

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING

January 10, 2013

The annual Agricultural Pool meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on January 10, 2013, 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
Pete Hall	State of California, CIM

Watermaster Board Members Present

Paul Hofer	Crops
Geoffrey Vanden Heuvel	Dairy
Bob Craig	Jurupa Community Services District

Watermaster Staff Present

Peter Kavounas	General Manager
Danielle Maurizio	Assistant General Manager
Joe Joswiak	Chief Financial Officer
Sherri Molino	Recording Secretary

Watermaster Consultants Present

Brad Herrema	Brownstein, Hyatt, Farber & Schreck
Mark Wildermuth	Wildermuth Environmental Inc.
Veva Weamer	Wildermuth Environmental Inc.

Others Present

Tracy Egoscue	Egoscue Law Group
Larry Dimock	California Department of Corrections
Julie Cavender	California Department of Corrections
Bob Gluck	City of Ontario
Dave Crosley	City of Chino
Rick Reese	Amec
Brian Dickenson	Chino Desalter Authority

Chair Feenstra called the annual Agricultural Pool meeting to order at 1:40 p.m.

AGENDA - ADDITIONS/REORDER

Chair Feenstra stated the Agricultural Pool is going to reorder the agenda to hold the confidential session first.

The regular open Agricultural Pool meeting was convened to hold its confidential session at 1:41 p.m.

The confidential session concluded at 2:57 p.m.

No action was reported our of confidential session.

I. ANNUAL ELECTIONS - ACTION

A. Calendar-Year 2013 Agricultural Pool Members

The Agricultural Pool membership shall consist of not less than ten representatives selected at large by members of the pool. Pool members will be asked to make any necessary changes to the following list in order to establish pool membership and alternates during calendar year 2013:

Chair Feenstra reported the following for the 2013 Agricultural Pool member slate.

- # Agricultural Pool regular member
- + Agricultural Pool appointed alternate
- x Removed from the Agricultural Pool slate

Current Agricultural Pool Members

Dairy: # Robert Feenstra
 # Gene Koopman
 # Nathan deBoom
 # John Huitsing
 # Rob Vanden Heuvel
 # Carol Boyd

Crops: # Glen Durrington
 # Jeff Pierson

State: # Pete Hall

Current Alternates:

Dairy: + Syp Vander Dussen
 + Peter Hettinga

Crops: + Dan Hostetler

State: x Robert Nobles
 x Brian Pahel

+ Helen Arens
 + Marilyn Levin
 + Larry Dimock
 + Julie Cavender

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

Moved to approve Agricultural Pool member slate, as presented by Chair Feenstra

Mr. Feenstra turned the meeting over to the Watermaster General Manager, Mr. Kavounas

B. Calendar Year 2013 Agricultural Pool Officers

Nominations will be heard for Pool Chair, followed by nominations for Pool Vice-Chair.

Nominations: Bob Feenstra

Motion: 1st Koopman 2nd Durrington

Appointed Chair: Bob Feenstra

Nominations: Jeff Pierson

Motion: 1st Koopman 2nd Durrington

Appointed Vice-Chair: Jeff Pierson

Secretary/Treasurer Watermaster General Manager

Mr. Kavounas turned the meeting over to the 2013 Chair Feenstra at 3:12 p.m.

C. Calendar Year 2013 Advisory Committee Officer

The pool members will be asked to determine the ten agricultural representatives to serve on the Advisory Committee and, according to the rotation sequence established among the pools, appoint a representative to serve as 2nd Vice-Chair of the Advisory Committee during calendar year 2013.

Nominations: Jeff Pierson

Motion: 1st Hall

Mr. Koopman stated he has a problem with that nomination because of the discussions which took place during the confidential session's deliberations, and nominated Nathan deBoom.

Nominations: Nathan deBoom

Motion: 1st Koopman

Mr. deBoom respectfully declined the nomination.

Motion: 1st Hall 2nd Rob Vanden Heuvel

Appointed 2nd Vice-Chair: Jeff Pierson

Mr. Rob Vanden Heuvel asked for clarification in that all members of the Agricultural Pool serve on the Advisory Committee and this vote is only for the 2nd Vice-Chair position on the Advisory Committee. Mr. Pierson stated that is correct.

Mr. Koopman inquired to the Agricultural Pool counsel if this motion is compounding the situation. Ms. Egoscue stated the Pool has been advised that according to the 1998 Superior Court ruling establishing the nine-member Watermaster Board, no individual will be allowed to serve concurrently on the Watermaster Board while serving as a member of the Advisory, or a Pool Committee; nonetheless, the Pool members decided to move forward with Mr. Pierson's nomination.

Chair Feenstra called for the questions.

D. Calendar-Year 2013 Pool Representation on Watermaster Board

The Pool members will be asked to consider selecting two representatives to serve on the Watermaster Board during Calendar-Year 2013 and one or two alternate representatives.

Nomination: Geoffrey Vanden Heuvel Alternates: Feenstra/Pierson

Motion 1st Pierson 2nd Koopman

Appointed: Geoffrey Vanden Heuvel Alternates: Feenstra/Pierson

Nomination: Paul Hofer Alternates: Pierson/Feenstra

Motion 1st Pierson 2nd Koopman

Appointed: Paul Hofer Alternates: Pierson/Feenstra

II. CONSENT CALENDAR

Mr. Kavounas stated on the Consent Calendar there are a couple of items to bring to this committee's attention. The first is Financial Report B5, which has been expanded from what has been seen in the past to include details in response to a question that was asked at a recent Appropriative Pool meeting. The question regarded some of the miscellaneous legal expenses, and

again the explanation has been added as a footnote in the staff report. In addition with regard to Item C. in the Consent Calendar that makes a citation the existing Judgment as opposed to citation to the Restated Judgment; this citation will be corrected by the time it is presented to the Advisory Committee and the incorrect citation does not change the substance of this report.

Mr. Durrington stated he would like to pull the minutes for a separate vote.

The minutes were pulled for a separate vote.

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held December 13, 2012

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of November 2012
2. Watermaster VISA Check Detail for the month of November 2012
3. Combining Schedule for the Period July 1, 2012 through November 30, 2012
4. Treasurer's Report of Financial Affairs for the Period November 1, 2012 through November 30, 2012
5. Budget vs. Actual Report for the Period July 1, 2012 through November 30, 2012

C. NOTICE OF INTENT

Annual Filing of Notice of Intent Regarding the Determination of Operating Safe Yield

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 13-01 – Resolution of the Chino Basin Watermaster, San Bernardino County, California, Re-Authorizing the Watermaster's Investment Policy

E. LOCAL AGENCY INVESTMENT FUND

Resolution 13-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

Motion by Pierson, second by Rob Vanden Heuvel, and by unanimous vote – 1 abstention by Glen Durrington

Moved to approve Consent Calendar item A, as presented

Chair Feenstra stated Mr. Kavounas spoke about the budget and the \$75,000 addition. Mr. Kavounas stated for clarification, the item that he was referring to was specifically an item under miscellaneous legal expenses that had gone over budget by \$10,000, and staff was asked a question regarding that at the Appropriative Pool, Staff added the explanation to that in Financial Report B5. Mr. Kavounas stated the \$75,000 is in reference to what the Appropriative Pool asked to assess themselves and add \$75,000 to their budget, and that is not new in the financial reports.

Motion by Rob Vanden Heuvel, second by Koopman, and by unanimous vote

Moved to approve Consent Calendar items B through E, as presented

III. BUSINESS ITEMS

A. 2013 AMENDMENT TO THE 2010 RECHARGE MASTER PLAN UPDATE

Mr. Kavounas stated the action on this item is to approve Section 7 as presented. Section 7 contains the evaluation criteria that would be used to guide the selection of projects to be undertaken as a result of the amendment. Mr. Kavounas stated the criteria reflected the outcome of lengthy discussions and numerous meetings of the RMPU Steering Committee. Mr. Kavounas stated staff had the opportunity to bring three separate drafts of Section 7 to the Steering Committee and staff was pleased to see that each time comments received back got narrower and narrower; it is felt the presented document captures and reflects the Steering Committee's intent for this project. The Appropriative Pool is mostly impacted by this and, if it is any

indication, the Appropriative Pool was very pleased with this document earlier this morning and voted to recommend Section 7 be adopted by the Watermaster Board. The Appropriative Pool did ask for the addition of one minor sentence or two, which staff will be preparing, and that has to do with the inclusion of Watermaster considerations of the Chino Basin Desalter Authority (CDA) well sustainability; this does not change the essence of Section 7 whatsoever. The Section 7 contains evaluation criteria that will ultimately create a ranked list of projects and will allow for intelligent selection among those projects in Section 8, and will allow us to understand individual project effectiveness, including the total dollar commitment that the Appropriators will have to come up with. Mr. Kavounas stated the evaluation criteria that are included in this item are not a specific hard and fast formula that will result with a numerical score for each project; instead it will give an overall ranking by the different categories. Mr. Kavounas stated Section 7 came out better than he had hoped for at the start of this project and staff is pleased to bring this to the committee with a recommendation for approval.

Mr. Pierson inquired if this is the evaluation process. Mr. Kavounas stated that is correct. Mr. Pierson stated the selection of these items that are ranked by this process are voted on at a different time or will have another section which implements the means in which to select. Mr. Kavounas stated the projects will have additional detail added to them in Section 8 and sorted according their criteria that was presented in Section 7. The effort is to separate the evaluation criteria from the projects so there is no manipulating or gamesmanship. Mr. Kavounas stated all the parties are agreeing on the evaluation criteria and then will go on and define the projects and put the criteria on them. Mr. Pierson stated and then they will stand on their own merit. Mr. Kavounas stated they will stand or fall on their own.

Mr. Geoff Vanden Heuvel thanked Watermaster staff for an outstanding job of creating order out of chaos. Mr. Geoff Vanden Heuvel stated he has a few questions on what we have policy wise; is it the assumption then of this amendment, that all recharge expansion plans that are done in the Chino Basin will be done under the supervision, essentially, of this RMPU, the Appropriative Pool is going to take the responsibility providing the funding to do these amendments. Not to pay for all of them but they would be responsible and they would receive all the benefit of any increased yield and will the Watermaster keep control of the recharge in the Chino Basin. Mr. Kavounas stated the short answer is, yes; there is a possibility that some of the sustainability projects for MZ3 may be undertaken outside of Watermaster because Watermaster does not have to be involved. Mr. Kavounas stated those would be projects where one party may pump Jurupa Community Services District's (JCSD) share and provide JCSD surface water, so in that case Watermaster does not have to be involved even though Watermaster has offered to participate and facilitate. Mr. Kavounas stated for every other project, you are correct; it would fall under the umbrella of this amendment. Mr. Geoff Vanden Heuvel stated for purposes of clarification for the record as we read this later on; what that means then is that the ideas that have been floated in early versions of strawman proposals would have the Watermaster possibly create some incentives but allow the opportunity for other parties to develop projects, outside this process, and then receive benefit of those projects. Mr. Geoff Vanden Heuvel stated that approach has been essentially rejected in favor of a Watermaster supervised the program. Mr. Kavounas stated that is correct, until or unless the rules change, the earlier versions contemplated things that were outside of the Judgment and the provisions of the future amendments of the Judgment. Mr. Kavounas stated those are no longer on the table. Mr. Geoff Vanden Heuvel stated it is important for the Agricultural Pool to recognize that there had been thoughts by lots of different people; the conclusion of others was that there did not seem to be a will or desire by the Appropriative Pool to take responsibility or invest in recharge, and so there was some interest in creating some other incentive mechanisms for this recharge to take place. Mr. Geoff Vanden Heuvel stated but through the course of working the process over the last four or five months, the Watermaster and the Chino Basin parties are using the good offices of the Watermaster at the last go around a policy approach that keeps this coordinated as part of an overall strategy and therefore, the Appropriative Pool, from a policy standpoint, is the dominant player in the Watermaster governance process because of the nature of the way it has been organized. Mr. Geoff Vanden Heuvel stated the Appropriative Pool has stepped up and said they

are going to take responsibility, and they do receive the benefit, but they are also taking on the obligation. Mr. Geoff Vanden Heuvel stated this is a significant policy milestone that needs to be noted.

Mr. Pierson inquired of our designated representative on the Steering Committee if he has any further comments beyond what Mr. Geoff Vanden Heuvel stated.

Mr. Hall stated he was not at the last meeting; however, with what he has seen at all the other meetings he has attended, he is impressed on how Mr. Kavounas has put everyone together, because what started off as mass confusion turned into an organized process. Mr. Hall noted he was really amazed at the pulling all of this together. Mr. Hall stated he understands that there is not funding for everything that needs to be done and Wildermuth Environmental Inc. (WEI) explained how the formulas work, which was a challenge in itself. Mr. Hall noted in that presentation one could see how JCSD was seriously affected and how all the desalters and all of those things tie in together. Chair Feenstra asked if that was a motion. Mr. Hall stated yes, that could be and he noted he read in the minutes where Mr. Geoff Vanden Heuvel asked for comments and feedback on this matter; he recommended all who can attend those meetings should attend them.

Mr. Geoff Vanden Heuvel stated it is possible that at a Watermaster Board meeting he could have made some expanded comments with regards to policy; however, he really appreciates how the Appropriative Pool stepped up, and they basically own the basin, and we own a big chunk of the water rights, but they cut a deal with us and they got operational control of the basin. Mr. Geoff Vanden Heuvel stated this was a threat that would have potentially lost some of their control, and they've kept control now with this, but with that control comes responsibility, and he does not want any of us lose a decade of water resource development because they don't want to have to pay for it; this is a good plan and the programs make sense – we need to step up and fund them. Mr. Geoff Vanden Heuvel stated this is not the end of the process; this is just the finish of the first quarter.

Mr. Pierson stated we still have the financial planning to come at the later stages, and that is where the rubber is going to hit the road. Mr. Pierson stated he totally agrees with Mr. Geoff Vanden Heuvel and his statement, and individually we can approve each one of these sections, but there has to be conclusive methods of implementation and acceptance by all the parties in the basin to make it happen.

Mr. Kavounas stated Section 8 is really where it is at, and what has impressed him is that he understands how the parties got sideways a few months ago and Watermaster has gone through a two year transition period, which was not comfortable for anyone; and yet we have reached a point where at the Steering Committee parties are having some very good discussions and some really honest discussions. Mr. Kavounas stated the one meeting that Mr. Hall missed was the one where Monte Vista Water District telling JCSD look what they did in terms of pumping restraint and other ways to spend money to expand local resources and didn't just keep pumping. Mr. Kavounas stated now in JCSD there is a new manager who he thinks will be an exceptional manager who will help make things happen. And there seems to be a different approach from all the parties that are involved, and that is the momentum that we all build on, and you take that through Section 8. Mr. Kavounas stated we need WEI and IEUA to work really hard to bring Section 8 together.

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

Moved to approve unanimously staff recommendation that the Watermaster Board approve the document titled "2013 Amendment to the 2010 Recharge Master Plan Update, Section 7: Evaluation Criteria," as presented

B. NOTICE OF OVERLYING (NON-AGRICULTURAL) POOL AVAILABLE WATER PER JUDGMENT EXHIBIT "G"

Mr. Kavounas stated this item requires no action from the Appropriative Pool and constitutes a required notice. Exhibit "G" of the Judgment, as it was amended and shown in the Restated Judgment, creates a process by which the Non-Agricultural Pool can make water available for sale to appropriators. Mr. Kavounas stated Watermaster received a timely notice from Auto Club Speedway for 500 acre-feet and Aqua Capital Management for 3,500 acre-feet; their notice was filed by the December 31, 2012 deadline. Watermaster understands that the water is available at the rate of 92% of Metropolitan Water District (MWD) Tier 1 Rate, which was the result of a negotiation agreement between the Non-Agricultural Pool and Appropriative Pool for a one-year only substitution rate. Mr. Kavounas stated the notice that Watermaster is providing is part of the Watermaster Pool package and is the required notice by Watermaster. Mr. Kavounas stated Appropriators that have an interest in purchasing the water need to make a firm commitment by March 1, 2013.

No action was taken.

C. OLD BUSINESS

No comment was made.

IV. REPORTS/UPDATES**A. LEGAL COUNSEL REPORT****1. December 21, 2012 Court Hearing**

Counsel Herrema stated this is a follow-up legal report from the December 2012, meetings. Counsel Herrema stated there was an agreement among the members of the Appropriative and the Non-Agricultural Pools to have a substitute rate for 92% of the MWD replenishment rate that is classified in Exhibit "G" to the Judgment for these physical solution transfers. Legal counsel filed the motion in November based on approval through the Watermaster process of the substitution rate. The court set a hearing, although there was unanimous approval throughout the process, on December 21 2012, to consider the motion. At that hearing legal attended along with the General Manager and counsel for the Appropriative and Non-Agricultural Pools. Counsel Herrema stated as noted last month, it was not clear why the judge called for a hearing. At the hearing the Judge did not have any questions on the motion and wanted to allow for any objecting parties to appear; there was no opposition. The Judge did sign the order that was presented on this matter and that order has been distributed to all the parties via Watermaster's email notice procedure. Counsel Herrema noted the Judge did announce that he would be moving to the Rancho Cucamonga courthouse effective 2013 and he would be keeping the Watermaster case.

B. ENGINEERING REPORT**1. State of the Basin (Part 1 of 2) Update and HydroDaVE**

Mr. Wildermuth stated WEI is going to be giving a presentation on a portion of the State of the Basin Report. Mr. Wildermuth stated the State of the Basin Report is something WEI does every two years based on a court order to authorize the Peace Agreement. Mr. Wildermuth introduced Ms. Veva Weamer, who has been employed with WEI for approximately five years, she personally has worked on the last three State of the Basin Reports and she will be giving the presentation at the Pool meetings today. Ms. Weamer gave the Groundwater Levels 2000 to 2012 presentation, which included reviewing several detailed maps.

Mr. Durrington inquired about how close are we getting to relying on natural water from rainfall, floodwaters, etc. instead of what is done now, having to purchase water. Mr. Wildermuth stated a balance in the basin or the water we use. Mr. Durrington stated the water we use can be replaced by natural methods. Mr. Wildermuth stated that will depend on how much we pump. The pumping projections are such that, there is not a lot or a large increase in pumping if you believe those projections; safe yield has gone down a little bit.

Mr. Wildermuth stated the second part to this presentation, which will contain change in storage, water quality, and subsidence information, will be given in March and the presentation on HydroDaVE can be given in February. Chair Feenstra stated that would be sufficient for the HydroDaVE presentation to be given at the February meeting.

C. GM REPORT

1. Prado Basin Habitat Sustainability Program Update

Mr. Kavounas stated this item is the Prado Basin Habitat Sustainability Program and Ms. Maurizio will be giving a brief presentation on this program. Ms. Maurizio stated this update was requested by the Watermaster Board at their September, 2012 meeting and staff committed to giving an update in January. The Prado Basin Habitat Sustainability Program came about as a result of the Peace II Agreement SEIR mitigation measure 4.4-3 and was adopted by IEUA's board in October, 2010. The purpose of the mitigation measure was to ensure that the Prado Basin riparian habitat would not be impacted by Hydraulic Control. The basic program tasks are to convene a committee that will develop this adaptive management plan, to install necessary monitoring wells, to complete vegetative and aerial surveys, and to implement photo station monitoring. In terms of the financial aspects of this program, there is a cost sharing agreement which was approved by the Watermaster Board in September 2012 for a total budget of \$440,000. This is a 50/50 cost sharing agreement between Watermaster and IEUA with a not to exceed amount of \$220,000 for each party. Included in that cost is to hire a consultant to develop the adaptive management plan, and for WEI to perform the project management tasks related to the monitoring well installation, to hire a contractor to construct and install up to seventeen monitoring wells at nine separate sites, and for United States Bureau of Reclamation to perform vegetation monitoring every three years. Ms. Maurizio stated three grants have been applied for to offset the cost of this program; however, it is not yet known which ones have been approved. Several small group meetings regarding this project have taken place between Watermaster, IEUA, and Orange County Water District, and then one large committee meeting took place on November 27, 2012. During the last meeting the preliminary outline for the adaptive management plan was discussed. Currently there is a request for a proposal by IEUA which is due January 16, 2013 for the consultant who is going to develop the adaptive management plan. The large committee will meet again in February following the consultant selection to discuss the adaptive management plan, and then that plan is expected to be completed by the end of this fiscal year. Ms. Maurizio stated the monitoring well sites are now being finalized and the site acquisition is in progress. Ms. Maurizio showed a map of the sites and reviewed the locations. IEUA will go out for bid for the well drilling in a few months once all the site acquisition is finalized. It is expected the wells will be completed by the end of this fiscal year. Ms. Maurizio stated most of these wells, with the exception of one or two of the wells, are dual-nested wells and are relatively simple to install. To date starting May 2012 through November 2012 there has been \$80,000 of expenditures which totals \$40,000 for both Watermaster and IEUA.

Mr. Geoff Vanden Heuvel inquired about how this group tracks the cost of staff time. Ms. Maurizio stated it is just overhead and it is not part of the cost sharing agreement. Mr. Geoff Vanden Heuvel inquired if there was a way to internally keep track of the staff time that is being spent on this project. Ms. Maurizio stated it is being tracked. Mr. Geoff Vanden Heuvel stated he requested this report and thanked staff for putting it together. Mr. Geoff Vanden Heuvel stated he wants to keep track of what we are spending in terms of staff time. Ms. Maurizio stated Watermaster does have a time tracking system for that. Mr. Geoff Vanden Heuvel he wants an occasional report on this item.

Added Comments:

Mr. Kavounas introduced Mr. Robert "Bob" Craig from Jurupa Community Services District. Mr. Kavounas noted Mr. Craig did sit through all of the Pool meetings to get himself prepared for his first meeting in the next few weeks.

Mr. Kavounas stated the 2013 compensation forms are on the back table for members to fill out and return to the recording secretary.

D. AGRICULTURAL POOL LEGAL COUNSEL REPORT

Ms. Egoscue stated she had nothing to report on today.

V. INFORMATION

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

VI. POOL MEMBER COMMENTS

No comment was made.

VII. OTHER BUSINESS

No comment was made.

The confidential session was taken out of order directly after the opening of the annual Appropriative Pool meeting.

VIII. 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 action was reported.

IX. FUTURE MEETINGS AT WATERMASTER

Thursday, January 10, 2013	9:00 a.m.	Annual & Election Appropriative Pool Meeting
Thursday, January 10, 2013	11:00 a.m.	Annual & Election Non-Ag Pool Conference Call Mtg.
Thursday, January, 10, 2013	1:30 p.m.	Annual & Election Agricultural Pool Meeting
Thursday, January 17, 2013	8:00 a.m.	IEUA DYY Meeting
Thursday, January 17, 2013	9:00 a.m.	Annual Advisory Committee Meeting
Thursday, January 17, 2013	10:00 a.m.	CB RMPU Steering Committee Meeting
Tuesday, January 22, 2013	9:00 a.m.	GRCC Meeting
Thursday, January 24, 2013	11:00 a.m.	Annual & Election Watermaster Board Meeting

Chair Feenstra adjourned the annual Agricultural Pool meeting at 4:07 p.m.

Secretary: _____

Minutes Approved: February 14, 2013