

Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING
May 16, 2006

The Agricultural Pool Meeting was held at the offices of the Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on May 16, 2006 at 9:00 a.m.

Agricultural Pool Members Present

Nathan deBoom, Chair	Dairy
Glen Durrington	Crops
John Huitsing	Dairy
Bob Feenstra	Dairy
Pete Hettinga	Dairy
Nathan Mackamul	State of California CIW

Watermaster Board Member Present

Geoffrey Vanden Heuvel	Crops
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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
Andy Malone	Wildermuth Environmental Inc.

Others Present

Steve Lee	Reid & Hellyer
John Dickson	State of California CIW
Monica Trujillo	State of California CIW

Chair deBoom called the meeting to order at 9:10 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 Agricultural Pool Meeting held April 18, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of April 2006
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through March 31, 2006
3. Treasurer's Report of Financial Affairs for the Period March 1, 2006 through March 31, 2006
4. Profit & Loss Budget vs. Actual July through March 2006

C. WATER TRANSACTION

1. **Consider Approval for Transaction of Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from The Nicholson Trust water in storage in the amount of 0.623 acre-feet and annual production rights in the amount of 8.000 acre-feet. Date of application: April 14, 2006
2. **Consider Approval for Transaction of Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from West Valley Water District water in storage in the amount of 2,000 acre-feet. Date of application: April 7, 2006

Motion by Feenstra, second by Durrington, and by unanimous vote

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

II. BUSINESS ITEMS**A. WATERMASTER BUDGET FOR FISCAL YEAR 2006/2007**

Ms. Rojo stated the recent budget workshop was very well attended. Ms. Rojo presented the 2006/2007 budget and reviewed the budget highlights which included administration expenses increases. It was noted the administration area included a 4.7% Cola increase and a proposed increase in the medical insurance cap for employees. A question regarding the figures for the administration increases was presented. Ms. Rojo stated the Cola figure was based on CPI. Mr. Manning stated the Personnel Committee has reviewed the health benefit issue, and in examining other water agency health insurance benefits Chino Basin Watermaster's benefits are under what other agencies offer and what we are asking for is placing us to the medium of those other agencies over a two year period. The Personnel Committee is still working on this evaluation which is due to the Watermaster Board in June. Ms. Rojo stated staff is anticipating increases in all cost areas, however, in the area of the OBMP this figure will be increasing by approximately \$600,000 due to the undertaking of the CEQA process as a result of the Peace II negotiations/process. The State of the Basin Report will need to be rewritten and a separate line item has been added to track the cost of this particular item. A question regarding the cost for CEQA was presented. Ms. Rojo stated the CEQA process is approximately \$500,000 in itself and Mr. Manning stated some of the cost will go to special consultants to perform this type of work. A discussion ensued with regard to the cost increase on the CEQA item. Ms. Rojo reviewed the OBMP Implementation projects which have an anticipated increase in the areas of groundwater quality monitoring, recharge O&M, recharge debt service, and recharge master plan. Each of the special project increase items were discussed in detail. Ms. Rojo reviewed the special projects that will decrease which are ground level monitoring, MZ1, and meter installation and maintenance. A brief discussion ensued with regard to the 2006/2007 budget presentation.

Motion by Feenstra, second by Durrington, and by unanimous vote

Moved to approve the Watermaster Budget for fiscal year 2006/2007, as presented

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Peace II Process**

Counsel Fife invited Mr. Vanden Heuvel, who asked prior to the meeting if he could present this item to the committee members, to offer his comment on the recent Peace II meeting. Mr. Vanden Heuvel handed out his comments regarding the New Peace II term sheet which came to conclusion on May 15, 2006. Mr. Vanden Heuvel stated the first version of Peace II came out in November of 2005. Strong objections to that document were raised primarily because of the magnitude of the mining of water that was called for. The original Peace II term sheet proposed the un-replenished extraction of 600,000 acre-feet of water from the Chin Basin. Mr. Vanden Heuvel stated over the past five months extensive

discussions have taken place and eventually the facilitator produced a revised Peace II, which has now been substantially agreed to by the parties including himself. Mr. Vanden Heuvel stated what the new Peace II deal does is limit mining to only what is necessary for the basin to obtain Hydraulic Control, noting Mark Wildermuth's scientific estimation is that this will require 400,000 acre-feet of mining. This number must be verified and endorsed by Joe Scalmanini, the special referee's technical assistant before it can be adopted. Mr. Vanden Heuvel stated the 400,000 acre-feet is to be used for desalter replenishment, but only if the new wells for desalter expansion, which is mandated by this deal, are located in the southern part of the Chino Basin where Hydraulic Control can most efficiently be obtained and maintained. It was noted the other deal improvements include: The overlying Non-Ag Pool deal is slimmed down, a requirement to use reclaimed water is put in, a pool of money is created to be used to help compensate disproportionate appropriator benefits from reclaimed water, and the Appropriators agree on a division of responsibility for payment of desalter replenishment obligations. Mr. Vanden Heuvel stated he is on board with what was presented and accepted at the May 15, 2006 Attorney-Manager meeting and is ready to support this item at the Watermaster Board level. It was noted this item will be on the Board agenda for this month for approval to forward this item through the Watermaster process in June.

Added Comment:

Mr. Vanden Heuvel added comment regarding the MZ1 Summary Report which was not approved at the April Board meeting due to the noted concerns of Chino Hills. Mr. Vanden Heuvel stated it was decided at the April Board meeting that Chair Willis would address this issue with Chino Hills personally to attempt to understand their concerns in signing off on this technical report. Counsel Fife stated Mr. Willis has indeed met with representatives of Chino Hills, however, has not discussed with him the outcome of that meeting. Counsel Fife also confirmed Mr. Manning has reached out to encourage Chino Hills to meet with Chino Basin Watermaster's staff to open up to what their needs are.

2. Santa Ana River Application

Counsel Fife stated Orange County Water District (OCWD) has issued a PEIR and Watermaster is going to provide comment on that. Between now and the time we comment on their PEIR, there is a piece legislation SB 1795 that is being sponsored by Stockton East Water District concerning applications to the State Board for water rights for diversion of surface streams for recharge into a groundwater basin, which is Chino Basin's situation. There have been some modifications to language that Watermaster wanted to make which would make it clearer and more applicable to our situation. Counsel Fife stated Mr. Manning did a great job of working those modifications into the language. Counsels understanding from the meeting at ACWA last week is those modifications are being incorporated into the bill, although, the State Board is opposed to this bill. The bill is essentially designed to resolve some problems with how the State Board processes applications for diversion of surface streams for recharge into a groundwater basin. At the ACWA Legal Affairs Committee Meeting last week, there was a suggestion from the attorney representing Stockton East that the bill was fading fast based on the State Board opposition. OCWD EIR is out; however, no report has come out of Western Municipal Water District.

3. Boardsmanship Workshop Update

Counsel Fife stated after the April Board meeting, Chino Basin Watermaster held a workshop. This is a workshop that staff wants to offer on a yearly basis to hold in January when the new board members come on. This was a largely attended workshop and went very well. There were handouts/materials at that workshop which are available upon request. Mr. Manning stated this was an academic approach to the board's responsibilities as opposed to what their responsibilities might be in their board positions they hold; the roles are slightly different. Mr. Manning stated that Counsel Slater and Counsel Fife did an

outstanding job of providing the information to the members and it was well received at the workshop. Staff will take what was taught and discussed at this workshop and turn that into some sort of curriculum that we will use every other year and then in the off year staff will put together a course that would extend that information into a slightly more technical approach to the basin.

B. WATERMASTER ENGINEERING CONSULTANT REPORT

1. Summary of WEI April 2006 Report Regarding Hydraulic Control, Desalters and New Yield

Mr. Malone noted Mr. Wildermuth, who could not attend today's meeting, will be giving this presentation in greater detail at the Appropriative and Non-Agricultural Pool meeting this Thursday and will keep the door open if this committee wants to have him present the more detailed report at a later Agricultural Pool meeting. Mr. Malone stated what Mark has done for the Peace II process is to generate a report on Hydraulic Control which addressed a lot of the questions that came out of the November Attorney-Manager Workshop. Mr. Malone reviewed the map which showed the basin conditions in 1905; before a lot of groundwater pumping occurred and then reviewed the same map for 2000, showing drawdown. Mr. Malone stated all of the pumping that has occurred since 1905 has reduced the groundwater levels, and reduced the groundwater that has been rising to become surface water flowing out of the basin. With all this water level drawdown we have increased the yield of the basin significantly by reducing the entire groundwater outflow as surface water. The concept of hydraulic control and the intent in the OBMP was to maintain basin yield by constructing the desalter well field and keeping water levels suppressed in the southern end of the basin. This concept was incorporated into the Maximum Benefit commitments that Chino Basin Watermaster (CBWM) and Inland Empire Utilities Agency (IEUA) presented to the Regional Board in the most recent Basin Plan Update. The concept of hydraulic control has evolved into was to actually create a barrier for any water that is recharged up in the northern part of the basin to cut that recharge off from flowing into the southern end of the basin and causing rising water there. Hydraulic Control means that CBWM and IEUA are committing to isolating the Chino Basin from any downstream impacts, in exchange; we received Maximum Benefit Water Quality Objectives. Those objectives were raised artificially to allow for things like recycled water recharge. We have a monitoring program that the Regional Board can evaluate and shows that we are isolating the basin. A report was just released to the Regional Board which will become an annual report on the Hydraulic Control Monitoring Program. Mr. Malone reviewed a slide which shows we have achieved a good deal of hydraulic control. Mr. Malone stated there are three elements to the monitoring program; one element looks at water levels, the second element looks at various water qualities, and the third element is groundwater modeling to verify we are creating the barrier. Several other well location maps were reviewed and discussed. A question regarding the maps showing plumes was presented. Mr. Manning stated the third dimension that is referred to in Peace II and in Hydraulic Control is an outgrowth of the two airport plums of contamination. Mr. Malone stated if the committee members did not want to read the entire large binder regarding Hydraulic Control he suggested reading section six titled Conclusions which will provide great detail on Hydraulic Control in summary formation. A discussion regarding the shown plumes ensued.
2. Proposed Waste Discharge Requirements (WDR) for Recharge of Imported Water

Counsel Fife stated this item is part of the Basin Plan Amendment process, the Regional Board has been issuing various permits and this is one of the final pieces of the whole Basin Plan Amendment process. There is a copy of the proposed WDR in the meeting packet starting on page 63. In summarizing the permit, it indicates that anyone who wants recharge imported water, if they are doing it in a basin that is governed by the Maximum Benefit Standards, they need an acknowledgement from the Maximum Benefit entities that the recharge is consistent with what the Maximum Benefit entities are doing. Counsel Fife noted that Jerry Thibeault recently stated, "The Maximum Benefit people have bought assimilative capacity and if anyone else wants to use that assimilative capacity, they need

to get permission from the people who bought it". Counsel Fife stated that by issuing the permit what the Regional Board is attempting to regulate the recharge of imported state project water which is no commonly liked by other parties. Mr. Manning offered comment regarding the adoption of this permit. A brief discussion ensued with regard to the Regional Board.

C. CEO/STAFF REPORT

1. Water Quality Update

Mr. Treweek stated the Water Quality Committee over the last year has concentrated on three major plumes and each of those plumes is in a different phase of the remediation process. The first plume is from the Ontario International Airport which is in the remedial investigation phase because the process is just getting started. A second meeting with the potential responsible parties (PRPs) had taken place and at that meeting staff tried to establish a cooperative relationship with them. Staff hoped the PRPs recognized that one or more of them were the cause of this plume and that they would look at the expansion of the desalter well field and the desalters as a logical remedial action to which they would be willing to contribute to. The PRPs have banded together and hired Tetra Tech to review data and compile findings. The second plume is from the Chino Airport which has been discussed at these meetings before and this undertaking is in the feasibility study phase. In the last two years the PRPs have also hired Tetra Tech to do an investigation and have put in nine wells on the airport; these are shallow wells and have identified the plume on the airport property. They have linked that find to two possible sources at the airport where they did renovations of aircrafts. Staff has met with this group with the idea of seeing the desalter expansion as an additional opportunity to remediate the plume and at the same time recover more water and put that water to better beneficial use. It was noted the Regional Board has participated in all these discussions and are very supportive of this process. The third and final plume is the GE Flat Iron plume, it is in the remedial action phase and has been that way for over a decade now. They have a two step process of doing air stripping to remove TCE and then they also have ION exchange which is used to remove chromate. Their water, after treatment, meets all the maximum containment levels and would be acceptable as drinking water. GE does not want to introduce their water into the drinking water system; they have discharged that water into the Ely Basins. Watermaster staff has explained to GE that we need those basins for storm water and for recycled water and we would like to faze them out of the use of them. The GE permits came up for renewal (one with the Water Conservation District and one with the Flood Control District), we have asked the Flood Control District to extend their permit year-by-year to ensure GE made sequential progress in getting out of the Ely Basins. The Flood Control District decided to extend their permit through 2011. Last month GE met with the Flood Control District and all the interested parties and pointed out they have performed a feasibility study, in which they have identified additional basins that they may purchase and recharge into. They are also looking at Aquifer Storage and Recovery well installation and also have looked into recycling water into the recycled water distribution system. A discussion ensued with regard to the PRPs actions and decisions for clean up.

2. Strategic Planning Committee Update

Mr. Manning stated an open (all invited) conference is planned by the Strategic Planning Committee which Chair deBoom sits on for October 1, 2, and 3, in Indian Wells at the Grand Champions Hyatt Hotel. The event will be kicked off on Sunday with workshops held all day Monday, October 2, and then Tuesday, October 3, will be a half day session. We will be working on issues dealing with expansion of our recharge facilities based upon the Urban Water Management Plans that were submitted and how we are going to meet and pay for those. There is the strategic planning we are going to be doing in many other areas as well.

3. Personnel Committee Update

Mr. Manning stated part of this item was covered under the budget presentation. The second part is there is still the CEO evaluation going on through the Personnel Committee; they are still meeting on this item. Mr. Manning noted Watermaster does have a new consultant this year by the name of Mathis and Associates who deal with cities and water districts around the country on issues dealing with personnel and recruitment. Mathis and Associates is currently working with the Personnel Committee on both the surveys that were needed for the health issues and on the personal evaluation. A question was asked regarding a personnel consultant and Mr. Manning stated a third party is often needed on investigating issues and on their stamp of approval.

4. GAMA Presentation by Robert Kent, California Water Science Center

Mr. Manning stated this item is a reminder that Mr. Robert Kent from the USGS California Water Science Center will be giving a presentation at the Appropriative and Non-Agricultural Pool meeting this Thursday on the GAMA program. This is a program where USGS does sampling of wells around the basins and then provides their information to the State Water Resources Control Board. This is a program that Watermaster has some hesitation as to how it is going to be performed and staff will be asking lots of questions at their presentation.

5. Storm Water/Recharge Update

Mr. Manning stated Andy Campbell from IEUA who puts these numbers together for our update is on vacation; however, staff feels we are on target for our 50,000 acre-feet with our storm water recharge numbers. A brief discussion ensued with regard to the Santa Ana River.

6. Inland Empire Public Affairs Network (IEPAN) Update

Mr. Manning stated the flyer for this event is in the meeting packet on page 93. Jerry Silva with Southern California Edison and Mr. Manning are involved with setting up this event. This is a public affairs network that is involved with trying to bring speakers who are policy makers both in the State of California and the federal government to the policy decision people within the Inland Empire and allow them to speak directly to each other. Our first luncheon is Friday, June 2, with the guest speaker being Fred Aguiar; he is going to be talking about the state of California and the governor's proposals. We will be doing quarterly luncheons and our next speaker for September is Gary Miller. We are trying to bring into the basin on a regular basis those people who are helping make policy and set policy within this country and state.

7. Legislative/Bond Update

Mr. Manning stated there is a bond going on the ballot in November which does not include water, there is a flood control component in it; this bill is basically transportation, education, flood, and a small amount of housing. There will be the Caves Initiative coming up shortly and a number of water agencies will take an opposition approach to the Caves Initiative. It is another one of those initiatives that is using the credibility of the water industry and scare tactics to talk people into using voting for funds to go to environmental issues. This will also provide more land for conservation purposes and will be more of an environmental plan than a water plan and it is not a water quality initiative. Mr. Manning stated this can possibly dig into our ability to go after "real" water bonds in the future.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

May 16, 2006	9:00 a.m.	Agricultural Pool Meeting @ IEUA
May 18, 2006	9:00 a.m.	MZ1 Technical Committee Meeting
May 18, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
May 23, 2006	9:00 a.m.	GRCC Committee Meeting
May 25, 2006	9:00 a.m.	Advisory Committee Meeting
May 25, 2006	11:00 a.m.	Watermaster Board Meeting

The Agricultural Pool Meeting Adjourned at 10:55 a.m.

Secretary: _____

Minutes Approved: June 20, 2006