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Attorneys for Defendant, Cross-Complainant
and Cross-Defendant CITY OF LANCASTER

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 FOR THE COUNTY OF LOS ANGELES

11 ANTELOPE VALLEY GROUNDWATER
12 CASES

13 Included Actions:

14 Los Angeles County Waterworks District
15 No. 40 v. Diamond Farming Co.
Superior Court of California, County of
Los Angeles, Case No. BC325201;

16 Los Angeles County Waterworks District
17 No. 40 v. Diamond Farming Co.
Superior Court of California, County of Kern,
Case No. S-1500-CV-254-348

18 Wm. Bolthouse Farms, Inc. v. City of
19 Lancaster, Diamond Farming Co. v. City of
20 Lancaster, Diamond Farming Co. v. Palmdale
21 Water Dist., Superior Court of California
County of Riverside, consolidated actions; Case
Nos. RIC 353 840, RIC 344 436, RIC 344 668.

LASC, Case No. BC 325201

Judicial Council Coordination
Proceeding No. 4408

Santa Clara Case No. 1-05-CV 049053
Assigned to The Honorable Jack Komar

CASE MANAGEMENT CONFERENCE
STATEMENT OF CITY OF
LANCASTER

DATE: July 15, 2010
TIME: 9:00 a.m.
DEPT: 1

1 **I. INTRODUCTION.**

2 In response to the Court's request to be advised of the status of settlement negotiations,
3 the City of Lancaster ("Lancaster") is pleased to advise the court that at a meeting held on July 8,
4 2010, the Antelope Valley Mediation Principals ("Principals"), representing roughly 87% of the
5 groundwater pumping in the Antelope Valley Adjudication Area ("AVAA"), reached an agreement
6 referred to as the "Antelope Valley Accord" ("Accord"). The final version of the Accord was edited
7 over the weekend and circulated to the Principals for review the afternoon of Monday, July 12, 2010.
8 The Accord represents a comprehensive set of agreements establishing a physical solution for
9 Antelope Valley groundwater management and providing a basis for final resolution of all pending
10 litigation over the amount and allocation of groundwater pumping rights in the Antelope Valley Area
11 of Adjudication. The Accord also provides that its terms and conditions will be reduced to a further
12 written comprehensive settlement agreement that will be presented to the Court.

13 Lancaster therefore requests (i) a brief continuance of the Phase III Trial so as to afford the
14 parties an opportunity to finalize their agreement, and (ii) the Court order a settlement conference
15 before Justice Robie, to be concluded by the end of September, wherein all parties will be ordered
16 to discuss the Accord and settlement. Lancaster requests that the continued trial date be set at a
17 reasonable date after the completion of the settlement conference. If the Court requires a formal
18 request be made for a trial continuance, Lancaster is prepared to file an appropriate motion or ex parte
19 application requesting such relief. Any such motion/application will include evidence confirming the
20 parties have in fact reached agreement on the Accord, additional time is needed to finalize the
21 settlement documents, and the requested relief is warranted under the circumstances.

22 **II. HISTORY OF SETTLEMENT NEGOTIATIONS.**

23 Beginning in 2009, many of the "Principals" (non-attorney stakeholders) began meeting on a
24 regular basis to discuss possible avenues of settlement. In March of this year, the Principals retained
25 Washington state attorney James Waldo to mediate the process. Mr. Waldo specializes in complex
26 mediations, including multi-party water rights matters in California, such as the Monterey Agreement
27 among the State Water Project Contractors. Since March, the Principals have met and are continuing
28 to meet every other week in two day sessions. Negotiation sessions have consumed more than 70

1 hours since March 2010, in addition to several hundred hours in break out sessions, work team
2 assignments, and preparation for negotiations.

3 **A. Participants.**

4 The participants represent roughly 87% of groundwater pumping. Virtually all of the
5 landowners, including the Woods Class and Willis Class,¹ are participating in the process. Landowner
6 participants include US Borax/ Rio Tinto, AGWA, Diamond Farming, Bolthouse Properties, Tejon
7 Ranchcorp, Antelope Valley Storage, LLC, A.V. United Water Purveyors, Inc., and Wagas Land
8 Company. On the public agency side, Lancaster has been an active participant from the beginning.
9 Other public agencies participating in the process are Rosamond Community Services District,
10 Phelan-Pinon Hills Community Services District, Palmdale Water District, Quartz Hill Water District,
11 Los Angeles County Sanitation District Nos. 14 and 20, and the Antelope Valley East-Kern Water
12 Agency. The United States/Edwards Air Force Base has also sent a representative to some of the
13 meetings, but is not participating at this time. The only local public agencies who have declined to
14 participate in the process in any manner are Los Angeles County Waterworks District No. 40, the
15 City of Los Angeles and Littlerock Creek Irrigation District, *et al.*

16 **III. STATUS OF SETTLEMENT DISCUSSIONS AND THE PROPOSED SETTLEMENT.**

17 On July 8, 2010, the Principals reached agreement in concept on the terms and conditions of
18 the Accord. The final version of the Accord was edited over the last weekend and circulated for
19 review on July 12, 2010. Each Principal (or its governing board or body) will then schedule a meeting
20 to make formal a decision on adopting the Accord, after which the settlement agreement and other
21 implementing documents will be drafted -- a task that will take some time.

22 Without violating the mediation confidentiality provisions, below are some of the key areas
23 of agreement in the Accord, and some of their implications:

24 1. The value of Total Sustainable Yield adopted in the Accord has been reviewed by
25 two qualified and independent experts who confirm the reasonableness of both the methodologies
26 used and the conclusions/decisions made about Total Sustainable Yield.

27
28 ¹ The Willis Class has participated in the process and endorses its objectives, but has not agreed to the proposed Accord or to a continuance of the trial date.

1 2. The Accord presents a comprehensive settlement of the adjudication along with a
2 physical solution so it offers an immediate opportunity to satisfy both the terms of the McCarran Act
3 and the physical requirements for Edwards Air Force Base.

4 3. The Accord helps relieve long-standing mistrust among water users in the AVAA
5 because under the Accord they have a shared stake in efficient and effective groundwater
6 management, and the Accord offers effective tools to do so.

7 4. Significant reductions in pumping to hit the Total Sustainable Yield target will be
8 phased in over the first four years of the agreement.

9 5. The Accord establishes a Watermaster to manage native groundwater in the Basin,
10 creates a governing board with representation for significant stakeholders, prescribes the
11 Watermaster's powers, duties, and objectives, and establishes a funding mechanism.

12 6. Avoiding costs of litigation will allow the parties to spend that money for imported,
13 recycled, and transferred water, and for water infrastructure projects.

14 7. The Accord contains powerful public policy and market-based incentives for water
15 transfers and imports.

16 8. The Accord provides incentives and guidelines for groundwater banking and recharge
17 projects.

18 9. Virtually all transfers are subject to "leave-behind" obligations to benefit the Basin,
19 which will help protect groundwater levels.

20 10. The Accord adopts zone-based groundwater management by establishing Water
21 Management Areas and Special Emphasis Areas that allow pumpers and groundwater managers to
22 quickly address long-standing problems such as subsidence, declining water levels, and water quality
23 issues in specific areas of the AVAA.

24 11. The Accord resolves difficult boundary issues created by the bisection of certain water
25 pumping and use patterns by the AVAA adjudication boundary.

26 12. The Accord will settle and release all groundwater claims in the AVAA and replace
27 them with water rights established and quantified under the settlement.

1 Because the proposed settlement necessarily involves compromise by all parties, the parties
2 are agreeing to terms that may be different to those to which they would be advocating at trial at the
3 Phase III trial. For example, some of the participants necessarily would advocate for a higher total
4 sustainable yield figure at trial than they are prepared to settle upon, while others would advocate for a
5 lower total sustainable yield at trial than what they are prepared to settle upon.

6 **IV. THE PHASE III TRIAL SHOULD BE CONTINUED AND FURTHER MEDIATION**
7 **ORDERED BEFORE JUSTICE ROBIE.**

8 The Accord provides it “will benefit the environment and all water users, and will provide a
9 sound basis for moving forward toward sustainable groundwater management in the AVAA.” The
10 Principals have worked diligently and over many hours to settle this litigation. Lancaster therefore
11 requests the opportunity be given to the Principals to implement the Accord without having to incur
12 the tremendous costs preparing for and participating in a Phase III trial at this time.

13 Lancaster is well aware that the September 27, 2010 trial has been identified by the Court as a
14 firm trial date and the Court has previously indicated it is not inclined to continue the trial.
15 Nevertheless, because of the truly significant achievement made to date towards settlement, a brief
16 trial continuance is in the best interests of the parties, as it will afford the Principals an opportunity to
17 complete their work. Lancaster further requests the Court order another settlement conference
18 before Justice Robie whereby all parties will be ordered to discuss settlement consistent with the
19 Accord. Lancaster proposes that the settlement conference before Judge Robie be completed by
20 September 30, 2010 and that a continued trial date be scheduled at a reasonable date thereafter.

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1 If necessary to effectuate a brief trial continuance and the scheduling of a settlement
2 conference, Lancaster is prepared to file an appropriate application or motion with the Court
3 requesting the above relief. Any such motion/application will necessarily include supporting evidence
4 documenting that a trial continuance and settlement conference before Justice Robie are warranted.

5
6 DATED: July 13, 2010

MURPHY & EVERTZ LLP

7
8 By:


Douglas J. Evertz, Attorneys for Defendant,
Cross-Complainant and Cross-Defendant
CITY OF LANCASTER

1 **PROOF OF SERVICE**

2 **ANTELOPE VALLEY GROUNDWATER CASES**

Judicial Council Coordination, Proceeding No. 4408

3 Santa Clara Case No. 1-05-CV 049053

4 Assigned to the Honorable Jack Komar

Los Angeles County Superior Court, Central, Dept. 1

5 I am a resident of the State of California, over 18 years of age and not a party to this action. I
6 am employed in the County of Orange, State of California. My business address is 650 Town Center
7 Drive, Suite 550, Costa Mesa, California 92626. On July 13, 2010, I served the within
document(s):

8 **CASE MANAGEMENT STATEMENT**



by posting the document(s) listed above to the website <http://www.scefiling.org>, a
10 dedicated link to the Antelope Valley Groundwater Cases; Santa Clara Case
11 No. 1-05-CV 049053, Assigned to the Honorable Jack Komar, said document(s) is
electronically served/distributed therewith.



By transmitting via e-mail the document(s) listed above to the e-mail address(es) and/or
13 fax number(s) set forth below on this date.



by placing the document(s) listed above in a sealed Overnight Express envelope/package for
15 overnight delivery at Irvine, California addressed as set forth below.



by causing personal delivery by Nationwide Legal of the document(s) listed above, to the
17 person(s) at the address(es) set forth below.

18 I am readily familiar with Murphy & Evertz, LLP's practice for collecting and processing
19 correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service
20 on the same day that the correspondence is placed for collection and mailing, it is deposited in the
ordinary course of business with the United States Postal Service, in a sealed envelope with postage
21 fully prepaid.

22 I declare under penalty of perjury under the laws of the State of California that the foregoing is
true and correct.

23 Executed on July 13, 2010, at Costa Mesa, California.

24 
25
26 **LORIN MORENO**
27
28