

PERS00197

Minutes
**CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING**
May 12, 2011

The Agricultural Pool Meeting was held at the offices of the office of Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on May 12, 2011 at 9:00 a.m.

Agricultural Pool Members Present Who Signed In

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

Watermaster Board Member Present

Paul Hofer	Crops
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Watermaster Staff Present

Desi Alvarez	Chief Executive Officer
Danielle Maurizio	Senior Engineer
Joe Joswiak	Chief Financial Officer
Ben Pak	Senior Project Engineer
Sherri Molino	Recording Secretary

Watermaster Consultants Present

Andy Malone	Wildermuth Environmental Inc.
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Others Present Who Signed In

Steven G. Lee	Reid & Hellyer
Marsha Westropp	Orange County Water District
Ken Jeske	California Steel Industries (CSI)
Chris Berch	Inland Empire Utilities Agency
Ryan Shaw	Inland Empire Utilities Agency
Gil Aldaco	City of Chino
Dave Crosley	City of Chino

Chair Feenstra called the Agricultural Pool meeting to order at 9:09 a.m.

AGENDA - ADDITIONS/REORDER

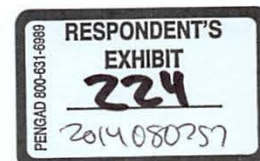
There were no additions or reorders to the agenda. Chair Feenstra welcomed Desi Alvarez to his first Agricultural Pool meeting and to Chino Basin Watermaster as their new CEO. Chair Feenstra introduced the Agricultural Pool members who were present.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held April 14, 2011

*Motion by Vanden Heuvel second by Pierson, and by unanimous vote, Novak abstained
Moved to approve Consent Calendar items A as presented*



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B. FINANCIAL REPORTS

1. Cash Disbursements for the month of March 2011
2. Watermaster VISA Check Detail for the month of March 2011
3. Combining Schedule for the Period July 1, 2010 through March 31, 2011
4. Treasurer's Report of Financial Affairs for the Period March 1, 2011 through March 31, 2011
5. Budget vs. Actual July through March 2011

C. WATER TRANSACTIONS

1. Consider Approval for Notice of Sale or Transfer – The purchase of 1,100,000 acre-feet of water from Santa Ana River Water Company (SARWC) to Jurupa Community Services District (JCSD). This purchase is made first from SARWC's Annual Production Right, with any additional from storage. Date of Application: April 28, 2011

*Motion by Vanden Heuvel second by Pierson and by unanimous vote
Moved to approve Consent Calendar items B and C, as presented*

II. BUSINESS ITEMS

A. OUTSIDE AUDIT FIRM

Mr. Joswiak stated in March an approval was granted for Chino Basin Watermaster to go out for an RFP for an outside audit firm. Staff has now completed that task and has selected Charles Z. Fedak & Company as the new outside audit firm for the next five years. Mr. Joswiak noted they are also offering an optional two years and staff is recommending this company. Mr. Joswiak noted the Appropriative and Non-Agricultural Pool did vote in favor of this action last week. Mr. Joswiak stated Charles Z. Fedak & Company is presently being used by several other water agencies locally. A discussion regarding this matter and the length of the contract ensued.

*Motion by Pierson second by Durrington and by unanimous vote
Moved to approve awarding a five year contract (with an optional two years) to
Charles Z. Fedak & Company for Watermaster's outside audit firm, as presented*

B. PROPOSED FISCAL YEAR 2011-2012 BUDGET (Discussion & Possible Action)

Mr. Joswiak stated this item is for review and discussion only; the Appropriative Pool and Non-Agricultural Pool did not take action on this item last week and it will be coming back in June for approval. Mr. Joswiak noted a second Budget Workshop has been scheduled for Thursday, May 19, 2011, at 10:30 a.m. at the Watermaster office. Mr. Joswiak gave the 2011-2012 Budget presentation and noted this was the same presentation given at the last Appropriative Pool and Non-Agricultural Pool meetings. Mr. Joswiak discussed the discretionary items in the budget. A brief discussion regarding the discretionary items ensued. Mr. Koopman inquired about a test that is supposed to be done for TCE and inquired as to where in the budget that number is located. Mr. Joswiak stated there is \$20,000 in account 7502 for that testing. Mr. Koopman stated that amount is supposed to be \$50,000, and inquired if Watermaster is still planning on performing the well sampling from the South Archibald Plume. Ms. Maurizio stated "no" and noted the well costs alone were close to \$40,000, so that was considered a discretionary expense and it was deferred. A lengthy discussion regarding the testing of the plume ensued. Mr. Koopman stated he does not believe the members of the Agricultural Pool feel this is discretionary and offered comment on the history of this item. A lengthy discussion regarding the well testing ensued. Ms. Novak inquired about the work being done now and when it needs to be done, whether this year or in the future. Mr. Alvarez stated if this Pool identifies this is an important issue, then that direction needs to be provided to Watermaster to reintroduce that amount back into the budget for consideration. Mr. Alvarez stated part of going through these presentation efforts is to identify areas of addition, deletion, or deferring. Mr. Koopman inquired as to where this was changed. Ms. Maurizio stated it was at the Advisory Committee meeting when it was asked that all the Wildermuth Environmental work expenses be divided up into what is required by the Judgment, the Peace Agreement or Peace II, versus what is discretionary.

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Staff completed that task and at the last Advisory Committee meeting on April 12, 2011, staff was directed to take out the items that were considered discretionary with a few exceptions. Ms. Maurizio stated none of what is being presented today is set in stone; provide staff the direction to re-enter this at the next Budget Workshop and send a representative to that workshop to provide input there. Chair Feenstra stated the plume matter is a very serious issue to this Pool and he offered history on that matter. Chair Feenstra noted he thought direction was given to Wildermuth to perform certain well testing in the past. Mr. Malone stated work is not done unless directed by Watermaster staff or the Watermaster Board. Mr. Pierson stated the Agricultural Pool feels this is not a discretionary item and wants that testing to be a part of the 2011-2012 Watermaster Budget. Mr. Lee and Mr. Pierson stated they were not sure what exactly was taken out or left in the budget; however, they do not remember this specific item being removed and that after the next Advisory Committee meeting there would be a follow up workshop to discuss things further. Mr. Joswiak continued with the budget presentation. Mr. Koopman offered comment on legal's estimated costs. Mr. Pierson stated over the last several years there have been added costs to legal such as the Peace II Agreement, the Paragraph 31 Motion, and now the Restated Judgment. Mr. Pierson stated it is difficult to budget for the unknown; however, just start with a baseline and go from there. A lengthy discussion regarding the legal budget ensued. Mr. Joswiak reviewed the legal spreadsheet in detail. A discussion regarding the postponed water auction and other legal items ensued. Mr. Joswiak stated staff needs to go through and make sure the categories are correct, or needed categories be added if necessary. Chair Feenstra inquired about legal assumptions for judicial rewrites for this year's budget, or will that be discretionary. Mr. Joswiak stated it is not included in legal's assumptions and this item is being added back in because it is something Desl wants done this year. Mr. Alvarez stated in reading and/or reviewing the Watermaster legal documents, it appears there needs to be some clarity/ease-of-use for all the Watermaster legal documents and this can be obtained through the Restated Judgment. Mr. Alvarez stated he has tasked Scott Slater for a separate cost estimate for that project. Mr. Joswiak continued with the budget presentation. A discussion regarding scanning machines and/or SharePoint type programs ensued. Mr. Joswiak continued with the G&A Assumptions. A discussion regarding the COLA ensued. Mr. Joswiak reviewed the Appropriative Pool comments in detail. Ms. Novak inquired if legal was at the Appropriative Pool meeting and Mr. Joswiak noted that legal was at that meeting. Mr. Joswiak reviewed the next steps. Chair Feenstra inquired about Watermaster's reserve fund. Mr. Joswiak stated Watermaster does have a reserve fund and tries to maintain a six month reserve. Chair Feenstra inquired as to the Agricultural Pool's next steps. Mr. Alvarez stated the importance of having a representative at the next budget workshop to express what was presented here today. It was noted the Agricultural Pool wants their comments added to the comment section of the presentation like the Appropriative Pool's comments were. A discussion regarding dollar amounts to be added to the budget ensued. Chair Feenstra stated he would like to see things going back to the original discussions that took place one or two years ago, in that the work that was asked to be done, more than once, with regard to the plumes be done by testing the wells specified. Mr. Malone offered comment on the discussions regarding the sampling of wells and it was his understanding there was to be split sampling from the ABGL sampling program. A lengthy discussion regarding well testing ensued. Chair Feenstra offered comment on the history of the request for the well sampling and this included some wells that have been capped. Mr. Joswiak acknowledged the direction of the Pool and noted those comments will be added to the presentation for the next go-around.

No action was taken

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Paragraph 31 Appeal

Mr. Alvarez stated this is ongoing litigation and there is one last reply brief that Watermaster needs to submit. A draft of that reply brief has been completed by general counsel and is now being reviewed by a special Appellate Court person and draft comments should be coming forthwith. Mr. Alvarez stated the plaintiffs in this matter approached Watermaster

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with a proposal for resolve; a subcommittee has been appointed by the Watermaster Board to work on this. Mr. Alvarez stated discussions are on-going and all are hopeful this matter will be resolved without further litigation. Mr. Alvarez stated he will keep the parties apprised.

2. Restated Watermaster Judgment

Mr. Alvarez stated there was some discussion regarding this item during the budget presentation. Mr. Alvarez stated this is one of the more important work efforts moving forward and counsel is preparing a detailed budget for this item to be completed in this fiscal year as this is a priority.

3. California Steel Industries (CSI) Request for Assessment Package Correction

Mr. Alvarez stated Watermaster has received a request for a correction to be made to Watermaster records and a copy of the request letter is on the back table. Mr. Alvarez stated this matter is being reviewed by staff.

Added Comment:

Mr. Pierson inquired if he understood correctly, that legal counsel attended the recent Appropriative Pool and Non-Agricultural Pool meetings. Mr. Alvarez stated that was correct. Mr. Pierson inquired as to the reason why legal counsel is not here today. Mr. Alvarez stated given the nature of the reports, it was deemed not necessary for legal counsel to attend today. Mr. Pierson inquired if it was deemed necessary for legal to attend the other meetings and Mr. Alvarez stated that was correct.

B. ENGINEERING REPORT

1. GE Application for Recharge Description and Status

Mr. Malone stated an update has been given on this item in the past; however, there is nothing new to report on for this meeting. Mr. Malone stated he would have more information at the Advisory Committee meeting next week.

2. Summary of HCMP Annual Report

Mr. Malone stated this item is for the annual report for the Chino Basin Maximum Benefit Monitoring Program and it goes out every year. It is sometimes referred to as the Max Benefit Monitoring Program. With this annual report Wildermuth Environmental is looking at the groundwater and surface water hydrology in the southern end of the basin. The Desalter Wellfield is being looked at along with how the pumping there is changing that hydrology with respect to Hydraulic Control. Mr. Malone gave the HCMP Annual Report presentation. Mr. Malone stated the Hydraulic Control Monitoring Program and annual reporting is a commitment that Watermaster and Inland Empire Utilities Agency made to the Regional Water Quality Control Board (RWQCB) and is written in the Basin Plan. The reason why it is a commitment is it was an exchange to Maximum Benefit Groundwater Quality Objectives for the Chino North Management Zone. The Regional Board artificially raised those water quality objectives to create a sum of capacity and allow for all the recycled water recharge and reuse that's occurring in the Chino North Management Zone without mitigation. In exchange for that, the Regional Board wanted this Monitoring Program implemented and an annual report presented on that. Hydraulic Control is the whole concept at the southern end of the basin for the Desalters to lower groundwater levels and limit the amount of rising groundwater outflow that occurs down in the Prado Basin area. A discussion regarding inflow into the Santa Ana River and rising groundwater ensued. Mr. Malone stated he will show some of what is being discussed in some of his maps. Mr. Malone reviewed several maps in detail. A discussion regarding contaminants moving into the Prado Basin ensued. Mr. Malone stated Wildermuth has done some modeling work on how the plumes would progress over time in the future. Mr. Malone continued the review of maps in detail. Mr. Malone stated the reviewers of this report are the Regional Board staff and, specifically, the Orange County Water District. Mr. Malone

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discussed the main conclusions and the recommendations which include eliminating surface monitoring along the Santa Ana River and adding limited monitoring along the Chino Creek. Mr. Malone stated the RWQCB has verbally agreed to the monitoring changes.

Added Comment:

Chair Feenstra noted that Joe LeClaire from Wildermuth Environmental has been asked to give a presentation on Chromium and TCE for the June meeting. Mr. Malone confirmed this presentation will be given and noted he would be in contact with Mr. Feenstra prior to the meeting to obtain clarity on exactly what needs to be presented.

C. CEO/STAFF REPORT

1. Recharge Update

Mr. Alvarez stated the new recharge update is not available; however, it will be available at the upcoming Advisory Committee meeting.

2. MWD Replenishment Rate Water

Mr. Alvarez stated as of May 10, 2011, Metropolitan Water District (MWD) did make available approximately 225,000 acre-feet of replenishment water. Mr. Alvarez stated this provides a tremendous opportunity for Watermaster to acquire water at the cheapest price that is going to be seen in several years. Mr. Alvarez stated Watermaster staff is working with Inland Empire Utilizes Agency (IEUA) regarding financing and staff has conveyed to MWD the reserving of 50,000 acre-feet of the replenishment water to be used in the Chino Basin. The 50,000 acre-feet number was decided upon because that is what was estimated to be put into the ground using our recharge basins. Allocation of that water is conceptual presently by splitting it 50/50 – 25,000 acre-feet purchased by Watermaster by a special assessment and placed into the basin to offset future replenishment needs, and 25,000 acre-feet would be water made available to parties in the basin that want to purchase it. Mr. Alvarez stated Watermaster has received several requests from Watermaster parties to purchase this water for their storage accounts. Mr. Koopman inquired about Watermaster owning property. Mr. Alvarez stated Watermaster would not own the water; this water would be to fulfill replenishment obligations for future requirements.

3. FY 2010/11 Land Use Conversions and Voluntary Agreements

Mr. Alvarez stated there is no report on this item at this time.

Added Comment:

Mr. Koopman stated this is something that has been asked for previously. Mr. Koopman stated this request has to do with recycled water and water transfers to the purveyors. Mr. Koopman offered comment on how this transaction works. Mr. Koopman stated he wants a report every so often showing the purveyor, how much credit they got from the Agricultural Pool, who was the user of that water, and then how much they used. Mr. Alvarez stated he would look into this request. A brief discussion regarding this matter ensued.

IV. INFORMATION

1. Cash Disbursements for April 2011

No comment was made regarding this item.

2. Newspaper Articles

No comment was made regarding this item.

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V. POOL MEMBER COMMENTS

Mr. Vanden Heuvel stated he wanted to bring this item to the Board's attention for further discussion and possible action at the June meeting. Mr. Vanden Heuvel stated the EPA has requirements when terminating an impaired water body, one of which is that the RWQCB develops a total maximum daily load program for various constituents that create the impairment in that water body. The Middle Santa Ana Watershed has been deemed as impaired, and the RWQCB has been developing a TMDL Study and a task force with the interested parties, who have been working on this study. Agricultural has been identified as one of the possible contributors to the bacteria that end up in the Middle Santa Ana Watershed. On behalf of the agricultural operators in the Chino Basin, this Pool has recommended in the past that they represent financially, on behalf of the agricultural operators, on this TMDL Study effort. Mr. Vanden Heuvel stated he would like this brought up at the June meeting under special projects. Mr. Lee stated the Agricultural Pool has made contributions to this effort for the past two years and this would be the third contribution. Mr. Vanden Heuvel stated it would be approximately \$18,000 for this fiscal year.

Ms. Novak offered comments on the lack of parity towards the Agricultural Pool as far as the lack of information given to this board. Ms. Novak noted this Pool has a lot of history and a lot of knowledge and she noted she has attended a variety of meetings and the best questions really do come from this Pool; however, the other Pools have received more information on different subjects than this Pool, which is upsetting. Ms. Novak stated this reflects on fairness and transparency and referenced a legal document dated April 27, 2011 stating that Watermaster does not need a Special Referee and that Watermaster should serve in that role as an extension of the court. Ms. Novak agreed that is how it should be; however, disagrees that is what Watermaster really is and commented on a two recent emails received from Watermaster regarding the consideration of hiring certain consultants. This would be fine on a personal level; however, not as an organization or as an arm of the court. Chair Feenstra stated Ms. Novak has shared her concerns over this matter with the Watermaster general counsel and this will be discussed further in confidential session.

VI. OTHER BUSINESS

No comment was made regarding this item.

The regular open Agricultural Pool meeting was convened to hold its confidential session at 10:51 a.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 12:02 p.m.

Motion provided by Desi Alvarez and Steven G. Lee:

Motion by Pierson second by Koopman, and by unanimous vote

Moved to approve the hiring of a special counsel to represent the Agricultural Pool for purposes of the Restated Judgment

VIII. FUTURE MEETINGS

Thursday, May 5, 2011	1:00 p.m.	Appropriative Pool Meeting @ CBWM
Thursday, May 5, 2011	2:30 p.m.	Non-Agricultural Pool Conference Call Meeting
Thursday, May 12, 2011	9:00 a.m.	Agricultural Pool Meeting @ IEUA
Thursday, May 19, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, May 19, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM

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* Thursday, May 19, 2011	10:30 a.m.	Watermaster 2 nd Budget Workshop @ CBWM
** Tuesday, May 24, 2011	9:00 a.m.	GRCC Meeting @ CBWM or CBWCD (?)
Thursday, May 26, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Friday, July 8, 2011	10:30 a.m.	Watermaster Court Hearing @ Chino Court

* This time slot was originally set for the Land Subsidence Committee Meeting which has now been cancelled and replaced with the Watermaster 2nd Budget Workshop

** It has not been decided if the GRCC meeting will be held at Chino Basin Watermaster or the Chino Basin Conservation District – a notice will go out prior to the meeting

The Agricultural Pool Committee meeting was dismissed by Chair Feenstra at 12:03 p.m.

Secretary: _____

Minutes Approved: June 9, 2011