

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
April 28, 2011

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on April 28, 2011 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	West End Consolidated Water Company
Bob Kuhn	Three Valleys Municipal Water District
Steve Elie	Inland Empire Utilities Agency
Ken Jeske	California Steel Industries
Paula Lantz	City of Pomona
Tom Haughey	City of Chino
Charles Field	Western Municipal Water District
Geoffrey Vanden Heuvel	Agricultural Pool
Paul Hofer	Agricultural Pool

WATERMASTER BOARD MEMBERS ABSENT

Bob Bowcock	Vulcan Materials Company (Calmat Division)
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Watermaster Staff Present

Danielle Maurizio	Senior Engineer – Interim CEO
Joe Joswiak	Chief Financial Officer
Ben Pak	Senior Project Engineer
Sherri Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Brownstein, Hyatt, Farber & Schreck
Andy Malone	Wildermuth Environmental, Inc.
Mark Wildermuth	Wildermuth Environmental, Inc.

Others Present Who Signed In

Marty Zvirbulis	Cucamonga Valley Water District
Jolynne Russo-Pereyra	Cucamonga Valley Water District
John Bosler	Cucamonga Valley Water District
David DeJesus	Three Valleys Municipal Water District
Mohamed El Amamy	City of Ontario
Dave Crosley	City of Chino
Ron Craig	City of Chino Hills
Raul Garibay	City of Pomona
Curtis Paxton	Chino Desalter Authority
Steven G. Lee	Reid & Hellyer for the Agricultural Pool
Bob Feenstra	Agricultural Pool
Jennifer Novak	State of California, Dept. of Justice, CIM
Justin Scott-Coe	Monte Vista Water District
Van Jew	Monte Vista Water District
Jack Safely	Western Municipal Water District
Gary Meyerhofer	Carollo Engineering
Terry Catlin	Inland Empire Utilities Agency
Michael Camacho	Inland Empire Utilities Agency

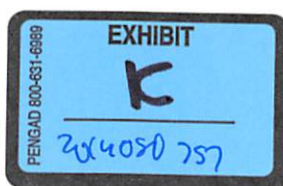


EXHIBIT K - 001

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Eunice Ulloa
David DeJesus
Sheri Rojo

Chino Basin Water Conservation District
Three Valleys Municipal Water District
Consultant for Fontana Water Company

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

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting held March 24, 2011
2. Minutes of the Special Confidential Watermaster Board Meeting held March 31, 2011

B. FINANCIAL REPORTS

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

C. WATER TRANSACTIONS

1. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 60.000 acre-feet of water from San Antonio Water Company to the City of Ontario. This lease is made first from San Antonio's Annual Production Right, with any remainder to be recaptured from storage. Date of Application: January 26, 2011
2. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 60.000 acre-feet of water from San Antonio Water Company to the Monte Vista Water District. This lease is made first from San Antonio's Annual Production Right, with any remainder to be recaptured from storage. Date of Application: January 26, 2011
3. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 274.294 acre-feet of water from San Antonio Water Company to the Monte Vista Water District. This lease is made first from San Antonio's Annual Production Right, with any remainder to be recaptured from storage. Date of Application: January 28, 2011
4. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 880.000 acre-feet of water from San Antonio Water Company to the City of Upland. This lease is made first from San Antonio's Annual Production Right, with any remainder to be recaptured from storage. Date of Application: January 26, 2011
5. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 895.190 acre-feet of water from San Antonio Water Company to the City of Upland. This lease is made first from San Antonio's Annual Production Right, with any remainder to be recaptured from storage. Date of Application: February 1, 2011

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

Moved to approve Consent Calendar items A, through C, as presented

II. BUSINESS ITEMS

A. BUDGET AMENDMENT

Mr. Joswiak stated Watermaster staff is transferring \$145,000 from the groundwater monitoring/engineering budget account #7107-2 to a brand new category, account #6906-1, Watermaster Model Update. A discussion regarding the new category account #6906-1 ensued. Mr. Joswiak stated this dollar amount came directly from Wildermuth Environmental Inc. for them to execute the model update. Mr. Wildermuth offered comment regarding this item and noted

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staff will attempt to perform \$145,000 of work this fiscal year's budget and \$165,000 on next year's budget. Mr. Vanden Heuvel inquired if the Pools had the benefit of all this information presented today when they passed this item earlier this month. Mr. Joswiak stated yes, the Pools did have that information and this is not an addition to the budget, it is only a transfer of funds into a new category. Mr. Wildermuth discussed the contents of the work to be performed. Ms. Maurizio stated it was discussed at the Appropriative Pool meeting and noted at that meeting that this project was budgeted; however, it is being pushed up on the schedule to be worked on sooner rather than later. Mr. Vanden Heuvel offered comment on budgeted items being moved around for a new initiative. Mr. Jeske stated this was discussed at both budget workshops (Appropriative and Non-Agricultural) and included at those workshops was the proposed budget for next year including the scope of work and task management for this item. Ms. Maurizio stated those documents were also available at the Advisory Committee meeting. Ms. Lantz stated she thought this item was taking funds from one item and putting them into another item and she is not used to approving work or studies as a line item change when the Board is actually approving a project to be performed. Ms. Maurizio stated this is why it is a budget amendment. Mr. Kuhn noted this was discussed last year during the budget process and it was delayed by one year so this was a previously approved project. Mr. Vanden Heuvel stated he does not remember approving this project previously and noted there was not sufficient information in the agenda package for reference purposes. A discussion regarding this matter ensued.

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

Moved to approve Budget Amendment A-11-04-01 in the amount of \$145,000, as presented

B. BUDGET TRANSFERS

Mr. Joswiak stated this budget transfer is standard Watermaster practice to review which budget items are over or under budget and then to transfer funds around by taking this through the Watermaster process. Mr. Joswiak reviewed the actual budget transfers form T-11-04-01 in detail. Ms. Joswiak noted the transferring of these funds does not change the budget financially in any way.

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

Moved to approve Budget Transfer T-11-04-01, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Paragraph 31 Appeal

Counsel Fife stated the opening briefs have been filed by both the Non-Agricultural Pool and by California Steel Industries; Watermaster counsel is currently preparing the response brief which is due by May 17, 2011. Counsel Fife stated the response brief will be filed on time. Mr. Vanden Heuvel inquired if this item was going to be discussed during closed session. Counsel Fife stated it was not anticipated; however, it could be added to the closed session agenda. Mr. Vanden Heuvel stated he wanted to inquire into costs for the appeal. Counsel Fife stated he does not have dollar amounts with him; although, there will be a significantly less amount of work performed than when the original motion was filed. The arguments that are being made are largely repeats of the arguments that were made at the superior court level. Watermaster's response is like the original response, and there are no new exhibits to prepare. A discussion regarding the Court of Appeals process ensued. Counsel Fife offered comment and noted he was not exactly sure how long an appeal decision would take.

2. Court Hearing Update

Counsel Fife stated a hearing was scheduled for April 22, 2011; however, all the documents that needed to be completed for that hearing are not 100% completed. The CDA Resolution was one of the items being presented to the court and there is still one

contingency being worked on. There will be a few other small items being presented as well as the Restated Judgment at the July 8, 2011 rescheduled hearing date.

Added Comment:

Counsel Fife stated with regard to Water Rights Permit No. 20753, comments have been received back from the State Board last week. Counsel Fife stated several years ago Watermaster went through a very lengthy process with the State Board in terms of water rights permitting on the Santa Ana River. It was not just Watermaster, it was Orange County Water District, Western Municipal Water District and basically everybody in the watershed. Chino Basin was given a permit for making diversions out of all the creeks in the Chino Basin. Counsel Fife stated one of the legal issues the State Board confronted when giving Watermaster its permit was how to deal with permitting in the context of very flashy streams, which is normal in the Chino Basin. Some years there is a lot of water, and other years there is almost nothing, which is what they call flashy streams, and then the dilemma of how the State Board fits that scenario into their permit. Counsel Fife stated there are many issues associated with this matter. One of the ways the State Board worked through this issue was to give Watermaster an extended period of time to go from permit to license; the State Board gave Watermaster fifty years to accomplish this process. Counsel Fife stated there are two other permits that were pre-existing that have the traditional shorter time periods of going from permit to license, which is exactly the case with permit no. 20753. Counsel Fife stated moving 20753 from permit to license expires this year and a request was filed by Watermaster with the State Board for an extension. The protest period has already expired on that extension request and there were no protests. Counsel Fife stated a forty-seven year extension was asked for on permit 20753, which will then make that permit coterminous with the other permits. Counsel Fife stated this is being requested for approval without a hearing. Counsel Fife stated he would keep the parties apprised on the outcome of the extension request.

B. ENGINEERING REPORT

1. GE Application for Recharge Description and Status

Mr. Malone stated Engineering has one information item only today. Mr. Malone stated Watermaster received a Recharge Application from the General Electric Company associated with their GE Flatiron plume. Mr. Malone reviewed a map of the area from which the application is being discussed. Mr. Malone stated when Watermaster receives a recharge application it is required to do a finding of material physical injury that might be associated with that recharge. Mr. Malone provided information on the project and discussed the analysis which is being performed presently for material physical injury. Mr. Malone stated this item will be coming back at a future meeting with the findings; this is an information item only. Mr. Malone continued his presentation on this item. Mr. Vanden Heuvel inquired if GE ever discussed the potential of putting this water into the recycled water line and distributing it. Mr. Jeske stated this project is the result of several years of negotiations. Watermaster staff went to the GRCC Committee meeting and requested that GE find another site other than the Ely Basins to take this in; this has been in the works since approximately 2004. The well sites are on City of Ontario property and the entire time GE was looking for sites, Watermaster was involved in reviewing sites and at no time during that process was a recharge application even contemplated as its not supplemental water. It is basin water treated to better standards than it was, and then would be put back into the basin. The recharge portion which triggers the findings by Watermaster was recently brought up to GE when they submitted a request that there be no losses from this closed loop system. This would explain why this had not come through the Watermaster process before; however, there was a lot of involvement from Watermaster and other agencies in this matter. Mr. Jeske stated GE could see using Ely Basins was compromising their ability to run the plant, the extraction wells, and the clean up to the point where GE wanted to be responsible and not lose control over the plume, which could affect other downstream wells. GE has invested a considerable amount of money and time in developing an alternative through an agreement with the City of Ontario for using the City of Ontario property. Mr. Jeske stated part of the project included additions to the treatment system and GE did

do groundwater modeling and submitted that to the Regional Board in order to get their waste discharge requirements. They are now completing the process as requested by Watermaster. Mr. Vanden Heuvel inquired about the recycled water line. Mr. Jeske stated there is no recycled water line anywhere near that facility and at the time that was considered. Inland Empire Utilities Agency had represented they had more than enough recycled water and the City of Ontario looked at whether or not that water could be used either into their potable water system or building a separate recycled water system – none of which were economically or corporately feasible. The City of Ontario entered into the agreement to put this water back into the ground and have that local resource available for others to use. A lengthy discussion regarding these comments ensued. Mr. Malone stated the existing groundwater flow model is being used to perform the analysis on this injection project and a finding will be brought forward in the form of a staff report in the near future.

C. FINANCIAL REPORT

1. Watermaster 2011-2012 Draft Budget – Watermaster-Legal-Engineering

Mr. Joswiak stated that traditionally the Watermaster budget is developed during the months of March and April. A similar presentation on the 2011-2012 budget has been presented to the Pools earlier this month and a budget workshop took place on April 12, 2011. Mr. Joswiak stated that with the input from the Pool meetings and the budget workshop the budget was adjusted and the presentation today reflects those changes and recommendations. Mr. Joswiak reviewed some questions presented at the budget workshop. Mr. Joswiak went over the last several years of when the budget was approved and noted the Judgment is silent on ramifications if the budget is not approved before the fiscal year begins. Mr. Joswiak offered comment on what happens to excess funds and reviewed a chart on this matter. Mr. Joswiak gave the 2011-2012 presentation. Mr. Joswiak reviewed the changes made to the budget over the last month and the assumptions in detail. Mr. Joswiak reviewed the Wildermuth Environmental, Inc. proposed budget, and the legal proposed budget in detail, and discussed the next steps. Mr. Joswiak noted this same budget will be presented to the Pools starting next week and staff is anticipating the budget to be adopted in May. Mr. Joswiak stated there is a second budget workshop scheduled for May 19, 2011, directly after the Advisory Committee meeting. Mr. Joswiak reviewed the upcoming production numbers in detail. Chair Willis commented on legal expenses. Ms. Lantz asked Mr. Joswiak to pull up the legal slide again for a second review. Ms. Lantz commented on items which were budgeted previously but are not budgeted this year. Counsel Fife offered comment on the zero columns of the budget for legal. A discussion regarding the proposed legal budget ensued. Counsel Fife referenced page 95 of the meeting package which depicts what was accomplished over the last few months while attempting to stay on track with the budget. Counsel Fife discussed legal attending or not attending all meetings. Chair Willis stated really the unforeseen is the problem that is faced each year. Mr. Vanden Heuvel complimented Mr. Joswiak on a job well done and the budget presented today looks good. Mr. Vanden Heuvel stated he is ready to approve the budget presented today. Mr. Joswiak stated the changes were a collaborative effort from all of staff.

D. CEO/STAFF REPORT

1. Recharge Update

Ms. Maurizio stated the new recharge spreadsheet is available on the back table and reviewed the numbers in detail.

2. SBX7-6 California Statewide Groundwater Elevation Monitoring Program (CASGEM)

Ms. Maurizio stated this is a request coming from the Department of Water Resources (DWR) and this is a statewide program that they are trying to develop. Ms. Maurizio stated there is a California Statewide Groundwater Elevation Monitoring (CASGEM) Program that will be beginning soon and they have asked for Watermaster's commitment to comply. The DWR is looking for regional agencies to report on behalf of water agencies in their regions; they are looking at receiving data from Watermaster or whomever the regional holder is of

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all the data. They have asked Chino Basin Watermaster to report the water levels for the Chino Basin and for the Cucamonga Basin; this will begin in about six to twelve months on a quarterly basis. Ms. Maurizio stated the report will only be on water levels and no water quality data is being released. Mr. Vanden Heuvel inquired if this needs approval or can staff just comply with the request. Ms. Maurizio stated this is basically just a data request which is something that is done pretty routinely and the only time specific requests/approval needs to be done is when private owner water quality data is involved.

Added Comments:

Ms. Maurizio stated it looks like Metropolitan Water District (MWD) will soon be offering water at their replenishment rate again in a limited quantity. It was anticipated MWD was going to be making this decision at a recent board meeting; however, it has been deferred until their May 10, 2011 meeting. Ms. Maurizio stated MWD might be offering anywhere from 200,000 to 250,000 acre-feet of water at the replenishment rate. Ms. Maurizio stated Watermaster does not have the funds available to purchase that water and Watermaster is in the process of fulfilling the CURO. Until the Assessment Package is done, and staff can see what overproduction there might be, and monies are collected there are no funds to purchase this water. Ms. Maurizio stated staff is speaking to appropriators that know they will be overproducers and they might want to purchase that water now through Watermaster for future overproduction. Chair Willis asked that Watermaster staff do a check with all water producers and find out who plans to do what with this regard and then at the next meeting provide an update. Chair Willis stated he also would like to know what the affect would be if Watermaster purchased the water and what might be a proper goal for this endeavor. Ms. Maurizio stated there are not the overproducers like there used to be in the past. Mr. Hofer inquired as to the current replenishment rate. Ms. Maurizio stated it is at \$4.09 and then there is a \$14.00 add on cost for pass on charges from both Inland Empire Utilities Agency and Orange County Water District.

Ms. Maurizio stated there are parking signs placed around the building due to a disgruntled neighbor across the street. The neighbor has come to the office more than a few times to complain of people parking in front of his house which does not allow access from the street cleaners or the mail carrier and has asked that nobody park in front of his house. It was noted staff is opening the back gate on meeting days for people to park also.

IV. INFORMATION

1. Cash Disbursements for March 2011
No comment was made regarding this item.
2. Newspaper Articles
No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Kuhn thanked the CEO Ad-Hoc Committee members for their assistance in hiring Desi Alvarez and thanked Danni Maurizio for stepping up and filling the CEO position as interim, noting she did a great job.

VI. OTHER BUSINESS

No comment was made regarding this item.

The regular open Watermaster Board meeting was convened to hold its confidential session at 12:15 p.m.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster committee meeting for the purpose of discussion and possible action.

1. South Archibald Plume

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The confidential session concluded at 12:30 p.m.

There was no reportable action from the confidential session.

VIII. FUTURE MEETINGS

Thursday, April 28, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Thursday, May 5, 2011	1:00 p.m.	Appropriative Pool Meeting @ CBWM
Thursday, May 5, 2011	2:30 p.m.	Non-Agricultural Pool Conference Call Meeting
Thursday, May 12, 2011	9:00 a.m.	Agricultural Pool Meeting @ IEUA
Thursday, May 19, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, May 19, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
* Thursday, May 19, 2011	10:30 a.m.	Watermaster 2 nd Budget Workshop @ CBWM
Thursday, May 26, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Friday, July 8, 2011	10:30 a.m.	Watermaster Court Hearing @ Chino Court

* This time slot was originally for the Land Subsidence Committee Meeting which has now been cancelled and replaced with the Watermaster 2nd Budget Workshop

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

Secretary: _____



Minutes Approved: May 26, 2011