

*Minutes*  
**CHINO BASIN WATERMASTER  
AGRICULTURAL POOL MEETING**

*February 14, 2013*

The Agricultural Pool meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on February 14, 2013, at 1:30 p.m.

**Agricultural Pool Members Present**

Jeff Pierson, Vice-Chair	Crops
Nathan deBoom	Dairy
John Huitsing	Dairy
Rob Vanden Heuvel	Milk Producers Council
Glen Durrington	Crops
Pete Hall	State of California, CIM

**Watermaster Board Members Present**

Geoffrey Vanden Heuvel	Dairy
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**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
Andy Malone	Wildermuth Environmental Inc.

**Others Present**

Marilynn Levin	State of California, Department of Justice
Larry Dimock	California Department of Corrections
Julie Cavender	California Department of Corrections
Dave Crosley	City of Chino
Rick Reese	Amec
Bob Gluck	City of Ontario
Brian Dickenson	Chino Desalter Authority

Chair Pierson called the Agricultural Pool meeting to order at 1:34 p.m.

**AGENDA - ADDITIONS/REORDER**

No additions or reorders were made to the agenda.

**I. CONSENT CALENDAR**

**A. MINUTES**

1. Minutes of the annual Agricultural Pool Meeting held January 10, 2013

**B. FINANCIAL REPORTS**

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

**C. WATER TRANSACTION**

1. **Consider Approval for Notice of Sale or Transfer** – The purchase of 827.390 acre-feet of water from San Antonio Water Company by the City of Upland. This purchase is made from San Antonio Water Company's storage account. The City of Upland is utilizing this transaction to produce its San Antonio Water Company shares. Date of application: January 3, 2013
2. **Consider Approval for Notice of Sale or Transfer** – The purchase of 2,000.000 acre-feet of water from San Antonio Water Company by Monte Vista Water District. This purchase is made from San Antonio Water Company's storage account. Date of application: January 10, 2013
3. **Consider Approval for Notice of Sale or Transfer** – The purchase of 6.922 acre-feet of water from San Antonio Water Company by Monte Vista Water District. This purchase is made from San Antonio Water Company's storage account. Monte Vista Water District is utilizing this transaction to produce its San Antonio Water Company shares. Date of application: January 7, 2013

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

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

**II. BUSINESS ITEMS****A. NINTH AMENDMENT TO THE CHINO BASIN CYCLIC STORAGE AGREEMENT**

Mr. Kavounas stated this is a long standing agreement and has been in effect since the Judgment was approved by the court in 1979. Mr. Kavounas stated the storage agreement itself was approved by the court when it was first enacted and it has been extended on a number of occasions. The ability by Metropolitan Water District (MWD) to store water in the Chino Basin has been exercised only once in the time the agreement has been in place. Mr. Kavounas stated it is viewed by MWD, according to conversations that have taken place with MWD staff, that this is their least preferred option of storing water in the basin. Their preferred option is a Dry Year Yield (DYY) Program. The ability for MWD to store water is given only with written consent by Inland Empire Utilities Agency (IEUA) and Chino Basin Watermaster. The program itself is under control by the local agencies. Mr. Kavounas stated in Watermaster's view this program presents a good option for the basin to have; it costs nothing and it provides an opportunity that, at a time when there is plenty of water available, the water could be added to storage in the basin. It is staff's recommendation to the Advisory Committee to recommend to the Watermaster Board to approve the ninth extension of the Cyclic Storage Agreement. Mr. Kavounas stated there were three oppositions to this agreement made by Monte Vista Water Company, Monte Vista Irrigation Company and City of Chino at the Appropriative Pool meeting this morning; however, the Pools as a whole, adopted the amended agreement. Mr. Kavounas stated the source of the opposition by Monte Vista Water Company, Monte Vista Irrigation Company and City of Chino was to take some of the terms of that Cyclic Storage Agreement, that were not clear at this moment, and make them clear while amending the agreement right now. Mr. Kavounas stated staff's recommendation was to not make those changes because some of the things that would be looked at, to be clarified now, may again change in the future.

Chair Pierson inquired from Mr. Kavounas about the process of this agreement as approved, and what would be the next steps should MWD decide they want to store water. Mr. Kavounas stated MWD would notify Watermaster that they would like to store water under the Cyclic Storage Agreement. Mr. Kavounas stated Watermaster would have to have some kind of a term sheet approved and signed at that time because the condition of this agreement is that it has to be approved in writing by Watermaster and IEUA, as well as MWD. Chair Pierson inquired if that would then go through the entire Watermaster process for approval. Mr. Kavounas stated at such a time when MWD had available water to store, that would go through the entire Watermaster process. Chair Pierson inquired about the three parties that did not approve this agreement and what changes they wanted made, and if those could be added to whatever term sheet that would be subsequent to this. Mr. Kavounas stated absolutely, and it would be better to do it that way because Watermaster would have a better handle on this matter at that time.

Mr. Kavounas offered further detail on what the concerns and/or questions were at the Appropriative Pool meeting.

Mr. Rob Vanden Heuvel stated this agreement expired on December 31 2012, and inquired where Watermaster stands with this agreement being expired. Mr. Kavounas stated we are now in the world of a gentlemen's agreement. Mr. Kavounas stated he was originally uncomfortable in the way it was presented by MWD, and Watermaster made the decision to hold the agreement for a couple of months to receive more clarity on what the agreement was all about. MWD was notified by Watermaster that it would be taking additional time for review in November when the amended agreement was received.

Mr. deBoom inquired about the Appropriative Pool's concerns. Mr. Kavounas stated basically there were a few areas of concern pointed out, one was the replenishment rate itself, which no longer exists, and the other was the losses. Mr. Kavounas stated the agreement itself states that appropriate losses will be assessed. Mr. Kavounas noted this original agreement was established and signed for the first time in 1979, since then the Peace Agreement and the Peace II Agreement have defined losses. Mr. Kavounas offered further comment on the discussion that took place at the Appropriative Pool meeting this morning.

Mr. Pierson inquired if this has any material effect on the Local Storage Agreements that we have on hold and have not yet been processed. Mr. Kavounas stated he does not believe it will affect those. Mr. Kavounas stated if MWD wanted to put water in storage it would be at Watermaster's discretion. Chair Pierson asked about Material Physical Injury (MPI) in the basin should MWD put any water in. Mr. Kavounas stated that would be thoroughly analyzed at a time when water is available for storage and Watermaster would not propose something that would have an MPI on the basin at any time.

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

***Moved to approve the ninth amendment to the Chino Basin Cyclic Storage Agreement, as presented***

## **B. WATERMASTER MID-YEAR REVIEW AND BUDGET TRANSFERS**

Mr. Joswiak gave the Watermaster Mid-Year Review and Budget Transfer presentation. Mr. Joswiak stated staff is seeking a motion to receive and file the Mid-Year Review Report and approve the Budget Transfer request.

Mr. Durrington inquired about how much is appropriated for the Santa Ana River Water Rights and stated he thought those were already etched in stone years ago. Mr. Joswiak stated there are always legal costs in regards to the Santa Ana River Water Rights. Counsel Herrema stated there are ongoing legal costs associated with the maintenance of the permits that the State Board has issued regarding those water rights. Counsel Herrema stated there are water rights to the storm water that arises in the tributaries to the Santa Ana River. The judgments that define how much water is available above the Prado Basin and how much has to go down to Orange County have been effect for a long time. Counsel Herrema stated what these costs are related to are Watermaster's cost of maintaining the storm water recharge permits; there are three permits; one was obtained in 2007 and that permit has a report that needs to be completed every year to go to the Department of Fish and Wildlife on the amount of water that's taken with the impacts. The two earlier permits are both in the process of being extended, and they both expire shortly; however, we are in the extension process right now with an asking extension through 2037. Counsel Herrema stated so there are some legal costs associated with that item.

Chair Pierson inquired about the savings that have been indicated in both the legal and engineering programs; will they be pushed forward to the next year, or are they a true savings, or reductions of the scope of work that was originally budgeted. Mr. Joswiak stated part reduction to the scope of work, and another would be monitoring duties that were factored in the budget, which were reduced this year. Chair Pierson stated it sounds like it is a combination of both.

Mr. Kavounas stated one example of that is the work on the subsidence in MZ1; the Subsidence Committee has looked at it and has dialed back the scope of work to be done. Mr. Joswiak stated as a reminder at the end of the year if there are savings those will get rolled over into the next year's assessment, and if Watermaster has the cash it could potentially be refunded back to the parties.

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

***Moved to approve (1) Staff recommendation that the Mid-Year Review Report for the Period July 1, 2012 through December 31, 2012 be received and filed as presented, and (2) Staff recommendation for approval of the Budget Transfer Form T-13-02-01, as presented***

**C. 2013 AMENDMENT TO THE 2010 RECHARGE MASTER PLAN UPDATE SECTION 6**

Mr. Kavounas stated Section 6 is the write up of what the Steering Committee and the Watermaster Board had approved in December 2012. Mr. Kavounas stated in December staff presented a long list of recharge options to be considered for further analysis in this amendment process of the Recharge Master Plan Update. The two pages in the meeting package are simply the write up of that section. Mr. Kavounas stated this section was presented to the Steering Committee and they had no comments on the text itself. Mr. Kavounas stated both the Appropriative and Non-Agricultural Pool approved this item today with some small suggestions made with regard to the tables attached; those modifications are intended to clean up some of the tables/items. Mr. Kavounas stated staff is recommending to the Committee to consider recommending adopting Section 6 at this time. Mr. Kavounas discussed some of the comments made at the Appropriative Pool meeting regarding the tables which start on page 129 of the meeting package regarding costs, and he noted the actual work in Section 8 will identify the costs.

Chair Pierson inquired if in the final format will the costs be reinserted into Section 6 also. Mr. Kavounas stated, no. Chair Pierson stated the identification of costs will be irrelevant once this section is approved. Mr. Kavounas stated that is correct. Chair Pierson stated then the to-be-determined or elimination would be the most appropriate, because those numbers will be identified in Section 8. Mr. Kavounas stated that is correct, and he reviewed how the sections would read once this is completed.

Mr. Rob Vanden Heuvel inquired if what this Committee is being asked to approve today is simply the compilation of these projects to move on to the next task. Mr. Kavounas stated the substance you are being asked to approve is the two pages of text and noted the list of projects was approved in December.

Mr. Hall stated as far as grouping is concerned, grouping would be a great help in looking at these tables. Mr. Hall also commented on the cost factor really being unknown.

Mr. Geoffrey Vanden Heuvel stated this list is quite extensive and inquired if it was theoretically possible that some other party down the road may come up with another worthwhile project. Mr. Geoffrey Vanden Heuvel inquired about the methodology for Watermaster to consider another project that is not on this list. Mr. Kavounas stated this list of projects was created by casting a very broad net. Originally there were just a few projects that were split into phases one, two, and three in the 2010 Recharge Master Plan Update. Early last year Watermaster put out a call for projects. Mr. Kavounas stated at this time we would like to keep the list manageable and one can't manage a process that is continuously changing very well. The idea is that the Steering Committee moves this amendment forward and that the list stays pretty much fixed as is. Mr. Kavounas stated if a party was to bring forward a new project, the question for Watermaster would be is, could this project wait, or do we just finish what we have to finish now. Mr. Kavounas stated Watermaster is being driven by complying with a deadline which is October 2013. Mr. Geoffrey Vanden Heuvel stated he received his answer and will speak with Mr. Kavounas at another time about some of his thoughts on this matter. Mr. Geoffrey Vanden

Heuvel inquired when it is anticipated to have the ranking of what is on this list, which will add value to this basin. Mr. Kavounas stated the work that is to be done in Section 8, which is to define the cost and the yield for each project, is going to be in the springtime. Mr. Kavounas stated it appears now we are actually ahead of schedule that the Watermaster Board approved in September. Mr. Kavounas stated after the projects are well defined we will go through and use the evaluation criteria from Section 7 and develop the projects. They will be ranked based first on cost and benefit information, then water quality, then institutional challenge information. Lastly will be how these projects are funded and he envisions that discussion happening in the May/June timeframe of this year. Mr. Geoffrey Vanden Heuvel inquired what happens if someone comes in with a project after that ranking has been done, and that project shows to be very cost effective and competitive with the top tier rank projects; is there a mechanism for Watermaster's consideration of that project or will they just be told sorry, you are too late. Mr. Kavounas stated he would never say Watermaster is not interested. Mr. Geoffrey Vanden Heuvel stated that is all he needed to hear. Mr. Kavounas stated a good project is a good project, and it will be how it fits into this process and how it fits into going to court this October. If it is such a great project that all the parties like it, he is open to all coming together, going to court and asking for an extension to fit that project into this process. Mr. Kavounas offered comment on worthwhile projects and his thought process through this entire process, including ensuring there is recharge done in this basin. Chair Pierson stated he feels very comfortable that if something should come through after this list is approved and the court approves the program for recharge, then as a whole we can go back to staff and take something through the Watermaster process, and if there is a true benefit to all then it would be a worthwhile project to move forward. A discussion regarding recharge projects in this basin and this process to go the court this year ensued.

*Motion by Rob Vanden Heuvel, second by deBoom, and by unanimous vote*

***Moved to approve the 2013 amendment to the 2010 Recharge Master Plan Update Section 6: "Recharge Options to Improve Yield and Assure Sustainability", as presented***

**D. POMONA CREDIT (INFORMATION-ONLY)**

Mr. Kavounas stated this item is an information-only item to make the Committee aware that there was a provision in the Peace Agreement under which the City of Pomona was to receive a \$2M credit over the life of thirty-years of the Peace Agreement. That credit was to be received in approximately \$66,000 per year installments. As a result of the Peace II Agreement Three Valleys Municipal Water District (TVMWD) agreed to pick up this payment for at least five-years. TVMWD reserved their right to withdraw from that commitment. Mr. Kavounas stated TVMWD picked up that cost for the past five-years on behalf of the Appropriative Pool, and as was their prerogative they notified Watermaster within the timeframe that was provided, that they no longer would be making that payment. What Watermaster now has to do is to revert back to the original terms of the Peace Agreement, which is that the Appropriative Pool pays that payment. The Appropriative Pool did approve this; however, they did ask that Watermaster make the payment for this fiscal year to the City of Pomona, give Pomona its credit out of the Watermaster reserves and then double bill them next year through the assessment process. Mr. Kavounas noted from Watermaster's point of view that seems like a good approach to this matter. This item was reviewed and approved by the Appropriative Pool and was also presented for information to the Non-Agricultural as it is being presented at this meeting. Chair Pierson inquired if this item has any budget consequences as far as Watermaster itself. Mr. Kavounas stated that is correct. Chair Pierson stated the payment will be coming out of reserves that are in place for emergency proposes. Mr. Kavounas stated staff will show it as a payment to be replenished by what will effectively be a double assessment at the next scheduled assessment process time.

No motion needed – for information only.

**E. OLD BUSINESS**

Chair Pierson welcomed Ms. Levin to this meeting.

**III. REPORTS/UPDATES****A. LEGAL COUNSEL REPORT****1. Annotated Judgment and Updated Rules and Regulations**

Counsel Herrema stated he has a brief update on the Annotated Judgment and the updated Rules and Regulations. Counsel Herrema stated there are still funds left in the budget that are planned to be spent on the beginning work on the Annotated Judgment, beginning that circulation process through the Pools, and then updating the Rules and Regulations which have not been done in over ten years. Counsel Herrema reviewed the history of the Rules and Regulations. Counsel Herrema stated there have been subsequent changes which were approved by the Watermaster Board and ordered by the court as part of the Peace II process that have not yet been incorporated into the actual Rules and Regulations document; this document will be day lighted next month and then sent through the entire Watermaster process. Counsel Herrema stated the concept with the Annotated Judgment is that there have many different documents that are incorporated in the guidance documents, and they are all interrelated; however, they are not necessarily all in one document for reference. There are Peace II Agreement provisions that should be read in light of the Judgment provisions, and Peace II Agreement provisions that need to be read in light of the Peace Agreement provisions. What the Annotated Judgment is intended to do is to put all the cross-references and annotations into one document. Legal counsel has begun this work as directed by the Watermaster Board and updates have been provided to the Watermaster Board last month. Counsel Herrema stated this has been budgeted for and legal thinks it has the time and resources for these projects now. Counsel Herrema stated there is a substantially completed document that Watermaster and counsel are calling the strawman draft, which is not intended to be the final document. Counsel Herrema offered comment on the process ensuring the Committee members that all parties and even individual parties will be working with Watermaster counsel and the Pool's counselors on this document. Counsel Herrema stated this strawman draft should be circulated in the near future. Counsel Herrema noted all three Pools have allocated funds for their counsel for this effort, including funds from this Pool for Mr. Dan McKinney.

Chair Pierson inquired if the state wants to independently review this document or for them to just be in discussion with Mr. McKinney. Ms. Levin stated she would need to check on that; however, it is her opinion that the state will want to be involved with this endeavor. Chair Pierson stated it appears that as well as Mr. McKinney, the Attorney General's office may want to review the document. Counsel Herrema stated that is noted.

**B. ENGINEERING REPORT****1. Demonstration on HydroDaVE**

Mr. Kavounas stated Mr. Malone is here to provide a demonstration on HydroDaVE from comments made in previous meetings about the interest in seeing this software in action. Mr. Malone gave a demonstration on HydroDaVE. It was noted various questions were asked and answered during the demonstration on various slides. The model that uses the data to predict what happens to groundwater levels under different scenarios is a model that Watermaster owns. Mr. Kavounas stated there is not a Watermaster employee with the knowledge and training to run the model scenarios like WEI staff can. However, that work can be contracted out to a firm that provides similar services. Mr. Malone stated Watermaster owns the data and it is all very nicely organized and that data could be transferred to another firm easily. A discussion regarding mapping and water quality ensued. Chair Pierson thanked Mr. Malone for a good and thorough demonstration.

**C. GM REPORT**

1. Save the Date – Refresh, Recharge, and Reunite

Mr. Kavounas stated Watermaster has chosen March 12, 2013 for an event which is being called Refresh, Recharge, and Reunite (RRR) which is being held at the Frontier Project in Rancho Cucamonga. Mr. Kavounas noted emails will go out with a formal invitation to our current distribution list and Watermaster is looking forward to this RRR event.

Mr. Kavounas stated Watermaster is in the process of reissuing the guidance documents which have been referred to as the Watermaster bible, which contains the Judgment, the Peace Agreement, the Peace II Agreement, and other documents that pertain to Watermaster’s legal framework. Watermaster will be sending out an email as to which size the parties would like to receive. Mr. Kavounas noted the guidance documents will be available on the Watermaster FTP site for download once they are completed.

2. Website Survey

Mr. Joswiak gave the website survey presentation.

**IV. INFORMATION**

1. Cash Disbursements for January, 2013

No comment was made.

**V. POOL MEMBER COMMENTS**

No comments were made.

**VI. OTHER BUSINESS**

No comments were made.

**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.

**VIII. FUTURE MEETINGS AT WATERMASTER**

Thursday, February 14, 2013	9:00 a.m.	Appropriative Pool Meeting
Thursday, February 14, 2013	11:00 a.m.	Non-Agricultural Pool Conference Call Meeting
Thursday, February 14, 2013	1:30 p.m.	Agricultural Pool Meeting
Thursday, February 21, 2013	8:00 a.m.	IEUA DYY Meeting
Thursday, February 21, 2013	9:00 a.m.	Advisory Committee Meeting
Thursday, February 21, 2013	10:00 a.m.	CB RMPU Steering Committee Meeting
Thursday, February 28, 2013	11:00 a.m.	Watermaster Board Meeting

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

Secretary: \_\_\_\_\_

Minutes Approved: March 14, 2013