

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
March 9, 2006

The Joint Appropriative and Non-Agricultural Pool Meeting were held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on March 9, 2006 at 9:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Robert DeLoach, Chair	Cucamonga Valley Water District
Raul Garibay	City of Pomona
Dave Crosley	City of Chino
Ken Jeske	City of Ontario
Charles Moorrees	San Antonio Water Company
Rosemary Hoerning	City of Upland
Frank LoGuidice	Fontana Water Company
Mark Kinsey	Monte Vista Water District
J. Arnold Rodriguez	Santa Ana River Water Company
Gerald J. Black	Fontana Union Water Company
Mike Maestas	City of Chino Hills

NON-AGRICULTURAL POOL MEMBERS PRESENT

Justin Scott-Coe	Vulcan Materials Company (Calmat Division)
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WATERMASTER BOARD MEMBERS PRESENT

Ken Willis	West End Consolidated Water Company
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Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Danielle Maurizio	Senior Engineer
Gordon Treweek	Project Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.
Andy Malone	Wildermuth Environmental Inc.

Others Present

Bill Kruger	City of Chino Hills
Craig Stewart	Geomatrix
Robert Tock	Monte Vista Water District
Ashok K. Dhingra	City of Pomona

Chair DeLoach called the 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 Joint Appropriative and Non-Agricultural Pool Meeting held February 9, 2006

B. FINANCIAL REPORTS

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

*Motion by Black, second by Jeske, and by unanimous vote – non-Ag concurred
Moved to approve Consent Calendar Items A through B, as presented*

II. BUSINESS ITEMS**A. CONTRACT FOR DRILLING AND CONSTRUCTION OF A NESTED PIEZOMETER**

Mr. Manning stated the presented contract is for replacements on the nested piezometers at Ayala Park. Mr. Malone stated a nested set of piezometers needs to be drilled and constructed to replace a malfunctioning set of piezometers that are used for monitoring and management of subsidence in MZ1. It was noted that through a competitive bidding process, Layne Christensen Company of Fontana has been selected as the drilling contractor, and pending approval of Watermaster, is ready to sign the contract and begin work. Mr. Malone stated that accurate, depth-specific water level data is necessary to effectively monitor and manage land subsidence in the southern portion of MZ1. A nested set of piezometers located at Ayala Park in Chino were designed to monitor water levels in the deep portions of the aquifer system. These piezometers have periodically malfunctioned, and needed to be replaced; this was a consensus decision of the MZ1 Technical Committee. In reviewing requirements it was decided that the piezometer replacement process will include the drilling of a 1,200 foot borehole, the construction of two, 4-inch, stainless steel piezometers, and a well-head completion within an underground vault. Mr. Malone stated that the park property that is impacted during the drilling and construction process will be restored to pre-project conditions to the satisfaction of the City of Chino. It was noted that Layne Christensen was the drilling contractor for the extensometer facility at Ayala Park in 2003, the monitoring wells that were constructed in the southern Chino Basin to support the Hydraulic Control Monitoring Program in 2005, and the recently completed monitoring wells that percolate recycled water in Chino Basin. Mr. Malone stated Watermaster staff and legal counsel has reviewed and approved the contract, all supporting documents and construction specifications. A lengthy discussion ensued with regard to the other companies who bid on the contract and that led to several questions and answers being presented to the parties. Chair DeLoach noted that staff is recommending the approval of this contract to be forwarded to the Advisory Committee and the Watermaster Board.

*Motion by Crosley, second by Garibay, and by unanimous vote – non-Ag concurred
Moved to approve the Layne Christensen Company contract for drilling and construction of a nested piezometer at Ayala Park in Chino, as presented*

B. MZ1 SUMMARY REPORT

Mr. Manning stated the Optimum Basin Management Plan (OBMP) called for this aquifer system investigation of the suspected pumping induced land subsidence and ground fissuring which occurred in the southern end of the basin. Mr. Manning stated that along with the OBMP and pursuant to the Special Referee's report dated June 16, 2005, Watermaster staff prepared a report titled, "Management Zone 1 Interim Monitoring Program, MZ1 Summary Report". There is a copy of the summary report in the packet, however, since it is not in color it loses some resolution; the full color report is available on the Wildermuth Environmental web site. Mr. Manning noted this MZ1 report presents a summary of all the data collected as part of the MZ1 monitoring program (through September 2005) and the conclusions reached from the analysis of the monitoring data. The report also includes MZ1 Guidance Criteria, which are

recommended groundwater management criteria for the management of subsidence in the southern part of MZ1 in Chino. The guidance criteria will be the basis of the long-term subsidence management plan. Mr. Malone gave the presentation titled, "Special Referee's Report on MZ1 Progress" and noted the recommendations from that report were to prepare a summary report on MZ1 technical work, issue "guidance criteria" to MZ1 producers, develop a schedule to complete the long-term plan, and to expand monitoring to the central portions of the MZ1 area on an as-needed basis. Mr. Malone stated the MZ1 guidance criteria will consist of, "guidance" water levels. Counsel Fife stated the motion would be to approve this report; we are issuing this as a Watermaster report about subsidence and then the guidance criteria is to put the parties on notice that Watermaster has made these findings concerning subsidence in the MZ1 area and is recommending that parties do not produce water in a way that would cause further subsidence. Questions were presented regarding pumping tests and drawing water levels down. A discussion ensued with regard to subsidence in MZ1. Mr. Manning noted that staff is looking at additional ways to satisfy Chino Hills need for water, although, that issue is being kept separate from the MZ1 discussions. Counsel Fife stated there are two processes going on in this item; there are the guidance criteria, which are what is being presented to this pool today; the other item is the question of the long-term plan which needs to be developed. The MZ1 Technical Committee is currently working on the long-term plan and has committed to having that done by June of 2006. The guidance criteria advises the parties of the technical data that has been collected and advises them they should voluntarily alter their production patterns if they are going to cause water levels to go below the stated guidance level. The long-term plan is not currently including things like continuation of the forbearance program etc. that would provide financial assistance to various parties to help it comply with the guidance criteria. The financial issue was brought up at the MZ1 Technical Committee meeting this morning and it was the Technical Committee's view that issues regarding financial assistance to parties are not an issue for the Technical Committee to resolve; this is an Appropriative Pool topic to consider whether those elements should be a part of the long-term plan or not. It was noted at the MZ1 meeting this subject will be brought up at this pool meeting, as an introduction to discuss this item further. Mr. Jeske inquired into the costs of this project and how they will be funded. Mr. Manning stated he strongly feels there is a project out there that has mutual benefits for everybody in this case and that Chino Hills might be interested in helping us pursue it; a meeting with Chino Hills is being scheduled in the near future. Mr. Manning stated the guidance criteria which are outlined today is prudent and in accordance with what the court has asked us to do. A discussion ensued with regard to the overall approval of the guidance criteria. Mr. Maestas offered comment on the presented guidance criteria and noted that Chino Hills is not in a position presently to approve what is being presented today. Counsel Fife stated the summary report and the guidance criteria are only to report technical information that has been collected over the past three years; it is not intended to be the management plan or to indicate how we are going to go forward managing subsidence based on the technical knowledge we have collected. Counsel Fife stated the concerns that were raised at today's meeting, as valid as they may be; apply to the long-term plan and not to the summary report or the guidance criteria. Mr. Manning offered comment on adopting the guidance criteria and noted meetings with Chino Hills are in the works. Mr. Crosley stated that the City of Chino has participated in all MZ1 Technical Committee meetings and discussions and that it is fully understood that the MZ1 summary report is a summarization of the technical data that has been gathered by Watermaster and evaluated. The City of Chino also understands that the guidance criteria is a summarization of the kinds of activities that should be taken under consideration by water producing parties in this affected area; it is understood there are unresolved issues regarding financial assistance. The City of Chino reviews these documents as purely technical information. Mr. Jeske inquired into the ramifications of putting this item off for one month for review and development. Mr. Manning stated that it is staff's opinion that if a motion to move forward was put off for one month would be no harm to the MZ1 area; the concern would be that discussions need to begin quickly on the long-term plan. A discussion ensued with regard to the MZ1 Technical Committee reviewing any new or revised guidance criteria prior to it being brought back through the Watermaster process.

Motion by Crosley, second by Black, and by unanimous vote – non-Ag concurred
Motion to table a motion until this item is brought back at the April 2006 meeting, as discussed

C. IEUA/DWR GRANT FUNDING AGREEMENT

Mr. Manning stated in January 2005, Inland Empire Utilities Agency (IEUA) received a grant of \$15,500,000 from the Department of Water Resources (DWR) through the Proposition 13 Groundwater Recharge and Storage Programs. Mr. Manning noted that the purpose of this grant was to fund IEUA's Chino Basin Conjunctive Use Expansion Program. The total project cost for this program was estimated to be \$39,026,300, with the local share being funded through IEUA's Water and Sewer Rate revenue and a combination of various State and Federal funds. Mr. Manning stated in 2002, a separate grant of Proposition 13 money was given to IEUA that was used to fund implementation of Watermaster's Recharge Master Plan. That project involved a total cost of approximately \$40 million. One half of this project cost was paid through grant funds, and the one-half local share was split evenly between IEUA and Watermaster. Through the initial implementation of the Recharge Master Plan, most, but not all, of the identified recharge basin improvements were constructed; the available funding fell short of being able to fund all of the identified improvements. Mr. Manning noted that additional improvement work was identified as necessary over the course of initial project construction and over the past year of use of the facilities. IEUA has proposed using a portion of the most recent grant funding to perform further improvement work on the recharge basins. IEUA has also proposed using \$5,250,000 of grant money for this purpose, using the same cost sharing arrangement that was used for the grant money that was used for initial implementation of the Recharge Master Plan. A discussion ensued with regard to the work that will be performed. Mr. Jeske inquired into the involvement of the Conservation District. Mr. Manning stated the Conservation District was involved with the negotiation of projects; however, they are not included in the financial aspect. Chair DeLoach confirmed that we are making improvements to some of the basins that they operate. A discussion ensued with regard to the maintenance and ownership of the improvements.

Motion by Jeske, second by Garibay, and by unanimous vote – non-Ag concurred
Moved to approve the agreement regarding recharge facilities improvements matching funds Cost Sharing Agreement between Inland Empire Utilities Agency and the Chino Basin Watermaster dated March, 2006, as presented

D. ALLOCATION OF VOLUME VOTE

Mr. Manning stated following the Appropriative Pool meeting on February 9, 2006, staff was asked to compare various approaches to calculating the Appropriative Pool's allocation of volume votes. Mr. Manning reviewed the handout titled, "Comparison of Approaches" for fiscal year 2004-2005 (based on 2003-2004 production). Mr. Manning stated the Appropriative Pool rarely invokes a volume vote and any parties purchase of water or lack of purchase of water has never been influenced by willingness to change the volume vote calculations. Whether this is an issue or is a non issue is something that may want to be addressed; how it is allocated is strictly decided by this pool. A discussion on how a volume vote is called ensued. Chair DeLoach noted there has been very few volume votes called in the ten years he has been coming to these types of meetings.

Committee members decided to take no action regarding this item and to save this item for future discussions noting counsel's recommendations will be filed, as discussed

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Attorney Manager Process/Discussion of Peace II Agreement

Counsel Fife stated we are at the eve of being able to put out the report that will respond to the questions that were brought up during the workshops in November and December,

2005. Wildermuth Environmental is just about finished with their work and then there are some legal issues that counsel needs to respond to. Staff is anticipating those responses will be out within the next week. After that release, staff and counsel will be prepared to move into finishing the Peace II process. This might involve coming back to the parties with the original agreement which was distributed in October 2005, or if there is a need to modify that document, we can then discuss how we will go about that process.

2. 85/15 Update

Counsel Fife stated this item along with the volume vote issue was brought up a few months ago and staff agreed at that time to look into this and report back to the parties. Counsel Fife referred to the volume vote handout on the last page titled, "Watermaster Assessment Categories", noting this is a chart that was produced to explain the different calculations that were used with the volume vote. Counsel Fife noted that on this chart a few of the mentioned categories apply to the 85/15 rule. Counsel Fife stated the chart is divided into two categories, one with replenishment assessments to which the 85/15 rule was applied and the other is where water transaction activity to which the 85/15 rule was applied. The Judgment is specific in stating the 85/15 applies to water purchased for replenishment purposes. As the Assessment Package is becoming a more familiar and easier to understand document, as was reported at the last Assessment Package workshop, as we move through this document with improvements things will come to light that have gone unnoticed or undetected. In reviewing this subject it seems there are a certain category of water transactions to which the 85/15 rule has historically been applied and it is unclear if the 85/15 rule was correctly applied in those instances. The issue which brought this subject up was a request by the City of Chino to explain how a few of the transactions between a couple appropriators and a couple of non-agricultural pool members to which the 85/15 rule was applied – why that was correct and why was Watermaster applying it the way they were. The policy issue behind that question is currently non-agricultural pool water is not available to appropriators for replenishment purposes; then how could the 85/15 rule be applied to a transaction between an appropriator and a non-agricultural pool member. Counsel Fife stated the question that was presented to inquire about this subject was a very good question, however, staff and counsel has not yet come up with a complete answer. The report today, in response to the question of, "Is the 85/15 rule being applied correctly?" staff and counsel have checked with the appropriators and the non-agricultural pool members involved and nobody knows why the 85/15 rule has been applied to these certain transactions; concluding they very well could be miss-applied. Staff and counsel will continue to look into this subject matter and counsel noted this will not become any sort of an issue until the next Assessment Package is formulated, when we will need to determine the application of the 85/15 rule. Counsel Fife stated that if indeed the 85/15 rule has been miss-applied, changes in how Watermaster has been historically applying the rule might be made at the next Assessment Package go around. A discussion ensued with regard to the 85/15 rule. It was noted this item will be looked at on a go forward basis and there will be no look back. Mr. Manning stated this item will continue to be reviewed and will be brought back with options on how to possibly proceed if the 85/15 rule has been miss-applied at a future meeting.

B. WATERMASTER ENGINEERING CONSULTANT REPORT

1. Update on Report on Balance of Recharge and Discharge

Mr. Wildermuth stated at the last Appropriative and Non-Agricultural pool meeting it was noted that the administrative draft of the Summary of Hydraulic Control and Basin Re-Operation Modeling Results would be completed shortly. As to date, this report is now even closer to being finished, and this report is to update the parties on its advancements. Mr. Wildermuth gave the presentation and noted his staff is very carefully checking over simulation results and putting the final touches on economics. Mr. Wildermuth stated several charts and map graphics are being created to support studies and will be reviewed in detail and noted a copy of today's presentation will be handed out after the meeting for reference. One of the questions that was presented previously is, "How much

new yield is truly generated by the desalter program and by re-operation". To solve that question we needed to come up with a scenario, for planning purposes, that would reflect how the basin and river would respond if there were no desalters. Mr. Wildermuth reviewed findings from the performed studies and made reference to several chart slides. A discussion ensued with regard to the presentation and findings presented.

C. CEO/STAFF REPORT

1. USGS-GAMA Program

Mr. Manning stated in May this pool is going to be given a presentation on the USGS-GAMA Program which is a groundwater ambient water monitoring and assessment program. This is where the USGS comes into various groundwater basins and tests and evaluates water quality (called the GAMA Program). Mr. Manning stated he recently had a conversation with Robert Kent from USGS, who is the person who will be giving the May presentation, by letting him know that this basin is already light years ahead of other basins in data collection and data management and that we will gladly cooperate in assisting him in his quest by offering data that we have already gathered. Staff is trying to avoid letting the USGS come in and test where they want and then take incorrect or uncorroborated data back to our legislature and let legislature make assumptions against isolated tests. This is an awareness issue and a full presentation will be given in May on this item.

2. Legislative Update

Mr. Manning stated a number of people were in Washington last week talking with members of congress about issues relative to California. This was the ACWA Legislative Agenda that was being discussed. This agenda gave us an opportunity to talk about the issues which are taking place within our own basin. Because of the tight schedules and the hastiness at those ACWA meetings, we will be returning in a few weeks to talk in greater detail about specifically the Chino Basin issues and where we think congress can be effective in meeting our mission in delivering an affordable water supply.

Mr. Manning stated that there is a meeting being held, as we speak, with Senator Margett and Senator Dutton who are currently negotiating, on our behalf, to put money into the bond for the Chino Basin. The deadline for getting our bond issue onto the ballot is March 10, 2006. It appears by several conversations with legislatures that our interests are being protected and staff is in contact with them quite frequently.

3. SAW DMS Data Coordination

Mr. Manning stated there are a few letters provided in the meeting packet which parties have probably already received a copy of wherein SAWPA is asking to come in and talk to the parties about data at each agency. After Watermaster staff received this letter, an email was sent to Daniel Cozad at SAWPA which expressed to him that staff would like to coordinate this through Watermaster; it is preferred that SAWPA not work with all the individual parties that there are reasons and benefits to work with Watermaster in a joint effort on this item. By working together Watermaster can eliminate a lot of duplicated work efforts on their part and also possibly save them some money. Mr. Manning stated this is an awareness issue and that Daniel was open and receptive to the idea.

4. Department of Health Services Public Hearing on Recycled Water

Mr. Manning noted the flyer for the Department of Health Services Public Hearing on Recycled Water is available on the back table. This meeting is co-sponsored by Watermaster and Mr. Manning encouraged all members to attend this important hearing in support of recycled water. The hearing is on April 20, 2006 at 9:30 a.m. here at the Watermaster offices.

5. Monthly Recharge Update

Mr. Manning noted that by commitments made at previous meetings in which Watermaster would provide the parties with monthly recharge updates at these meetings, a copy of the most recent update is available on the back table. Mr. Treweek stated we have been lucky recently in having some late spring storm events. Mr. Treweek reviewed the handout in detail and noted we are pretty much on target as far as capturing water; our goal for the year is 50,000 acre-feet and in order to achieve that we need more months like February with its heavier rain storms. Some of our basins are only recharged, at this point in time, with only storm water and this recharge situation will be rectified shortly via our DWR grant for improvements.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

Mr. Manning thanked Cucamonga Valley Water District for their quick service on repairs to our building due to some faulty roof work which caused a flood in the board room.

Mr. Garibay thanked all the committee members for putting up with all is many-many questions over the years and stated that he has learned a lot from attending these meetings and participating on various Watermaster committees.

Ms. Hoerning inquired to the Watermaster staff if would be possible to have the packages out on Thursdays instead of Fridays due to time constraints in reviewing the package details when so many people observe their flex days on Fridays. Mr. Manning stated our staff would attempt to provide the packages on Thursdays; however, sometimes information needed for the package is not turned into Sherri Lynne until Friday mornings.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

March 9, 2006	9:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
March 14, 2006	9:00 a.m.	GRCC Meeting
March 21, 2005	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 23, 2006	9:00 a.m.	Advisory Committee Meeting
March 23, 2006	11:00 a.m.	Watermaster Board Meeting
March 28, 2006	9:00 a.m.	GRCC Meeting

The Joint Appropriative & Non-Agricultural Pool Meeting Adjourned at 10:45 a.m.

Secretary: _____

Minutes Approved: April 13, 2006