

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING

March 8, 2012

The Agricultural Pool Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on March 8, at 2:00 p.m.

Agricultural Pool Members Present

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

Watermaster Board Members Present

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| Paul Hofer | Crops |
| Geoffrey Vanden Heuvel | Dairy |

Watermaster Staff Present

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| Ken Jeske | Interim CEO |
| Danielle Maurizio | Senior Engineer |
| Joe Joswiak | Chief Financial Officer |
| Gerald Greene | Senior Environmental Engineer |
| Sherri Molino | Recording Secretary |

Watermaster Consultants Present

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| Brad Herrema | Brownstein, Hyatt, Farber & Schreck |
| Andy Malone | Wildermuth Environmental Inc. |

Others Present

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| Tracy Egoscue | Egoscue Law Group |
| Dave Crosley | City of Chino |
| Gil Aldaco | City of Chino |
| Paul Deutsch | Geomatrix Consultants, Inc. |
| Rick Reese | Geomatrix Consultants, Inc. |
| Bob Gluck | City of Ontario |
| Marsha Westropp | Orange County Water District |
| Curtis Paxton | Chino Desalter Authority |

Vice-Chair Pierson called the Agricultural Pool meeting to order at 2:03 p.m.

AGENDA - ADDITIONS/REORDER

Mr. Jeske stated there are no additions or reorders on the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held February 9, 2012

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of January 2012
2. Watermaster VISA Check Detail for the month of January 2012
3. Combining Schedule for the Period July 1, 2011 through January 31, 2012
4. Treasurer's Report of Financial Affairs for the Period January 1, 2012 through January 31, 2012
5. Budget vs. Actual Report for the Period July 1, 2011 through January 31, 2012

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 2.372 acre-feet of water from San Antonio Water Company to Monte Vista Water District as a method of utilizing its SAWCO shares. This lease is made first from San Antonio's net underproduction in FY 2011-2012, with any remainder to be recaptured from storage. Date of application: February 9, 2012
2. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 500.000 acre-feet of water from San Antonio Water Company to Monte Vista Water District. This lease is made first from San Antonio's net underproduction in FY 2011-2012, with any remainder to be recaptured from storage. Date of application: February 14, 2012

Mr. Durrington inquired about there being a lot of water transferred from San Antonio Water Company to Monte Vista Water District. Mr. Jeske stated for the 2.372 acre-feet San Antonio Water Company owns SAWCO shares so they are exercising their shares by transferring the water. Mr. Jeske stated for the 500 acre-feet this is a common transaction. A brief discussion regarding this matter ensued.

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

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

II. BUSINESS ITEMS**A. MATERIAL PHYSICAL INJURY ANALYSIS**

Mr. Jeske stated Watermaster received an application from the City of Ontario and staff has asked that a Material Physical Injury Analysis be performed. Mr. Jeske noted this is similar to the Material Physical Injury Analysis that was on the agenda recently for several historical applications. Mr. Jeske stated Mr. Malone is here today and can answer any questions; however, the Material Physical Injury Analysis does not show any injury. Mr. Jeske stated staff is not asking for action on the Storage Agreement. Mr. Jeske stated there are a lot of issues relating to storage that need to be discussed, and at the Appropriative Pool they gave staff the direction to start the process with a workshop. Vice-Chair Pierson stated it is staff's recommendation to receive and file this report.

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

Moved to receive and file the Wildermuth Environmental Material Physical Injury Analysis on the City of Ontario Application for Local Storage Agreement, as presented

At 2:12 p.m. Chair Feenstra took the meeting over from Vice-Chair Pierson.

B. WATERMASTER ANNUAL AUDIT FISCAL YEAR 2010/2011

Mr. Jeske stated this item went to the Watermaster Board last month. Mr. Jeske noted the auditor is retained by the Board, meaning the report/findings are presented to the Board first, and then it is brought back through the rest of the Watermaster process to receive and file the report. Mr. Jeske stated Watermaster used a new external auditor this year, Charles Z. Fedak & Company, and they did a good job. There were no exceptions found to the audit, which means Watermaster did a good job on our financial accounting and review. Chair Feenstra inquired to Mr. Joswiak if he saw any major changes in the coming year for the Agricultural Pool budget. Mr. Joswiak stated no. Chair Feenstra asked that the Committee Members start thinking of

items for the Agricultural Pool's budget for next fiscal year. Chair Feenstra thanked Mr. Joswiak for a great job.

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

Moved to receive and file the Watermaster Annual Audit Fiscal Year 2010/2011, as presented

C. PROPOSED SUPPLEMENTAL ORDER FOR RESOLUTION 2010-04

Mr. Jeske stated this is the item regarding the Chino Desalter Authority (CDA) Resolution and this Pool in particular requested some clarification regarding the retention of rights by private well owners; this Resolution and attached order achieves this. Mr. Jeske stated this has been worked on by both attorneys and it will be filed the next time there is a court hearing which is scheduled for the June time frame. Mr. Jeske stated staff is seeking the approval of the Resolution and supplemental order. Mr. Vanden Heuvel inquired to Ms. Egoscue if she felt this is acceptable to what was trying to be accomplished to protect the private well owner rights. Ms. Egoscue stated yes, she has reviewed it and worked with previous counsel, and also the counsel for the CDA. Ms. Novak stated there is some language in here that has been changed to avoid a problem which Ms. Egoscue said she had noted the last go around on this document. Ms. Novak commented on the change and stated she thinks the change in the presented document addresses that issue so that the court is no longer making an inaccurate statement; however, she is still not 100% satisfied with the language. Ms. Novak offered comments on her concerns over documents being fully vetted and items being discussed versus items actually on the agenda.

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

Moved to approve the supplemental order for Resolution 2010-04, as presented

D. PROPOSED CASH RESERVE POLICY

Mr. Jeske stated there have been a lot of discussions over the last few months on how much cash Watermaster should hold and for what purposes. Mr. Jeske stated staff was requested by all three Pools, Advisory Committee, and Watermaster Board to conduct a meeting/workshop to get input and get a proposal. Mr. Jeske stated that workshop was held, and attached in the meeting packet are the results and input of that meeting. Mr. Jeske stated this will result in Watermaster holding less cash. Mr. Jeske stated instead of keeping 30% of the annual budget for administration and for OBMP on hand, Watermaster actually needs 10% for administration and 15% for OBMP. Mr. Jeske stated the Appropriative and Non-Agricultural Pool's agreed with that unanimously. Mr. Jeske stated both the Appropriative and Non-Agricultural Pool's determined to remove section 4.17.9, which is the preemptive replenishment water purchases from the Cash Reserve Policy. Mr. Jeske stated currently Watermaster does not have a reserve fund for that and those Pools did not want to address that at this time and noted they want to address this on a case-by-case, party-by-party basis, based on whatever party wants to purchase water in advance. Mr. Jeske stated that section was pulled out from the other two Pools, and staff is recommending this Pool take the same action. Chair Feenstra commented on a phone conversation he recently had with Mr. Joswiak regarding money on hand in Watermaster's reserve. Mr. Jeske noted that particular situation could be handled with a special assessment, which Watermaster has done in the past. Mr. Pierson inquired if a special assessment would go through the normal Watermaster process. Mr. Joswiak stated yes, it would go through the regular process. A discussion regarding this matter ensued. Chair Feenstra asked that Mr. Joswiak give further information on what Watermaster holds in its accounts. Mr. Joswiak stated Watermaster maintains a reserve of 30% administrative and 30% OBMP, which is approximately \$300,000 for administrative reserve and \$1.5M for OBMP. Mr. Joswiak offered comment on the funds available. Mr. Pierson inquired about how the reserves work. Mr. Joswiak stated the reserves are established during the budget process and throughout the year if the reserve is needed to be pulled from. Mr. Jeske stated staff would need appropriation and authorization to move money from reserves into a spending category, then the following year when the budget is established, it is established back up to the reserve level and that goes into

the assessment process. Mr. Jeske stated next year with this new policy Watermaster will have 10% and 15% meaning there will be less reserve amount being held. Chair Feenstra inquired about the settlement. Mr. Jeske stated the settlement was not discussed at that workshop. A discussion regarding the settlement ensued. Mr. Geoffrey Vanden Heuvel stated he is very uncomfortable speaking in public about the settlement issue in an open session and asked to please limit this discussion, and noted he does not think this item and Watermaster's reserves are related. Mr. Pierson stated he agrees with Mr. Geoffrey Vanden Heuvel comments; however, his question was to find out if it was Watermaster's policy to replenish the reserve account on an ongoing basis. Mr. Jeske stated it would take a special assessment only if the extraordinary expenses exceeded what Watermaster had in reserves in a year; at the end of the year when we go into the next year's assessment, the reserves will automatically be replenished. A discussion regarding the reserves ensued.

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

Moved to approve Reserve Policy with striking 4.17.9 from the Policy, as presented

E. WATERMASTER RESTATED JUDGMENT

Mr. Jeske stated the Restated Judgment is the action requested by the court. Mr. Jeske stated this document will go back to the court as the official copy of the Judgment. Mr. Jeske stated this is taking all of the amendments that have occurred since 1978 to present and putting them into one official document. Mr. Jeske stated the Appropriative Pool approved moving forward with this item; however, the Non-Agricultural Pool asked that this be held for a month for continued review. Mr. Jeske noted since one of the Pools have asked for a continuance, it is likely staff will not take this to the Advisory Committee next week. Chair Feenstra stated he recently spoke with Mr. McKinney and was told that things are quiet. Chair Feenstra stated Mr. McKinney went to the Watermaster website for the review of the Restated Judgment and he stated that it should be made clear to the Committee Members on what is being voted on. Chair Feenstra stated he spoke with Ms. Egoscue and asked for her recommendation. Ms. Egoscue directed the Committee Members to page 163 in the meeting packet, which is the transcript from the actual hearing. The judge at line 25 specifically asked that the Restated Judgment will be confirmed as the operative Judgment from this point forward. Ms. Egoscue went on to review the judge's discussion with Michael Fife in the transcript. Ms. Egoscue stated she is not the counsel that was hired to deal with the Restated Judgment. Ms. Egoscue stated that she recommends that this Committee follow the Non-Agricultural Pool's motion to defer for a month. Ms. Egoscue inquired about the portion of the transcript in the meeting package that cuts off mid sentence. Counsel Herrema stated he would need to find out the rest of that statement. Ms. Novak stated she does not disagree with what Ms. Egoscue is recommending and the issue is whether the document that is before us today, to have the court file as the current and official Judgment is the same one that was agreed upon by us previously and by our Counsel, Mr. McKinney. Ms. Novak stated what this Pool needs to understand is that the old document is no longer the Judgment and this document is now the Judgment for governing the basin. Chair Feenstra noted his concerns that the document has been changed and Mr. McKinney did not know if the document had been changed, which is unacceptable. Ms. Novak stated she has looked at the document and it appeared appropriate; however, she has not gone through it line by line. Chair Feenstra stated he agrees with Ms. Egoscue's recommendation as well as with the Non-Agricultural Pool to defer for a month. Mr. Pierson stated he thinks that the Chair should request from Mr. McKinney that he do a full review and verify that it is the same document that this Committee passed as a receive and file and that, in fact, we are replacing essentially the original Judgment with this Restated Judgment.

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

Moved to defer this item until the April, as presented

F. OLD BUSINESS

Mr. Durrington asked that staff move the Agricultural Pool meetings from 2:00 to 1:30 p.m. Mr. Jeske stated staff is fine with the suggested time change.

Mr. Durrington inquired about the past issue with Hansen Aggregates and inquired if they have paid off that payment to Watermaster. Mr. Joswiak stated it is done and we have received all the monies owed.

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

Moved to change the Agricultural Pool meeting time from 2:00 p.m. to 1:30 p.m., as presented

III. REPORTS/UPDATES

A. **AGRICULTURAL POOL GENERAL LEGAL COUNSEL REPORT**

Ms. Egoscue stated her comments are for closed session only.

B. **ENGINEERING REPORT**

1. Extensometer Progress

Mr. Malone stated Watermaster is getting ready to install a sophisticated monitoring facility to monitor land subsidence that might be associated with Desalter pumping. Mr. Malone gave the Extensometer Progress presentation in detail. Mr. Malone stated installation will begin in April and will be finished before the end of the fiscal year. Mr. Malone reviewed several maps in detail. Mr. Malone stated there are a number of agreements for this endeavor, one is the land lease agreement with the County, and Watermaster approved that last month and the County Board of Supervisors at the end of this month is scheduled to approve it. Mr. Malone stated the second agreement is the reimbursement agreement that Watermaster and the Chino Desalter Authority have agreed to. Mr. Malone stated there is also the CEQA document which is to go the IEUA board at the end of the month for approval. Mr. Malone stated if you need more information there is a Land Subsidence Committee and they meet at the end of this month before the Watermaster Board meeting. Chair Feenstra stated that this extensometer is going to be very close to the plume coming from the Chino Airport and inquired if the extensimeter has multiple uses or not. Mr. Malone stated yes, it does, and the reason why it is being installed is because of subsidence; however, in the initial well development we can take samples and test it for water quality. Mr. Malone stated it will not be a water quality testing well on a go forward basis once the extensometers are in there because they are very sensitive. Mr. Malone stated this is also in the area where we are trying to demonstrate hydraulic control, and we will be measuring water levels with transducers in these wells. Mr. Malone continued with his presentation. A discussion regarding this matter and water level drawdown ensued. Mr. Malone stated there is Monitoring and Mitigation Plan set up for the existing wells. Chair Feenstra offered comment on the history of water level drawdown. Mr. Pierson inquired about the longevity of the program. Mr. Malone stated there is a Land Subsidence Committee which meets at Watermaster, and that committee will be reviewing this data. Mr. Malone stated the decision or recommendation to change the monitoring program, not only this one but other parts of the subsidence motoring program, comes from that committee after their review of the data. A discussion regarding the extensometers ensued. Chair Feenstra offered comment on the inflow of water for this project. Mr. Malone stated it is supposed to be flush to the ground; however, we try and put it up slightly so that water does not go in. Mr. Geoffrey Vanden Heuvel offered comment on this monitoring program and noted all the prudent steps have been taken regarding this endeavor. A lengthy discussion regarding this matter ensued.

C. **CEO/STAFF REPORT**

1. Recharge Master Plan Update/Storage Issues Review Process

Mr. Jeske stated Watermaster is still moving forward with the Recharge Master Plan Update. Mr. Jeske stated the next meeting is scheduled for next Thursday following the Advisory Committee, and we welcome all for that meeting. Mr. Jeske stated at past meetings we have received good input and we expect to have a lot of information available for the upcoming meeting. Mr. Jeske stated it is now time that Watermaster will begin review

storage issues, there is a host of policies that need to be developed. Mr. Jeske stated at the Appropriative Pool this morning they recognized that we need to begin working on storage issues; a process similar to the Recharge Master Plan will be implemented to begin this process. Mr. Jeske stated both of these reviews will come through the Watermaster process. Mr. Pierson asked for the timeline on storage. Mr. Jeske stated the timeline on recharge is in June and the storage issues are around the end of the year.

2. Investment Policy

Mr. Jeske stated as we worked with the group on the cash reserves, one of the member agencies' finance officer offered comment, Mr. Jeske stated Watermaster's current investment policy has its investments in one conservative investment and the suggestion is that Watermaster maybe look at that policy and determine if there are one or two other investment options that are extremely secure. Mr. Jeske stated staff will be taking a look into this and bring it forward if there is anything to add to the current investment policy.

3. Record and Document Request

Mr. Jeske stated quite frequently Watermaster staff gets requests, particularly on Fridays when we are short staffed and trying to get agendas packages out, and sometimes from third parties. Mr. Jeske stated sometimes when people call in and reach one of the support staff, sometimes it is very unclear what they want or need, and in looking at how to make this easier on them and on Watermaster staff, an already Board approved policy is in place which is not being utilized presently. Mr. Jeske stated on the back table is the Request for Information form which is also posted to the Watermaster website, along with the Resolution adopting this policy that staff is now requesting be used each and every time any kind of information is being requested. Mr. Jeske stated this will alleviate any confusion on what the party wants.

4. CEO Search

Mr. Jeske stated the Watermaster Board gave staff direction at their last meeting to work with the chairman of the Board, the pool chairs and himself in putting together a very thorough process together to assist in hiring a Watermaster CEO. Mr. Jeske stated he has already received a number of proposals and he will be working through those and he would like to move forward to the Board with recommendations as early as this month. Mr. Jeske stated he thinks the process is going to take a while. Mr. Jeske offered comment on what he is seeking from the assisting agencies. Mr. Jeske stated in order to do this it is going to cost money that is not in the Watermaster budget, and he asked for a recommendation to move this forward to the Advisory Committee and Watermaster Board next week and the following week to authorize them to appropriate \$32,000.00 which is the maximum cost. Mr. Jeske stated this money can be taken from the unanticipated revenue from Metropolitan Water District which will then not affect assessments. Chair Feenstra stated he has been in contact with Mr. Jeske through this whole process and he has a big responsibility in bringing this to the Personnel Committee as well as the other boards. Chair Feenstra stated this is not going to be an easy process and a request for a maximum budget has been put before this Committee. Mr. Pierson inquired as to the process. A discussion regarding the correct process to address this ensued. Mr. Jeske stated a budget appropriation will be made through the Advisory Committee and Watermaster Board; however, the selection and final process is a Board action and that will not come back through the Pool process. Mr. Jeske stated the Appropriative and Non-Agricultural Pools directed staff to bring this matter to the Advisory Committee and Watermaster Board. Mr. Geoffrey Vanden Heuvel stated he thinks what Mr. Jeske is asking this Committee to do is defer this to the Advisory Committee and is asking for assistance through this Committee who has representation on the Advisory Committee. Chair Feenstra asked if Mr. Hofer concurred and he stated he did. Mr. Pierson offered comment on this matter and suggested the Chair advise the Executive Officer, without any objection by the Pool, to bring it to the Advisory Committee for vote. Chair Feenstra stated there is no objection and he will meet with Mr. Jeske after the meeting.

IV. INFORMATION

- 1. Cash Disbursements for February 2012
No comment was made.

V. POOL MEMBER COMMENTS

Chair Feenstra stated thanked Mr. Jeske for his job as Interim CEO.

Ms. Novak offered comment on the settlement which is set for oral argument on April 4, 2012.

VI. OTHER BUSINESS

No comment was made.

The regular open Agricultural Pool meeting was convened to hold its confidential session at 3:04 p.m.

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.

There was no reportable action.

The confidential session concluded at 3:37 p.m.

VIII. FUTURE MEETINGS AT WATERMASTER

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| Thursday, March 8, 2012 | 9:00 a.m. | Appropriative Pool Meeting |
| Thursday, March 8, 2012 | 11:00 a.m. | Non-Agricultural Pool Conference Call Mtg. |
| Thursday, March 8, 2012 | 2:00 p.m. | Agricultural Pool Meeting |
| Thursday, March 15, 2012 | 8:00 a.m. | IEUA DYY Meeting |
| Thursday, March 15, 2012 | 9:00 a.m. | Advisory Committee Meeting |
| Thursday, March 15, 2012 | 10:00 a.m. | CB RMPU Steering Committee Mtg. |
| Thursday, March 22, 2012 | 9:00 a.m. | Land Subsidence Committee Meeting |
| Thursday, March 22, 2012 | 11:00 a.m. | Watermaster Board Meeting |
| Tuesday, March 27, 2012 | 9:00 a.m. | GRCC Meeting |

The Chino Basin Recharge Master Plan Update Steering Committee will now be meeting on a regular basis on the 1st and 3rd Thursday of every month at 10:00 a.m. starting in March until further notice

Ms. Egoscue stated the Agricultural Pool meeting is adjourned today at 3:38 p.m. with congratulatory comments and gratitude for Ms. Jennifer Novak's many years of proud service as a board member of the Agricultural Pool and for the State of California.

Secretary: _____

Minutes Approved: April 12, 2012