

**California Avocado Commission
Southern California Agricultural Water Team
Meeting Minutes
Wednesday, April 16, 2008**

Mission: "To ensure that California avocado growers have reliable and affordable water supplies and to preserve and enhance the recognition of the environmental, societal, and economic value of agriculture to South California water agencies so that pricing and reliability of water service to agriculture will reflect those unique and important values."

A meeting of the Southern California Agricultural Water Team (SCAWT), a sub-committee of CAC Industry Affairs, was held on Wednesday, April 16, 2008 at the Pala Mesa Resort in Fallbrook, California, with the following people present:

MEMBERS PRESENT

Kenneth Roth, Chairman
Chuck Bandy
Bob Coleman
Laura Eggering
Len Francis
Randy Haskell
Malcolm Matheson

MEMBERS ABSENT

Don Reeder, ex officio
Charley Wolk

CAC STAFF

Wayne Brydon
Laurie Hill
Guy Witney

OFFICIALLY PRESENT

Michael Hurley,
Malcolm Pirnie (MP)
Ed Means, MP

GUESTS PRESENT

Gary Arant,
Valley Center Water District
Tim Barr, Rancho CA Water District
Rick Carey
Amy Chen,
San Diego County Water Authority
Ben Holtz
Eric Larson, San Diego Farm Bureau
George McManigle
Don Mykkaken, CA Avocado Society
Kay O'Hara
Devon Upadhyay, MWD
Earl Rutz
Bob Siemer, Del Rey Avocado
Chuck Stone,
Valley Center Water District
Brian Thomas, MWD
Gerald Walson
Shiela Walson
Ken Weinberg,
San Diego County Water Authority

CALL TO ORDER

Chairman Roth called the Southern California Agricultural Water Team (SCAWT) meeting to order at 9:00 a.m. and asked that all in attendance introduce themselves. It was determined that a quorum was present.

APPROVAL OF MINUTES

The December 18, 2007 SCAWT Minutes were approved with a motion by Len Francis seconded by Randy Haskell, MSC.

INTRODUCTIONS

Chairman Roth announced Ken Weinberg, Amy Chen, of the San Diego County Water Authority (SDCWA) and Brian Thomas and Deven Upadhyay of the Metropolitan Water District (MWD) will be in attendance after the break for discussions on the future of the Interruptible Agriculture Water Program (IAWP).

Water Supply Update

Michael Hurley (MP) reviewed the current water supply conditions affecting the MWD service area. The summary included water storage levels, demands and projected allocations. Stumping issues were also discussed. Hurley indicated that precipitation conditions in southern California are close to normal, but conditions in the northern California watersheds are slightly below normal. Because of (1) conditions in the State Water Project (SWP) watershed and (2) the impacts of the Wanger court decision, the current SWP allocation is at 35% (MWD's share ≈700 TAF). If these conditions remain, MWD is looking at using ≈700 TAF from its Water Surplus and Drought Management (WSDM) resources portfolio.

MWD Long Range Finance Plan - IAWP Options

Ed Means with Malcolm Pirnie reported that the IAWP is now in its 15th year and noted discounts will be available as long as there is a surplus and that the Water Team is doing its best to preserve great working relations. Means stated that the SDCWA has performed as promised on the grower's behalf – providing surplus water at a discount; and now they are asking the growers to perform.

Mr. Means then briefed the team on MWD's Long Range Finance Plan (LRFP) and, in particular, the LRFP's workgroup's review of the IAWP. The workgroup is scheduled to review the following six options at its meeting on April 17th:

The 6 options under consideration:

Status quo

Consideration of the IAWP under update of integrated resource plan

Elimination of the IAWP

Phase out of the IAWP

Flexible pricing

Contracts

Means highlighted the pros and cons of each option and noted that two MWD Board Committees would be reviewing the options at their May meetings. Means

also reviewed additional hybrid versions options that included conservation efforts combined with flex pricing, and an alternative artificial turf programs to reduce water usage and water runoff as well as additional grower outreach programs. It was mentioned there currently is not an Ag Conservation Program at MWD.

There was a short Break from 11:10 – 11:20 a.m.

CAC tour for MWD Board members

A plan for the next MWD tour was postponed for later.

Discussion of IAWP Options with Metropolitan

Amy Chen and Ken Weinberg; Directors of Resources, for the SDCWA and Brian Thomas; CFO Metropolitan Water District (MWD), and Devon Upadhyay; MWD Budget and Finance Officer were introduced.

They discussed the cutbacks and said the MWD recognized this is a difficult period for the ag community. MWD stated that throughout the life of the IAWP, it was expected that a deal would be a deal between MWD and the growers. Long range plans were discussed.

Supply – long range finance plan.

1. Significant benefits of the program. Buying water from up north will be more expensive than the IAWP sales price. Bottom line is that the growers agreed when going into the IAWP that they would cut back if needed.
2. Program continuity – message of general consensus. Goal is to move discussions of future of IAWP from revenues to future planning. Status quo is no longer tenable. Would like to work through it and recognize benefits and act in good faith.
3. To end a program that has been in place for a long time would be unfair and premature action.

Landscape conservation was discussed. It was reported that the MWD Board just approved a \$2M media campaign to reach the population about water waste! There is a model drought response out in case situation worsens. MWD stated they don't anticipate any more cutbacks for the balance of the year.

The MWD is constantly reviewing the options for the future. It was noted that limited Ag deliveries would still be better than 70 percent cutbacks.

The SCAWT was reminded that MWD is still selling water at a discount today because they are fulfilling their promise of the initial IAWP deal.

It was suggested that a 6 month period is needed to come up with a plan for the future and that there would be a transitional period as well as continued development of a 5 year action plan, which includes steps to be taken at the M&I level.

It was requested that MWD consider the reduction to 7 or 8 % instead of jumping directly to the 15% cut on account of growers suffering an additional financial loss due to the cost of stumping, along with the immediate crop loss.

It was thought that the environmental community objectives might be to help slow urban building – thus the reason for the decisions with the delta smelt issue, which has now grown into a salmon issue along with the delta transfers. It was recognized that additional snowfall is seriously needed for more water supply.

Additional topics of discussion were: agriculture value vs. housing density value, Incentives for conservation use, Conservation Plan outreach, Incentives for home developers to pay for spot-checks on irrigation systems for ag users to reduce demand or possible installation of retrofit irrigation systems.

It was commented that growers felt there was a disconnect at the Government level.

Action item: Take discussion to the Board for direction on future plans.

There was a short break from 1:10-1:15 p.m.

The MWD team was dismissed and the SCAWT had open discussions.

A copy of the SCAWT Presentation, dated April 16, 2008 is attached in its entirety to the permanent copy of these Minutes and identified as EXHIBIT A.

A copy of the MWD Board of Directors Business and Finance Committee handout is attached in its entirety to the permanent copy of these Minutes and identified as EXHIBIT B.

NEXT MEETING

The next SCAWT meeting will be called as needed.

ADJOURNMENT

Chairman Roth adjourned the meeting at 1:25 p.m.

Respectfully submitted,

Laurie Hill, CAC Staff