

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING
July 12, 2012

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

Agricultural Pool Members Present

Bob Feenstra, Chair	Dairy
Nathan deBoom	Dairy
John Huitsing	Dairy
Gene Koopman	Milk Producers Council
Rob Vanden Heuvel	Milk Producers Council
Jeff Pierson	Crops
Glen Durrington	Crops
Carol Boyd	State of California, Department of Justice
Helen Arens	State of California, Department of Justice
Pete Hall	State of California, CIM

Watermaster Board Members Present

Geoffrey Vanden Heuvel	Dairy
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Watermaster Staff Present

Ken Jeske	Interim CEO
Danielle Maurizio	Assistant General Manager
Joe Joswiak	Chief Financial Officer
Sherri Molino	Recording Secretary

Watermaster Consultants Present

Brad Herrema	Brownstein, Hyatt, Farber & Schreck
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Others Present

Tracy Egoscue	Egoscue Law Group
Tom Love	Inland Empire Utilities Agency
Ryan Shaw	Inland Empire Utilities Agency
Gil Aldaco	City of Chino
Bob Gluck	City of Ontario
Brian Dickenson	Chino Desalter Authority
Rick Rees	Amec
Ron La Brucherie	Farmer

Chair Feenstra called the Agricultural Pool meeting to order at 1:36 p.m.

Chair Feenstra offered comment on the State of California's being a part of the Agricultural Pool, and noted there are two new representatives who are attending our meeting today. Mr. Hall stated these two representatives will be on the Agricultural Pool and he introduced Ms. Helen Arens and Ms. Carol Boyd. The Agricultural Pool members each introduced themselves. Ms. Arens and Ms. Boyd thanked the committee for the warm welcome.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held June 14, 2012

B. FINANCIAL REPORTS

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

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company ("Company") has Agreed to Purchase from the Nicholson Trust 2011-2012 Annual Production Right in the Amount of 5,000 acre-feet. Date of Application: June 27, 2012

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

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

II. BUSINESS ITEMS**A. BUDGET TRANSFERS**

Mr. Jeske stated this is Watermaster's year-end budget transfers based on the expenses that came in for the total dollar amount that was approved. Mr. Jeske stated there have been some expenditures in certain categories that were a little bit higher than anticipated, and in other categories a little lower than anticipated. Mr. Jeske stated one of the areas of note has been in legal expenses and that was, in part, because we tried to control it through the budget last year; legal expenses are really controlled by the tasks that legal is given and by the questions and issues that are raised by the parties. Mr. Jeske stated what staff has before you, and is being recommended for approval, is a list of budget reductions and budget additions which concludes our payments out for next year. Mr. Jeske stated staff does not anticipate anything further when year-end financials are done. Mr. Jeske stated there is zero sum totals to these, which means no impact on the budget. Mr. Jeske stated again this will conclude the fiscal year expenses.

Chair Feenstra stated he has provided Mr. Joswiak with a bill from SAWPA and asked Mr. Vanden Heuvel to cover this matter. Mr. Vanden Heuvel stated the Agricultural industry here in the Santa Ana Watershed is as a member, as well as other municipalities in the area, of the Total Maximum Data Load (TMDL) Task Force for the Santa Ana River and their annual contribution is what the invoice is for, and in the amount of approximately \$6,300+ for the fiscal year which is the Agriculture's contribution for the TMDL Task Force.

Chair Feenstra offered lengthy comments on legal costs and legal issues. Mr. Jeske stated Watermaster is very aware of costs and what money is being spent on. Mr. Jeske stated we are managing the tasks in the legal area for expenses and time spent. Mr. Jeske stated the chairman of the pools reviews the expenses efficiently and needs to authorize invoices prior to payment. Chair Feenstra stated expenses and projects are controlled by management.

Mr. Vanden Heuvel stated he had an inquiry on page 63 in the meeting packet regarding the budget transfers for the upcoming year's budget. Mr. Vanden Heuvel stated Frank Brommenschenkel is one of the Agricultural Pool's consultants, however, the Restated Judgment was for a specific project that has now gone from one fiscal year to next and we are removing \$93,000 which is not going in for a future year; it is going in to another account for last year. Mr. Vanden Heuvel stated his question is do we have an available budget for the \$93,000 or some other number for the upcoming fiscal year 2012/2013 budget. Mr. Joswiak stated for this current budget there is \$93,000 set. Mr. Jeske stated these changes are all out of last year, and into last year, and do not affect this year's at all. Mr. Koopman offered comment on the Agricultural Pool budget and how this committee has been watching the funds being spent, and he noted he hopes parties notice our efforts. Mr. Pierson stated the reflection of the savings is the way we have managed, including how we have stepped up and shown that we need a certain amount of budgeted money, but that we don't always need to spend what is budgeted. Mr. Pierson stated we have been careful on how we have budgeted and spent monies. Mr. Pierson stated in looking at the money that we have not used the ability to be able to transfer those monies to other categories is wonderful.

Mr. Vanden Heuvel inquired about the invoice payment for the TMDL Study and Mr. Jeske stated that has been taken care of and is already in the budget.

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

Moved to approve Watermaster FY2011/2012 Budget Transfer Form T-12-06-01, as presented

B. OLD BUSINESS

1. IEUA Report on Meter Charge Ordinance No. 70

Mr. Jeske introduced Mr. Tom Love, General Manager of Inland Empire Utilities Agency (IEUA) for his presentation on the meter Ordinance No. 70. Mr. Love stated he wants to go through the basis of the pass-through costs from Metropolitan Water District (MWD). Mr. Love stated this is a pass-through of costs that IEUA is assessed from MWD, which we then have to recover that cost. Mr. Love stated the meter charge was intended to collect funds to cover what is called the Readiness to Serve (RTS) charge that IEUA receives from MWD for maintenance and capital facilities that are in the ground which MWD operates to transport imported water into the service area. Mr. Love stated that is for facilities that are currently used by certain parties now and may be used by parties in the future. Mr. Love stated currently none of properties outside the MWD service area pay property taxes nor are costs paid to MWD, yet those agencies within MWD service area ever since MWD was formed, starting collecting property taxes; those agencies have paid into the system. Mr. Love stated if there is property outside of the MWD service area or outside the IEUA service area, that wants to annex and receive imported from MWD, they go through an annexation procedure and there is a cost associated with it to be equitable to those agencies and to these property owners who paid into the system, they have to pay those back property taxes to receive the benefit. Mr. Love stated part of the RTS charge is meant for the cost of those facilities that have already been put in the ground and are currently being maintained for properties that may in the future receive some sort service from imported water from MWD. Mr. Love stated it is a fixed charge to cover a portion of MWD fixed costs. Mr. Love stated part of that RTS and part of MWD's stand-by charge historically has been collected through property taxes but as those costs have increased MWD has increased the amount they charge IEUA to the extent where the property taxes don't cover that cost. Mr. Love stated in around the year 2000 IEUA needed to find a way to collect that pass through of those costs and they created this meter charge through IEUA's Ordinance no. 70. Mr. Love stated he can't comment on the way it was written and read the ordinance in full. Mr. Love stated there is contradictory language in the ordinance as we have reviewed the ordinance in full. Mr. Love reviewed some of the contradictions found in detail. Mr. Love stated this is the way the ordinance was written and, again, this is a pass-through cost for a meter charge of \$1.55 per meter per month, and that has been assessed on agricultural meters. Mr. Love stated IEUA sends Watermaster a bill for that \$1.55 for each meter that is reported to IEUA. Mr. Love stated then those funds come from the Watermaster assessment process and they are assigned back to the Appropriative Pool members. Mr. Love stated there are some details on these charges that IEUA staff can work through with Watermaster staff. Mr. Love stated that is the history and the basis for the meter charge. Mr. Love stated the total amount charged annually from the agricultural meters is approximately \$7,000. Mr. Love offered final comment on the ordinance. Mr. Koopman stated this sounds like a growth charge for something that may be used in the future. Mr. Koopman stated when MWD wants to put in place a growth charge, we need to remember we have already paid into that via this ordinance charge. Mr. Pierson inquired why this meter charge was instituted in lieu of going back and increasing the RTS charge on a more uniform basis which everyone pays on their tax bill. Mr. Love stated Proposition 218 is the reason. A lengthy discussion regarding this matter ensued. Mr. Geoffrey Vanden Heuvel inquired if you bill on the meter that the farmers have to pump water out of the ground even if they are not connected to your system in any way. Mr. Love stated that is correct. Mr. Geoffrey Vanden Heuvel stated and then when that land is subsequently developed it's already been paying the RTS charge and therefore, IEUA does not have to go back and have a new charge in going back – is that correct. Mr. Geoffrey Vanden Heuvel stated it is a huge benefit to that land if you have already been paying. Mr. Jeske stated those charges are not required at the time of development and there is not a RTS charge that's payable at the time the municipal water meter is installed so it does not provide the benefit that I think you are referring to; if it did that would be nice. Mr. Love offered comment on Mr. Geoffrey Vanden Heuvel's comments. A lengthy discussion regarding this matter ensued.

Mr. Jeske read portions of the ordinance and offered further comment on questions that he presented to Mr. Love prior to this meeting on this matter. Mr. Love stated there are highlighted questions in this ordinance which needs to be resolved. Mr. Love stated the ordinance needs to be cleaned up with regard to the meter charges being applied to the agricultural meters, the option is to continue to do that, but clean up the process so that meters in Riverside County are not being assessed, and then when it is worked through the Watermaster assessment package, only entities within the IEUA service area is funding these costs which is one option. Mr. Love stated the other option is to update this ordinance and when IEUA goes through their assessment and allocation of this RTS charge in next year's rate process, is to eliminate the agricultural meters, as Mr. Jeske suggested, and then apply that amount to the rest of the whole retail meters. Mr. Jeske stated there is even a question of whether Watermaster has the authority to pass this charge through since it's really a charge on a meter for a local agency and whether or not Watermaster should bear all the expense of trying to delineate where all the meters are located, how many, in what county, what service area, and then how you distribute that charge back to the appropriators fairly and by what percentage. Mr. Jeske stated the other option is if IEUA wants to bill the agricultural communities independently for their wells, that is what IEUA should do directly from IEUA rather through Watermaster. Mr. Jeske stated there is a number of options to be reviewed and at this time Watermaster has not discontinued paying various bills; no direction has been given to do that and Watermaster looks forward to the revaluation that IEUA does with their ordinance. A lengthy discussion regarding this matter and the "opt out" potential that occurred when this all started ensued. Mr. Geoffrey Vanden Heuvel offered final comment on this matter. Mr. Geoffrey Vanden Heuvel stated what he heard by the reading of the ordinance, it is clear to me that this has been misinterpreted from the very start and we should consider taking this up at the next meeting and see what IEUA does about it. Chair Feenstra asked that this item be put on the next agenda.

III. REPORTS/UPDATES

A. LEGAL REPORT

1. CSI Paragraph 15 Motion

This item was discussed during the confidential session.

Added Item:

2. Post Appeal Order

Counsel Herrema stated there was a June 29, 2012 post appeal order issued by Judge Reichert and that Watermaster provided notice to all of the parties. Counsel Herrema stated he received a few questions on what exactly what that order is. Counsel Herrema stated this is the order that Judge Reichert issued to conform his opinion to the opinion of the appellate court in the paragraph 31 litigation. Counsel Herrema offered final comment on the paragraph 31 matter.

B. CEO REPORT

1. August Meeting Schedule

Mr. Jeske stated in looking at vacation schedules, items for the agenda, and other suggestions regarding the month of August, it appears that we could go dark in that month; continuing meetings in September. Mr. Jeske stated if the Pool so desires, August meetings will be suspended with an action by this Pool. Mr. Jeske noted the other two pools have approved to cancel their August meetings.

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

Moved to approve suspending the August 2012 Appropriative Pool meeting, as presented

2. CBWM 34th Annual Report

Mr. Jeske stated the Watermaster 34th Annual Report is available on our website and a hard copy is on the back table.

Added Item:

3. GRCC MEETING

Mr. Jeske stated the next GRCC meeting is scheduled for Tuesday, July 17, 2012 at 9:00 a.m. here at Watermaster.

C. AGRICULTURAL LEGAL COUNSEL REPORT

No comment was made.

IV. INFORMATION

1. Cash Disbursements for June 2012

No comment was made.

V. POOL MEMBER COMMENTS

Chair Feenstra asked that the two new state representatives get a copy of the Watermaster bible.

VI. OTHER BUSINESS

No comment was made.

The regular open Agricultural Pool meeting was convened to hold its confidential session at 2:19 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.

The confidential session concluded at 3:17 p.m.

No reportable action.

VIII. FUTURE MEETINGS AT WATERMASTER

Thursday, July 12, 2012	9:00 a.m.	Appropriative Pool Meeting
Thursday, July 12, 2012	11:00 a.m.	Non-Agricultural Pool Conference Call Mtg.
Thursday, July 12, 2012	1:30 p.m.	Agricultural Pool Meeting
Thursday, July 19, 2012	9:00 a.m.	Advisory Committee Meeting
Thursday, July 19, 2012	10:00 a.m.	CB RMPU Steering Comm. and Storage Mtg.
Friday, July 20, 2012	10:00 a.m.	WM Board Confidential GM Recruitment Mtg.
Thursday, July 26, 2012	11:00 a.m.	Watermaster Board Meeting

Chair Feenstra adjourned the Agricultural Pool meeting at 3:17 p.m.

Secretary: _____

Minutes Approved: September 13, 2012