

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING
November 18, 2008

The Agricultural Pool Meeting was held at the offices of the office of Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on November 18, 2008 at 9:00 a.m.

Agricultural Pool Members Present

Bob Feenstra, Chair	Dairy
Rob Vanden Heuvel	Milk Producers Counsel
Nathan deBoom	Dairy
Jeff Pierson	Crops
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 Board Members Present

Paul Hofer	Crops
Bob Bowcock	Vulcan Materials Company

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Mark Wildermuth	Wildermuth Environmental Inc.
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Others Present

Steven Lee	Reid & Hellyer
Eunice Ulloa	Chino Basin Water Conservation District
Sandra Rose	Monte Vista Water District
Martha Davis	Inland Empire Utilities Agency
David Penrice	Aqua Capital Management
Dave Crosley	City of Chino

Chair Feenstra called the Agricultural Pool meeting to order at 9:02 a.m.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda; however, Chair Feenstra stated he would discuss a few extra items.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held October 22, 2008

B. FINANCIAL REPORTS

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

C. INTERVENTIONS

1. Consider Approval for the Red Hill Country Club Intervention into the Overlying Non-Agricultural Pool
2. Consider Approval for the Aqua Capital Management Intervention into the Overlying Non-Agricultural Pool

D. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 4,265 acre-feet. Date of Application: October 6, 2008
2. **Consider Approval for Notice of Sale or Transfer** – Aqua Capital Management LP (Aqua) has agreed to purchase from CCG Ontario LLC (CCG) the amount of all of CCG's water in storage as of June 30, 2008, and a permanent transfer of its share of safe yield of 630.274 acre-feet. Date of Application: November 7, 2008

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

Moved to approve Consent Calendar Items A, B, and D1, as presented

Item C and D2 were pulled for discussion and separate motion

Mr. Manning reviewed the two interventions in detail and there was a brief discussion regarding the two interventions and the Agricultural Pool funds. The committee members asked if Ms. Rojo can give an account of the Agricultural Pool funds at a future meeting. Mr. Manning noted Aqua Capital Management is present and reviewed the water transaction. A brief discussion ensued.

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

Moved to approve Consent Calendar Items C and D2, as presented

II. BUSINESS ITEMS**A. 2008/2009 ASSESSMENT PACKAGE**

Mr. Manning stated an Assessment Package Workshop was held recently and was well attended. A copy of the Assessment Package is in the meeting packet. Mr. Manning noted the per acre-foot charge has gone up this year because production has gone down significantly this last year. A discussion regarding the assessments ensued.

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

Moved to approve the 2008/2009 Assessment Package, as presented

B. CONTRACT WITH BLACK & VEATCH

Mr. Manning stated the proposed contract with Black & Veatch is to perform services on the Recharge Master planning process. This process was discussed at the recent Strategic Planning Conference as well as many other meetings. The work that needs to be performed for this plan is going to be broken up into pieces. This is different than the original plan in having Wildermuth Environmental doing all the work. Staff has looked at the process with the help of Wildermuth Environmental and it has been decided that Black & Veatch can perform some of

the tasks at a lower cost. This division of work will also allow the Recharge Master Plan to be completed on time. This cost is already in the budget; staff will move funds from one company to another while keeping costs in the same category. A discussion regarding this endeavor ensued.

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

Moved to approve the contract with Black & Veatch, as presented

C. BUDGET TRANSFERS

1. Budget Transfer from OBMP & Water Quality Committee Expense to Recharge Master Plan and Watermaster Legal Counsel for \$413,750.00

Mr. Manning noted staff is seeking approval for two budget transfers this month. When the original budget was developed and approved in June, the Appropriative Pool requested and the Watermaster Board agreed to adopt a budget that was not sufficient based upon the information that was provided at that time. It was asked that the budget be lowered in the category of legal fees and then bring the budget back when the assessment package was being approved with a shored up legal fee number. This actual budget transfer will move money from the OBMP category to the legal category meaning there will not be an increase to assessments associated with this transaction.

2. Funding of the Farming Portion of the Middle Santa Ana Watershed TMDL Study – Budget Transfer Request for \$21,000

Mr. Manning stated this is an Agricultural Pool request for the farming portion of the TMDL Study and administrative fees associated with this study. This was brought forward last month to this committee and it was decided at that meeting to seek payment for this item through the Watermaster process as a special project. This will require Watermaster staff to move monies around to cover the \$21,000 since this was not a budgeted cost. A discussion regarding special projects ensued and Mr. Lee offered comment on what special projects is described as in the Judgment. Mr. Vanden Heuvel offered comment on the TMDL study. A discussion regarding this matter ensued.

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

Moved to approve budget transfer from OPMP & Water Quality Committee Expense to Recharge Master Plan and Watermaster Legal Counsel for \$413,750.00 and the funding of the farming portion of the Middle Santa Ana Watershed TMDL Study for \$21,000.00, as presented

Added Comments:

Mr. Feenstra presented a discussion item regarding a Regional Board issue and introduced three farmers who joined the meeting today to hear what the Agricultural Pool had to say about this issue. Mr. de Boom offered comment on this item. A lengthy discussion regarding this subject ensued.

Mr. Feenstra commented on the waiver requests that were presented last month. A discussion regarding the waivers ensued. Mr. Manning stated the next item regarding the draft delinquent assessment policy is a separate issue from the waiver matter.

D. DELINQUENT ASSESSMENT POLICY

Mr. Manning stated when the item regarding delinquent payments/fees was brought through the Watermaster process last month it was noted Watermaster did not have a formal approved delinquent assessment policy to refer to when this type of situation came up. This month staff is bringing a draft delinquent assessment policy through the process to offer staff clear direction in sending out these types of bills. It was noted not only does this draft policy request a 10% per annual fee it also has a 2% administration fee attached to it. This new policy will be enforced as a going forward policy. A discussion regarding lowering the \$1,000 write-off amount and the 2% add on to the penalty ensued.

*Motion by Novak, second by Durrington, and by majority vote – Mr. Vanden Heuvel voted no
Moved to approve the Delinquent Assessment Policy, as presented*

E. CONDITION SUBSEQUENT NO. 7

Mr. Manning stated staff is asking for the approval of the Condition Subsequent No. 7 which is outlined in the meeting package. Mr. Manning noted the recommendations for Condition Subsequent No. 7 are on page 149. Mr. Manning stated there was a workshop held on this item recently which allowed for questions and answers. Mr. Wildermuth stated this presentation will give the elements within Condition Subsequent No. 7. Mr. Wildermuth read the court order regarding Condition Subsequent No. 7. Mr. Wildermuth gave the Condition Subsequent No. 7 presentation which included a review of the Initial Corrected Schedule that is in the Peace II Agreement. Mr. Wildermuth reviewed the staff recommendation for reconciliation of new yield from new storm water recharge. A discussion regarding Mr. Wildermuth's presentation ensued. Mr. Manning stated staff is recommending the recommendations presented in Mr. Wildermuth's presentation.

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

Moved to approve the corrected initial schedule to account for un-replenished pre-Peace II desalter production from the re-operation water (other than the amount allocated to WMWD) because (a) engaging in physical replenishment will delay the achievement of hydraulic control; and (b) there will be greater yield benefits. The court will be provided tables illustrating historical storm water recharge estimates for the period 2000/01 through 2006/07 and a description of method the used by Watermaster to compute new storm water estimates that was adopted by the Watermaster in 2003 and the schedule for the first correction to the new storm water recharge estimate; new prediction and correction will be computed in the summer of 2009, as presented

Added Comments:

Mr. Feenstra spoke on the use of recycled water on dairy farms. Mr. Feenstra spoke on salt issues on dairy farms. A lengthy discussion regarding Mr. Feenstra's comments ensued. It was noted a meeting with Mark Wildermuth, Ben Pak, and Bob Feenstra needs to take place regarding issue.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. November 13, 2008 Hearing

Counsel Fife stated a new judge has been appointed to Chino Basin Watermaster and last week was the first hearing with Judge Wade. There were two very brief hearings in the past with Judge Wade but this was the first one of any length with actual dialog. There were two main topics at this hearing; 1) approval of Conditions Subsequents 1 through 6, and 2) the receipt and filing of the Annual Report and the Status Reports. A notice of the hearing has not been sent out because counsel and staff are waiting on the court transcript to come back. Judge Wade did note during the hearing that the status reports that Watermaster has been filing are not helpful and he does not want them written and/or filed with the court any longer. In place of those the judge wants status reports and updates to be given to him verbally. The next hearing has been scheduled for February 2nd & 3rd where the judge wants to be educated about "all things Chino Basin." Counsel Fife stated the judge wants to hear about the OBMP and how implementation is proceeding, recharge activity, and recharge numbers, all in terms that he can understand easily. A discussion regarding the November 13th and the upcoming hearing ensued. Mr. Manning noted staff and counsel will provide an outline in advance of the hearing so that the parties have an idea of what will be discussed at the hearing. Counsel Fife noted the motion regarding the dismissal of the Special Referee was not granted at this time; however, Judge Wade did make himself clear to the Special Referee who was present via a conference call that specific written orders by

the judge to her would be the only way she was to perform any tasks. This would be on an as needed basis while Judge Wade gets himself familiar with Chino Basin Watermaster processes, policies, and endeavors.

2. February 2 & 3, 2009 Hearing
Counsel Fife noted this item was discussed under the November 13, 2008 Hearing item.

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities, September – October 2008
No comment was made regarding this item.

C. CEO/STAFF REPORT

1. Legislative Update
Mr. Manning stated with the elections over there that was a continued resolution that put everything on schedule from last year's budget all the way through January 1st. There will be new authorities set with the new administration. The State has new projections on the deficit which is now at \$24-\$25 billion dollars over a two year period. We are all watching both state and federal issues very closely.
2. Recharge Update
Mr. Manning stated there is a copy of the most recent recharge update on the back table. This last month there was some significant recycled water recharge.
3. Replenishment Obligation
Mr. Manning stated Watermaster does have a replenishment obligation of almost 20,000 acre-feet this year. Watermaster does not have a source for that water at this point in time identified. Staff will be making the call to buy water out of storage from producers; similar to what was done last year. The water will be purchased at the MWD replenishment rate.
4. MOU on Accounting Procedures
Mr. Manning stated this item was put on the agenda in case there were any questions because this item was on a recent agenda as an action item. Metropolitan Water District was asking the three municipal water districts, Three Valleys Municipal Water District, Western Municipal Water District, Inland Empire Utilities Agency, and Chino Basin Watermaster to sign an agreement on accounting procedures. Watermaster's position was that it would not sign the MOU because it was merging three documents into one and Watermaster was not signatory on all three documents; signing the MOU on that basis would not be appropriate. The suggestion to MWD was to just submit something on accounting procedures only that could be reviewed.
5. MWD Groundwater Study
Mr. Manning stated the MWD Groundwater Study is still going on through workshops/meetings with consultants and MWD so that they can get a better understanding of what recommendations they are going to make to the State Water Recourse Board in June 2009. Four sessions have already taken place and they are adding a fifth session to further their education and get parties together.

Mr. Manning stated he just received word that the City of Chino Hills just approved the Desalter Agreement which means that Western Municipal Water District will now be allowed to join the Chino Desalter Authority. This has been conveyed to Mr. Thibeault and he was very pleased that this was now concluded and a hearing is scheduled for this Friday.

IV. INFORMATION

1. Newspaper Articles
No comment was made regarding this item.

V. POOL MEMBER COMMENTS

Chair Feenstra asked that Ms. Davis take the podium to answer some questions. Chair Feenstra inquired about compost and drought related issues. Ms. Davis stated we are in a very serious drought presently and in terms of integrated supplies that southern California has is a mix of imported water through the State Water Project through MWD and then all the local water suppliers. A discussion regarding the drought ensued.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

November 13, 2008	8:30 a.m.	Chino Basin Watermaster Hearing, San Bernardino
November 18, 2008	9:00 a.m.	Agricultural Pool Meeting @ IEUA
November 18, 2008	1:30 p.m.	Joint Appropriative & Non-Agricultural Pool Meeting
November 20, 2008	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
November 20, 2008	9:00 a.m.	Advisory Committee Meeting
November 20, 2008	11:00 a.m.	Watermaster Board Meeting
November 20, 2008	1:30 p.m.	Roundtable Discussion
December 11, 2008	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
December 16, 2008	9:00 a.m.	Agricultural Pool Meeting @ IEUA
December 18, 2008	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
December 18, 2008	9:00 a.m.	Advisory Committee Meeting
December 18, 2008	11:00 a.m.	Watermaster Board Meeting

The Agricultural Pool meeting was dismissed by Chair Feenstra at 11:15 a.m.

Secretary: _____

Minutes Approved: December 16, 2008