanden Heuvel stated this is not a real loss and he wants the audit to somehow communicate this and then in this next year, because it would be beneficial as a Board member to know, to have some outside validation that Watermaster staff is appropriately applying the policy that was set in place. Mr. Brown stated he was aware of the discussions regarding the policies and a statement/comment could be added to next year's audit. Ms. Lantz inquired about a statement in the documents noting there were controlled deficiencies but she could never find it. Mr. Brown stated he misspoke, he should have stated material weakness or significant deficiency. Mr. Brown clarified what that actually meant and reviewed page 2 of the handout materials. A brief discussion regarding this matter ensued. Mr. Brown stated there was only one minor adjustment made by LAIF to the fair market value. Chair Kuhn thanked Mr. Brown for a job well done.

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

Moved to approve receive and file the Watermaster Annual Audit Fiscal Year 2010/2011, as presented

B. WATERMASTER MID-YEAR REVIEW, BUDGET TRANSFERS AND BUDGET AMENDMENTS

Ms. Maurizio stated Mr. Joswiak will be giving a presentation on this item. Ms. Maurizio stated it was requested a few months ago that Watermaster do a mid-year check in to see where we are at with all of our accounts with respect to the budget, and now that the December financials have been completed there are budget transfers and budget amendments that need to be approved. Mr. Joswiak stated this same presentation was provided to all three Pools and the Advisory Committee, and the staff recommendation was approved unanimously at all those meetings. Mr. Joswiak gave the Watermaster Mid-Year Review, Budget Transfer and Budget Amendments presentation in detail. Ms. Lantz offered comment on looking at a six month look-up as opposed to a full year. Ms. Lantz noted she does not see the overall look-up or comparison. Ms. Lantz stated she has a question on the total of legal expenses because she only sees Brownstein expenses and not all the other legal expenses. Mr. Joswiak stated what is being shown only looks at the Brownstein expenses and does not look at the legal expenses which have to do with the Non-Agricultural or the Agricultural attorneys. Ms. Lantz inquired where that shows up in the mid-year analysis. Mr. Joswiak stated that does not show up in the mid-year and is a part of the financial reports that are presented every month. Ms. Lantz stated she does not see the full or accurate review for all of the six months review. Mr. Joswiak stated this report does not show absolutely everything; this is an overview of where we are at the first six months and then what challenges are foreseen in the next six months. Mr. Joswiak stated every month in the meeting packets there are financials provided in detail in the B1 through B5 reports. Ms. Lantz offered further comment on this mid-year review. Chair Kuhn stated staff will make note of Ms. Lantz's comments and a meeting can be scheduled so that Ms. Lantz, Mr. Joswiak, and Mr. Jeske can all sit down and look at this matter. Counsel Slater stated there are legal fees that Watermaster accounts for that are originated within the Pools and offered further detail on this matter. Counsel Slater stated for the Agricultural Pool there is an agreement that the Appropriate Pool pay for the legal costs for them. A discussion regarding the accounting of these legal costs showing up on these reports ensued. Mr. Joswiak stated those expenses are accounted for in this report, just not by a line item. Mr. Joswiak continued with his mid-year review presentation. Mr. Joswiak restated the staff recommendation on this item. Chair Kuhn thanked Mr. Joswiak for a good presentation. Chair Kuhn stated he specifically wants to make sure a meeting gets set up regarding the comments made by Ms. Lantz. Ms. Lantz offered comment on the process and discussions that Watermaster went through for the budget for legal fees. Ms. Lantz encouraged the Board, when it comes to budgeting items, to be realistic with the true numbers rather than making adjustments later on.

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

Moved to receive and file the Watermaster Mid-Year Review, as presented

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

Moved to approve the Budget Transfers and Budget Amendments, as presented

C. CHINO CREEK WELL FIELD EXTENSOMETER CONSTRUCTION CHANGE ORDER REIMBURSEMENT AGREEMENT

Ms. Maurizio introduced this, it is a requirement of the Peace II SEIR that a vertical extensometer be installed in the vicinity of the Chino Creek Well Field. Ms. Maurizio stated its purpose is to measure potential subsidence in that area, and it was also a requirement that it must be installed in advance of the Well Field start up so that it can collect background data. Ms. Maurizio stated Watermaster is going to use an existing CDA contract for the wells that they are drilling right now. Ms. Maurizio stated we are going to piggyback on to those contracts to costs. Ms. Maurizio stated staff is asking for approval for the reimbursement agreement to the CDA in the amount of \$295,000 plus a 10% contingency so that Watermaster can use their existing contract.

Ms. Maurizio stated this item was approved unanimously by the Pools and the Advisory Committee.

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

Moved to approve the Chino Creek Well Field Extensometer construction change order Reimbursement Agreement, as presented

D. CHINO CREEK WELL FIELD EXTENSOMETER LAND LEASE AGREEMENT

Ms. Maurizio introduced this item, it also regards the extensometer; however, this is the lease agreement for the land where the extensometer will be installed. Ms. Maurizio stated this is a ten-year lease with two five-year options for a 400 square foot piece of land on the County property near the airport. Ms. Maurizio offered history on the acquisition and cost of the land. A discussion regarding this matter ensued.

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

Moved to approve the Chino Creek Well Field Extensometer Land Lease Agreement for 10 years with two (2) five year extensions with CPI, as presented

E. APPLICATIONS FOR RECHARGE

1. **Consider Approval for Application for Recharge** - The City of Upland has submitted an application for recharge for 9,500.000 acre-feet to be placed into a Local Supplemental Storage Account. Date of Application: November 29, 2011. Consider Approval of the City of Upland's Application for Recharge, exclusive of recycled water, and direct Watermaster to account for this supplemental water recharged in the City of Upland's existing local supplemental storage account.
2. **Consider Approval for Application for Recharge** - San Antonio Water Company has submitted an application for recharge for 2,000.000 acre-feet to be placed into a Local Supplemental Storage Account. Date of Application: December 1, 2011. Consider Approval of SAWCO's Application for Recharge and direct Watermaster to account for this supplemental water recharged in SAWCO's existing local supplemental storage account.

Ms Maurizio stated this item is regarding the applications for recharge for both the City of Upland and San Antonio Water Company (SAWCO). Ms Maurizio stated the City of Upland submitted an application for 9,500.000 acre-feet and SAWCO for 2,000.000 acre-feet of supplemental water. Ms. Maurizio reviewed this item in detail, including the history on applications for recharge. Ms Maurizio stated the Material Physical Injury Analysis (MPI) has been completed for these two applications as well as other applications for storage last month. Ms Maurizio stated the Pools unanimously approved both of these applications for recharge last month; however, they have a 30 day delay before they go to the Advisory Committee and Watermaster Board, just like water transfers which also have that time delay. Ms Maurizio stated these two applications have conditions placed on them, one of them is that storage issues still need to be worked through the Watermaster process, and there has been a commitment made to working on that. Ms Maurizio stated there is a condition on the City of Upland's application that they won't recharge any recycled water until a further MPI has been completed; the City of Upland has agreed with this condition. Ms Maurizio stated the City of Upland is a few years away from having that ability to recharge recycled water. Mr. Vanden Heuvel offered compliments to the Appropriate Pool for working this out with regards to storage, and to the work they have started on.

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

Moved to approve the City of Upland and the San Antonio Water Company Applications for Recharge, as presented

ADDED BUSINESS ITEM:**F. LETTER OF SUPPORT FOR IEUA AUTOMATIC WATER SOFTENER ORDINANCE**

Ms Maurizio stated the request for a letter of support, which just came in this morning, is from Inland Empire Utilities Agency (IEUA) for the Fontana Public Hearing for March 6, 2012. Ms Maurizio stated staff has prepared a draft letter of support for your review and signature, if approved. Mr. Elie offered comment on this matter and thanked the parties for their support. Mr. Vanden Heuvel stated there is one sentence in the letter regarding dairy and he requested that sentence be removed. A discussion regarding this matter ensued.

Motion by Curatalo second by Field, and by unanimous vote

Moved to approve the letter of support for the IEUA Automatic Water Softener Ordinance, to allow the Chairman of the Board to sign the letter, and to delete the sentence regarding dairy, as presented

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Paragraph 31 Appeal Tentative Opinion**

Counsel Slater stated a tentative opinion was issued and this Board directed counsel to file a request for oral argument. Counsel Slater stated the Appropriative Pool also filed a request for oral argument, and counsel for California Steel Industries (CSI) and for the Non-Agricultural Pool declined the oral agreement. Counsel Slater stated with the earlier direction he reached out to each of the counsels for the various parties and expressed Watermaster's general desire to seek an amicable settlement. Counsel Slater stated following that discussion, there was a request filed by the counsel for the Appropriative Pool suggesting that the court defer oral argument to allow the parties to pursue a settlement discussion. Counsel Slater stated there was some reference in that request to the complexity of trying to resolve the matter in the event that the case proceeded because of the exchange of approximately \$6M in cash following the earlier trial court order. Counsel Slater stated that request for an extension was opposed by the Non-Agricultural Pool and by CSI, and it is counsel's expectation, based on communication from the court, that the court is not likely to grant the extension but that the oral argument is not eminent. Counsel Slater stated there will be ample opportunity for the parties to pursue a settlement and resolve this before oral argument is scheduled in the April/May time frame. Counsel Slater stated this is also an item for closed session discussion today.

Mr. Feenstra inquired to Counsel Slater about an update on the restated judgment. Counsel Slater stated, given the events that transpired at the end of the year and general concerns about what legal was doing and spending, it was completed to one level which is at his review and has not been distributed for further comment by the parties. Counsel Slater stated the next scheduled date for a hearing is in late June on the Recharge Master Plan and the given direction of the Watermaster Board of how lawyers apply their time, if the Restated Judgment was to be returned to that it will require some effort on our part. Counsel Slater stated counsel and staff are prepared to do this and Judge Reichert would like that to be done also. Counsel will need Watermaster Board direction on this matter.

B. CEO/STAFF REPORT**1. Recharge Master Plan Update/Storage Issues Review Process**

Ms Maurizio stated this item is for the Recharge Master Plan Update (RMPU). Ms. Maurizio stated there have been three steering committee meetings held since we have revamped the RMPU process. Ms Maurizio stated at the last meeting a schedule was discussed that is now established to go forward; this was a task schedule. Ms. Maurizio stated there is now a set meeting schedule for this Steering Committee, which has been set for the first and third Thursdays of each month starting at 10:00 a.m. here at the Watermaster office beginning in March. Ms Maurizio stated the plan with these meetings is to get the report to the court on

schedule in June, and to develop the plan for the next few years which will amend the 2010 Recharge Master Plan.

Ms. Maurizio stated with regard to the other part of this item, the Storage Issues Review Process, the chair of the Appropriative Pool, Mr. Zvirbulis, has begun discussing a potential process with Mr. Jeske.

2. WEI Analysis of Well Design for CDA Well I-20 & I-21

Ms Maurizio stated the State had requested to have an annular seal placed in the remaining CDA wells; however, well I-20 was already constructed and gravel packed so it was too late to install the annular seal in that one. Ms. Maurizio stated wells I-19 and I-21 will be contracted with the annular seal put in them as requested by the State.

3. Data Release Procedures

Ms. Maurizio stated this is really an Agricultural Pool issue; however, we wanted to provide the same report to all the parties. Ms Maurizio stated Watermaster is in the process of drafting the letters regarding data release that will be sent to the owners and users of the wells and the taps which were recently duplicate tested by the ABGL Group and Watermaster. Ms. Maurizio stated the draft letter will be circulated shortly to a couple of key parties for review prior to it being sent out. Ms. Maurizio stated the Agricultural Pool recently asked for Watermaster's history regarding Data Release Policies. Ms. Maurizio stated staff looked up that information and that has been forwarded to them.

4. Basin Plan Amendment

Ms. Maurizio stated this is to give you an update that the RWQCB approved the Basin Plan Amendment on February 10, 2012 which will reduce our surface monitoring requirements. Ms. Maurizio stated this is very good news.

IV. INFORMATION

1. Cash Disbursements for January 2012

No comment on this item.

2. Newspaper Articles – Direction Needed

Chair Kuhn stated he has spoken to Mr. Jeske regarding this matter and from that discussion he prefers to not have the newspaper articles in the meeting packets any longer. Ms. Maurizio stated this was also discussed at the Pools and Advisory Committee meetings and they also elected to not have them in the packets any longer.

V. BOARD MEMBER COMMENTS

Mr. Vanden Heuvel asked that new lawyer be introduced. Counsel Slater introduced Brad Herrema and offered history on him, and stated he has worked with him for a decade. Counsel Slater stated he is very happy to have Brad with us and he will be attending the Pool meetings. Mr. Herrema introduced himself and stated he looks forward to meeting everyone. Mr. Vanden Heuvel offered appreciation of service for Michael Fife and wished him the very best.

Mr. Elie offered comment on the invitation for Judge Field.

VI. OTHER BUSINESS

No comment was made.

The regular open Watermaster Board meeting was convened to hold its confidential session at 12:07 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. CEO Search
- 2. Paragraph 31 Appeal
- Added: 3. Water Quality

The confidential session concluded at 2:13 p.m.

Counsel Slater stated the reportable item from the confidential session is that the Watermaster Board has established a committee comprised of the Board chair and the three chairs of the Pools for the purposes of selecting a search firm to find a new Watermaster CEO.

VIII. FUTURE MEETINGS AT WATERMASTER

Thursday, February 23, 2012	11:00 a.m.	Watermaster Board Meeting
Thursday, March 1, 2012	10:00 a.m.	CB RMPU Steering Committee Mtg.
Thursday, March 8, 2012	9:00 a.m.	Appropriative Pool Meeting
Thursday, March 8, 2012	11:00 a.m.	Non-Agricultural Pool Conference Call Mtg.
Thursday, March 8, 2012	2:00 p.m.	Agricultural Pool Meeting
(PLEASE NOTE: NEW AGRICULTURAL POOL PERMANENT MEETING TIME CHANGE)		
Thursday, March 15, 2012	8:00 a.m.	IEUA DYY Meeting
Thursday, March 15, 2012	9:00 a.m.	Advisory Committee Meeting
Thursday, March 15, 2012	10:00 a.m.	CB RMPU Steering Committee Mtg.
Thursday, March 22, 2012	9:00 a.m.	Land Subsidence Committee Meeting
Thursday, March 22, 2012	11:00 a.m.	Watermaster Board Meeting

The Chino Basin Recharge Master Plan Update Steering Committee will now be meeting on a regular basis on the 1st and 3rd Thursday of every month at 10:00 a.m. starting in March until further notice.

Chair Kuhn adjourned the Watermaster Board meeting at 2:14 p.m.

Secretary: _____

Minutes Approved: March 22, 2012