

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
September 14, 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 September 14, 2006 at 10:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Robert DeLoach, Chair	Cucamonga Valley Water District
Mark Kinsey	Monte Vista Water District
Charles Moorrees	San Antonio Water Company
Justin Brokaw	Marygold Mutual Water Company
Mike McGraw	Fontana Water Company
Ashok Dhingra	City of Pomona
Chris Diggs	Fontana Union Water Company
Rosemary Hoerning	City of Upland
Dave Crosley	City of Chino
J. Arnold Rodriguez	Santa Ana River Water Company

NON-AGRICULTURAL POOL MEMBERS PRESENT

Justin Scott-Coe	Vulcan Materials Company (Calmat Division)
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Watermaster Board Members Present

Sandra Rose	Monte Vista Water District
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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
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

David De Jesus	Three Valleys Municipal Water District
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Chair DeLoach called the meeting to order at 10:02 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 August 10, 2006

B. FINANCIAL REPORTS

1. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through June 30, 2006
2. Treasurer's Report of Financial Affairs for the Period June 1, 2006 through June 30, 2006

3. Profit & Loss Budget vs. Actual July 2005 through June 2006
4. Cash Disbursements for the month of August 2006

C. WATER TRANSACTION

1. **Consider Approval for Transaction of Notice of Sale or Transfer** – Santa Ana River Water Company leased and assigned Jurupa Community Services District the quantity of 2,000 acre-feet of corresponding Annual Production Right for Fiscal Year 2005-06. Date of application: August 23, 2006
2. **Consider Approval for Transaction of Notice of Sale or Transfer** – The transfer of Monte Vista Irrigation Company Fiscal Year 2006-2007 annual production rights in the Chino Basin to the Monte Vista Water District. The total quantity of water to be transferred is estimated at 1,300 acre-feet. Date of application: August 23, 2006

Motion by Kinsey, second by McGraw, and by majority vote – Non-Ag concurred – one abstention by the City of Upland for Item 1A only

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

II. BUSINESS ITEMS

A. INLAND EMPIRE LANDSCAPING ALLIANCE

Mr. Manning stated this item was presented last month for presentation and discussion. The presented resolution is very similar to the one that Inland Empire Utilities Agency Board and the Conservation District adopted recently. This resolution solidifies our position as wanting to participate with those agencies and others in a landscaping alliance for the purpose of generating and cooperating on conservation efforts. Staff is seeking an approval to move this forward on to the Advisory Committee and the Watermaster Board.

Motion by Hoerning, second by Moorrees, and by unanimous vote – Non-Ag concurred

Moved to approve Resolution 06-04 in support of the Inland Empire Landscaping Alliance, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Storage and Recovery Negotiations
Counsel Fife stated there are a number of entities with whom we have engaged conversations over a long period of time regarding storage and recovery efforts. San Diego submitted an RFP to which we responded and in turn they accepted our proposal to engage in further discussions. A meeting did take place with San Diego staff yesterday which went very well. Castaic Lake Water Agency has stirred up conversations again and Watermaster staff and counsel will be meeting with their staff within the next few weeks. Metropolitan Water District has also expressed a desire to expand their Dry Year Yield Program. All three of these entities are now actively engaged in discussions with Watermaster. A discussion ensued with regard to storage deals and the possible formation of an ad hoc Water Policy Committee to work with staff on these negotiations.
2. Desalter Negotiations
Counsel Fife stated staff and counsel have met with Western Municipal Water District who has retained John Schatz to help them negotiate a desalter project with Watermaster. One meeting has taken place and at that meeting Western reiterated their interest in the Chino Basin. Counsel Fife noted we have not discussed terms yet with them and are just now resuming the discussions, on how to proceed.
3. Peace II Term Sheet
Counsel Fife stated there is no new information to report on this item in since the last time this committee has met; we have meetings scheduled with the referee to further discuss

issues raised following the workshop. There is a meeting scheduled with Ms. Schneider and Mr. Scalmanini in Sacramento next week.

4. Hanson Aggregates

Counsel Fife noted nothing new to report on this item since last meeting. We are currently waiting to see what the Regional Board and the Department of Fish and Game are going to do. Both parties have expressed concern about the discharge of sediment from Hanson's facility and have verbally told counsel that they are going to be initiating action against Hanson Aggregate.

5. Goodrich Subpoena

Counsel Fife stated this item has been discussed in great detail at several of the committee meetings. There have been recent discussions between Watermaster and Goodrich and in those discussions, we are basically in the same position we were several weeks ago, however, they have agreed to sit down and tell us in greater detail what they are looking for and what they specifically need from us. We are representing to them that we are willing to be reasonable and cooperative.

Added Item:

Counsel Fife stated the Chino Paragraph 15 motion has been set for hearing today. As in past years, the City of Chino, Chino Basin Watermaster, and the court have agreed to move that hearing out another year. We do not presently have the signed order from the court, although, the court is expecting no hearing will happen today. Once we receive the order it will be served on all parties. With that, we will also be filing Status Report 2006-01, which was approved last month, and Watermaster's Annual Report.

B. WATERMASTER FINANCIAL REPORT

1. Audit

Ms. Rojo stated Watermaster has been very busy over the past few months. Watermaster had our annual audit last month and we should be expecting the final report within the next couple of months from the auditors; basically all went well during the auditing process.

2. Budget vs. Actual

Ms. Rojo stated there were some questions raised on the process for budget vs. actual expenditures and how people wanted to handle those on an on going forward basis. The resolution that staff came up regarding this issue was more of a notification process when items looked like they would be going over budget, as long as the funds were still available.

3. Water Activity Report (WAR's)

Ms. Rojo stated we are waiting to hear from a few agencies; nevertheless, those reports should be going out within the next few weeks or so for each of the agencies to tie out their last year's numbers which were submitted to Watermaster so that staff can start preparing the Assessment Package.

4. Assessment Package

Ms. Rojo stated that since the assessment package has been reformatted, there are a lot of questions that are coming forward that are going to need to be addressed prior to completion of this year's Assessment Package. This ties into what Mr. Manning was speaking about regarding the formation of a Water Policy Committee to assist in issues that arise. One of which is the DWR grant that we need to provide money for and allocate that expense out to the parties. Our reserve percentages are somewhat low especially according to the GASB Standards that call for six months of money on hand at all times. There is also the issue of the replenishment water. As long as we are continuously replenishing our costs to IEUA are in the several hundred thousands to a million dollars a month to pay for water; if we don't get our money in for the current year we would then

have to possibly look at doing some sort of special assessments. Our fiscal year begins right at July 1, and we do not get money that we budgeted to spend until we send assessments and then we start to receive that money in December and January. We are going to look at building up our reserves to carry us through that first six month period and possibly take a look at closing the gap on the upcoming assessment package. The other issues with the assessment package this year are the application of storage losses which need to be reviewed.

5. Governmental Savings Account

Ms. Rojo noted on page 17 of the meeting package is the Treasurer's Report and Watermaster currently has an account that is called a savings account; it is a governmental savings account which has approximately \$9,000 dollars in it and earns about \$12 dollars of interest every quarter. We have never done anything with this account and we are probably going to look at some options to roll this money over into another account.

C. CEO/STAFF REPORT

1. Storm Water/Recharge Report

Mr. Treweek stated we got back on our recharge schedule and received approximately 5,500 acre-feet of recharge water in August. September looks more favorable as far as recharge is concerned, in that; we have now renovated the Lower Day Basin which was silted up by Hanson Aggregate's discharge and Metropolitan stated they have water to keep replenishing us in September. Orange County which used to take a lot of water out of OC-59 has now shifted to taking most of their water out of another turnout OC-11; this is very encouraging news and greatly simplifies our operation when do not have to involve them when we share a turnout.

2. Legislative/Bond Update

Mr. Manning stated there is no current news to report on this item at this time.

3. Water Fair

Ms. Maurizio stated there is a flyer on the back table for the Water Fair that is coming up on October 14, 2006. The Water Fair is going to be held at the Montclair Plaza. This event is being sponsored by Inland Empire Utilities Agency and all its member agencies, Chino Basin Water Conservation District, Metropolitan Water District, and Chino Basin Watermaster. The emphasis will be on conservation. There will be information on rebates, ways to save water and save money indoors, outdoors and also at businesses. There will be vendors with some products and staff there helping from all the sponsored agencies to answer questions. Activities for kids have been planned which will help in getting the parents to attend. This should be a really nice event and will become an annual event. A water savings washer will be raffled off along with other prizes. Mr. Manning stated we will work on giving away a dryer next year.

4. Strategic Planning/Pre-Strategic Planning Conference

Mr. Manning stated for our upcoming Strategic Planning Conference in Indian Wells are going really good and should have a well attendance at the conference according to conversations with people who are interested in attending. A detailed agenda will be forthcoming.

5. Treatment of Desalter Forgiveness

Mr. Manning stated at the last Watermaster Board meeting, Mr. Vanden Heuvel had mentioned that he thought that, in his mind, the half forgiveness of desalters production was not something that Watermaster should be doing based on the fact that we have not agreed to Peace II and that the Peace I Agreement had already run its course. As staff is starting to look through this issue, Mr. Wildermuth has some technical thoughts on Mr. Vanden Huevel's comments and then Counsel Fife will offer comment on the legal perspectives. Chair DeLoach inquired if only one board member is inquiring into this issue

and if so, why are we dealing with it. Mr. Manning stated that Mr. Vanden Heuvel actually brought up a very good point. Mr. Manning questioned whether Watermaster has the authority to provide for half desalter forgiveness, given the fact that we do not have a Peace II and what we are talking about is re-operation. Several comments were received and a lengthy discussion ensued with regard to this issue. Mr. Wildermuth stated before the desalters came on line, this issue came up as a technical issue and then as a policy issue. At that time, staff made a technical/professional recommendation that the parties forgive half the desalter replenishment. The providing theory is that you have to assume it happens to have it happen; you just don't turn the desalter on, operate the basin at the existing safe yield, and get anything out of it. Mr. Wildermuth stated he has not seen anything to change that past recommendation as we have been moving forward developing better models and having a better understanding. The recommendation based on work is that Watermaster continue with half forgiveness; this conclusion is based on technical studies and projections. Counsel Fife stated there are a number of moving pieces to this puzzle that have been moving over the years and the situation/issue is best understood in a chronological sense. When we finished Peace I we began work on the desalters, we constructed Desalter II, and then Mr. Wildermuth came along with his proposal/idea to achieve Hydraulic Control and isolation of the basin. This occurred long before the Peace II discussions began. This concept was introduced to all the parties and it was discussed in great detail and was ultimately approved by the Watermaster Board and moved forward. Later, that evolved into the broader concept of Basin Re-Operation and it was recognized that the magnitude of that project and the way that project interacted with the Judgment because we would, in a sense be over-drafting the basin for a number of years while we brought the water levels down. This action required court approval. The original discussion regarding the half forgiveness was a small version of this overall Basin Re-Operation concept; this is where this concept evolved. The question Mr. Vanden Heuvel raised is that if we require court approval for the big project, don't we require court approval for the smaller part of it because they are the same thing just at different sizes. Counsel Fife stated this is an ambiguity and an interesting question. We have already made the determination that this is a good thing to do and is for the benefit of the basin and is something that we want to do. Counsel Fife stated he is not giving the parties an answer rather offered clarification on the issue. Mr. Manning stated a possible action could be brought forward through the Watermaster process as early as next month that would re-establish the half desalter forgiveness.

Added Item:

Mr. Manning stated in the discussions for the purchase of the Vulcan Pit and in negotiations as a group which consists of the Conservation District, Inland Empire Utilities Agency, and Chino Basin Watermaster, the Conservation District is in the process of opening up negotiations with Vulcan on the purchase of that pit. As part of that process they are also talking to Lafco about the expansion of their borders to incorporate territories within San Bernardino County that are more aligned with the Chino Basin but do not include any of the Metropolitan Water District territory. The Conservation District is asking for support for that expansion and they have verbally asked Mr. Manning for the Watermaster's support. There are two issues here, Watermaster is not sure we can give them the support they are seeking as an arm of the court, and Watermaster has not received anything in writing requesting our support. Chair DeLoach offered comment on this issue. Mr. Manning stated individual agencies might also be receiving a request for support. Mr. Kinsey asked questions and offered comments regarding this matter.

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

September 14, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
September 19, 2006	9:00 a.m.	Agricultural Pool Meeting @ IEUA
September 28, 2006	12:00 p.m.	RAND / IEUA Workshop @ IEUA
September 28, 2006	9:00 a.m.	Advisory Committee Meeting @ IEUA
September 28, 2006	11:00 a.m.	Watermaster Board Meeting @ IEUA

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

Secretary: _____

Minutes Approved: October 12, 2006