

Verbatim Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING
May 13, 2010

The Agricultural Pool Meeting was held at the offices of the office of Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on May 13, 2010 at 9:00 a.m.

Agricultural Pool Members Present Who Signed In

Bob Feenstra, Chair	Dairy
Nathan deBoom	Dairy
John Huitsing	Dairy
Gene Koopman	Milk Producers Counsel
Rob Vanden Heuvel	Milk Producers Counsel
Jeff Pierson	Crops
Glen Durrington	Crops
Jennifer Novak	State of California, Dept. of Justice, CIM
Pete Hall	State of California, CIM

Watermaster Board Member Present

Paul Hofer	Crops
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Watermaster Staff Present

Ken Manning	Chief Executive Officer
Joe Joswiak	Chief Financial Officer
Danielle Maurizio	Senior Engineer
Ben Pak	Senior Project Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Brownstein, Hyatt, Farber & Schreck
Andy Malone	Wildermuth Environmental Inc.
Wen-Hsing Chaing	Wildermuth Environmental Inc.

Others Present Who Signed In

Steven Lee	Reid & Hellyer
Marsha Westropp	Orange County Water District
Ryan Shaw	Inland Empire Utilities Agency
Rick Rees	Geomatrix Consultants, Inc.
Paul Deutch	Geomatrix Consultants, Inc.
Ken Jeske	City of Ontario
Scott Burton	City of Ontario
Gil Aldaco	City of Chino
Dave Crosley	City of Chino
Henry Provencher	State of California, CIM
Julie Cavender	State of California, CIM
Jack Safely	Western Municipal Water District

Chair Feenstra called the Agricultural Pool meeting to order at 9:07 a.m.

AGENDA - ADDITIONS/REORDER

Bob Feenstra: Welcome visitors and board members we are glad you are all here today. We are going to take a minute here Ken to introduce some special guests and the only way that I can say it is they're probably the largest stake holder in what we call the Ag Pool. Interesting set up that we have at the water basin at the Watermaster and agricultural is one of the stakeholders and it just so happens that really the largest stakeholder of the stakeholders; that's why you have the big bucks here of representation. Pete, would be kind to introduce our invited guests?

Pete Hall: Sure Mr. Chairman. Henry Provencher, he is our acting warden at the time. Julie Cavender sitting next to him, she is the correctional business manager at the facility. Brian Hale, he is the associate warden of business services. Richard Alvarado, he is our chief deputy warden of operations and Kenny (*recording secretary can't understand last name being stated*) associate warden of substance (*recording secretary can't understand his title being stated*)

Bob Feenstra: We're pleased to have you all here today. I think you're going to find it interesting; Wildermuth is going to be making a special report today that Pete has helped arrange for this meeting today. Many of us missed it earlier on so this is going to be good for all of us. Secondly, feel free at any time to take the podium or raise your hand; we will acknowledge you if you have a question, or concern, or a comment. Pete didn't tell me to say this to you but you are well represented by your people here at the Ag Pool. Gentleman, ladies and gentlemen, we have the minutes and the packets that have all been sent to you and you've had a chance to review them for the consent calendar. Are there any questions or comments otherwise a motion is in order to approve.

Glen Durrington: Mr. Chairman, I have a question on Item C.

Bob Feenstra: Let's pull Item C.

Glen Durrington: Either I can take it... or you just want to explain it

Bob Feenstra: Why don't you – why don't you...

Glen Durrington: The question is this aha this aha...the Monte Vista Irrigation Company is that Ag water?

Ken Manning: The Irrigation Company is owned, is solely owned, and by the Monte Vista Water District and this is a transaction that occurs every year. They never use the water in the Irrigation District; they use it as a transfer...

Glen Durrington: But if the water coming out is the Ag Pool?

Ken Manning: I don't... Danni?

Danni Maurizio: No, they are Appropriative.

Ken Manning: Appropriative Pool.

Glen Durrington: They're Appropriative Pool?

Danni Maurizio: Uh-huh.

Glen Durrington: Okay, then they should change their name then; it sounds like they're part of the Ag Pool. Alright then, that is good enough.

Bob Feenstra: Maybe they should. Good point. Yes, Jeff?

Jeff Pierson: I just question... did they intervene originally in the Appropriative Pool or did they intervene in to the basin as an Ag producer?

Glen Durrington: Yea, that's...

Ken Manning: I'm certain that they have not changed pools since they intervened and so they are in 1978 would have been a part of the Appropriative Pool when that occurred.

Jeff Pierson: And then at that time, were they non functional delivering irrigation water or...

Ken Manning: As far as I know, they don't... they have not since the Judgment in 1978 served any irrigation water. I could be wrong on that; I have not looked into that lately but since I have been here the last years they have been... This transaction takes place every year.

Jeff Pierson: And I realize that and I've questioned it mentally every year, and since Glen brought it up, it would be nice... I would love to if we can resurrect the history of how...

Ken Manning: Sure we can do that.

Jeff Pierson: Of how an irrigation company that originally satisfied what I presume were the orchards in the Appropriative....

Ken Manning: I'm sure Danni is taking notes.

Jeff Pierson: In the Appropriative Pool?

Michael Fife: They are listed in the original 1978 Judgment under the Appropriative Pool.

Jeff Pierson: And that's... I'm just wondering at what rational did an Ag producer end up in the Appropriative Pool and this goes in line with us going back and looking at all of our members that are in the Pools.

Bob Feenstra: That would be an interesting switch. Yes, good question Jeff, thank you. Any questions or concerns in far as the consent calendar is concerned?

Jennifer Novak: Mr. Chairman I have a quick question Item IB1 which...

Bob Feenstra: Is it for clarification or you want it pulled?

Jennifer Novak: I'll pull it in case anyone else has questions.

Bob Feenstra: We'll pull Item 1A and now a motion is in order to...

Ken Manning: B1.

Jeff Pierson: B1.

Bob Feenstra: Pardon me B1; sorry. Are there any other questions or any other items that want to be pulled from the consent calendar? Hearing none a motion is in order to approve the consent calendar and we will come back to yours.

Jennifer Novak: I'll move that we approve Items IA and IC.

Bob Feenstra: Is there a support?

Jeff Pierson: I second.

Bob Feenstra: All in favor signify by saying aye.

Group: All said aye.

Bob Feenstra: Opposed same sign. Jennifer?

Jennifer Novak: My quick question is just one for curiosity sake, which is that on the cash disbursement detail report; there are two line items for the law firm of Hogan & Hartson which is the law firm for the Non-Agricultural Overlying Pool. I understand that payment of a Pool's attorney's fees as part of a Paragraph 31 Motion is being provided in the Judgment of the Rules & Regulations, but I know that there was a dispute between the Non-Ag Pool and Watermaster's entity over who gets to see attorney's bills. And my question is, given that Hogan & Hartson bills are being put through the Pool process for approval, have those bills been made available to people who want to review them and question whether they are reasonable?

Ken Manning: No.

Jennifer Novak: And would they be made available if somebody wanted to see them?

Ken Manning: If that Pool gives us the authority to then we would do it, but that's a decision of the Overlying Non-Ag Pool. The only persons who see those are our business manager and the reason you are seeing two of them on here is because during the period of time when we had no CFO in place, we held those bills and did not process those because we were borrowing a CFO from one of the Appropriators who would have had access to those. So they were held.

Jennifer Novak: To draw an analogy then for the bills of Watermaster counsel, it would be the Watermaster Board to say whether or not they wanted to approve someone viewing those bills similar to the Non-Ag Pool saying whether they wanted somebody to look at their attorney bills.

Ken Manning: Well its part of the process inherent with your question is that Hogan & Hartson would also have something to say about whether or not their bills are previewed.

Jennifer Novak: Thank you.

Bob Feenstra: Jennifer, that is an excellent question. I think, Steve, that's something you need to look into. I don't know that I agree or disagree with Mr. Manning's comments, but I think that is something we want to check into. If our Pool or any other Pool wants to see bills that are presented to the agency, I believe we are certainly entitled to them.

Jennifer Novak: And Mr. Chairman, just to follow again because the Appropriative Pool pays the administrative bills of the Ag Pool, they have always taken the position that they are entitled to see our lawyers bills, un-redacted.

Ken Manning: Uh-huh.

Jennifer Novak: To determine for themselves whether the fees are reasonable or not. I just want some consistency and if there is currently a policy in place, I think we should be consistent with it in this Pool and I would make that request of you Mr. Chairman. And if there is no official policy yet, then I think as we go through the process of revising Rules & Regulations for Watermaster, we should keep in mind that this is one of those issues that should be present.

Bob Feenstra: Since you are so young and new at this, Gene and I and Jeff go way back; you can understand that our expenses have always been questioned especially when it comes to Mr. Lee's services and charges so that was a very good point. Again, Steve, would you be as kind to look into that?

Steve Lee: I will do that.

Bob Feenstra: With that answer I think we need to approve... Jeff?

Jeff Pierson: I would like to formally request the review of all the Pool's legal bills.

Bob Feenstra: I think you can do that by motion and would give instruction at least to Steve Lee more than from the chairman and I think it will put it into the public record.

Jeff Pierson: I move that we as an Ag Pool request the review of Hogan & Hartson's invoices that are currently on our register and all future legal bills that come for approval in our consent calendar.

Bob Feenstra: Could you consider adding to that motion, all bills that do not get published, consultants etc. or do you just want to stick to the legal?

Jeff Pierson: Just the legal at this time.

Bob Feenstra: Is there a second at this time?

Glen Durrington: I'll second.

Bob Feenstra: Any questions, comments, or concerns? Hearing none I call for the question. All in favor signify by saying aye.

Group: Aye.

Bob Feenstra: Opposed same sign. Steve you've got some work to do. Let's get to the business items; we have couple directors that need to leave early.

Ken Manning: We still need an action on Item B.

Bob Feenstra: Moving a little quick, aren't I. A motion is in order for the item that was pulled from the consent calendar.

Jennifer Novak: Mr. Chairman, maybe I would request also we hear an actual or presentation of the request to move money around in the budget to cover unanticipated legal fees of Watermaster. I'm assuming that's part of what we are being asked to do.

Ken Manning: No, that's actually IIB – the item IIB.

Jennifer Novak: Okay thank you. I'm sorry; I knew it was coming up and I just wasn't sure where so...

Bob Feenstra: Is there a motion and a second?

Jennifer Novak: Then with that I would move...

Bob Feenstra: I thought you did.

Jennifer Novak: Move to.

Gene Koopman: I'll second it.

Bob Feenstra: Any questions, or concerns? All in favor signify by saying aye.

Group: Aye.

Bob Feenstra: Opposed same sign. Motion carried.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held April 8, 2010
2. Minutes of the Special Agricultural Pool Meeting held April 21, 2010

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of March 2010
2. Watermaster Visa Check Detail for the month of March 2010
3. Combining Schedule for the Period July 1, 2009 through March 31, 2010
4. Treasurer's Report of Financial Affairs for the Period March 1, 2010 through March 31, 2010
5. Budget vs. Actual July 2009 through March 2010

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Monte Vista Water District will purchase 2,000 acre-feet of water from the Monte Vista Irrigation Company. This purchase is made first from the Irrigation Company's net underproduction, if any, in Fiscal Year 2009-2010, with any remainder to be recaptured from storage. Date of Application: April 5, 2010

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

Moved to approve Consent Calendar items IA and IC, as presented

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

Moved to approve Consent Calendar items IB, as presented

Bob Feenstra: Uh... Paul Hofer we have some very special guests in the house today. I'd expect that you would be in order and well behaved; we have the warden and all the powers to be at CIM and we are proud to have them here today. If you'll turn around he'll raise his hand. He's one of the Board members at the Watermaster and represents this board at the main Board. Good to have you Paul.

Paul Hofer: Thank you.

II. BUSINESS ITEMS

A. AMENDMENT NO. 1 TO AGREEMENT TO FORM A TASK FORCE

Consider Approval of Amendment No. 1 to Form a Task Force to Conduct a Basin Monitoring Program for Nitrogen and Total Dissolved Solids in the Santa Ana River Watershed (Basin Monitoring Program)

Bob Feenstra: Let's move on. Now can I go to Business Item II?

Jeff Pierson: Yes.

Bob Feenstra: With that Ken.

Ken Manning: Yes, this is the item I had... one of the two items that I had on the agenda last month as an information item. Just to make you aware of what was coming up. The second item that I had on last month we're still not prepared, at this point in time to bring forward as a recommendation to be a part of that task force or not. This one we are comfortable that it is something that we should be involved with. As a matter of fact, based upon max benefit in our Basin Plan this is something we are actually required to do. So we are comfortable in making the recommendation on this one to form a task force to conduct the Monitoring Program for nitrogen and TDS in the Santa Ana River Watershed. The cost of it, I think, is commensurate with what our benefit will be and I feel very comfortable in being able to do that. This information that is derived from this is part of the information that we use. It goes into the database that

Wildermuth uses as part of the characterization of our basin. So we are very comfortable in saying and asking the committee of the Pool's to approve it.

Bob Feenstra: Any questions?

Ken Manning: That's all; just asking for approval.

Bob Feenstra: Is there a motion?

Jeff Pierson: I move we approve.

Glen Durrington: Second.

Bob Feenstra: Any questions, or concerns? Hearing none; all in favor signify by saying aye.

Group: Aye.

Bob Feenstra: Opposed same sign. Motion carried. Ken?

B. BUDGET TRANSFER

Consider Budget Transfer Request T-10-05-01 relating to Watermaster Legal Fees, OBMP Engineering Services and MZ-1 Ground Level Monitoring

Ken Manning: Item II or item B is the item that Jennifer just referred to and this is a budget transfer. You might remember that a few years ago; three years ago Watermaster brought forward a policy that made it open and transparent to any movement of monies within the budget in excess of \$10,000. It's not that anything \$10,000 is not transparent; we just have to notify the Pools or committees when that transaction takes place. But any time we are transferring anything over \$10,000 we actually have to bring it through the Pool process; where before that we did not have to do that. This budget transfer is as a result of activities that have gone on at Watermaster over the last few months relative to the Paragraph 31 Motion primarily. You'll notice that in the dialog that we have and the background summary, we talk about the fact that Watermaster when it prepares its budget and we will talk about budget again later in the presentation under CEO Reports, but when we prepare the budget we make an assumption about what legal expenses are going to be incurred during the course of the year and the kind of activities that are going to be that we are going to be involved with. Those assumptions tend to be the kind of a standard thing, attendance at meetings, reports that have to be written, or attendance at functions that we know are coming up during the course of the year. Up until January of this year Watermaster in terms of its expenditures on legal fees was pretty close to being on target and I'm fairly certain that had some of the recent activities not occurred, we would have finished almost exactly on budget or very close to it. But over the course of this year there's a number of things that have gone on that we did not anticipate. One is that, even though the auction was anticipated it was also anticipated that the funds derived from the auction were going to pay for the legal fees necessary to conduct and do the legal work for the auction. Since the auction was postponed, those legal fees are now a part of the general obligations of the organization. The transition from the previous judge to the new judge was something we had not anticipated. The increased activity at the Chino Airport plume that has gone on and that is a very good thing because what we are seeing is a cooperation now between the County of San Bernardino, the Chino Airport, Watermaster, and the Regional Board on the conclusions of the airport plume; so this all a good thing but it is additional activity that we are having to expend funds on. Again, the Paragraph 31 Motion is probably the most largest single item and then the Regional Board's ACL complaint on the desalter expansion. Those are things that we had not anticipated. We did provide you with... in this as part of the analysis a chart that kind of shows the bills from the month that show that we anticipated that because of the auction we were going to be spending in the area of around \$60,000 up until the end of the auction which was going to be in November. So starting in December our bills were going to start to decline down to the \$40,000 a month range to do the kind of traditional kind of things we are doing and so that's the way we budgeted. In reality, what occurred is starting in January with the complaint filed by the Overlying Non-Ag parties, our legal bills jumped up considerably and so what we're doing is we went through the budget, we located

those areas where we were comfortable funds were not being expended; we were very fortunate in that this year there was a program that was budgeted for – that is a partnership with the City of Chino Hills to provide funds for an injection program, aquifer injection program, and that program was not ready to be initiated this year. So although we budgeted for it, that money now became available for us to move and so that's the largest portion of the money that we are moving over. And then there are other areas where we felt comfortable that there were additional funds, engineering is a majority of it where we're not performing. Now that we're late in the year, we can see exactly what we're going to spend through the remainder of the year and there are additional funds in a variety of categories. Those are all summarized in the budgetary account reduction and the account addition portion of the agenda item and you will see there are a variety of areas where we have taken sums of money and moved them over so Watermaster's asking for this budget transfer so that we can finalize the year in a positive manner within all of the accounts of Watermaster.

Bob Feenstra: The budget adjustment is for legal?

Ken Manning: Yes.

Bob Feenstra: How much?

Ken Manning: Well the total is approximately \$260,000 dollars.

Bob Feenstra: And in your report you stated that you may be utilizing funds that are not being used in other categories.

Ken Manning: Yea they were budgeted for and so this action would prevent us from having us to do a special assessment of Watermaster parties to fund the legal bills that have exceeded the budgeted amount by being able to transfer from one account to another.

Bob Feenstra: So in fact are you really... in the budget adjustment is it more than \$250,000; meaning you are using money from other portions of the budget that you are moving around or the \$250,000 is exactly what is needed to cover those expenditures?

Ken Manning: Well the exercise goes something like this... and you can all, I'm sure, in your own accounting within your own organizations or in your personal life that if you have the money within certain areas; we have identified the amount of money necessary to cover these overages and we have found those funds over. Now, there may be some additional, probably minor, I'm talking about in the \$10,000 and maybe even less than that, that may be still not used within other categories, but we identified the amount of money necessary for us to move into the legal in order to cover that overage. And we are comfortable at this point in time that this is the last budget transfer. Now the reason we have... Normally we do budget transfer twice a year; once usually in November or December and then again in May in order to finalize the year. We did not do one because we felt like we were right on target in November, so we didn't do a budget transfer because we felt like we were right on target for our budget for the year and so now as we got into January and we started to see those kinds of changes and then with the change of the CFO position, we are now in a position to be able to do those and they are showing up here in May.

Bob Feenstra: I have some questions and comments but let's go to the board.

Jeff Pierson: Ken, you've identified where your savings are going to come from.

Ken Manning: Correct.

Jeff Pierson: Now these savings are from work that is not going to be done this budgeted year.

Ken Manning: Correct.

Jeff Pierson: But this work will be done. Is it required to be done?

Ken Manning: Some of this work is work that because of just the reality of not being able to get to it is not being completed this year and it will be then re-budgeted for next year. Some of it is just more money in the account than necessary to perform the task that was identified. So it depends on the individual tasks. So we work very closely with Wildermuth and we work very closely in our other budgetary accounts to find those funds that we felt comfortable. We're not going to put us in jeopardy of not performing the tasks necessary for Watermaster for the remainder of this year.

Jeff Pierson: So, there's nothing legally obligated for us to perform that we can hold off until the following next year? I mean we're not going to get into trouble not doing any of these?

Ken Manning: No, these items are identified here are not critical that need to be critically done before June 30th of this year.

Jeff Pierson: But they do need to be done.

Ken Manning: In many cases yes and they are budgeted for next year in the budget that you will see later.

Jeff Pierson: Okay the second item is that you have identified five areas in which unanticipated costs have occurred in page 1 on your background auction transition.

Ken Manning: Uh-huh.

Jeff Pierson: Similar to what you did in your savings, could you give us what you actually budgeted for these? If you did have a budget and what the projection is going to be?

Ken Manning: If you have a specific or do you want all of them? Because I would have to go through and I don't have that information in front of me maybe Joe whose here might have that. I don't have it with me.

Jeff Pierson: Well, you know you can provide it...

Ken Manning: I can provide it to you, that's not a problem.

Jeff Pierson: I'm just wondering, you know some of these were probably budgeted like the auction, we had a dollar value.

Ken Manning: Yes.

Jeff Pierson: There's a new projected value. I'd just like to track it and understand, you know, how much over budget we are based upon your projections of completing it; if you can even project it.

Michael Fife: Yea just to clarify. These five items that are listed in your staff report were things that came up that had not been budgeted; we had not anticipated them when we created the budget. The auction as described in the staff report, we did know the auction was going to be coming but that was not put into the legal counsel budget because of the assumption that it would be paid out of proceeds from the auction.

Ken Manning: The other expenses to the auction were included in the budget such as the promotional stuff, printing, all of those kinds of things were included in the budget. The only part we did not put in the budget was the legal because we felt it was going to be paid for out of proceeds.

Jeff Pierson: Well, in that case did we anticipate what that... I mean if the auction was not going to take place, you know number two on the opportunity cost happen where Watermaster actually purchased and then did something else with the water other than sell it. Did we not...

Ken Manning: Yes we kept those accounts separate and so we can track that and I can get you that amount.

Jeff Pierson: But we anticipated a certain legal cost that we would have to absorb at that time.

Ken Manning: Correct.

Jeff Pierson: And that's what I'm asking for.

Ken Manning: Yea, I can get you that information.

Jeff Pierson: Okay.

Ken Manning: Not a problem.

Bob Feenstra: Any more questions? Gene?

Gene Koopman: On here on the budget transfers... these one's here, you made the reductions and what you are to use as far as the budget and I assume is down from where you are moving it to? *(The recording secretary is not 100% sure as to what is being said. Please note the recording tape is available at Watermaster)*

Ken Manning: Correct.

Gene Koopman: Umm, some of this, you know like the hydraulic control engineering. Why wasn't that budgeted?

Ken Manning: It was budgeted, you'll notice that hydraulic control was \$366 but we anticipated...

Gene Koopman: And another \$154 over and above the \$366 correct?

Ken Manning: Correct.

Joe Joswiak: That's basically just moving between categories.

Gene Koopman: Umm okay. And... Why, I mean \$366 is a lot of money going in, we should have a periodic idea of what that is engineering amount should have been. Why was it off by such a big number?

Joe Joswiak: That's basically a function of the Wildermuth activity we have throughout the year.

Bob Feenstra: Who didn't anticipate it? I'm just saying were these additional costs that were not anticipated?

Joe Joswiak: These were additional costs in that line item category that were not budgeted for. We had dollars budgeted in other categories.

Gene Koopman: Why are we so far behind in... We are spending all this money?

Ken Manning: I can get you this exact answer but my sense was that we were anticipating a savings that the Regional Board was going to provide us in terms of this idea but because the Regional Board did not approve the Basin Plan, this savings was not realized and so we had additional costs that we would have had, had the Regional Board not delayed action on this item so.

Gene Koopman: We are so far behind on this that we're getting a fine. Umm... which brings to at least my mind, is that we are so far behind that we're getting a fine from the Regional Board then how can we be spending so much money? I mean in rational is if you are that far behind to the point where you're

getting fined by an agency, that everything should be behind and it looks like the engineering at least as far as the expenses is way ahead of what we expected.

Ken Manning: Well when you talk about the hydraulic control, you're talking about a variety of different things and the ACL with the Regional Board has to do with the schedule that was given to the Regional Board in terms of the installation of new wells. This has to do with the continued obligations to existing wells in terms of monitoring. And so, although where we have made a recommendation in the new Basin Plan to the Regional Board to eliminate some monitoring because we found that information is redundant with other pieces of information. And by the way, the Regional Board agrees with that analysis, by the way. That they have refused at this point to eliminate that requirement on us and have indicated that they will approve it but they're not ready to approve it yet because they want to see the holistic approach to the desalter continued activity. So we are talking about two different things here in terms of expenditures; these are obligations that we currently had that we're continuing, but the Regional Board does agree that we could reduce them. The assumption was based upon our conversations with the Regional Board back in May of last year which was that they were going to approve this and when they did not, that is why the extra expenses occurred.

Bob Feenstra: We understand... Go ahead, I'm sorry Gene.

Ken Manning: Am I correct on that or...

Gene Koopman: The thing is, and correct me if I am wrong. Part of this is engineering services or hydraulic control has to do with not only that but including lab work and lab testing and all this sort of thing.

Bob Feenstra: Ken you got to hold off he's not available to us; no way. You ready.

Ken Manning: Yea I'm ready.

Bob Feenstra: Okay Gene.

Gene Koopman: Including what I just heard and correct me if I am wrong is that even in their hydraulic control engineering, there's money involved there for um testing and lab work this sort of thing. Correct? Is that what you said?

Ken Manning: Yea we have money included in there and...

Gene Koopman: Then why are you now... it looks like on the top part hydraulic control lab services you have budgeted a \$181,933 and you're transferring all of that...

Ken Manning: Down to this item.

Gene Koopman: Down here so you mean... why wasn't any money earlier of that budgeted expended for lab services?

Ken Manning: You know I'd like to be able to answer that question but the accountant, the person who made those decisions is no longer with Watermaster, and there were... money that should have been budgeted to that account was in fact moved to another account. And was not coded to the right account; so I can't tell you why that occurred, she must have, must have had her reason. But in identifying those deficiencies now that money all exists within this area where we have \$181,000 up here – it all exists. Where some of this money should have been coded to that account, it wasn't so in order to be able to do the accounting we're moving that money back into this account. So she consolidated for some reason; I can't tell you why.

Jeff Pierson: Do we perform laboratory services.

Ken Manning: We pay for laboratory services, yes.

Jeff Pierson: And are they paid for out of this 7108.3 account.

Ken Manning: They have been, yes, and they should of actually been paid for out of the 7108.4 but they were not.

Gene Koopman: Okay but there's *(the recording secretary can't understand part of what is being said)* a person can literally come in off the street and go by the paper trail and then be able to take a look everything and see what went where and you know if this is wrong then the money has been expended.

Ken Manning: Correct.

Gene Koopman: And you disagree that it was debited to the wrong account.

Ken Manning: That's what it appears to us.

Gene Koopman: But that can be straightened out, I mean that is strictly a paper thing to change that. Why and I realize you know a new CFO just came on board but I'm sure there's a lot to do, but um, you know at least from my point right now this is not very transparent. I mean I would be a lot more comfortable if those corrections, paper corrections, were done so these accounts were debited in the right way to give us a truer picture of what's actually going on.

Ken Manning: It's still within the 7108 account. It's just they were debited to the wrong .4 as opposed to .3, so if anybody is looking at the accounts there still going to see that activities within that area of the budget that are there so...

Jeff Pierson: I think the most expeditious way is to do what you are doing.

Ken Manning: Uh-huh.

Jeff Pierson: And what happened is you, you know Sheri budgeted and allocated amount for a certain activity and it just happened to be charged to another activity. The paper trail is behind...

Ken Manning: Still there.

Jeff Pierson: Behind that activity, I presume.

Ken Manning: Uh-huh.

Jeff Pierson: And transferring the dollars to cover what the actual expenses or projected expenses; I don't see a problem with it; as long as you can track it.

Gene Koopman: My problem is when you look at this right here it gives false information; it says engineering services. And it's not all engineering so it actually makes that higher than what, you know when you look at these numbers here it looks like *(the recording secretary can't understand part of what is being said)*.

Bob Feenstra: It seems like costs are being moved around.

Gene Koopman: It's actually shows that cost is higher than what it actually should have been.

Jeff Pierson: Well, I understand that. I mean you... there's two things to do, go back and re-account for it and move the invoices to the other account or change the budgeted amount and cover it.

Gene Koopman: Yea if somebody knows *(the recording secretary can't understand part of what is being said)* I have no argument about that.

Jennifer Novak: Mr. Chairman?

Bob Feenstra: Yes, Jennifer.

Jennifer Novak: Thank you. I have just a couple of comments and then I would move to approve; although, I do have some comments as well. First of all I can appreciate the fact that staff doesn't have a crystal ball, no one does in this process when they come up with their budget every year, and you do the best you can in terms of estimating how much you need for each task and I suppose I should be thankful that there is enough money somewhere within the budget to be able to move it around and cover expenses. Especially, since what I am hearing is that the alternative would be to issue a special assessment on those people who do have to actually pay bills, unlike us right? So, the second comment I would have is we also don't get Wildermuth bills but I have to assume that someone with some technical expertise, unlike myself, does get those and looks to see whether or not the costs are justified compared to where we are in our various technical processes and that it all makes sense. So, I am going to make that assumption here as well.

Ken Manning: That's correct.

Jennifer Novak: The other assumption I am going to make is that given that you are plucking money from one place to another and that certain tasks won't be done by the end of the budget year that Wildermuth has given blessings; this is all fine and pushing anything is not going to hurt the mission of the Watermaster. And then my last comment is going to be, my only qualm here is that I have a little bit of sticker shock in that I appreciate the fact that some of these items that have come at us as far as the legal process could not have been anticipated. But you have to understand I from a state agency, I represent state agencies, we're practicing law with a stick and a tablet and you know that's about it these days. So to spend \$200,000 between January and whenever the Paragraph 31 Motion ends, to me gives me some pause. That being said, I will put that obligation on the Watermaster Board to uphold its fiduciary duty to ensure that in the defense of the Watermaster staff, which has been dragged into the Paragraph 31 Motion, everything that is being spent is appropriate, and with that after anyone has any other comments I happy to make the motion to approve.

Glen Durrington: Make your motion.

Bob Feenstra: I think that, ugh... I'll keep it brief Glen. I think you hear that we are very concerned on what's on and...

Ken Manning: Absolutely.

Bob Feenstra: And the buck stops at your desk, you know in anticipation talking with lawyers if you're going to transfer another \$250,000 for legal, you'd think you would have conversations with legal staff and anticipate what these costs may be and at least get some transparency and for everyone to know what's going to go on...

Ken Manning: That's taken place.

Bob Feenstra: Huh, you brought up the huh Regional Water Quality Control Board just so happens my problem, Gene, Nathan, and I, and probably Rob we all have experience with the Regional Water Quality Control Board when we were faced with threats and concerns about what would happen if certain things didn't happen and what fines would come forward. We certainly knew that well in advance. Again something that's anticipated; this is something now that has to be budgeted on these fines. It was assumed by some of our own Board members of the Watermaster that maybe we could get this passed by the Regional Water Quality Control Board. I understand that that's not going to happen. So you're going to have some interesting discussions at your meeting, Paul. But at the end of the day, we're very concerned on the way this is going and that will be expressed more. You have a motion ready to give?

Jennifer Novak: Sure, Mr. Chairman, I move to approve the item.

Glen Durrington: Second.

Bob Feenstra: Any questions, or comments?

Jeff Pierson: I do have one comment and this may be something that can or can't be done but in the profit loss budget versus actual, looking at the way it's identified 7108. It shows \$195,000 so far to date under budget. And identifies costs, actual costs at \$371, budgets at \$576, so I assume that this incorporates all of the sub categories to 7108.

Joe Joswiak: That is correct.

Jeff Pierson: Okay. So you know, it maybe behoove staff to periodically incorporate one more column in here as to their best projected guess of what the yearend expenses would be. And/or on a different spreadsheet and provide it to us, you know, to show us if we are upside down on a more regular basis other than the twice a year.

Ken Manning: Yea we are. as a matter of fact Mr. Pierson we're doing that, you've heard us refer to... You've heard us in the past to the ECAC reports that we work with Wildermuth which is the largest portion of our budget. Over the last couple months we have initiated an action at Watermaster to do an ECAC report for Expected Cost At Completion Report, that's going to be included. This is something that we're doing as a result of activities that have occurred in the last three or four months.

Jeff Pierson: Okay.

Ken Manning: So we've started to incorporate that within our activities so.

Bob Feenstra: Umm...

Jeff Pierson: Okay.

Bob Feenstra: Okay, call for the question. All in favor say aye.

Group: Aye.

Bob Feenstra: Opposed same sign. Just a comment in closing Ken is that for those of us who have been around a long time, in looking at past year's budgets...

Ken Manning: Uh-huh.

Bob Feenstra: There's been a tremendous increase in legal costs and I think this is something we need to discuss in the future. You and your deputies this is nothing new to you with the state in the situation it's in. What's happening here today for you and your deputies is that nothing is changing here, we all have concerns and so sorry we have to bore you with this but maybe its great training for your deputies. So we appreciate you sitting through this. Ken?

Ken Manning: Yea the good news is we don't have tax anybody to make this and so...

Group: Laughing

Jennifer Novak: You need about two thirds of that.

C. CHINO CREEK WELL FIELD LOCATIONS

Consider Approval of Well Field Locations for 2 Wells in the Chino Creek Area (*Note: all supporting documentation for this item will go out separate cover*)

Ken Manning: Item C, the Chino Creek Well Field Location; we put this on the agenda and this is a process by which we are trying to keep pressure on the parties who are constructing the Desalter Authority to try and make sure that we had deadlines that are met. That we are working diligently to try and resolve the issues that are keeping the desalters from being expanded. One of the things that the desalter parties are asking for in this dialog that they are having about completing of the Desalter Authority facilities, is that they would like Watermaster to provide some assurance that the well locations that are being anticipated in the construction, that those well locations are approved by Watermaster in that they lead to Hydraulic Control. Obviously they don't want to be in a situation where there drilling wells, putting in, starting pumping, and spending hundreds of millions or tens of millions of dollars, in this case it's a little over a hundred million dollars, on facilities and then find out that that does not achieve hydraulic control. So in order that we have this check in process to make sure everybody's moving in the same direction, at the same time, at the same speed, they are asking Watermaster to provide some assurance. This is what was going to be coming to you under this item. We put it on the agenda in hopes that we would have that information all of it concluded before today. In reality, the parties have decided that they wanted to repackage that whole process and include other things beyond what we just listed here and that is not ready yet; and probably not ready until next week. So we have been communicating that with the Regional Board, and we had a good meeting with the Regional Board just the other day and talked with them about the schedule, the newly revised schedule, that's going to be submitted to them. We have literally been having meetings amongst the parties in the CDA multiple times a day every day for the last three to four weeks to make sure that we are moving this process forward. Watermaster as you might remember in my last comments last month, I authorized Scott Slater to work as a facilitator with the CDA to move this process forward. The Board then took that up as an action and confirmed that and since my authority was only good for up to \$10,000 they gave the authorization for him to spend additional money, which is included in this budget transfer, money to help expedite this CDA process and he is doing an outstanding job. But it is taking some time and so this was an anticipation that we could maybe get them to move a little bit faster but we weren't able to realize that and so we are putting this off for another month. It's not time sensitive in that this does not have to be approved before next month's meetings. But we are hopeful that we could actually move things a little faster. So this was an anticipation but it was just not realized but we are still very-very optimistic that the parties have resolved the major issues as I explained it to the people on the phone before we started this process I'm not sure we were even in the book, today I can assure you we are on the same book, in the same chapter, and probably maybe even on the page but not yet on the same paragraph. We are, I think, very close to having this deal completed and we have had meetings weekly with the Regional Board, we have another conference call with then coming up to talk about the actions and so I am very optimistic that we are moving this forward. I know in talking with the CDA parties that they are very appreciative of Watermaster's involvement in this process.

Bob Feenstra: Very pleased that you are moving fast on it today. My concern is, and it's not something that we're putting on your back or Mr. Atwater's back, but why weren't we in this process a year ago or a year in a half ago and now because of this process we are facing at \$200... we are going to pay a \$200,000 plus dollar fine. Now isn't it wonderful we are meeting every day now to resolve a problem that could have maybe adverted maybe a year ago. Let me give you an example. Rob Vanden Heuvel, when we got pressured at Milk Producers Counsel, representing dairymen on these issues, we had to deal with it right away because we were facing \$10,000 a day fines. So we did that. I'm just really surprised that this thing has just been put off. Sibling pressure is wonderful – parental pressure is wonderful, even though you didn't have the ability to put pressure those involved in this hydrologic concern. There certainly could have been pressure put on by others within the Watermaster. My question is, is that Geoff Vanden Heuvel our other Board member, Paul, you passed a motion for forming a committee of four.

Ken Manning: Uh-huh.

Bob Feenstra: And that committee was going to meet with the Jerry Thibeault and the Regional Board. Have they done that?

Ken Manning: That wasn't... you're about 80% correct on your statement and let me rephrase it. They formed a committee made up of members of the boards of both IEUA and Watermaster, there were five members appointed to that meeting and that committee has been meeting and has met, since they

created that board has met three times. That committee has been talking with legal staff, with Mr. Slater, and have been providing and getting updates on the progress and have communicated directly themselves directly with the members of the CDA. So there was no anticipation, although it is possible that, that committee could meet with the Regional Board. There was never any anticipation that committee themselves would meet with the Regional Board; although they could. They have not done that and they have not requested to do so. At this point in time that portion of what you said was not quite correct but they are keeping everybody moving forward. This committee has been engaged and has been active and is making sure that all the pieces are being put together. So it is a very good activity that was suggested by Mr. Vanden Heuvel and I think it is paying off.

Bob Feenstra: Ken, I'd like to be 99% right and the committee that was selected and Paul if I am wrong please correct me, you were there. I thought it was the committee that was going to meet with the Regional Board because you put horsepower behind it. The horsepower is a former State Water Board member, Ken Willis.

Ken Manning: Uh-huh

Bob Feenstra: A great resume of influence at the State Water Board and Regional Board. We have Scott Slater that was added to the committee, a very capable attorney. We have Geoff Vanden Heuvel who is very-very hungry. I beg your pardon.

Ken Manning: Scott's not on the committee.

Michael Fife: Scott's not on the committee.

Bob Feenstra: Oh, I thought he was... I thought Geoff wanted him on the committee. He wasn't, okay. Nonetheless, I thought they were going to meet with the board and try to; Geoff wanted that fine to go away. Did I misunderstand that Paul?

Paul Hofer: I think there were four options *(the recording secretary can't understand part of what is being said because Mr. Hofer did not approach the microphone)*

Bob Feenstra: Okay.

Ken Manning: Mr. Hofer is correct. They have directed staff and counsel to explore options with the Regional Board which we have done.

Bob Feenstra: So with your opinion, the Regional Board is not going to void that fine.

Ken Manning: The Regional Board, at this moment in time, is... has indicated that they are not voiding the fine; although, they're not continuing with a \$5,000 a day fine. They have fixed the fine at \$227,000 of which we have negotiated that a portion of that fine would be put into a SEP program which is an Environmental Improvement Program which we have designated as funding of the water softener removal program that is sponsored by IEUA. So the benefit of that with half the money going into that fine will come back to the Chino Basin in a way of benefit. And so it was a way for us providing a service that needed to be provided and make it be achieved quicker and still be able to comply with the Regional Board's request. So the negotiation has gone on and we think it has been successful. The Regional Board has been willing to drop the number of \$227,000 and that's the...

Bob Feenstra: That was my question. Rich, I see Rich Atwater in the audience; Rich is it possible for you to take the podium? I just have a quick question for you and how long is the presentation.

Andy Malone: Ten minutes.

Bob Feenstra: Oh good. Warden just hang in there we're getting to the show real quick. Mr. Atwater, at the meeting, at the Board meeting of the Watermaster, I was surprised and at least interested in what was

reported at that meeting that at least IEUA and the Watermaster tried and you offered many opportunities, I understand, for to get these wells in place that you offered, that I understand, some land and some engineering etc. etc. Is that correct?

Rich Atwater: Well, over the last couple years, of course we have worked closely with the CDA and Watermaster, and initially based upon, I think back in 2007, Mark Wildermuth identified the linkage along Chino Creek and the obvious locations would be to do it here at RP5 at our office location here down the El Prado Road at the lower end of our property. We are in the process of providing the easement to CDA and a legal description and we did the original CEQA analysis a couple years ago in working closely with CDA on the design of both the production well, the test well, and the monitoring well here at this property.

Bob Feenstra: I'll ask the same question of Ken and Rich thanks a million. Aren't you surprised? I'm surprised that the hydraulic control meaning Monte Vista, City of Chino, and so on, if these opportunities were there why weren't they jumped on or we really don't have an answer to that?

Rich Atwater: Well, there's been a lot of engineering work going on. Part of the challenge was as we had both at IEUA and Western, we applied to both the Department of Water Resources and the California Department of Public Health and a variety of state grants. We also, about a year ago, IEUA led the effort with CDA but we finally got federal authorization for federal funding for the expansion of the CDA. So Jack Safely's here from Western but he's been the kind of lead project manager from the expansion project and they have spent about \$10 million dollars in design and they are engaged in expanding the Chino II Desalter. I mean there's been a lot of work done over the last two years.

Bob Feenstra: And with that in mind the Regional Board still wasn't willing to recognize that?

Rich Atwater: That's fairly accurate. I mean the critical path if we had to do anything over again, we should have put in the monitoring well and the test well here at the Chino I Desalter and you know 20/20 hindsight. I think we'd all agree that a year ago if we started construction on that we wouldn't be talking about a fine today.

Bob Feenstra: Thank you Rich. Do you have anything to add on that Ken?

Ken Manning: No... well just to add that you are aware that the Chino Basin Watermaster is not a part of the JPA called the Chino Desalter Authority and that although the Chino Desalter Authority is a group of seven agencies expanded now to Western to include the... to perform those activities. The decisions to move ahead with the Desalter Authority are economic in nature. As much as I'd like to say its philanthropic or it's a reaction to Watermaster, in many cases it's an economic decision that they're making. I think that when Rich used the word the challenges that we have faced over the last few years, I think that's a correct statement, but trying to melt together all of the interests of all the organizations we did not anticipate, I think, the kind of challenges that we are going to be there to bureaucratic side of putting this together. If we were only talking about the engineering decisions and I think that's what Rich is referring to, if we were only talking about the drilling of the wells, that could have been much quicker and that's what the Regional Board is really resigned to focus on, is how quickly we are going to drill the wells. The problem is getting somebody to drill the wells without the economic assurances that they were going to be able to use the asset that they were going to create and that was in question. So, that's what Mr. Slater's working on; is providing the documents that would be necessary for the comfort level to be there to expend beyond the \$10 million dollars. The other thing that I think that the Regional Board would and has acknowledged in the meetings that we have had with them is that there were a number of commitments made by Watermaster parties in this basin to achieve, in the efforts to have max benefit approved within the Chino Basin. Those efforts, and I'm talking about 9 different and separate activities that were going to be taking place within the Chino Basin that just one of those, was the pumping of 40,000 acre-feet of desalter water in the southern portion of the basin. Without real knowledge about where those wells needed to be to achieve hydraulic control, that group voluntarily stepped up and performed that work and is now pumping over 26,000 of that 40,000 acre-foot already. So, in looking at it, of the nine different elements, we have achieved 8.6 of the 9 events necessary to trigger max benefit. Now, Jerry's position and the Regional Board's position is that we haven't got to 9; and he's right, we

haven't got to 9. And I think we are now on the verge of getting to 9 and everybody's committed to getting to 9 but we haven't got there yet and that's the basis of the fine.

Bob Feenstra: We have more comments and questions. Gene?

Gene Koopman: Going back to the original question on *(the recording secretary can't understand part of what is being said)* this was that the JPA is asking for assurance from Watermaster, if they go ahead and, you know, locate these wells and everything that, you know, it will achieve hydraulic control. If it does not, what you are saying basically is back on Watermaster that they have no other... they do not have to put in another well or relocate or anything like that. That would become a Watermaster expense or I assume that in dumping the liability...

Bob Feenstra: On us.

Gene Koopman: Back on Watermaster is that correct?

Ken Manning: No I don't think that is correct and I think that what I would like to say is that there's currently negotiations going on and discussions about what that does mean currently and to have that discussion here would be for me to assume things that I don't know. Because those are discussions going on between the parties and not me.

Gene Koopman: It doesn't make any difference what the JPA thinks, it doesn't make any difference what the Watermaster thinks, it doesn't make any difference with the Inland Empire Utilities Agency thinks, it's what the Regional Board thinks.

Ken Manning: Uh-huh.

Gene Koopman: Ugh, I would think and I would hope that when we locate these wells that we are going to expend the money on this. That the Regional Board somehow somehow buys off on this. You know going back to that, you know, whether the desalters and the well fields that we have that are assumptions that we made. We're not always as good and what we would like to be.

Ken Manning: Let me go back first of all and say that the Regional Board's comments; Jerry's exact comments in meeting with the group that they have been meeting with over the last few weeks was, "I don't know what it takes to get hydraulic control, you told me you were going to get hydraulic control – get hydraulic control. If that takes two wells to tell me you got hydraulic control with two wells. If it's three wells, four wells, five wells, whatever it takes, just get it done whatever you said do to get hydraulic control." So the Regional Board isn't really as concerned about the well locations or the number of wells. What there're concerned with is that we achieve hydraulic control and we can demonstrate it through modeling. That's what their concern with. In terms of the liability of Watermaster, Watermaster essentially what their asking for is a material physical injury report from Wildermuth from Watermaster through Wildermuth. Watermaster provides material physical injury reports multiple times during the year, during a lot of different processes. Those material physical injury reports don't provide liability to Watermaster, what they do is provide some assurance to those people and to other Watermaster parties that the techniques or strategies that are being used by the party whose installing the physical facility is not going to cause harm to others; based upon the assumptions that we were given. And so that's the spirit with which this is being brought forward, is essentially material physical injury report.

Bob Feenstra: Aha... go ahead, I'm sorry.

Gene Koopman: And you know the 40,000 acre-foot of water that *(the recording secretary can't understand part of what is being said)* wasn't that part of Peace I *(the recording secretary can't understand part of what is being said)*.

Ken Manning: Yes, absolutely.

Gene Koopman: Okay so it wasn't something we agreed to under Peace I and I believe there was a time table set in motion at time that over a specific period of time that we would get to desal on 40,000 acre-foot of water a year. How long since Peace I was it approved by the court? And how many years, um-um my recollection isn't that good, that we stay in Peace I that would take this to get to 40,000 acre-foot of water?

Michael Fife: There's no specific timeline for getting to the full 40,000; there were statements that by both Watermaster and the court that there needed to be steady progress and diligent progress, things of that nature and that the court would evaluate whether it felt that we were moving diligently toward 40,000 acre-feet over the years; but there was no specific time table getting to that 40,000.

Gene Koopman: The other things is I'm not always in support of Jerry Thibeault but the big thing with Jerry has said and I've agreed with him, is that I think he's been very patient on this, and his thing is that... move some dirt! If we would move some dirt; there has to be a way to get that done. And I'm looking at it now as an Inland Empire Utilities board member. You know we're getting dinged or penalty on something we had absolutely no control and in today's atmosphere of economics the way they are (*the recording secretary can't understand part of what is being said*) and I think it could have been avoided. I think, there again Jerry maybe was a little too relaxed if anything and I think there were people thought that as long as we were making a little bit of progress for that point that he would continue to be relaxed and he finally drew the line and now you know now you mention about this water softener (*the recording secretary can't understand part of what is being said*) and that is going for a good cause, I won't argue... but how that is a penalty we did not have to have in my estimation. Although it doesn't make any difference where it goes to um...

Bob Feenstra: Just to debate that with you Gene if I may. I think we knew about it two years ago. I think Mr. Thibeault meant what he said this week, the week before, a year ago, and two years ago because I asked him. And I asked him and he said, "Bob how many times do I have to say it, this thing needs to move forward and it's not." Chino Basin Watermaster was not totally responsible, IEUA was not totally responsible but nothing moved. Jennifer?

Jennifer Novak: Yes Mr. Chairman, I just want to be sure because we've spilled over from an agenda item talking about placement of wells...

Bob Feenstra: Yes we did.

Jennifer Novak: And to the Regional Board administrative liability complaint and for the sake of my clients who maybe is hearing this for the first time. We're using the term "we" rather loosely as a committee today. The penalty is not the issue against the Agricultural Pool um but has been... it is an administrative complaint issued by the Regional Water Quality Control Board to Watermaster and Inland Empire Utilities Agency as holders of a permit. And I think it's been alluded to because they hold the permit, they're the only one can be targeted; however, it's because they haven't been able to make progress with programs that are being tied up over here by other parities entirely and so that's the issue that has come up here. But I didn't want there to be any suggestion that "we" as the Ag Pool committee or Ag Pool members generally have some sort of responsibility for what's going on or responsible for a \$200,000 fine. My second...

Bob Feenstra: Thank you for that ugh...

Gene Koopman: I won't agree with that for no other reason then what you said is a Watermaster; and we have two members on that board. We are part of Watermaster in all kinds of shapes and forms and it doesn't concern us. Even though we don't end up having to pay any actual dollars and there is no shape way or form are we are responsible for it but we are part of Watermaster and it is our problem.

Jennifer Novak: Oh, I don't disagree with that at all, in fact, I think Mr. Manning you suggested there would be information available next week and we might be asked to make a decision round of pool meetings. As soon as that information is available I would appreciate if we all had it. Especially because

the issue of where wells get placed as desalters are being sited somewhat near CIM I want to be sure that we have a chance to look at this and make sure that we understand any potential impacts to us in our water supply.

Ken Manning: The first place where those documents will surface, based on the fact we don't have the information today, will be at a CDA board meeting. Now there is a CDA board meeting today and there will be a similar report to what I just gave you, I assume given tonight at the CDA board meeting – giving a progress update. They're talking about scheduling a special CDA board meeting for them to approve a series of items including intergovernmental agreements that would allow us to move forward. Included with that will be information about the potential material physical injury that we will be approving it will be contingent. So it's not time sensitive that we take the action; although, we were trying to press to get it. But as soon as that's available through the board or through the action of the CDA in terms of it being made public, it will be available to everybody here.

Bob Feenstra: Point three.

Jennifer Novak: Thank you, and then point three um that's that Western made a presentation at the Advisory Committee meeting and Board meeting and I thought it was very interesting in that it actually outlined some of the steps that still had to be taken as part of the process. I want us to be kept in the loop because the idea that the CDA didn't even have its contracts together to be formed formally was a little bit of a shock given that we heard that there were problems and that process was finally starting to get resolved at least a year ago. So as that fact that this is a Watermaster family issue, it affects us all as to whether or not the Regional Board will allow us to proceed with certain basin plan amendments or not and maybe fining Watermaster or not, now or in the future, I do want us to pretty routinely get reports as to where we are in the process and what needs to be done and why we may be stalled out if that is the case.

Bob Feenstra: Just a quick comeback ah comment back to you, like Gene and we have had a lot of discussions it's a lot of fun and you're the lawyer or the clients, we discuss these matters and take them very serious. The Ag Pool is serious in Peace I and Peace II we are a major part of the Judgment; we have a fiduciary responsibility and when it stops at your desk something happens on the farm and you say I really... yea the farms there but I really don't have a say in it... bet me. You still have a responsibility to the State of California what's going on, on the entire campus of CIM, we feel the same way and so this board is going to take a much more active role on what's going on at the Watermaster and if fines and other things can be avoided that's why we're discussing it. Mr. Manning said we're meeting daily; we're meeting weekly with the Regional Water Quality Control Board; that's all good and should happen. We should have done it a year ago. We should have done it a year in half ago when we tried to let the system work through the process; it doesn't always work. Example, I said to one of the Appropriators after Mr. Atwater and Mr. Manning spoke at the Board meeting, I said did you know that? Did you know that we could have draft and get these wells in place and get everything moving and he said no? I plan to talk to that director more. Why didn't he know it? So anyway that's just a quick explanation but you know Jennifer we really do have a big responsibility here and we're going to take it seriously. Uh Mr. Manning.

Ken Manning: Uh-huh.

Bob Feenstra: You can go to the next item.

Ken Manning: Reports and updates is next item III and the three were just in the report so.

III REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Paragraph 31 Motion
2. ACL Complaint
3. CDA Facilitation

Michael Fife: So legal counsel report. Three items to report on, the second and third items are the ACL complaint and the CDA facilitation and given the lengthy discussion we've just had, I don't know what else

there is to add to that except as Mr. Manning said we are meeting frequently with the CDA facilitation process and we have been meeting with the Regional Board regarding the ACL complaint. We were instructed by the Board, the Watermaster Board at their last Board meeting to waive the hearing, to not contest the fine, but to as Mr. Hofer said explore whatever options we could for reducing the impact and for working cooperatively with the Board. We have been doing that. We are constructing a settlement agreement with them; that is in process and we have traded drafts of materials and we just met with them in person on Tuesday. And we will meet with them again next Tuesday; so that is in process. The other item the Paragraph 31 Motion, the Non-Agricultural Pool filed their reply on Monday; everyone was noticed so if you haven't seen that, let us know and we can get you copies. There's quite a bit of paperwork, they actually filed... the Pool filed three separate pleadings and then a member of the Pool that is California Steel also filed a pleading. All told now the pleadings in this matter are well over a hundred pages in length. I think we're up to about 150 pages in pleading. The record that's been submitted for the judge is well over a thousand pages. So this is quite a large matter for the judge to deal with and Tuesday afternoon we did get a notice from the judge that he wanted to continue the hearing. We sent out a notice of that to all parties. The new hearing date is June 4th; that's a Friday so the hearing that was scheduled for this Friday has been moved to June 4th at 10:30. And that's all I have to report on those items but I am happy to answer any questions.

Bob Feenstra: Real quick, Steve. Do you have any comments on that? Did you talk to me on the judge's response; why did he delay or ask for a continuance? Did he need more time or what?

Steve Lee: Well, the specific reason he gave is that he was a little bit under the weather. Whether he was under the weather because all the pleadings that he got or other matter we don't now but it probably would give him an adequate opportunity to properly address all the briefing and give him sufficient time to reach a ruling. So that's probably a combination of factors. So that's my angle.

Bob Feenstra: Any questions of legal counsel? We will move on Ken.

B. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update
3. 2010-2011 Watermaster Budget
4. Agreement to Form a Task Force to Conduct the Annual Emerging Constituents Characterization Program for the Santa Ana River Watershed
5. 3D Presentation given by Joe LeClaire

Ken Manning: Sure, CEO staff report and legislative update. There are a number of activities going on in Sacramento right now. Legislation is being introduced, moving through committee. One of the piece of legislation that I've been working closely as chairman of the California Groundwater Coalition, is a bill AB2304 by Huffman which would require that land use agencies work with water agencies and mapping areas that are of significance for recharge. So that as land use decisions are made, it does not require a change in land use by any means, what it does do is ask them to take into consideration, or at least knowingly make decisions knowing that areas are being used currently for recharge and so that bill has made it through two sub-committees and is going to the assembly floor, I think this next week and then it will move over on the senate side; it's a good piece of legislation. And essentially it has very minor opposition at this point by the Building Industries of America, who are working with the author Mr. Huffman, and the CGC is a co-sponsor of that bill; one of two co-sponsors and we're working with the BIA and the Chamber of Commerce who have asked for some minor changes to the legislation that we don't think are significant. So we think once we have those changes made and in print, that they will change their opposition to approve. So we think it will go through the assembly floor without any opposition or very minor opposition, and move its way to the senate where it should fly through. It's a very good bill and it seems very logical for anybody who's doing basin management; it seems logical that people that people just need talk to each other about where the recharge is occurring before land use decisions... as I say before you pave over paradise you should at least know that paradise has some benefit to society so this really a good piece of legislation. There are a number of other pieces of legislation that are moving

through Sacramento. Most of them are in the very beginning stages of development and we're watching those as well in through the different committees and groups that we work with in Watermaster.

Bob Feenstra: Ken, I have some questions on that.

Ken Manning: Uh-huh.

Bob Feenstra: You've been spending a lot of time in Washington DC – I mean Sacramento and as a former representative of industry and from time to time, I was required to register because of the time I was spending in committees and lobbying and by your own reporting you have been lobbying. Ugh is this... is this... is our Watermaster a lobbying organization? Are you required to report your hours to the state like everyone else on your activity?

Ken Manning: Well, first of all let me deal with this in terms of impressions. When you say I spend a lot of time in Sacramento; over the last two months when this bill was initially inaugurated, I have actually been to Sacramento three times of which the total hours were less than 24 hours over the last two months. So if that's considered a lot then use that term. And secondly, I was selected by basin managers throughout the State of California to represent them as chairman of the California Groundwater Coalition. The coalition was formed at the request of legislators and industry professionals who were dismayed over the lack of interest by other agencies, including ACWA, of the importance in the strategies being implemented in the State of California. Good example, as bills come before the legislature and ACWA has to expend its resources, generally they jettison those bills that we hold dear to us as groundwater agencies, in a return for their spending time on other issues. And so nobody was capturing those bills. Since then we've been working with ACWA, we've been working with other agencies, and we've been able to get I think significant progress. As a matter of fact, California Groundwater Coalition was one of the groups that was instrumental in getting a billion dollars included in this bond measure that should be voted on in November; not an easy task. And so, the California Groundwater Coalition, has gained a great deal of credibility. As chairman of that organization, they've asked me a couple of times in hearings over the last few months in Sacramento and I've done so. That organization is a 401C6 organization; it's a non-profit organization and I am registered as the chairman of that organization, as Ken Manning. And the Chino Basin Watermaster is not a lobbying organization; we are not in Sacramento... I'm not there as CEO of the Chino Basin Watermaster lobbying on behalf of items and I'm not registered as a lobbyist and so we are only as part of the California Groundwater Coalition, have a presence in Sacramento. And I have not been going and I have not been to Washington in over three years.

Bob Feenstra: My question was...

Ken Manning: Uh-huh.

Bob Feenstra: My question was lobbying and it's required by law; 10 hours or at least it was for me per month and if you put in more than 10 hours, you are required to register and report and we haven't done that. That's something I think...

Ken Manning: I'm not sure that as a chairman of an organization who's providing information for legislature is considered lobbying. And so I don't think that's what we are required to do. That's what legal counsel has provided us.

Bob Feenstra: Okay, we won't discuss this today but we need to discuss it more. Huh next item.

Ken Manning: Recharge update, you have a report in front of you that I think is significant in the fact, that if you notice we have three columns – imported water, storm water, and recycled water, and for a number of months we've had a great deal of storm water and recycled water going into the basin, but you'll see for the first time in many-many months we have now imported water. That's water being made available to Watermaster because the Chino Basin or the Inland Empire Utilities Agency has water within that base limit that appears to be available, and so we are taking it to meet our cumulative unmet replenishment obligation and we're taking approximately 80 acre-feet per day in to the basin. So we started that in the

month of April and we will continue it through May. We're monitoring very closely with Inland Empire Utilities Agency to make sure that no penalties are going to be incurred by the virtue of us taking this water and at least if we are going to incur penalties we will knowingly have that obligation. And so we are working with Inland Empire Utilities Agency. We've also been notified from Western and from Three Valleys there possibly may be volumes of water available through them if in fact Inland Empire's water is not available to us without penalties. That's a significant change this month and we are really pleased that we are able to get it. I'm not going to tell you its cheap water but it is imported water for recharge. I'm you want because you have your guests here today. If you'd like to move the 3D presentation up to this point, I'll move the budget down which is going to take a few minutes to go through. That would allow you to be able to spend some time on this 3D visualization model that you had requested. If that's something you'd desire to do we can do that.

Bob Feenstra: What's your pleasure?

Group: Okay.

Ken Manning: Okay, then I'm going to ask Andy Malone to introduce the subject to you. As you'd mentioned before, this is part of a presentation we did a number of months ago. We also provided the same presentation to the court under our previous judge as an example of how Watermaster is using current technology to try and characterize what's going on within the basin and so I have asked Andy to make a presentation to you. Andy.

Andy Malone: Thank you Ken, and good morning everyone. Thanks for the opportunity to come and present some of this information. Can you all see if I stand here? Okay. Like Ken said, we made a presentation to the judge who was a new judge that retained his jurisdiction over the Chino Basin Judgment and the presentation was very elementary. We talk about things like, what does a well look like, what does the aquifer look like, sands and gravels. I didn't come prepared today to give that sort of elementary presentation. We can certainly do that in the future but what we did do is we finished off the presentation looking at a 3D visualization of our groundwater flow model that's been developed and evolved over the years here in the Chino Basin. I'll give you a little background on the discussion we gave to the judge. We talked a lot about monitoring and we talked a lot about computer simulation modeling of groundwater flow and groundwater quality. In water resources management the two go together. It's very good to have both of them. The way it typically goes is that you start with your monitoring. You have... we have wells that are sprinkled across the entire basin. We collect all the information we can from these wells; how deep they are, do they penetrate the bottom of the aquifer - the bedrock, what do the sediments look like when we were drilling these wells. We compile all this information and we develop what's called a conceptual model of the basin. What it looks like - it looks generally like a bathtub filled with sand and gravel. But we characterize that, where the clays are, where the sands and gravels are, etc. We build what's called a conceptual model and we're going to demonstrate what that looks like here today. Then what we also do is we collect a lot of water level well data and pumping data and recharge data where we're purposely putting water into the ground. We collect all that information too and we construct our model or computer simulation model and we try and simulate what happened in the past. What pumping happened, what recharge happened, and then how water levels fluctuated. And if we can simulate the past with our computer simulation model then it gives us some confidence that the model can be used to predict what's going to happen in the future under certain management plans that the basin; that people who run the basin are contemplating. And those plans are typically pumping plans or recharge plans. Those are the two major stresses to the aquifer system. So that's called model calibration. Then we use the computer simulation model to do these forward projections but do we stop our monitoring? Not at all, we continue our monitoring, it is very-very important. Because what we do with that new monitoring data is we check it against what our computer simulation projections were. If they... if we modeled it accurately then that's good, we had more confidence in our model. If the data comes back different than what our projections were then we know we need to improve our model and so we make adjustments to the model and it gets better and better over time. And that's exactly what's happened here at Chino Basin Watermaster; this is a model that's been in the making for I would say, over twenty years. And it's continually being improved and we think it's quite good now. What we're going to show you today is pretty appropriate to what we were talking about earlier with hydraulic control. We're going to show you

an example of how we use the model to design some facilities, specifically here pumping facilities to achieve what's called hydraulic control and we will demonstrate that visually here in a moment. What you see here is an air photo of the Chino Basin. The yellow outline is what our model domain is. So in our computer simulation model this is where we are simulating the aquifer system, the pumping, the recharge, and the water level fluctuations in the aquifer. And so what Wen-Hsing's going to do here, Wen-Hsing is the developer of this software. It's a 3D visualization software that he's developed and what were going to do is zoom into the southern end of the basin where these desalter wells have been constructed and we are planning to construct more. So you can see the Chino Airport there in this cursor and CIM, the state property is located off to the west from the airport there. What Wen-Hsing going to do now is I believe you are going to make some transparency to the...

Wen-Hsing Chaing: *(the recording secretary can't hear what Wen-Hsing is saying)*

Andy Malone: Okay, he's going to turn on some features here. First of all what we're going to look at are some groundwater flow vectors that the model simulated in 1999. 1999 is an important year because it's before any of these desalter wells were constructed so it's sort of our baseline that we measure to. Can you go ahead and turn those one under calibration? Okay so I know those arrows are small but what they generally represent are the flow, the natural flow of groundwater in the aquifer system. You can see here that it's generally flowing from the northeast to the southwest, down into Prado Basin here. And groundwater levels get very shallow in Prado Basin. We have actually where groundwater becomes surface water; it starts to flow down into the Santa Ana River. The Santa Ana River flows down into Orange County and they recharge all that water in their groundwater basin. So typically the groundwater quality down here is not so good and so Orange County Water District and the Regional Board are concerned about the quality of the Santa Ana River. They don't want to see a whole lot of that groundwater get into the Santa Ana River and go down to Orange County and so that's one of the purposes of hydraulic control is building this well field down here in the southern end of the basin and depressing water levels so it doesn't rise to become surface flow and contaminate the Santa Ana River. So this is a model projection of what conditions were like in 1999, this came from our calibration of our groundwater flow model. You can go ahead and turn those off and then turn on the wells. Okay and these are the desalter wells and you can see from the top, their locations. The existing wells are um... can I use the cursor... the existing wells are located all right here. These wells, there are six wells located right here that we are simulating and these are the new wells that we are proposing to build. The so called Chino Creek Desalter Well Field and one of its main purposes is to achieve hydraulic control over here on the western side of the basin. Okay. So what Wen-Hsing's going to do now is he's going to tilt the model and we're going to take a look at underneath the ground surface at what this looks like so... So these are the wells, the desalter wells, and I think we want to zoom into them there. Okay. There yellow... the yellow portions is where the wells are screened where water can flow into the wells. The white are where the casing is blank, it's solid and water cannot flow into those areas. What Wen-Hsing just turned on here is part of our conceptual model of the computer simulation model; it's the bottom of the aquifer and again what we used was well information from many more wells that we are showing here. But well information, where some of these wells were drilled so deep that they actually penetrated the bottom of the aquifer; the bedrock and we used that information to describe what our bathtub looks like here in the Chino Basin. And so that's what he's showing there is the bottom of the aquifer. What it's filled up with is sediments, sands and gravels, and clays, and silts; those are the reservoirs where groundwater is stored and pumped from. So he's zooming in now to, to some of these wells, again the yellow areas are the screened intervals and the white areas are the blank. The green wells up there you see are the proposed wells showing their proposed screen intervals as well. I think the next thing you're going to turn on is water levels?

Wen-Hsing Chaing: Uh-huh.

Andy Malone: From 1999. Okay so in a well typically, you can go there and put a tape down and you can measure where the water level is in that well. And that's what we're demonstrating right here is what the water level was in 1999. We showed you a flow vectors of how that water is flowing the beneath this water level but this is the top of that saturated part of the aquifer that's being shown here. And now what he's going to turn on is water levels that we project for 2017, for the year 2017, and this is after these new

wells have come in and have been pumping along with all the other wells. Again what I told you earlier, that we're purposely trying to lower groundwater levels. So our model is demonstrating what that's probably going to look like in 2017 if these wells are constructed in these locations, with these screened intervals, and they pump the certain amount of water that we assumed was going to be pumped in the model.

Jennifer Novak: Does this matter when wells go in to your modeling or is it just once they go in, this is what it will look like?

Andy Malone: Now groundwater systems typically change pretty gradually-slowly, there's so much storage especially in the Chino Basin that when you put in a couple of wells it usually takes many years to come to equilibrium. So this... it is important as to when these wells are installed and then how long they're pumping, how much they're pumping, all that information – all those assumptions that you put in the model; you hope they're as correct as what actually happens but...

Jennifer Novak: And with the assumption for what we're seeing here? In terms when the wells would go in or be done?

Andy Malone: I don't know off the top of my head but I would say it's that it's something like 2012; this is maybe five years after these wells have been in there pumping. Okay so this right here, this new depressed water level in 2017; what we think is that it achieves hydraulic control and I'm going to describe to you what hydraulic control is. It's basically this well field completely capturing all this groundwater that was flowing from the north to the south, completely capturing that groundwater not letting it flow to the south and eventually get down towards Prado Basin and rise to become surface water in the Santa Ana River. So can we continue on? What Wen-Hsing has done is he's gone back to the top view and we're going to look at flow vectors now from 2017 with this new depressed water level and we are going to see how different it is from 1999 conditions before all these wells were built and started to pump. Okay that's 1999?

Wen-Hsing Chaing: Yes.

Andy Malone: And you can see 1999 all the groundwater flowing past these wells down towards Prado Basin and so our model projections look something like this. I'm going to borrow... can I borrow this? You can see here the water is still flowing from the north to the south but now with all these wells pumping, we're having water actually coming from the south up to the north so we've actually reversed the flow gradient in the groundwater. And so any water that may leak past these wells from the north, it's going to get sucked back in and go back into the well field. So what the model is projecting here is that we will achieve hydraulic control by 2017 if indeed everything goes as planned. Again, these wells get built in these locations, they pump from a certain part of the aquifer – the shallow part of the aquifer and that they pump a certain amount of water. So that is the demonstration of hydraulic control. I think what Wen-Hsing can do is click on the 1999 vectors and you can see the difference. Everything from the south, I mean everything south of the well field flowing to the south in 1999 in the green vectors and then the white vectors 2017 flowing to the north. So again model projection, you have to back it up with monitoring and there is a very intensive monitoring program that's out here. We use agricultural wells, existing agricultural wells, we have dedicated monitoring wells that have been drilled in this area and it's a Regional Board requirement that we demonstrate hydraulic control. Not only with this model but with the monitoring data on an ongoing basis; show us this reverse gradient from the south to the north – that's what they want to see.

Jennifer Novak: *(the recording secretary can't understand what is being said)* Can I have you zoom in again on the area where the CIM property is and see what the projected change and flow look like?

Andy Malone: Sure. You know where the... oh I'm sorry. It's to the west.

Jennifer Novak: So not much different?

Andy Malone: Not much different. North of the well field so...

Jennifer Novak: Projected...

Andy Malone: Yep.

Jennifer Novak: Thank you.

Andy Malone: Now there will be some water level declines that are associated with this so you may have a steepening of gradient from the state property towards these well fields and there may be some water level declines. One other thing that the state has historically been very concerned about and been working very cooperatively with Watermaster is the land subsidence investigations. There's been ground fissuring on state property there and CIM and Watermaster has expended a lot effort and time in figuring out how to control that in the future. But this right here where we're trying to draw down water levels kind of works against the.... In a way works against what we're trying to do; controlling land subsidence. So it's a balancing act that we're trying to achieve, especially in the area where the state property is.

Jennifer Novak: How is that you would achieve that? Or what are you trying to do?

Andy Malone: Well we have monitoring facilities in this location and we're monitoring water levels very closely. And we've done a lot of testing to figure out a safe water level that we don't want to draw water levels down below and cause additional subsidence. So that was really the crux of the subsidence investigations, was figuring out what that water level is and we're not projecting here with the model to exceed that water level through the achievement of hydraulic control.

Jennifer Novak: And pumping rates of the wells can be adjusted too, so you don't have to pump the exact gallons per minute that you start with if you feel it is pulling too much water and causing a problem someplace else correct?

Andy Malone: Sure you can adapt as you go forward. One of the key elements here to is when these new wells go in we're going to learn a lot of new information; what the aquifer systems like, some of its properties and we will use that information to again update the model and improve it and make more realistic projections in the future too.

Pete Hall: So, Andy how will it change on Central Avenue where that shelf is?

Andy Malone: It's a little bit more west. Umm why is it changing?

Pete Hall: No, there's that one shelf that that runs down Central Avenue.

Andy Malone: The barrier?

Pete Hall: Yes.

Andy Malone: Okay, what we're showing here is the shallow aquifer system and the barrier does not exist in the shallow aquifer system. It exists in the deep aquifer system. And so... if we were to be demonstrating here groundwater flow in the deep aquifer system; you would see the effects of that barrier there and it would essentially be isolating the area to the west from the desalter pumping to the southeast.

Gene Koopman: And does this take into consideration (*the recording secretary can't understand what is being said*) under the basin reoperation program?

Andy Malone: Yes. But these model projections come from the modeling for the Peace II description work, so yes it; it encompasses all pumping across the basin not just the desalter pumping.

Gene Koopman: *(the recording secretary can't understand what is being said)* under the basin reoperation there's literally a lack of replenishment water. Is that taken into consideration?

Andy Malone: Yes, yes the whole Peace II description including recharge and the overdraft of 400,000 acre-feet, that's all being simulated by this model.

Gene Koopman: Thank you.

Bob Feenstra: Andy, Pete Hall was right this is a beautiful presentation and I have one question going back in history if I may?

Andy Malone: Okay.

Bob Feenstra: Early on we lost a couple of the big wells because we were over drafting the area and some farmers were losing well water suction. Are all wells back into production; all the wells for the desalters?

Andy Malone: For the desalter, I'm not completely up to date on that. I know that they have been having some production problems in a couple of the wells in the Chino I Desalter well field...

Bob Feenstra: Uh-huh, uh-huh.

Andy Malone: But I don't know the current status of investigation on why they're losing production on how they're trying to remediate that.

Gene Koopman: *(the recording secretary can't understand what is being said)*

Bob Feenstra: At the airport yea.

Gene Koopman: It's out of operation not because of water levels but *(the recording secretary can't understand what is being said)*

Bob Feenstra: Let's have lights and let's see if there's some questions from the board or from the audience. Outstanding presentation; talk about 3D!

Rob Vanden Heuvel: I'd actually like to request that I might get a copy of the 2017 flow vector points; I don't know if you got that in hard copy with you or I can get it emailed to me but we've got some issues with the dairy contribution to groundwater quality and I'd like to be able to take a look at that closer.

Andy Malone: Okay – okay. I'm not sure if the modeling report that was put out for the Peace II description; whether or not it has a figure like that. If it does we can easily shoot it off to you.

Rob Vanden Heuvel: Okay.

Andy Malone: But, umm.

Ken Manning: Yea, that's not a problem. We can do that.

Andy Malone: We can put something together like that if we don't have something readymade, we can put something together like that.

Ken Manning: Let me add... this modeling that was put together in discussions that I had with Mark Wildermuth about three years ago; I had started to see where applications were starting to be developed in three dimensions. I had the discussion with Mark Wildermuth and said to him that I needed a commitment that we were going to move to this kind of presentation modeling over the next three to five years so that we could provide visualization of what's going on in our basin so that people understand it.

As much as we're involved with water and understand things that are going on here, when I do discussions with other people and with agencies, it is sometimes very difficult for them to understand. A good example is during the discussions on the bond package that was passed this last year by the legislature; SB786 has requirements statewide to look at modeling or look at ground level differentiations during the course of a year. Now there are five hundred and fifteen groundwater basins throughout the State of California; there are only a couple of basins in the State of California that have 3D visualization. And I think almost all of them are in the Santa Ana region. So we are far ahead of the curve where there looking out of the Five hundred and fifteen groundwater basins just to get two points of reference – two points of reference. I very proudly could tell them; you give me a date anywhere in the next thirty years on any given day and I'll tell you what the water levels going to be in the Chino Basin. And that's powerful and that's where the State of California would like to be with groundwater all over the State of California. Now that is decades away but it's something that we currently are able to do here within the Chino Basin because of the work Watermaster and Wildermuth have been doing together in developing this database. So, it's a tremendous asset for us and it's available to the members of the Chino Basin Watermaster family, so no problem getting you the data.

Rob Vanden Heuvel: Great, thank you.

Bob Feenstra: Andy our sincerest thanks. Appreciate your efforts and presentation; whoever put this together do-do-do-do...that was music!

Jeff Pierson: I want to see that on the verbatim minutes.

Bob Feenstra: Okay we're going to be going quickly into confidential session so...

Ken Manning: We have two more items. One of which is just a statement and that is that this issue of the emerging containments, I'm still working with Celeste and SAWPA on this issue of whether or not Watermaster should be involved in this emerging contaminants task force. We could not get a time where Celeste's schedule and mine, because of her conference, could actually sit down together and talk about it so we had not been able to do that so I am putting that off until next month. The second one... the last item is talking about the Watermaster budget and we have a very quick presentation, which is a summary of the Watermaster workshop that we did yesterday at Watermaster. I'd asked Joe, our new CFO, to kind of quickly to walk through those assumptions that are built into this budget. Again, we're not asking for approval in May for the budget – we are only asking for people to start taking a look at it, but we think it's important that you understand the assumptions and some of the actual items that are included within our budget. So if I could turn this over to Joe; we're talking hopefully just a few minutes to go through this.

Joe Joswiak: Thank you I appreciate the opportunity to bring the budget to you. Again, we will move through this rather quickly. But all budgets are based upon general assumptions and on our income assumptions, I'd just like to let everyone know that there's no real deviation from the prior year basically the same formats; the same excel spreadsheets, the same worksheets that the previous CFO had used. I looked at them, reviewed them, and thought they were very good; so I am continuing to use those. So right off the bat there's no deviation from what has been previously been done. Income projections are basically a contractual allowance based upon specific commitments. We have identified three commitments; it's the Peace I and Peace II Agreements, the Regional Board - the Maximum Benefit Basin Plan commitment, and the OBMP requirement from the Judgment. Those are basically your assessments and then there's also another category called a prorated interest income. Which is basically a... the interest earned quarterly on the LAIF funds that we have. On the general staffing, we have assumptions that our staff still stays consistent at eleven with one caveat that we are reducing the reduction of one half-time full time equivalent our Water Resource Engineer but basically we're still remaining at eleven. There's no COLA increase this year. There's no material change in the employee fringe benefits; that's the medical, dental, and the vision. The salary allocations that we use to basically model the costs have stayed consistent; last year-this year and we're basically... I went back and used the same labor allocations, looked at the past five or six or seven months to see where staff was spending their time and basically used that model to allocate staff time. And then of course the merit increases and any contractual obligations have been included in the budget. Along with the general G&A; we've got some

items that are new this year. The first one is we're projecting a \$40,000 expense for a voice over IP system at Watermaster. We're also projecting a \$10,000 increase in our web services. \$10,000 added in this year's budget for the Strategic Planning Conference in October and as part of the verbatim minutes, we're including a \$50,000 line item which basically pays for a full day of a court reporter for the forty-eight meetings. This is basically just a pictorial of what the draft budget looks like and you can see that basically on G&A we're increasing 11½% and a \$100,000.00. And basically again there's, there's in essence the four items that constitute that \$100,000.00. On the OBMP side of the calculation we have a reduction of \$26,000 in the Wildermuth engineering services. We have eliminated from the budget the CEQA expense of \$75,000 dollars. We have put... added in \$26,000 for the cost sharing project with SAWPA. We have added a special line item of \$250,000 to create a basically reserve account for contingencies as part of the legal... ough legal fund. Now caveat this, the legal budget still from last year to this year is staying at \$595,000 but we've included this \$250,000 as a contingency. And we would only use these funds if required and it would require a budget transfer, so we'd have to bring it to the Pools and the committees to be able to utilize these funds.

Gene Koopman: Can that be used for other things other than legal?

Joe Joswiak: At this stage no, we are only, we're only focused right on legal fees right now.

Nathan deBoom: So there's no other contingency funds besides the one used for this one used for legal?

Joe Joswiak: This is the only contingency fund. Historically Watermaster has not had a contingency fund. I've gone back and looked as Ken has mentioned before; of the past five years we've always been over budget in the legal area. Some legal event has always occurred, so this year we're being a little more proactive in putting contingency out there. And then also as discussion has been today; the Regional fine, we're budgeting \$113,850 for Watermaster's portion.

Gene Koopman: Back up one minute, I have another question. Again, to the reserve account and you mentioned that legal had been over for a number of years and I'm well aware of that. And in normal circumstances, once again when you're running over budget on a line item and everything to is the following year you increase the budget versus... so what's the rationale behind doing this as a contingency? Is this so that, aha, it would take a board action for a budget transfer; is that what the object is?

Ken Manning: Yes, the idea is that we don't want to give the attorneys the idea that they've got a larger budget; but for five out of the last five years we have had to increase the budget for legal from \$100 to \$250,000. And we've always.... in order to do that, we've always gone back to Wildermuth and to the engineering portion of the budget and found projects that were not being completed. Now the other dynamic that's going on, is I'm pressing Wildermuth to provide me a budget that is realistic in terms of what they know can be accomplished based upon the Peace II or the Max Benefit or the Judgment umm... requirements. So that we don't have a bloated budget that is or has a lot of extra places that we can take money from. That creates a dilemma for me because unlike this year where I had a grant program that was essentially was not funded that allowed me money to move; I won't have that next year. And if somebody... and if everybody plays nice in the basin and nobody sues each other, we're going to be just fine and we won't use that \$250. And what happens then that money is reallocated back to the Appropriators and they're refunded into the next budget; it doesn't stay there, we refund it back and it goes as credit. So the idea is, we need to have something there that we feel comfortable based upon five years of activity, we think that this year there's quite likely somebody will create an action or do something. Those are not within our control so we want to have some place to be able to go. That's the... the justification for why we are putting the \$250 in there and...

Gene Koopman: And that \$250 will be included in what's establishing the assessments (*the recording secretary can't understand what is being said*)

Ken Manning: Correct. That's the proposal and as you know this is a proposed budget and we're putting on the table what we think are logical decisions to be made and those will be discussed over the course of May and adopted in June. So they may change but...

Gene Koopman: Then why... why, you know I'm... I can understand the problem or whatever but let's say we don't use it at all...

Ken Manning: Uh-huh.

Gene Koopman: Why reimburse? Why not just carry it over? I assume that you're going to do this year end so it's really just a...

Ken Manning: Watermaster in our budgeting process has been fairly consistent for decades now in terms of the fact that every year is a separate and distinct year and budgeted for. The reality is, is that if we feel it's a good idea this year; it's probably going to be a good idea again next year. And so we would carry over an amount in the budget but it would be for the purposes of the Assessment Package refunded back and then re-applied into the budget so that's how the transactions have been done in Watermaster over the years and that's how we would propose to continue to do it rather than what might be done in other public agencies as a rollover.

Gene Koopman: Okay, thank you.

Bob Feenstra: Continuing on with that conversation, a Ken I'm concerned that legal bills – legal costs has increased dramatically over the year. It would be interesting to find a ten year review of legal costs from ten years ago to where we are today. I agree with him, it's been shocking, to see the increase in legal costs.

Joe Joswiak: Last evening I actually did go back and look and we originally at one point in time had a budget around down in the low \$200 and in over the years it's... it's progressed up now to where it's now \$595,000. But the increase each year, the actual expenses, haven't been small they've been relatively large. And of course that's been made up by adjustments throughout the budget, but it's... the legal budget has become very large over the years.

Bob Feenstra: And if we request it, you can do a ten year review for us?

Joe Joswiak: I could do that yes.

Ken Manning: That would be easy.

Bob Feenstra: On legal?

Ken Manning: Uh-huh.

Bob Feenstra: Thank you.

Joe Joswiak: The final piece of the budget is the OBMP, the implementation projects; these are all of the different monitoring projects. The ground level monitoring, the MZ1 projects, if you look at that the 2.8% increase – a \$146,000. In looking at... again looking there's the few items, account 7107 the MZ1 monitoring, you'll notice that from our current budget to the proposed budget – the \$281,000 increase, you'll notice that some of the categories have increased and some of them have decreased. This is a spreadsheet provided by Wildermuth and you'll notice right off the bat the expenses from Wildermuth have dropped again this year – aha reduced last year and reduced again this year. We're projecting \$2.6 million compared to \$2.7 million. So a \$70,000 decrease and you can see all the different categories and again, the a big line item there – the \$280,000 difference. On the projects, looking at them and slicing them out, the Watermaster staff this year's assuming as we have last year assuming more of the work on the field collection which is resulting in some of those cost savings from Wildermuth. We're increasing in

putting additional \$12,500 out there in category 7102 for the replacement, repairs, and calibration of some of those existing meters. A net reduction of \$6,000 from the Wildermuth engineering and lab services for groundwater quality monitoring. Another reduction of \$20,000 from the Wildermuth services for ground level monitoring. And then the MZ1 project, the \$281,000 increase there in engineering services and contracted services along with capital equipment that's required for the MZ1 monitoring. In the 7108 the hydraulic control monitoring reduction from the Wildermuth budget previously of \$56,000 – a comprehensive recharge increase of \$60,000 and that includes the \$720,000. Originally we had budgeted this year \$660,000 and we're budgeting \$720,000 this year and the \$7,200 is for the...

Ken Manning: Let me make a note here though because even though we're budgeting more this year, this year is actually less than last year. And that may sound strange; it may sound like governmental accounting. But in reality we had a \$100 credit with IEUA the year before that was... that allowed us to reduce the budget to \$660 but the actual cost was \$760. This year we're predicting at \$720 so... just want to make sure everybody would keep that in perspective.

Joe Joswiak: And finally the reduction in our recharge improvement dept payment of \$144,000. Looking overall from our budget, our administrative expenses again would increase the 11.5%, the general OBMP expenses 16.5% increase, and the project increase... I mean implementation projects increase of 2.8%, so overall increasing this year. The final slide, this is basically the assessment calculations, basically what happens is each year we calculate what the assessments could be looking at the budget utilizing the 2008/2009 production numbers. When the final assessments are calculated, those will be done later in the year. But this is just to give a pictorial of what the allocations would be under the existing budget. And that concludes my presentation. I would be willing to answer any questions if you have.

Bob Feenstra: Jennifer?

Jennifer Novak: I apologize because I did have to step out for a moment but I think I saw a line item for the fine that has to be paid to the Regional Board, is that right?

Joe Joswiak: That's correct.

Jennifer Novak: Is there any provision in here for recouping any of that fine?

Joe Joswiak: No.

Ken Manning: Not anticipated at this time.

Jennifer Novak: So, at this point in time Watermaster believes it will incorporate that into its own operating budget?

Ken Manning: That's the assumption we're making right now.

Jennifer Novak: Okay, thank you.

Nathan deBoom: Can you go back to the last slide real quick? So there's a proposed assessment (*the recording secretary can't understand what is being said*) well a \$1.50 or so increase on the per acre-foot from last year to this year?

Joe Joswiak: Yes, and again this... this is just a model based upon production as it is right now. And again this is 2008/2009. We have done a calculation to see what the... what the closer productions would be for the 2009/2010 and the... those... and it does increase because production has dropped off.

Ken Manning: The two sides of the equation that are included with the Assessment Package are the budgeted amounts, which is obviously what we are talking about now, and that is blended with production numbers and the two of those together result in a cost per acre-foot. We have control over one side of that calculation; we don't have the other variable that we... that depends upon the production numbers

that we get at the end of June and start acquiring at the end of June. So we will blend those together. We use the production numbers from the year before just as an example of what the assessment would look like if things were the same as they were the year before. We don't know that to be the case; they could be higher, they could be lower. Right now we are projecting some of the pumping will be lower and that some of the... some of it will be higher; we're not sure exactly where that's going to level out yet.

Nathan deBoom: So the initial reaction was concerning then on that increase?

Ken Manning: Well, certainly... certainly the Appropriators, when they budget for their own budgets they look at the previous year's assessment on an acre-foot and use that as a basis or assumption within their own budgeting and if the cost per acre-foot goes up, they are obviously concerned. And so... again it's, it's a combination of two factors of which we don't have control over; one of those and we have some control over the others in terms of the budgeting. Again, as Joe has mentioned, the budget is comprised essentially of three different obligations; those contained in the Peace I and Peace II Agreement, those contained within the Regional Board's requirements and the Basin Plan, and those required within the Judgment under the OBMP. And so it's a matter of then trying to balance how fast we do those projects and what our obligations are to do them, and so that's a discussion we're going to be having over the course of May to decide whether or not the budget stays as it is as we've proposed. I am making the prediction, today, that the budget will change some over the course of the next month but we'll have to have input and discussion with all of the Pools to find out exactly where the priorities should be put.

Bob Feenstra: Well done. Thank you. Oh wait a minute; I'm sorry Jeff.

Jeff Pierson: You know, not to nitpick, but the voice over...

Ken Manning: Uh-huh.

Joe Joswiak: Yes, the \$40,000 dollars.

Jeff Pierson: Yea... aha... spend \$40 what do you think you're going to save out of doing that?

Joe Joswiak: Well basically... currently right now when we have conference calls, we have absolutely no idea of who is on those calls. By having a voice over IP system, we'll be able to identify and have a lot more control on who's on those calls.

Jeff Pierson: Good.

Group: All talking at the same time.

Ken Manning: There's a couple of... there's a number of... Joe just highlighted them. The biggest reason why we want to go to voice over IP is to have capability. The other capability that voice over IP provides us is video conferencing that we don't have now with our current system; that will save some money. We don't know what the savings will be though; we know there will be some savings because voice over IP as an ongoing bill for phone services less than what we currently have, we don't know what that savings is yet. It all depends on when we get it installed and when it actually starts up but we do know that the cost factor is \$40,000 but it provides us a much better system.

Jeff Pierson: It's an efficiency issue and being able...

Ken Manning: Yes.

Jeff Pierson: And being able to track.

Ken Manning: Yes.

Jeff Pierson: Ah, the Wildermuth is one of the biggest or largest line items...

Ken Manning: Uh-huh.

Jeff Pierson: All their different OBMP actions. Ah can we get a copy of what the latest backup is for where you will achieve, you know, putting the... filling the numbers in?

Ken Manning: Sure, we can provide you... we do a... we work with Wildermuth on an annual basis and multiple times during the course of the year, but to start the budgeting process, we start with large charts that outlines in great detail all of the elements... A summary of that is what is on that chart that you're looking at now.

Jeff Pierson: I know...

Ken Manning: That is blown up into more detail and we can provide you with that detail as well.

Jeff Pierson: I'd just like to look at the number of man hours. Is it broken down like that?

Ken Manning: Yep, uh-huh.

Bob Feenstra: Any more questions? Again thank you.

Joe Joswiak: Thank you very much.

Bob Feenstra: Appreciate it.

Ken Manning: And that's all I have Mr. Chairman.

Bob Feenstra: Good, thank you. This presentation will also be made at the Board meeting?

Ken Manning and Joe Joswiak at the same time: Yes.

Ken Manning: All the Pools, Advisory, and Board.

Bob Feenstra: Thank you. Are there any comments from the audience? We're going to go into confidential session so I'm going to ask Paul Hofer to stay behind. Ah, Sherri Lynne, Steve will be making minutes.

Steve Lee: I'll contact you if any action was taken and I'll let you know what time it completed.

Bob Feenstra: Thank you for all attending.

IV. INFORMATION

1. Newspaper Articles

V. POOL MEMBER COMMENTS

VI. OTHER BUSINESS

The regular open meeting was convened to hold its confidential session at 11:05 a.m.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Appropriative Pool Rules & Regulations, a Confidential Session will be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

The Agricultural Pool closed session was convened at 1:10 p.m.

Mr. Lee emailed in the actions taken at the closed session to the recording secretary as follows:

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

Moved to approve the authorization of Steve Lee to contact the Ontario City Attorney, John Brown of Best Best and Krieger to relay the Agricultural Pool's concern over the lack of participation by the City of Ontario to join in constructive discussions with the potential responsible parties attorney(s) in reaching a solution to the TCE plume anomaly located south of Riverside Drive in the City of Ontario and to be part of the solution to this ongoing problem, as presented

VIII. FUTURE MEETINGS

Wednesday, May 12, 2010	10:00 a.m.	Watermaster Budget Workshop @ CBWM
Thursday, May 13, 2010	9:00 a.m.	Agricultural Pool Meeting @ IEUA
** Thursday, May 13, 2010	1:00 p.m.	Appropriative Meeting @ CBWM
** Thursday, May 13, 2010	2:30 p.m.	Non-Agricultural Pool Meeting @ CBWM
Friday, May 14, 2010	10:30 a.m.	CBWM Court Hearing @ Chino Court Room C1
Wednesday May 19, 2010	12:30 p.m.	* RMP Half Day Workshop @ Rancho Central Park
Thursday, May 20, 2010	8:00 a.m.	IEUA DYY Meeting @ CBWM
Thursday, May 20, 2010	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, May 27, 2010	11:00 a.m.	Watermaster Board Meeting @ CBWM

*** Recharge Master Plan (RMP) Workshop at Rancho Central Park
11200 Base Line Road, Rancho Cucamonga**

**** Please Note: Date change for Appropriative Pool and Non-Agricultural Pool meetings**

The Agricultural Pool meeting was dismissed by Chair Feenstra at 1:10 p.m.

Secretary: _____

Minutes Approved: June 10, 2010