

**MINUTES OF A REGULAR MEETING OF
THE MAIN SAN GABRIEL BASIN WATERMASTER
729 NORTH AZUSA AVENUE, AZUSA, CALIFORNIA
HELD WEDNESDAY, DECEMBER 12, 2012 AT 2:30 O'CLOCK P.M.**

The regular meeting of the Main San Gabriel Basin Watermaster was duly and regularly held in the Conference Room of the City of Azusa Light and Water Administration Facility, at 729 North Azusa Avenue, in the City of Azusa, County of Los Angeles, State of California, 91702, on Wednesday, December 12, 2012 at the hour of 2:30 p.m.

CALL TO ORDER

James Byerrum, Chairman, called the meeting to order and presided thereover.

ROLL CALL OF WATERMASTER MEMBERS

The following members of Watermaster were present on roll call:

PRESENT: Chet Anderson, Dan Arrighi, James Byerrum, Ed Chavez, Thomas Love, Pat Malloy and David Michalko

ABSENT: Michael Quinn and Charles Trevino

STAFF AND OTHERS PRESENT

Staff present at the meeting included: Tony Zampello, Assistant Executive Officer; Fred Fudacz, Attorney; Stephen Johnson, Consulting Engineer; Wendy La, Staff Engineer; and Kelly Gardner, Administration Manager.

Others present included: Dennis Ahlen, Brian Bowcock, Mark Carney, Barbara Carrera, Jonathan Contreras, Myra Evangelista, Ken Herman, Garry Hofer, Kevin Hostert, Ben Lewis, Ken Manning, Stephen Millard, Lynda Noriega, James Prior, Che Venegas and Robert Zeltner.

ADOPTION OF AGENDA

The Chairman asked if there were any changes to be made to the agenda. On motion made by Mr. Arrighi, seconded by Mr. Malloy and unanimously carried, the agenda was adopted as presented.

CONSENT CALENDAR

On motion made by Mr. Anderson, seconded by Mr. Malloy, and unanimously carried, the following items were approved:

- a) Minutes of the Regular Meeting of Watermaster held November 7, 2012.

- b) List of Demands: Items 15631 through 15673 in the amount of \$457,005.94 on the Administrative Fund, Items 923 and 925 in the amount of \$7,158,141.70 on the Replacement Water Fund.
- c) Financial Statements, November 2012

WATER QUALITY MANAGEMENT ACTIVITIES

The Consulting Engineer reported that Golden State Water Company has submitted two Section 28 applications to Destroy Water Wells: Graydon No. 1, and Jeffries No. 3. He stated that both wells have already been destroyed and that this action is to properly document compliance with Section 28 of Watermaster's Rules and Regulations.

Graydon No. 1 was destroyed due to the age (86 years) of the well and the fact that it had been out of service for more than 25 years. Jeffries No. 3 was destroyed because of the deteriorated condition of the well casing and age (62 years). He noted that a detailed staff report had been included for reference.

On motion made by Mr. Malloy, seconded by Mr. Love, and unanimously carried, Watermaster approved Golden State Water Company's application to destroy water well Graydon No. 3 located at 124 W. Jeffries Avenue, in the City of Monrovia, subject to conditions stated in the staff report dated November 28, 2012.

On motion made by Mr. Malloy, seconded by Mr. Michalko, and unanimously carried, Watermaster approved Golden State Water Company's application to destroy water well Jeffries No. 1 located at 2044 S. Graydon Avenue, in the City of Monrovia, subject to conditions stated in the staff report dated November 28, 2012.

APPROVAL TO AUTHORIZE EXECUTIVE OFFICER TO EXECUTE THE MEMORANDUM OF UNDERSTANDING FOR INTEGRATED REGIONAL WATER MANAGEMENT PLANNING AND IMPLEMENTATION

The Executive Officer reported that this Memorandum of Understanding (MOU) for Integrated Regional Water Management Planning and Implementation (IRWM) is a renewal of the MOU previously approved by Watermaster in August of 2008. The MOU is needed to qualify the IRWM group for Proposition 84 funds as well as other possible future grants. It also signifies Watermaster's participation as a voting member in the group.

On motion made by Mr. Malloy, seconded by Mr. Michalko, and unanimously carried, Watermaster approved Golden State Water Company's application to destroy water well Jeffries No. 1 located at 2044 S. Graydon Avenue, in the City of Monrovia, subject to conditions stated in the staff report dated November 28, 2012.

REQUEST FROM SUBURBAN WATER SYSTEMS TO PURCHASE 3,000 AF WATER FROM USGVMWD FOR PRODUCER CYCLIC STORAGE

The Executive Officer stated that Suburban Water Systems (SWS) has submitted a request to purchase an additional 3,000 acre-feet of water from Upper San Gabriel Valley Municipal Water District (USGVMWD) for its producer cyclic storage account. He reported that this

purchase enables Watermaster to utilize all of the USGVMWD Tier 1 allotment and carry 3,000 AF into next year.

In response to a question from Mr. Byerrum, the Executive Officer stated that Watermaster had previously approved a 3,200 acre-foot purchase for SWS and that SWS requested to rescind that purchase request because of an agency transfer issue.

Mr. Michalko asked the Executive Officer if the order would be delivered by the end of December to take advantage of the lowest rate. The Executive Officer stated that the water has already been delivered and that this action is more of an accounting task.

On motion made by Mr. Arrighi, seconded by Mr. Malloy, and unanimously carried, Watermaster authorized the purchase of 3,000 acre-feet of cyclic storage water from USGVMWD, for Suburban Water System's individual producer cyclic storage account.

REPORT FROM ADMINISTRATIVE COMMITTEE

Mr. Arrighi reported that the Administrative Committee met on November 28, 2012 and discussed several items, two of which require action by the Board.

401(A) Retirement Plan – Mr. Arrighi reported that the Executive Officer was tasked with researching the ability of Watermaster to offer a 401(A) retirement plan to executive level employees. He stated that the Committee discussed the plan in detail and it is their recommendation that the Board approve the plan as a benefit for the Executive Officer and Assistant Executive Officer positions.

In response to a question from Mr. Love, Mr. Byerrum clarified that this is a plan that is dictated by the Board to the employee and that this resolution is to simply, put the plan in place. Any specific information relating to plan participation will be addressed with the Board at a later date.

Mr. Love also asked for clarification on the appointment of trustees and administrators to the fund. Mr. Byerrum stated that the Committee's intent is to appoint the Executive Officer and Accounting Manager to those roles, and that an additional resolution will need to be adopted at the time the designations are made.

On motion made by Mr. Arrighi, seconded by Mr. Anderson, and unanimously carried, Watermaster approved Resolution No. 12-12-248 authorizing Watermaster to offer a 401(A) retirement plan as part of the benefit package for the Executive Officer and Assistant Executive Officer positions.

Citizens Business Bank Line of Credit – Mr. Arrighi reported as part of the recently approved Judgment Amendments, Watermaster has been given the flexibility, with Court approval, to borrow for multi-year water purchases or to spread costs over several years. He stated that the Executive Officer and Chairman Byerrum have been working with Mr. Robert Zeltner from Citizens Business Bank (CBB) on various lending options available as consistent with the Judgment Amendments. Mr. Arrighi noted that Mr. Zeltner has prepared an Expression of Interest letter detailing the components and conditions associated with a \$15,000,000 line

of credit. He also noted that Mr. Zeltner is in the audience and available to answer any questions.

It is the Committee's recommendation for the Board to approve the establishment of a \$15,000,000 line of credit with CBB.

Mr. Byerrum stated that this is an opportunity for Watermaster and Producers to take advantage of discounted purchased water during times that may otherwise be prohibitive, such as mid-budget year.

In response to a question from Mr. Chavez, Mr. Byerrum stated that the costs, including interest, associated to any withdrawal will be charged to the Producer making the water purchase request. Furthermore, the Board must approve each proposed line of credit withdrawal.

On motion made by Mr. Arrighi, seconded by Mr. Anderson, and unanimously carried, Watermaster approved the establishment of a \$15,000,000 line of credit with Citizens Business Bank.

Lastly, Mr. Arrighi reported that the Executive Officer continues pursuing opportunities to pre-purchase Replacement water from Metropolitan Water District and the Responsible Agencies in order to maximize the purchase of Tier 1 allocations prior to January 1, 2013.

REPORT FROM BASIN WATER MANAGEMENT COMMITTEE

Mr. Malloy reported that the Basin Water Management Committee (BWMC) met on November 14, 2012 and discussed two items, neither of which require action. He stated that the Consulting Engineer presented a workshop on the status of the Salt and Nutrient Management Plan, noting that the work is on schedule to meet the May 14, 2014 due date.

He also reported that the Consulting Engineer presented a report for discussion on the Three-year Purchase Water Plan. There were three separate approaches that were considered and after much discussion, the Committee asked staff to move forward with further developing approach 3. When completed, staff will report back at a future BWMC meeting.

Mr. Byerrum stated that Mr. Malloy has done an outstanding job as the Chairman of the BWMC and his leadership in the Basin was greatly appreciated and will be missed.

ADOPTION OF RESOLUTION NOS. 12-12-249 and 12-12-250 COMMEMORATING OUTSTANDING SERVICE OF PATRICK MALLOY AND MICHAEL O. QUINN

Resolution No. 12-12-249 - The Executive Officer stated that a resolution of appreciation has been prepared commemorating the service of Mr. Pat Malloy. He then read Resolution No. 12-12-249 commemorating the outstanding service of Mr. Malloy as Vice-Chair and Producer Member of Watermaster.

On motion made by Mr. Arrighi, seconded by Mr. Chavez, and unanimously carried, the following resolution was adopted and passed as read:

RESOLUTION NO. 12-12-249

**A RESOLUTION OF THE MAIN SAN GABRIEL BASIN WATERMASTER
EXPRESSING APPRECIATION, COMMEMORATING AND INVITING
PUBLIC ATTENTION TO THE OUTSTANDING SERVICES RENDERED BY
PATRICK MALLOY
AS VICE-CHAIR AND AS A PRODUCER MEMBER OF WATERMASTER**

(see next page)

The Executive Officer thanked Mr. Malloy for his dedication to the Basin and professionalism with the BWMC. Chairman Byerrum also expressed his appreciation for his service over the years and thanked him for his many contributions.

Resolution No. 12-12-250 - The Executive Officer stated Mr. Quinn was unable to attend today's meeting, therefore, he will address the presentation of Resolution No. 12-12-250 at the January meeting.

INFORMATION ITEMS

The following items listed on the agenda for information of Watermaster were noted, and ordered received and filed:

- a) Permanent transfer of 300 AF Prescriptive Pumping Right from City of El Monte to San Gabriel Valley Water Company
- b) Temporary assignment or lease of 25.38 AF Production Right from Jeanne Brondino to San Gabriel Valley Water Company for FY 2012-13
- c) Temporary assignment or lease of 22.76 AF Production Right from Polopolus, et. al. to San Gabriel Valley Water Company for FY 2012-13
- d) Temporary assignment or lease of 100 AF Production Right from Del Rio Mutual Water Company to San Gabriel Valley Water Company for FY 2012-13
- e) Notice of Change of Designee for California American Water – Duarte System to Garry Hofer
- f) Notice of Change of Designee for California American Water – San Marino System to Garry Hofer
- g) Notice of Change of Designee for El Monte Cemetery to Garry Hofer
- h) Notice of Hearing on Petition for Appointment of Watermaster Members for Calendar Year 2013, December 18, 2012
- i) Letter dated October 8, 2012 from Stetson Engineers regarding Replacement Water delivered during FY 2011-12
- j) Letter dated November 13, 2012 from the County of Los Angeles, Department of Public Works regarding releases from Cogswell Dam
- k) Notice of City Council Reorganization from the City of Vernon
- l) Transmittal of SGVMWD monthly report for October 2012
- m) Various newspaper articles

ATTORNEY'S REPORT

Mr. Fred Fudacz, Attorney, reported that regarding the South El Monte Operable Unit (SEMOU), TDY Teledyne's settlement is near completion which will relieve Watermaster of its responsibilities. It is expected to be fully concluded in January, 2013.

The Attorney also reported that matters' relating to the Endangered Species, a ruling is expected from the "Service" on December 14, 2012. Following this ruling, he expects to move into strategizing the next steps in January, 2013.

Additionally, the Attorney stated that confirmation of the recently elected Watermaster Board Members will be heard on December 18, 2012, at 9:30 a.m. in Department 38, before Judge Duffy-Lewis. The nominee's for Upper San Gabriel Valley Municipal Water District will be heard at a separate hearing to be scheduled once they are received.

Lastly, the Attorney stated that in November, he received notification from the Appellate Court regarding the Central Basin Adjudication for the Santa Maria area. The adjudication involves a complex physical solution, much like the one for the Main San Gabriel Basin. He noted that the Judge was very supportive of the physical solution as a tool for properly managing the groundwater basin.

ENGINEER'S REPORT

The Consulting Engineer also expressed his appreciation to Mr. Malloy for the many years of professional expertise he has offered the Basin and Producers.

Next, the Consulting Engineer reported that the historic low at the Baldwin Park Key Well (Key Well) was recorded back in 2009, measuring 189.2 feet. He stated that as of November 30, 2012, the key well elevation was 213.4 which reflects an increase of 2.3 feet, primarily due to the spreading of imported water. USGVMWD has delivered 12,000 acre-feet, and SGVMWD has delivered nearly 18,000 acre-feet to the Basin.

Recorded rainfall in the Basin totaled 2.4 inches which is approximately ninety percent of average. This time last year, rainfall was nearly 3.5 inches.

Additionally, the Consulting Engineer reported that there is approximately 13,000 acre-feet in the San Gabriel Canyon reservoir storage with inflow into the San Gabriel Reservoir measuring about three cubic feet per second.

Regarding landfills in the Basin, the Consulting Engineer reported that all five were inspected and found to be operating normally with no violations.

The Consulting Engineer also reported that total cyclic storage in the Basin, including Producer and Responsible Agency accounts, is nearly 84,000 acre-feet.

And lastly, the Consulting Engineer noted that the Metropolitan Water District is considering the adoption of a resolution abolishing the Replenishment Rate. He stated that USGVMWD's Tier 1 allocation would likely increase from 16,000 acre-feet to about 65,000

acre-feet. This means that the ability to buy water in the future will be more secure; however, it will be significantly more expensive.

EXECUTIVE OFFICER'S REPORT

The Executive Officer stated that a summary of staff's interactions over the past month had been included in the agenda packet. He also reported that he met with newly appointed Board Member, Garry Hofer, to discuss Watermaster's procedures, and answer any questions he had. He also added that he has a similar meeting scheduled with Mr. Richard Rich for next week.

REPORT FROM RESPONSIBLE AGENCIES

Mr. Love reported that the SGVWMD Board Met on December 10, 2012 where they approved an annual contract for State Legislative services and the reappointment of John Leon as representative to the Water Quality Authority.

He also reported that regarding the State Water Project (SWP) allocation, thirty percent is the current allocation; however, following recent rains in central and northern California, that percentage is expected to increase. Additionally, relating to the State Water Contract, there have been some recent concerns about the Department of Water Resource's (DWR) ability to maintain the SWP infrastructure. Large contractors such as MWD, have discussed options to assist DWR because of state budget impacts and furloughs. There are immediate concerns with the operations at Oroville that could place a significant impact on the ability to deliver water. Discussions on the matter continue and Mr. Love will continue to keep the Board informed as information becomes available.

Mr. Chavez reported that the USGVMWD provided a written report to all Board Members; however, he wanted to mention that the USGVMWD unanimously approved Water Transfer Policy Guidelines, and approved a contract to construct a City of Industry Phase IIB Recycled Water Project. He also reported that Resolution No. 12-12-522 commemorating outstanding service and accomplishments of Mr. R. William "Bill" Robinson, serving the district for more than 24 years.

Mr. Brian Bowcock representing Three Valleys Municipal Water District (TVMWD) reported that the December 19, 2012 meeting will be held at 10:00 a.m. rather than 8:00 a.m. On behalf of the Southern California Water Utilities Association, Mr. Bowcock noted that December 13, 2012 is the Christmas Luncheon and reminded everyone that the program is scheduled to begin at 11:00 a.m.

OUTSIDE COMMITTEE LIASONS

Mr. Michalko and Mr. Arrighi stated that their reports have been included in the Agenda packet for review.

COMMENTS FROM WATERMASTER MEMBERS

Mr. Love, Mr. Michalko, Mr. Chavez, and Mr. Anderson expressed their appreciation to Mr. Malloy for his dedicated service to Watermaster. They also wished everyone a Happy Holiday season.

Mr. Arrighi congratulated Mr. Malloy and thanked him for his wisdom and knowledge, and expressed his respect for the fairness Mr. Malloy displayed throughout his years of serving on Watermaster.

Mr. Malloy thanked everyone for allowing him to serve on the Watermaster Board, stating it has been a true honor and privilege to work with everyone here. He welcomed Mr. Hofer and Mr. Rich to the Board, and expressed his appreciation to Mr. Quinn as well. He wished everyone Happy Holidays.

Mr. Byerrum stated that Mr. Quinn has recently been appointed as the Interim CEO for Southwest Water Company – the parent company of Suburban Water Systems.

ADJOURNMENT

The Chairman asked if there were other business to come before Watermaster, and there being none, upon motion duly made by Mr. Malloy, seconded by Mr. Arrighi, and unanimously carried, the meeting was adjourned to the next regular meeting of Watermaster on Wednesday, January 2, 2013, at 2:30 p.m. in the Conference Room of the City of Azusa Light and Water Administration Facility at 729 North Azusa Avenue, Azusa, CA 91702.

SECRETARY'S SIGNATURE

DAN ARRIGHI

ATTEST:

JAMES BYERRUM
CHAIRMAN