

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING

February 10, 2011

The Agricultural Pool Meeting was held at the offices of the office of Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on February 10, 2011 at 9:00 a.m.

Agricultural Pool Members Present Who Signed In

Bob Feenstra, Chair	Dairy
John Huitsing	Dairy
Nathan deBoom	Dairy
Glen Durrington	Crops
Pete Hall	State of California, CIM
Rick Reese, by Proxy for Jeff Pierson	Crops

Watermaster Board Member Present

Paul Hofer	Crops
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Watermaster Staff Present

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

Watermaster Consultants Present

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

Others Present Who Signed In

Steven G. Lee	Reid & Hellyer
Dave Crosley	City of Chino
Gil Aldaco	City of Chino
Ryan Shaw	Inland Empire Utilities Agency
Marsha Westropp	Orange County Water District
Eunice Ulloa	Chino Basin Water Conservation District

Chair Feenstra called the Agricultural Pool meeting to order at 9:03 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Annual Agricultural Pool Meeting held January 13, 2011

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2010
2. Watermaster Visa Check Detail for the month of December 2010

3. Combining Schedule for the Period July 1, 2010 through December 31, 2010
4. Treasurer's Report of Financial Affairs for the Period December 1, 2010 through December 31, 2010
5. Budget vs. Actual July through December 2010

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – The City of Pomona will transfer 370.000 acre-feet of water to the City of Upland. The water will be transferred from Pomona's Excess Carryover Account to Upland's Excess Carryover Account
Date of Application: January 18, 2011
2. **Consider Approval for Notice of Sale or Transfer** – On January 20, 2011, Watermaster received Consolidated Water Transfer Forms 3, 4, and 5 with Southern California Edison (SCE) as the Transferor and the City of Ontario (as an Overlying Non-Agricultural party) as Transferee in the amount of 27.959 acre-feet of safe yield as a permanent transfer. Also to be transferred are all of SCE's post-June 30, 2007 stored, carry-over and unpumped groundwater. Date of Application: January 20, 2011

An inquiry regarding a permanent transfer was made. Ms. Maurizio stated it means a permanent sale of their water rights forever.

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

Moved to approve Consent Calendar items A, through C, as presented

II. BUSINESS ITEMS

A. TURNER BASIN EXCAVATION COST SHARING AGREEMENT

Ms. Maurizio stated this item is the Turner Basin Excavation Cost Sharing Agreement and offered comment regarding this matter. Ms. Maurizio noted the City of Ontario will be adding another basin for Chino Basin Watermaster to use for recharge. Ms. Maurizio stated before this work is started some environmental work needs to be completed, some grading permits need prepared, and a possible traffic study needs to be done. Inland Empire Utilities Agency and Chino Basin Watermaster will be doing the 50/50 cost sharing agreement on this endeavor; the not to exceed amount is \$27,680 for Watermaster which includes a potential amount of \$15,000 for the traffic study. Ms. Maurizio stated this is a tremendous benefit to Watermaster. A brief discussion regarding this item ensued.

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

Moved to approve the Turner Basin Excavation Cost Sharing Agreement, as presented

B. RFP FOR OUTSIDE AUDIT FIRM

Mr. Joswiak stated the Chino Basin Watermaster is required by law to have an annual audit performed by an outside audit firm. The past twelve-years Watermaster has used Conrad & Associates and in 2006 Conrad & Associates was purchased by Mayer Hoffman & McCann, who has done the audit for the last five years. Mr. Joswiak offered comment on our audit service and noted it is time Watermaster sent out an RFP for auditing services. This item is to perform that function. Mr. Joswiak noted the responses could be at a much larger cost for performing the same type of service. A discussion regarding this matter ensued.

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

Moved to approve Watermaster staff sending out an RFP for an outside audit firm, as presented

Added Comment:

Chair Feenstra inquired about Mr. Joswiak looking into the Agricultural Pool financial accounts. Mr. Joswiak gave a report on the Agricultural Pool investments and LAIF accounts and how they work. A discussion regarding the financial re-cap ensued.

C. WELL LOCATION OF WELLS I-19, I-20, AND I-21

Ms. Maurizio introduced the well location of wells I-19, I-20, and I-21. Mr. Malone stated that typically Watermaster does not approve well locations; however, given the sensitivity for land subsidence in the area of the Chino Creek Desalter Well Field this project is meant to achieve Hydraulic Control, which is a basin wide program. Mr. Malone stated Watermaster is doing this for the Chino Desalter Authority (CDA). Mr. Malone reviewed a map of the area of the Chino Creek Well Field and explained the map in detail. Mr. Malone stated these wells will be constructed in a way to pump only from the shallow aquifer system which does lessen the concern for land subsidence and will achieve Hydraulic Control. Mr. Malone stated staff is recommending these well locations and they have been approved in prior meetings. A discussion regarding these three wells and their production ensued. Mr. Rees inquired about well I-18. Mr. Malone stated there is an information item on the agenda and that will be discussed in greater detail. Chair Feenstra inquired if 1,200 gallons per minute is adequate. Mr. Malone stated that is an adequate amount to achieve the overall objective of 40,000 acre-feet per year of production from the Chino Desalter Well Fields as a whole. A discussion regarding this matter, drawdown on the wells, and reverse flows ensued. Mr. Malone stated the Mitigation Plan for the private well producers that are impacted by these lower groundwater levels is to mitigate the damage they may experience. Chair Feenstra offered comments regarding this matter and the new Mitigation Plan, impacted wells, and land/dairy usage discussion ensued.

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

Moved to approve well locations of wells I-19, I-20, and I-21, as presented

Added Comment:

Chair Feenstra inquired about Craig Paxton, who is the new General Manager for the CDA. Mr. Malone stated he does know him and stated he thinks it was a good choice for the CDA to hire him. Ms. Maurizio stated she believes there was a lengthy search process. Counsel Fife stated the CDA is a completely different entity from Watermaster, and Watermaster staff was not involved in any of the search or hiring process for that position. The CDA Board did go through a search process.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Draft Restated Watermaster Judgment

Counsel Fife stated Watermaster staff and counsel are continuing to work on this project. Counsel Fife stated the text of the Restated Watermaster Judgment is complete and the Exhibits are what is being worked on currently. A lot of attention is being placed on the Agricultural party list Exhibit. Meetings have taken place at Watermaster with a sub-committee of Agricultural parties and Watermaster staff. Counsel Fife stated this subject might have to go to the court before the Restated Judgment is put through the Watermaster process. There needs to be some kind of process for dealing with the Agricultural Pool issues; mainly people who are listed in the Judgment who are no longer around, as well as people who are not listed in the Judgment that need to be intervened into the Judgment. Then some sort of process for going forward to make sure the party lists stay up to date needs to be implemented. Counsel Fife stated there are due process issues that need to be dealt with associated with this matter. After the process has been established and it is taken to court for approval, staff and counsel can move forward with the entire Restated Judgment going to the court for approval.

2. January 21, 2011 Hearing Update

Counsel Fife stated a hearing did take place January 21, 2011, and the purpose of the hearing was to reappoint the nine-member board. There was no opposition to the motion and the court did reappoint the nine-member Watermaster Board for another five year term. At that hearing counsel updated the court on the progress of the Restated Judgment which was court ordered. Counsel Fife stated counsel also updated the court on the CDA Desalter Resolution. The court seemed satisfied with the efforts so far and did not express any concern over the pace. Another hearing was scheduled for April 22, 2011 and hopefully the purpose of that hearing will be to get approval of the Desalter Resolution.

3. January 26, 2011 Settlement Conference Update

Counsel Fife stated this is the Non-Agricultural Paragraph 31 Motion; the settlement conference did take place with the Court of Appeal. There was no outcome from that conference and the court concluded there was no opportunity to settle this issue and that it will have to go before the Court of Appeal for a decision. After that settlement conference an order was issued by the Court of Appeal and a copy of that order is available on the back table. The order orders California Steel Industries and the Non-Agricultural Pool file their opening briefs by March 8, 2011. Mr. Lee stated what Court of Appeal does in Riverside is to issue a tentative opinion so that before it actually goes to oral argument the parties will get an idea of the tentative order is. Mr. Lee explained what a tentative order can look like in detail.

4. Santa Ana Sucker Critical Habitat Designation

Counsel Fife stated the Fish and Wildlife Service did make a decision on the critical habitat designation for the Santa Ana Sucker and they did designate the parts of the River that we did not want them to designate; many people are not happy with that outcome. Counsel Fife stated it is part of the River that goes by Chino Basin and has been designated as critical habitat for the sucker. Counsel Fife stated they have also designated, basically all the way up, all of the agencies up the River including San Bernardino Municipal Water District, the City of Riverside and Western Municipal Water District. They have more problems than Watermaster because Watermaster does not do projects in the River bed itself. Counsel Fife stated there are questions if that is the case, would critical habitat designation affect Watermaster? It is important Watermaster stay involved. Counsel Fife stated we are participating in all the meetings and phone calls and will follow their leads since they are the agencies most affected by this decision. A lengthy discussion regarding this matter ensued. Counsel Fife noted this is a Federal issue so this will be taken to a Federal Court. Chair Feenstra asked if Watermaster staff would put together a presentation by SAWPA on the Santa Ana Sucker and Ms. Maurizio stated she will work on this presentation for a future meeting. A lengthy discussion regarding the Seven Oaks Dam issue with this situation and this entire matter ensued.

B. ENGINEERING REPORT

1. Land Subsidence Committee Meeting Update

Mr. Malone stated he has reported to this pool in previous meetings regarding the purpose and the need for this committee meeting. This is now a basin wide committee and will hold a series of meetings leading up to a recommendation to Watermaster for a scope of work for next year. Mr. Malone stated some of these proposals that are being discussed in these meetings are for a variety of important projects. The first meeting was held last month and was a well attended meeting by parties that are directly impacted by land subsidence and other parties to the north and to the east that are not impacted by subsidence; however, are impacted financially. A second meeting was held at the Wildermuth offices and this meeting was much more technical in nature. Mr. Malone stated he did attend that meeting which shows he is trying to educate himself on issues that could impact his agency. The next meeting is going to be prior to the Watermaster Board meeting on February 24, 2011, at

9:00 a.m. and then should fall back into its intended time slot of directly after the Advisory Committee meetings every month. A discussion regarding Mr. Malone's presentation ensued.

2. MZ3 Recharge Opportunities Effort

Mr. Malone stated the Recharge Master Plan was updated last year in 2010 and there were a number of recommendations in that effort and report. The Riverside County Flood Control and Water Conservation District has come to Watermaster and expressed some interest in being a financial partner in implementing some recharge projects that would benefit Riverside County, specifically Jurupa Community Services District and the Santa Ana River Water Company. Mr. Malone stated these would be the recharge projects that were recommended in Management Zone 3 area. Mr. Malone stated Watermaster staff, Wildermuth Environmental staff, Chino Basin Water Conservation District staff and consultants came back and refined some recommendations out of the Recharge Master Plan Update in this MZ3 area. Mr. Malone stated this group came up with approximately 5,500 acre-feet of additional recharge, mainly storm water recharge, which could be captured and recharged in that area and came up with some cost estimates also. Mr. Malone stated those estimates would be cost competitive with Metropolitan Tier II rate. Those recommendations and cost estimates are now going to be shared with the Riverside County Flood Control and Water Conservation District. Mr. Malone stated he and Watermaster staff will keep the parties apprised on these efforts.

3. Chino Creek Well Field Well I-18 Design

Mr. Malone stated this is an information item which shows the Chino Creek Well Field Well design for well I-18. Mr. Malone presented several slides and reviewed them in detail. Mr. Malone showed a slide that demonstrated the areas that were screened which were in the shallow aquifer system and then showed the screens that go down into the deeper aquifer system; this is not alright with Watermaster at this point in time. They have only been asked to pump from the shallow aquifer system and this was an interesting request from them. Mr. Malone offered a detailed report on how they are proposing to construct the well and the reason why. A discussion regarding cost, construction, water quality, and calculations ensued. Chair Feenstra stated this needs to be followed up on, even on the Board level, to see where we are at on the Chino Plume and what effects it does have on the quality of water at Desalter I. A discussion regarding the plume ensued.

C. FINANCIAL REPORT

1. Expected Cost of Completion Mid-Year

Ms. Maurizio introduced this item with regard to the past six months of the Watermaster's budget. Mr. Joswiak noted this item is presented in the meeting package on pages 92 through 96. Mr. Joswiak noted this is the second quarter financial review. Mr. Joswiak gave the Expected Cost of Completion Mid-Year presentation and discussed each category item in detail. A discussion regarding the Chino Airport Plume and legal services ensued. Mr. Manning stated when we look at the positives and negatives through the budget half way through the year, even when you include the \$62,000 fine from the Regional Board there will not be any special assessment of the Appropriative Pool in order to be able to make up for all of those funds. Chair Feenstra inquired about what comp time means. Mr. Joswiak stated comp time is an accrual of time and Mr. Manning is allocated 40 hours of comp time each year. Ms. Maurizio stated it's like floating holidays and personal leave. A discussion regarding Mr. Manning's retirement pay, regular Watermaster staff accrued time and the process that will be used to replace Mr. Manning ensued. Counsel Fife stated legal counsel was used when seeking the last CEO, as well as the Mathis Group. Chair Feenstra offered his comments on finding a new Watermaster CEO. Mr. Joswiak continued with his financial presentation. A discussion regarding financial issues ensued.

Added Comment:

Ms. Maurizio noted the ABGL Group will be giving a second confidential showing of their plume presentation on February 16, 2011 at 2:00 p.m. at the Watermaster office for the new Board members and invited guests.

D. CEO/STAFF REPORT

1. Legislative Update

Ms. Maurizio offered comment on the recent State of the State Address given by the new governor and noted the lack of water discussion in that address.

2. Recharge Update

Ms. Maurizio reviewed the most recent recharge spreadsheet in detail. Ms. Maurizio noted Inland Empire Utilities Agency has filed for FEMA relief from some of the damages done in recent storms to a few of the recharge basins.

3. CEO Resignation

Ms. Maurizio stated Mr. Manning is resigning from Chino Basin Watermaster at the end of February and will be starting his new position at the San Gabriel Basin Water Quality Authority, March 1, 2011. Chair Feenstra offered comment on Mr. Manning leaving Watermaster in capable staff/counsel hands.

IV. INFORMATION

1. Cash Disbursements for January 2011

No comment was made regarding this item.

2. Semi Annual Report July through December 2010

No comment was made regarding this item.

3. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

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

No confidential session was held.

VIII. FUTURE MEETINGS

Thursday, February 10, 2011	9:00 a.m.	Agricultural Pool Meeting @ IEUA
Thursday, February 17, 2011	Cancelled	IEUA Dry Year Yield Meeting
Thursday, February 17, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
* Thursday, February 24, 2011	9:00 a.m.	Land Subsidence Committee Mtg. @ CBWM
Thursday, February 24, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Friday, April 22, 2011	10:00 a.m.	Chino Basin Watermaster Court Hearing

* Changed from February 17th at 10:30 to **February 24th at 9:00 a.m.**

Minutes Agricultural Pool Meeting

February 10, 2011

The Agricultural Pool meeting was dismissed by Chair Feenstra at 10:50 a.m.

Secretary: _____

Minutes Approved: March 10, 2011