

MINUTES
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING

April 12, 2012

The Agricultural Pool Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on April 12, 2012, at 1:30 p.m.

Agricultural Pool Members Present

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| Bob Feenstra, Chair | Dairy |
| Nathan deBoom | Dairy |
| John Huitsing | Dairy |
| Gene Koopman | Milk Producers Council |
| Jeff Pierson | Crops |
| Glen Durrington | Crops |
| Pete Hall | State of California, CIM |

Watermaster Board Members Present

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| Paul Hofer | Crops |
| Geoffrey Vanden Heuvel | Dairy |
| Bob Kuhn | Three Valleys Municipal Water District |

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 |
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Others Present

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| Tracy Egoscue | Egoscue Law Group |
| Dave Crosley | City of Chino |
| Mark Kinsey | Monte Vista Water District |
| Gil Aldaco | City of Chino |
| Paul Deutsch | Amec |
| Rick Reese | Amec |
| Bob Gluck | City of Ontario |
| Marsha Westropp | Orange County Water District |
| Curtis Paxton | Chino Desalter Authority |
| Robert Tock | Jurupa Community Services District |
| Tom Harder | Jurupa Community Services District |

Chair Feenstra called the Agricultural Pool meeting to order at 1:31 p.m.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held March 8, 2012

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of February 2012
2. Watermaster VISA Check Detail for the month of February 2012
3. Combining Schedule for the Period July 1, 2011 through February 29, 2012
4. Treasurer's Report of Financial Affairs for the Period February 1, 2012 through February 29, 2012
5. Budget vs. Actual Report for the Period July 1, 2011 through February 29, 2012

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 169.944 acre-feet of water from the City of Upland. The transfer will be made first from the City of Upland's under-production in Fiscal Year 2011-12, then any additional from storage. Date of Application: March 26, 2012
2. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 169.944 acre-feet of water from Monte Vista Irrigation Company. The transfer will be made from Monte Vista Irrigation Company's Excess Carryover Account. Date of Application: March 26, 2012
3. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 169.944 acre-feet of water from Monte Vista Water District. The transfer will be made from Monte Vista Water District's Excess Carryover Account. Date of Application: March 26, 2012
4. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 169.944 acre-feet of water from the Santa Ana River Water Company. The transfer will be made first from the Santa Ana River Water Company's under-production in Fiscal Year 2011-12, then any additional from storage. Date of Application: March 26, 2012
5. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 169.944 acre-feet of water from the City of Chino. The transfer will be made from the City of Chino's Excess Carryover Account. Date of Application: March 26, 2012
6. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 16.394 acre-feet of water from Aqua Capital Management. The transfer will be made from Aqua Capital Management's Local Storage Account. Date of Application: March 26, 2012
7. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 16.394 acre-feet of water from Auto Club Speedway. The transfer will be made from Auto Club Speedway's Local Storage Account. Date of Application: March 26, 2012

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

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

II. BUSINESS ITEMS**A. WATERMASTER INVESTMENT POLICY**

Mr. Jeske stated through the processes of amending policies on reserves and during the committee meetings some of the members raised questions about amending the investment policy to allow additional investments that might provide a better rate of return. Mr. Jeske stated several agencies are using an addition to LAIF, CalTRUST, and staff is bringing forward a proposed amendment to include CalTRUST as a potential for investments in addition to LAIF. Mr. Jeske stated both the Appropriative and the Non-Agricultural approved this item unanimously.

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

Moved to approve the amended Watermaster Investment Policy to include Investment Trust of California CalTRUST, as presented

B. WATERMASTER RESOLUTION 12-04 APPROVING MEMBERSHIP IN THE ACWA JOINT POWERS AUTHORITY

Mr. Jeske introduced this item and noted this is a requirement by ACWA Joint Powers Authority to be able to continue in their health benefits program. Mr. Durrington inquired if this is just a

substitution because the current health benefit program is going away and inquired if there was any increase financially. Mr. Joswiak stated there is absolutely no change financially. Mr. Joswiak stated the only thing that is changing is their name.

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

Moved to approve Resolution 12-04 approving membership in the ACWA Joint Powers Authority, to terminate the Health Benefits Authority Joint Powers Agreement and authorize and direct the Chino Basin Watermaster to execute all necessary documents, as presented

C. OLD BUSINESS

No comment was made on this item.

III. REPORTS/UPDATES

A. LEGAL REPORT

1. Restated Judgment

Counsel Herrema stated at last month's Pool meetings the Appropriate Pool approved the submission of the Restated Judgment to the court for approval as the official Judgment; however, the Non-Agricultural and Agricultural Pools asked to put this item on hold in order to allow more time for review. Counsel Herrema stated since that time counsel has spoken with counselors for both the Non-Agricultural and Agricultural Pools and they have some conflicting opinions on how the Restated Judgment might be approved by the court as the official copy of the Judgment because the court directed it at its last hearing that Watermaster move forward with that motion. Counsel Herrema stated this has been put on pause at this time.

2. Extension of Time for San Sevaine Project State Water Resources Control Board Permit 20753

Counsel Herrema stated Watermaster holds in trust for all of the Watermaster parties, three separate storm water recharge permits that are issued by the State Water Resources Control Board. Counsel Herrema stated there is a Day Creek permit, a San Sevaine permit, and the last is a catch all permit which covers all the recharge basins within the Chino Basin. Counsel Herrema stated the San Sevaine permit was set to expire at the end of 2010, and in the fall of 2010 Watermaster submitted a petition for extension of time to make that full beneficial use. Counsel Herrema stated at that time Watermaster asked for the extension through 2057, which is the deadline for full beneficial use under Watermaster's permit. Counsel Herrema stated Watermaster recently received a copy of a draft extension letter from the State Board staff; this is now being reviewed and it appears that request will be granted within the next month. Counsel Herrema stated this will mean that Watermaster's recharge permits will have deadlines for full beneficial use in 2057. Counsel Herrema stated the third permit which is the Day Creek permit, is still in the process of having its extension approved for that same 2057 date.

3. Paragraph 31 Motion

Counsel Herrema stated at the March 22, 2012 Watermaster Board meeting they agreed to the settlement regarding the Purchase and Sale Agreement to allow the court of appeals opinion and to go ahead with a different price. Counsel Herrema has been working with the Non-Agricultural Pool counsel. Counsel Herrema stated this is very close to being done and the City of Ontario should approve the agreement shortly. Chair Feenstra stated last month there were discussions for the Paragraph 31 appeal and its costs with regard to reserves. Mr. Jeske answered questions about reserves for the Paragraph 31 appeal, and stated the answer was no. Mr. Pierson inquired to Counsel Herrema what the next steps are going to be. The Board has not signed and Watermaster counsel was given authorization to finalize the language, and we are still waiting on the approval of the language. Mr. Geoff Vanden Heuvel stated, given the report that was just provided, he would like to expand on what was

said. Mr. Geoff Vanden Heuvel stated with that preliminary decision – go back and read Peace II deal points to deal with this stored water and for Watermaster to purchase water on behalf of Appropriators – there was another option and the backup deal which was executed in the Peace II Agreement as the backup plan, that has now become the real plan – we do have expenses because of attorney fees and staff costs. Mr. Koopman inquired if the sale between the parties bypasses Watermaster. Counsel Herrema stated no. Mr. Koopman inquired how many parties cashed their checks. Counsel Herrema spoke on cashed checks. The first option on stored water was to collectively buy that water and we had a marketing plan for that water with the water auction which was in the Peace Agreement. Mr. Geoff Vanden Heuvel stated since that failed, it is not going to take place – the water will transfer to the Appropriators. Chair Feenstra congratulated counsel and staff and stated we are all pleased with all the effort that has gone into this matter and for all the hard work.

B. CEO/STAFF REPORT

1. Recharge Master Plan Update/Storage Issues Review Process

Mr. Jeske stated the next Recharge Master Plan Update/Storage meeting is scheduled for Thursday, April 19, 2012 following the Advisory Committee meeting. Mr. Jeske stated at that meeting it is expected to have chapters 1 through 4 and portions of 6 drafted by Wildermuth Environmental and Inland Empire Utilities Agency (IEUA) for review/comment. Mr. Jeske stated staff is expecting to begin the Watermaster process for the May meetings.

2. OBMP Semi Annual Status Report 2011-2

Mr. Jeske stated provided in the meeting packet is the semiannual status report for the OBMP; this report is now complete.

3. Fiscal Year 2012/2013 Watermaster Budget

Mr. Jeske stated staff would like to start the initial budget workshop around April 30, 2012 of this month. Mr. Jeske stated staff is looking at bringing a proposed budget through the Watermaster process at the May meetings, which would provide opportunity to offer comments and then bring the budget back for adoption in the June meetings. Mr. Jeske stated he would like to discuss two additional items with regard to the budget. Mr. Jeske stated the Watermaster Board had previously approved, in December 2011, approximately \$166,000 for work at the Turner Basin which was done by entering into a not to exceed agreement for that amount with IEUA. Mr. Jeske stated in order to accomplish this staff used the recharge capital budget for this work; those are dollars that came in for safe yield. Mr. Jeske stated the capital costs that were budgeted in that line item for this year are lower this year due to lower financing costs, so staff has used that difference between what staff expects our cost to be this year and what staff has already budgeted and assessed to fund this project. Mr. Jeske stated if all the work is not completed and all the invoicing in that is the not-to-exceed amount on the contract, staff will be able to carry over that expense without any further need for assessments through our new Reserve Policy. Mr. Jeske stated staff found that in 2007 Watermaster had approved the Hickory Basin project. Mr. Jeske stated due to a number of reviews with the Flood Control District and others, that work is just now completing and the final invoicing is getting ready to come in. Unfortunately, because of our prior policies there was no way of carrying those expenses over. Mr. Jeske stated this work has been fully authorized and contracted for so staff will be using that same capital reserve budget for that same type of similar work. Mr. Jeske stated there is enough savings this year, on the financing on that, to accomplish both of those projects; staff will then be able to pay the balance which is approximately \$31,000. A discussion regarding this matter ensued.

IV. INFORMATION

1. Cash Disbursements for March 2012

No comment was made on this item.

V. POOL MEMBER COMMENTS**A. JURUPA COMMUNITY SERVICES DISTRICT PRESENTATION**1. Hydrologic Imbalance in Management Zone-3 of the Chino Basin

Mr. Jeske stated this presentation was created and provided at the request of Jurupa Community Services District (JCSD). Mr. Tock thanked Mr. Jeske for providing the time to give this presentation. Mr. Tock stated JCSD is very encouraged by the progress made by the Recharge Committee, which was started in January and restructured. Mr. Tock discussed the contents of the presentation and noted some of the slides have been prepared by Wildermuth Environmental. Mr. Tock stated JCSD realized several months ago that their staff wanted to bring a tentative discussion based on the issue to all the stakeholders and not just the committee participants, a presentation which started with their board of directors, through the CDA process, the technical advisory committee, and the board of directors of the CDA. Mr. Tock stated this presentation will try and educate and explain the issues from the southerly part of MZ3. Mr. Tock stated Mr. Tom Harder will be giving the presentation today. Mr. Harder stated this same presentation has been given to several boards and there is a lot of background information that people already understand. Mr. Harder gave the Hydrologic Imbalance in Management Zone 3 of the Chino Basin presentation in detail. A lengthy discussion regarding the items presented ensued.

Chair Feenstra commented on the amount of bedrock which is a concern and inquired about adequate water. Mr. Harder stated we are looking at doing that. Mr. Tock stated at the strategic planning conferences this was discussed. Mr. Tock stated the core of this issue is in this #19 chart; this is a common issue and in the same area of concern. Mr. Tock stated we know it will drop 60 feet and the question is, is that sustainable. Mr. Durrington inquired about recycled water. Mr. Tock stated we are not there yet. Mr. Tock stated JCSD has two master plans. Mr. Durrington stated you need to get that recycled water. Chair Feenstra inquired if there is additional water would those be good holding facilities for extra water or to get more water into the area. Mr. Harder stated we have a number of projects from non recharging basins to the recharging basins. Mr. Harder stated IEUA, as part of the Recharge Master Plan is to create a menu of potential projects to implement. Mr. Tock referenced slide 14 and he offered comment on placement. Mr. Tock spoke on this map in detail. Mr. Pierson inquired about what other sources of water there are. Mr. Tock answered Mr. Pierson's questions and referenced slide 16. Mr. Tock stated recycled water is ramping up now. Mr. Tock offered final comments on this matter.

VI. OTHER BUSINESS

Chair Feenstra spoke on Jennifer Novak who is no longer with the State of California. It was noted Ms. Novak provided the recording secretary the new representatives for the meetings. Mr. Pete Hall stated he gave the recording secretary the contact information for the two new Agricultural Pool designees. Mr. Jeske stated this will need to be added to the agenda and then voted on.

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

Moved to approved adding this item to the agenda for voting purposes, and to add Carol Boyd and Helen Arens to the Agricultural Pool roster; it was noted the two new representatives will share the position, as presented

The regular open Agricultural Pool meeting was convened to hold its confidential session at 1:49 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 2:29 p.m.

VIII. FUTURE MEETINGS AT WATERMASTER

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| Thursday, April 12, 2012 | 9:00 a.m. | Appropriative Pool Meeting |
| Thursday, April 12, 2012 | 11:00 a.m. | Non-Agricultural Pool Conference Call Mtg. |
| Thursday, April 12, 2012 | 1:30 p.m. | Agricultural Pool Meeting |
| Thursday, April 12, 2012 | 2:30 p.m. | Special Confidential WM Board Meeting |
| Thursday, April 19, 2012 | 8:00 a.m. | IEUA DYY Meeting |
| Thursday, April 19, 2012 | 9:00 a.m. | Advisory Committee Meeting |
| Thursday, April 19, 2012 | 10:00 a.m. | CB RMPU Steering Comm. and Storage Mtg. |
| Thursday, April 26, 2012 | 9:00 a.m. | Land Subsidence Committee Meeting |
| Thursday, April 26, 2012 | 11:00 a.m. | Watermaster Board Meeting |

Chair Feenstra adjourned the Agricultural Pool meeting at 2:30 p.m.

Secretary: _____

Minutes Approved: May 10, 2012