

Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING

February 22, 2007

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on February 22, 2007 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Ken Jeske, Chair	City of Ontario
Robert DeLoach	Cucamonga Valley Water District
Raul Garibay	City of Pomona
Anthony La	City of Upland
Dave Crosley	City of Chino
J. Arnold Rodriguez	Santa Ana River Water Company
Mark Kinsey	Monte Vista Water District
Mike Maestas	City of Chino Hills
Mike McGraw	Fontana Water Company
Chris Diggs	Fontana Union Water Company
Justin Brokaw	Marygold Mutual Water Company
Charles Moorrees	San Antonio Water Company

Non-Agricultural Pool

Kevin Sage	Vulcan Materials Company (Calmat Division)
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Agricultural Pool

Jeff Pierson	Crops
Bob Feenstra	Dairy

Watermaster Board Members Present

Sandra Rose	Monte Vista Water District
Terry Catlin	Inland Empire Utilities Agency

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Gordon Treweek	Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Marty Zvirbulis	Cucamonga Valley Water District
Bill Kruger	City of Chino Hills
Rich Atwater	Inland Empire Utilities Agency
Tom Love	Inland Empire Utilities Agency
John Anderson	Inland Empire Utilities Agency
Rosemary Hoerning	City of Upland
Rick Hansen	Three Valleys Municipal Water District
Steve Lee	Reid & Hellyer
Tom Crowley	West Valley Water District

Chair Jeske called the Advisory Committee meeting to order at 9:04 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Annual Advisory Committee Meeting held January 25, 2007
2. Minutes of the Advisory Committee Meeting held December 21, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2006
2. Combining Schedule for the Period July 1, 2006 through November 30, 2006
3. Treasurer's Report of Financial Affairs for the Period November 1, 2006 through November 30, 2006
4. Profit & Loss Budget vs. Actual July 2006 through November 2006
5. Cash Disbursements for the month of January 2007
6. Combining Schedule for the Period July 1, 2006 through December 31, 2006
7. Treasurer's Report of Financial Affairs for the Period December 1, 2006 through December 31, 2006
8. Profit & Loss Budget vs. Actual July 2006 through December 2006

C. INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 2006

Independent Auditors' Report from Mayer Hoffman McCann P.C. an Independent CPA firm

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 07-01 - Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy

E. LOCAL AGENCY INVESTMENT FUND

Resolution 07-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

F. NOTICE OF INTENT

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

G. COMMENDATION FOR MR. ROBERT NEUFELD

A Commendation to Recognize Mr. Robert Neufeld for His Dedication of Service with Chino Basin Watermaster

Motion by DeLoach, second by Moorrees, and by unanimous vote

Moved to approve Consent Calendar Items A through G, as presented

II. BUSINESS ITEMS

A. ASSESSMENTS FOR FISCAL YEAR 2006-2007

Mr. Manning stated the Watermaster Assessment Package was held over from a few months ago due to various changes that needed to be incorporated. The Assessment Package that is in the meeting packet has included all known needed changes and is being presented for approval today. Ms. Rojo reviewed the history of the 2006/2007 Assessment Package which is now on revision number four. Ms. Rojo reviewed the Assessment Package Timeline which began on July 15, 2006 when the Water Activity Reports (WAR) was sent out and concluded in February 2007 with the version being presented today. Ms. Rojo compared the 2005/2006 assessments with the 2006/2007 assessments which resulted in a net increase to all assessments. Ms. Rojo stated Watermaster Administrative Assessments are equal to \$6.23/af, OBMP/Special Projects assessments are equal to

\$34.49/af, and there is a 2% loss being charged on the beginning storage balances. Ms. Rojo stated additional costs will include, Agricultural Pool reallocation, replenishment assessments, 85/15 charges for replenishment and water transactions, the Pomona credit, and recharge debt service. Ms. Rojo acknowledged the recommendations for future assessment packages would be to modify the collection process, to shorten the WAR/Assessment timeframe, and to ensure WAR accuracy. Mr. Kinsey inquired as to when Chino Basin Watermaster will run into a cash flow shortage. Ms. Rojo stated it depends on water replenishment costs; from a cash standpoint, we normally have cash on hand that could carry us through several months because we were under expended in some of the project categories from the previous fiscal year. Mr. Kinsey offered comment on splitting Assessment payments as was done this past year. A discussion ensued with regard to this matter. Chair Jeske noted that it sounded like there were many questions regarding moving forward both with the Assessment Package and Budget packages and possibly a sub-committee needs to be put into place to allow for further and more in depth analyses. A discussion ensued regarding replenishment and replenishment costs. Mr. DeLoach noted a budget review committee clearly needs to be formed and the Committee Members agreed. Mr. DeLoach made the motion to approve the presented Assessment Package and to form a sub-committee and Mr. Kinsey asked that this be broken down into two separate motions.

Motion by DeLoach, second by Garibay, and by majority vote – one no vote from Monte Vista Water District

Moved to approve the Assessments for Fiscal Year 2006-2007, as presented

Motion by DeLoach, second by Kinsey, and by unanimous vote

Moved to approve forming a budget review sub-committee from the Advisory Committee Members to work with Chino Basin Watermaster staff, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application

Counsel Fife stated staff and counsel went to Sacramento on January 17, 2007 and at that time we met with State Board staff, who are addressing our application, including the head of the hearings unit. A presentation regarding the Chino Basin was presented to them and when they were asked for feedback the State Board staff declined because they stated they were ready to issue a notice on our hearing to us. A hearing date has now been noticed and scheduled for May 2, 3, and 4, 2007 with a pre-hearing status conference scheduled for April 5, 2007. All notices of intent to appear are due by March 21, 2007. All materials such as witness lists, exhibits, etc. need to be submitted to the State Board by April 16, 2007. Watermaster counsel and staff are going to be busy over the next few months preparing for this case. There will be a confidential session today after the Watermaster Board meeting to discuss our hearing strategy. Counsel Fife noted that all parties interested in this case are welcome to attend the confidential session today.

Added Comments:

Counsel Fife stated we have received a letter from the Regional Water Quality Control Board asking us to give them an update on where we are in complying with the Basin Plan Amendments; particularly our progress towards Hydraulic Control and toward the planning of the third desalter. The Regional Board gave us a much shorter schedule than the court did so we need to have a report to the Regional Board by March 16, 2007 which does not give us much time.

Counsel Fife stated we have also received an order from the court. The court has set a hearing for May 24, 2007 to hear about the schedules for the Peace II Process, the desalters, MZ1 subsidence issues, and for anything else going on that is relevant on the

calendar. On page four of the court order it describes the briefing schedule; we are to file a report to the court by March 31, 2007 which will give the parties enough time and opportunity to respond.

Counsel Fife stated there is a letter from Baker, Manock & Jensen who represents CCG Ontario. They are considering entering into a transfer of all their water rights to an entity that is not currently a party to the Judgment and as we understand it, does not own any land in the Chino Basin. They wrote us a letter and asked us to respond to a list of questions about this transfer and we will be doing that; however, there is not a time schedule as to when that response will be completed. Counsel Fife stated that because this is an unusual transaction, in that these rights are going to somebody who is not currently a party to the Judgment, they will need to intervene but more importantly they don't own any land in the Chino Basin and these are overlying rights. They wanted to daylight this to all the parties so that if there are concerns they could be transmitted and articulated. Counsel will keep the parties informed and if there are any questions or comments please let counsel or staff know.

2. Peace II Process

Counsel Fife stated we still do not have the Scalmanini Report which was to be delivered to us today. In a recent conversation with the Special Referee, we are now anticipating the report to come into us in mid-March. A discussion regarding this late report and how it might be affecting our upcoming court dates and deadlines. Counsel Fife stated he will hand out the very first draft of the new gant chart referencing all the newly submitted dates except for the Scalmanini report. Please give us feedback on this rough draft after you have had time to digest it; this will be discussed in greater detail at the next Appropriative Pool meeting which is still before the March 16, 2007 deadline.

B. FINANCIAL REPORT

1. Budget Update for fiscal 2007/2008

No comment was made regarding this item.

C. CEO/STAFF REPORT

Added Comment:

Mr. Manning noted he has heard within the last couple of days some good news regarding Fontana Water Company and the City of Fontana. It appears that Inland Empire Utilities Agency is working with the City of Fontana on a plan for shared resources in the area of recycled water. This is very encouraging news that these discussions have begun.

1. Upland Basin Funding Assistance

Mr. Manning stated the City of Upland is in the process of approving the improvements for the Upland Basin for flood control needs and for conservation purposes. The City of Upland does have a \$5M dollar grant and originally the City of Upland had put together a set of plans for the improvements at the Upland Basin; however, there were improvements that Watermaster's staff wanted to see included within those plans. Staff has asked for an additional bid for what our staff thinks would significantly improve the amount of conservation within the basins; the City of Upland has agreed and is putting together an alternate bid package. Watermaster has an agreement with the Chino Basin Conservation District and Inland Empire Utilities Agency to sit down with them regarding cost sharing after the alternate bid is accepted for the improvements to be shared one third by each party. Mr. Manning stated the Upland and College Heights Basins, together, equal 25% of our percolation within the basin. We are very interested in those basins performing as well as they possibly can.

2. Legislative Update

Mr. Manning stated last week ACWA held their annual conference in Washington DC. Mr. Manning stated that Washington DC is a very interesting place to be at right now and noted he had a chance while attending that conference to meet with several of the members of congress who represent California. Jerry McNerney, who is a new freshman member of congress, seemed extremely enthusiastic and optimistic that he will make great changes in congress as a freshman. Meetings were held with John Doolittle and Grace Napolitano, who is the new chairperson of the Water and Power sub-committee. Kevin McCarthy, who is another freshman who spoke, seems to be a real up and comer in congress. George Radanovich did not show up as scheduled. Ellen Tauscher, Hilda Solis, and Jim Costa were there and Mr. Manning was able to speak with them briefly. In general, the picture in Washington is there are twenty members of the Senate who will be running for President; ten Republicans and ten Democrats and all are worried about what they say today may affect their platform next year. We are going to have to be very diligent in making sure our bills are heard in the Senate. The WORDA bill does appear to have some life and it will possibly go through. The farm bill is up this year and also appears to be going through. Mr. Feenstra offered comment on Agricultural legislation matters happening now in Washington with regard to the farm bill. Mr. Manning stated the ACWA Sacramento conference will take place on March 22, 2007 and as always, it should be a very informative conference.

3. Recharge Update

No comment was made regarding this item.

E. INLAND EMPIRE UTILITIES AGENCY

1. Monthly Water Conservation Programs Report

No comment was made regarding this item.

2. Monthly Imported Water Deliveries Report

No comment was made regarding this item.

3. State and Federal Legislative Report

No comment was made regarding this item.

4. Community Outreach/Public Relations Report

No comment was made regarding this item.

5. Recycled Water Update

Mr. Love stated recycled water can be used for a number of applications including irrigation, industrial processes, groundwater recharge, and environmental enhancement. The goal of Inland Empire Utilities Agency (IEUA) is to achieve maximum reuse of all available recycled water. Mr. Love reviewed the Regional Recycled Water Program Summary and the Current Project Funding Summary in detail. A map of the design and construction was reviewed and discussed. Mr. Love noted the construction schedule for completion dates for the SACP – A is March 2007, SACP – B is spring of 2008, 7th and 8th Street is May 2008, RP-1 south zone PS is June 2007, and RP-4 reservoirs PS is October 2007. Mr. Love stated customer development is progressing in several areas. A review of the Recycled Water Deliveries from 2002 through 2008 was reviewed. The current operations along with Recycled Water Activities/Issues was reviewed and discussed. A discussion regarding storage needs for the future ensued.

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

Mr. Rossi commented on the Seven Oaks issue with regard to Western Municipal Water District and San Bernardino Valley Municipal Water District who are looking for a right of 27,000 acre-feet per year on an annual average with a peak of 200,000 acre-feet; this is a very

significant future potential water supply. Mr. Rossi stated Western has spent a lot of time over the last year or so when the Regional Board proposed a WDR for the control of imported water for recharge in the Santa Ana region; not as impactful on this basin because of the Chino Basin's progressive Maximum Benefit Basin Plan Amendment, but has potential impact on other rechargers and wholesale agencies in the Santa Ana region. Mr. Rossi stated Metropolitan Water District (MWD) water rates are on the forefront of a lot of peoples' minds and that the MWD board moved forward this month on rate changes that will take place January 2008 rates. They also applied the full incremental increase to the replenishment rate which is not a good trend for water agencies. Meetings and discussions with the City of Ontario regarding the desalter has been taking place in an effort not to lose the \$5M dollar grant which expires in September of 2008.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

Mr. Manning noted Mr. Wildermuth will be giving an updated report on the modeling report at the upcoming Watermaster Board meeting today and all parties who are interested in this issue should stay to hear the report.

VII. FUTURE MEETINGS

February 22, 2007	9:00 a.m.	Advisory Committee Meeting
February 22, 2007	11:00 a.m.	Watermaster Board Meeting
February 27, 2007	9:00 a.m.	GRCC Meeting
March 8, 2007	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
March 19, 2007	1:00 p.m.	AGWA Meeting @ CBWM
March 20, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 22, 2007	9:00 a.m.	Advisory Committee Meeting
March 22, 2007	11:00 a.m.	Watermaster Board Meeting
March 27, 2007	9:00 a.m.	GRCC Meeting

The Advisory Committee Meeting was adjourned at 10:04 a.m.

Secretary: _____

Minutes Approved: March 22, 2007