

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING
September 16, 2008

The Agricultural Pool Meeting was held at the offices of the Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on September 16, 2008 at 9:00 a.m.

Agricultural Pool Members Present

Bob Feenstra, Chair	Dairy
Gene Koopman	Milk Producers Counsel
Rob Vanden Heuvel	Mild Producers Counsel
Jeff Pierson	Crops
Nathan deBoom	Dairy
Glen Durrington	Crops
Pete Hettinga	Dairy
John Huitsing	Dairy
Jennifer Novak	State of California Department of Justice for CIM
Nathan Mackamul	State of California/CIW

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

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

Others Present

William A. Pennell	Reid & Hellyer
Rich Atwater	Inland Empire Utilities Agency
Martha Davis	Inland Empire Utilities Agency
Eunice Ulloa	Chino Basin Water Conservation District
Ken Jeske	City of Ontario
Tammy Jones	Sunkist Counsel

Chair Feenstra called the Agricultural Pool meeting to order at 9:05 a.m.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Joint Appropriative & Non-Agricultural Pool Meeting held July 15, 2008

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of July 2008
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2007 through June 30, 2008
4. Treasurer's Report of Financial Affairs for the Period June 1, 2008 through June 30, 2008
5. Budget vs. Actual July 2007 through June 2008

6. Cash Disbursements for the month of August 2008
7. Watermaster Visa Check Detail
8. Combining Schedule for the Period July 1, 2008 through July 31, 2008
9. Treasurer's Report of Financial Affairs for the Period July 1, 2008 through July 31, 2008
10. Budget vs. Actual July 2007 through July 2008

C. INTERVENTION

1. Consider Approval for Intervention into the Overlying (Non-Agricultural Pool) – City of Ontario (as an Overlying Non-Agricultural Party)

Item C was pulled for discussion. Mr. Manning stated Watermaster received an application for an intervention from the City of Ontario pursuant to the arrangements agreed to in the Peace II Agreement, paragraph 4.4. Staff has reviewed the application and feels it is in compliance with interventions approved in the past. The City of Ontario realizes for this transaction they will be considered a Non-Agricultural Pool entity. Staff recommends this intervention be approved. A discussion regarding a party being in two different pools, permitted uses, and water use restrictions ensued. Mr. Jeske offered comment on the submitted intervention. A discussion regarding the intervention ensued. Mr. Manning noted there are two separate actions being taken on this, one being the actual intervention which will move through the Watermaster process this month and the second being the water transaction which will go through the Pool process this month and to the Advisory and Board next month. Mr. Durrington inquired about the Ag uses of this water and Mr. Jeske offered comment regarding the uses of this water. Chair Feenstra noted he had records from March and April, 2005 meetings pulled by Watermaster staff to support motions made regarding this intervention. A discussion regarding this matter ensued. Counsel Fife stated more information will be offered on this item at the Advisory and Board meeting later this month.

D. WATER TRANSACTION

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 8.185 acre-feet. Date of Application: May 16, 2008
2. **Consider Approval for Notice of Sale or Transfer** – Cucamonga Valley Water District is purchasing 2,500 acre-feet of water from Marygold Mutual Water Company. Date of Application: September 4, 2008
3. **Consider Approval for Notice of Sale or Transfer** – The City of Ontario (as an Overlying Non-Agricultural Party) is purchasing from Sunkist Growers, Inc. all of the amount of Sunkist's water in storage as of June 30, 2008. In addition, Sunkist's annual safe yield production rights in the amount of 1,851.402 acre-feet will be permanently transferred to the City of Ontario (as an Overlying Non-Agricultural Party)
Date of Application: August 19, 2008

It was noted a change needed to be made in the minutes to reflect a clearer motion made at the July 15, 2008 Agricultural Pool under the Watermaster General Legal Counsel section – August 21, Hearing.

Motion by Durrington, second by Koopman, and by unanimous vote

Moved to approve Consent Calendar Items A through D with the change made to the minutes, as presented

II. BUSINESS ITEMS**A. SEMI-ANNUAL STATUS REPORT**

Mr. Manning stated this report will be filed with the court. The Semi-Annual Status Report will give the court an update on all the aspects of the basin over a six month period. This report used to be a quarterly report; however, the court requested that it be changed to a semi-annual report. Mr. Manning stated staff is looking at different ways to change the formatting on the report which will make it easier to read. Staff is seeking approval to receive and file this report.

Motion by Durrington, second by Pierson, and by unanimous vote

Moved to receive and file the Semi-Annual Status Report with the court, as presented

B. BUDGET AMENDMENT

Ms. Rojo stated approximately six months ago Watermaster implemented some policies that came through the Watermaster process. This amendment is a result of Watermaster implementing its policy. This amendment is for debt service which is a pass through expense. The number is provided to us by IEUA which is then included in the budget and the debt service is passed to the Appropriators based on their percentage of operating safe yield. Usually budget amendments try to remain somewhat assessment neutral; however, this one will be billed out separately. In May, a tentative budget was brought through the Watermaster process. Watermaster staff used a number of \$560,000 in its original tentative budget for debt service for the Phase I debt. As a result of discussions with IEUA staff and due to the bonds being refinanced, the number staff was told to budget was \$360,000. The money is collected from Watermaster and it is held by IEUA until the end of the fiscal year when the actual costs come through based on the variable rate interest charged throughout the year. A discussion regarding these interest rates ensued.

Motion by, second by, and by unanimous vote

Moved to approve Budget Amendment, as presented

C. INLAND EMPIRE UTILITIES AGENCY DRY YEAR YIELD REPORT BY IEUA STAFF

Mr. Atwater gave the Updated Water Demand & Supply Forecasts and Dry Year Yield Status presentation. Mr. Atwater reviewed the updated demand and supply forecasts through the year 2035 in detail along with the forecasted trends. Mr. Atwater reviewed the implications for groundwater replenishment options which included alternative options to construct new recharge facilities. The current and additional Chino Basin recharge capacities were reviewed for the basins, in-lieu, and ASR wells. The summary of initial and expanded DYY Program "puts" and "takes" per acre-foot was examined. Mr. Atwater reviewed the summary of program participants and facility requirements in detail along with reviewing the "condensed" project work plan and schedule. A discussion regarding Mr. Atwater's presentation ensued.

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Santa Ana River Water Right Final Decision**

Counsel Fife stated the Watermaster application was unanimously approved on September 2, 2008 which puts an end to the Watermaster participation in this process. The Orange County Water District and Western Municipal Water District's applications are still in the process of being reviewed and counsel will keep an eye on those. A draft of that permit should be forthcoming shortly. Counsel Fife noted there were some comments from GE and from a Native American party regarding water rights. GE submitted comments regarding the Ely Basins and Counsel Fife reviewed those comments. The Tongva American Indian person who claims to be the Tongva tribal litigator commented on our decision and was adamant that the decision was illegal and everything about the process was illegal and he stated a claim to the water rights in the Chino Basin. A great deal of correspondence has taken place between him and counsel, Watermaster staff, and the

State Board staff over the last 30 days. This is a matter will be brought back as things progress with regard to this person and possible litigation.

2. LRP Funding Agreement

Counsel Fife stated this item begins on page 109 of the meeting packet as part of the agreement with MWD concerning the LRP Funding. There are commitments made to MWD about the expansion of the Dry Year Yield Program and those commitments must be fulfilled by September 1, 2009; a process will be gone through to accomplish completion by this date. On page 109 it states that by September 1, 2009 Watermaster needs to have approved the expansion of the DYY Program along with that Watermaster must waive all losses on the MWD Storage Account; both the original 100,000 and this expansion. These are conditions to allow us to hold onto the LRP money.

3. Report on the Issue of Governance

Counsel Fife stated this item came up due to a joint pleading filed by the City of Chino Hills, City of Chino, and Monte Vista Water District about the Special Referee issue and though Watermaster is not participating in that, one of the issues those parties raised was the issue of governance by way of a stipulation that Watermaster has signed. That stipulation states that Watermaster has failed to fulfill its duties under that stipulation. In August a Watermaster Board conference call took place and MVWD who was on that call asserted to the board that Watermaster and Watermaster staff had not adequately addressed the governance issue. Counsel and staff's understanding was that at the last Strategic Planning Conference in 2006 this issue of governance was covered and the parties participating at that time felt that the issue had been adequately covered and Watermaster had fulfilled its responsibilities under the stipulations that it entered into and that the matter could be tabled. Duo to the issues rose in the pleadings with the court; because of the statements made to the Board, counsel felt this matter should be put under the Legal Counsel Report and to then make an inquiry of the Pools as to whether Watermaster has or has not fulfilled its responsibility. If Watermaster has not then a process should be created in order to address this issue or decide it has been fulfilled and the matter should be then tabled. Mr. Jeske offered comment regarding this matter. Mr. Manning stated staff needs some sort of statement that this committee concurred that the issue has been resolved or that it has not been resolved. After discussion, it was noted this item needs to be brought back as an action item in October with a detailed staff letter outlining events.

4. Status of Judge Selection

Counsel Fife stated the most recent information received from the court indicating the 170.6 motion filed by the City of Chino was granted. This means that Judge Plotkin will not be Watermaster's new judge. The court anticipates reassigning the matter next week. The hearing which was scheduled for September 26, 2008 has been continued to October 21, 2008 as a placeholder date; the new judge will set their own date. Counsel Fife stated a list of potential judges was sent out to all legal departments in order to try and prevent another 170.6 being filed against the next new judge. Counsel is asking for feedback on the provided judge list on a potential acceptable judge. A discussion regarding this matter ensued.

5. MOU of Water Accounting Procedures in Chino Basin

Counsel Fife stated staff has received a proposed MOU from Metropolitan Water District concerning the accounting procedures regarding the Dry Year Yield account. It is being distributed to all the parties for review and comment. Counsel Fife reviewed page 131 in the meeting packet in detail and asked for the parties to please review this and provide comment. This item will be brought back as an action item in October.

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities, July – August 2008

Mr. Malone stated this item will be on the agenda monthly as an update on the engineering activities. Mr. Malone stated Wildermuth is currently working with Black & Veatch and the Dodson Group on the Dry Year Yield Expansion tasks. Mr. Malone stated improvements to the actual groundwater model are being made. On the Recharge Master Plan in the last two months a project control plan has been implemented based on the outline which was sent to the court. There has been a lot of work being done in the MZ1 area such as repairs and maintenance of equipment. For MZ3, in working with the Inland Empire Utilities Agency, we were successful in getting another AB303 grant to look at specific water quality issues and work has been done in that area. Mr. Malone reviewed the list of tasks performed by Wildermuth staff in July and August. Preparation has begun on the State of the Basin Report. Condition Subsequent Report no. 7 is going to begin being worked on which is due at the end of 2008. Mr. Malone stated Wildermuth Environmental no longer supports Data X and that has been replaced by D.A.V.E. which is called Hydro DAVE. Watermaster staff has now had the Hydro DAVE output installed in their systems and if any of the Watermaster parties want this software installed, arrangements can be made to do so.

C. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated the state is now running 79 days without a budget; however, it does appear a draft budget has been submitted to the governor's office today. There are several bills on the governor's desk waiting for signature. Mr. Manning highlighted some of the bills which are of interest to water parties.

2. Recharge Update

Mr. Manning stated the most current recharge update for July is available on the back table for your review.

3. MWD Groundwater Conjunctive Use Study

Mr. Manning stated Metropolitan Water District is working with groundwater agencies and managers throughout their area to develop guidelines and policies that can be submitted to the Board as part of the IRP process which is due next year. There have been two meetings held, one in July and one in August and the next to take place in September. Watermaster staff has been working very close with them and progress is being made; however, it appears it is not going to be complete when MWD anticipated it.

4. Report on Anticipated Board Closed Session Items

Mr. Manning stated a closed session will take place at the upcoming Watermaster Board meeting.

5. Strategic Planning Conference Update

Mr. Manning stated the flyer for the upcoming conference is on the back table and staff is encouraging all parties to attend this important conference which will be focusing mainly on the development of the Recharge Mater Plan.

IV. INFORMATION

1. Chino Basin Recycled Water Groundwater Recharge Program Quarterly Monitoring Report for April Through June 2008

No comment was made regarding this item.

2. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

September 11, 2008	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
September 16, 2008	9:00 a.m.	Agricultural Pool Meeting @ IEUA
September 25, 2008	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
September 25, 2008	9:00 a.m.	Advisory Committee Meeting
September 25, 2008	11:00 a.m.	Watermaster Board Meeting
September 28-30, 2008		Strategic Planning Conference, Lake Arrowhead Resort

Chair Feenstra called the meeting into an executive session.

The Agricultural Pool meeting was dismissed by Chair Feenstra at 11:17 a.m.

Secretary: _____

Minutes Approved: October 22, 2008