

Minutes
CHINO BASIN WATERMASTER
BOARD MEETING

October 27, 2005

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on October 27, 2005 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Robert Neufeld, Chair	Fontana Union Water Company
John Anderson	Inland Empire Utilities Agency
Paul Hamrick	Jurupa Community Services District
Al Lopez	Western Municipal Water District
Bob Kuhn	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Paul Hofer	Agricultural Pool, Crops
Bill Kruger	City of Chino Hills
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy

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

Scott Slater	Hatch & Parent
Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Terry Catlin	Inland Empire Utilities Agency
Mark Kinsey	Monte Vista Water District
Raul Garibay	City of Pomona
Dave Crosley	City of Chino
Rosemary Hoerning	City of Upland
Jerry Thibeault	Regional Water Quality Control Board
Eunice Ulloa	Chino Basin Water Conservation District
Charles Moorrees	San Antonio Water Company
Phil Rosentrater	Western Municipal Water District

The Watermaster Board Meeting was called to order by Chair Neufeld at 11:11 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Watermaster Board Meeting held September 22, 2005

B. FINANCIAL REPORTS

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

C. VOLUME VOTE

Motion by Kruger, second by Anderson, and by unanimous vote

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

II. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Attorney-Manager Process**

Counsel Slater stated the Attorney-Manager process has been underway for approximately two years. The reason the process was initiated is there were some express requirements in the Peace Agreement, the OBMP, and the Rules and Regulations which requires decisions to be made by Watermaster in calendar year 2005/06. These decisions had impacts on the parties and there were other issues that were potentially the subject of motions, lawsuits, and dispute resolutions between the parties that had been individually raised. It was unanimously decided by the group that the best place to carry out those negotiations was directly with other rather than filing motions with the court. The Attorney-Manager process then began and time was spent on discussion and identifying information requests; a six to seven month hiatus was taken while certain technical information was developed. Once Wildermuth Environmental and Black & Veatch completed the analyses and provided the underlying information to the parties, the parties again engaged in negotiations and deal making. All best efforts were made to bring the parties together and today a strong consensus behind a specific set of guidelines and/or road map is being presented. It was ultimately hoped that these guidelines and/or road map would be referred to the Board with unanimous support and ultimately taken to the pools for comment and technical review; support is given by all except one party. The meetings were attended by either a lawyer and/or manager for each of the principal agencies and no board or counsel has been asked to sign off on this material. The representatives and/or negotiators for each party have been allowed to go back to their prospective boards and counsels to report and seek input on a discretionary basis. This set of guidelines and/or road map is stated to be acceptable to all but one party. We want to continue to preserve the shield of confidentiality as it relates to the negotiating positions that were taken by the parties. Counsel Slater noted that there was a lot of give and take and a lot of constructive dialog in this whole process. Today a document will be presented which was previously subject to a confidentiality agreement and we have now reached a point where no further progress is to be made in the format of the Attorney-Manger process and staff is prepared to distribute this document for release to the Board for discussion. Chair Neufeld inquired if this item requires action on the part of the Board or the committees today. Counsel Slater stated the Board could take the following actions, 1) the Board could elect not to receive the transmittal, in which case we have a stranded document, and 2) the Board could receive the report, as it is being requested to do – the recommendation from staff and counsel is for the Board to publish the guidelines and begin the process of public comment. Our legislative process at Watermaster for public comment is effectively referral to the Pools and to the Advisory Committee for discussion and input before there is final action by the Board. The digestion of this document will not be accomplished in a single cycle through the Pools, there needs to be outreaches and possibly a workshop set up for the

stakeholders to describe what the parties are proposing. This would include time to develop technical presentations to the Board's satisfaction and also importantly to the constituents.

Mr. Manning stated that thus far this task has been accomplished by a small sphere of individuals and it is important before this Board considers a recommendation to go through the Watermaster process that this document be circulated amongst the parties. Concerns have been received and by releasing this document for comment and review and by scheduling some type of workshop will allow for an open forum for comment and feedback to formalize a final document that this Board can take action on. Chair Neufeld inquired if this Board will be made privy to the concerns or will those concerns remain confidential. Counsel Slater stated there are no issues as it relates to all but one parties perspective to the presented document; a consensus based document is what is being presented. This is a non-binding term sheet which is going to be recommended by each of the attorneys and their managers for the respective agencies consideration. This is a set of principals from which would, as was done during the Peace I process, go from an outline to a binding agreement. There is an overlay of a court process and there are also other contingencies that are going to be addressed. Counsel and staff is anticipating that this committee will receive the document and give direction whether the document will be referred out immediately to the Pools to begin the process or whether the wishes of the committee is to schedule a workshop or set a different tempo to begin the process. Chair Neufeld inquired if this item was discussed at the Advisory Committee meeting this morning. Mr. Manning stated this item was not discussed at the Advisory Committee meeting. Chair Neufeld asked if there was a time frame linked to this decision. Counsel Slater stated that counsel and your staff have been trying to be as precise as possible and not link the subject matter of the Peace II process with any issue happening with the Board. There is an independent process that has been established with regard to nine member board which is going to be decided in February 2006. Counsel Slater stated we will need to have a binding contract fully papered and executed prior to February 9, and if it is going to be material to the pleadings, those pleadings will need to be filed in the first week in January 2006. Chair Neufeld inquired about the one party who is objecting to the Peace II Agreement and what happens if that party does not sign off on the Agreement in that time frame. Counsel Slater stated the one party objection will have to be deferred to them to state their objections and it is counsels understanding that the package is unsatisfactory to that one party. Counsel Slater commented that when we were going through the first Peace Agreement not all parties to the judgment signed off on the Peace Agreement. It is expected that there would be a contractual instrument that would bind the parties, that Watermaster itself would not execute the contract, just as they did not execute the Peace Agreement. What binds this Board would be the next step which would be the adoption of a Resolution and transmitting a plan to the court. The court would then review the entire program, the underlying contract, and the reliability of the commitments made in the underlying contract and order; meaning there would be a court order to proceed in accordance with the contract terms. To the extent that there is a party that does not elect to sign the contract that is of itself not fatal to your electing to proceed, should the committee members decide to commit. If you then elect to proceed, you would move to the court process and any objecting party would have the opportunity to object in front of this Board, the Pools, and the Advisory Committee to ultimately take this to court. If the court were to order you to proceed, in accordance with your Resolution and plan, that would be binding on you and binding on the party.

Mr. Vanden Heuvel asked counsel to identify what specific re-openers were in Peace I and the OBMP that were time sensitive for a decision in 2005. Counsel Slater stated there is a Rule and Regulation dealing with the subject of how to address over allocation and a potential discrepancy in replenishment obligation between the land use conversion and the early transfers. There was a five year Resolution of that question that is contained in the Rules and Regulations; it was only a five year work out and at the end of 05/06 a substitute needed to be in place or that subject issue would be open for Watermaster to establish a new rule. Counsel Slater stated another issue was the fate of the storage accounts which have several components involved; whether Watermaster was going to impose losses local storage. There is a

default number that is actually built into the OBMP that states if Watermaster does nothing that there is a loss that would be applied. There is also a question about the fate of the recharge activities; the 6,500 acre-feet in Management Zone 1 and by contract the 6,500 acre-feet replenishment in MZ1 was not addressed after the five year period. There is a future desalter question and imbedded in that there is not only the question of whether you will, what the plan is, and what how you pay for it; those are questions as it relates to future desalters. The imbedded 2000 issue that passed forward to the new Peace II process and that is how we address the replenishment for the previously approved desalters. Counsel Slater stated that all of the parties have a responsibility to address the replenishment of the Peace Agreement Desalters, no party is without responsibility, how you apportion that was a subject of negotiation or potentially Watermaster discretion. Chair Neufeld inquired that if all the parties except for one are in favor of the presented contract and Counsel Slater agreed to that statement. Mr. Manning stated that staff is hopeful that resolution will come about by January 9, 2006 and that at this time this Board will release this document to the Pools for review and discussion at the November meetings. It is also anticipated that due to the involvement of this document that December meetings will need to take place in order to make the January 9, 2006 deadline. Mr. Vanden Heuvel expressed his concerns that the Peace II process was handled completely behind closed doors by design and articulated that he had huge policy problems with his perception of the water management plan that is being presented. Mr. Vanden Heuvel stated that he was not comfortable sending this document through the Watermaster process until proper and complete review of this document has taken place at the Board level. Mr. Vanden Heuvel offered comment regarding the Basin Re-Operation/HCMP presentation that was given at the Agricultural Pool meeting and noted his concerns. It was noted that having a Peace II Workshop was an excellent idea and staff stated that the workshop would be scheduled as soon as possible. Mr. Manning stated that in addressing Mr. Vanden Heuvel's comments and concerns, it would behoove this Board to release this document to the Pools to receive as much feedback as possible in order to make a better decision by hearing all comments from all stakeholders who are involved. This document needs to be day lighted at this point in time, digested, and an opportunity given for commentary. Chair Neufeld stated there needs to be a very clear understanding of what is the role of the Watermaster Board as the decision makers and the policy makers involved in the operation of the Chino Basin. Mr. Kuhn stated that he would like to make a motion to schedule a workshop in order to allow for an open floor comment process and to be able to receive all comments prior to making a decision or sending this document through the Watermaster process. Mr. Kruger agreed that this is not a document that needs to have a rush decision made to it, that it took two years to write and ample time needs to be allotted for digestion and comment. Mr. Bowcock wanted to know if this workshop will be open to the public for comment. Mr. Manning stated his understanding from the discussion today is that an open workshop will be scheduled as soon as possible; the document will be received/released today, although, comments from the Pool meetings will be delayed until after the workshop is held in November. Counsel Slater stated that as of today the presented document will no longer carry with it an attorney-client confidential privilege and is now available for full distribution. The document was distributed to the committee members. Counsel Slater noted that this is a non-binding term sheet, it a stakeholder road map, which has been developed by stakeholders to be day lighted and to receive input/comment. This documented cannot be implemented as a legal or practical matter until your entire legislative process makes decisions and ultimately this Board approves pleadings by the court and a Resolution by the Board authorizing counsel to prepare a request to proceed in accordance with these terms. Counsel Slater stated the issues that are in this document are not only the re-opener issues, they are issues that parties raised as potential litigation issues in the context as the same discussions; this document will include the resolution of claims that relate to other subjects. A discussion ensued with regard to the distributed document.

Motion by Kuhn, second by Kruger, and by unanimous vote

Moved to approve holding an open Peace II Workshop prior to making a recommendation to move the presented Agreement forward and any comments that come out of the workshop by the Board will be made available as an appendices attached to the document for all parties to witness, as presented

2. September 22, 2005 Hearing
No comment was made regarding this item.

B. CEO/STAFF REPORT

1. Basin Re-Operation/HCMP Update

Mr. Manning stated the document which was just received has many items that are based upon a principal of hydraulic control and basin re-operation. It is fundamental that all parties understanding of those principals. Mr. Wildermuth stated the items that are going to be addressed in today's presentation are 1) projected groundwater pumping and replenishment, 2) proposed desalting program in the Peace II process, 3) hydraulic control and re-operation (change in storage and change in yield), and 4) our next steps. An analysis of the calculations of potential replenishment obligation was reviewed in detail. Mr. Wildermuth stated that discharge from Chino North to the Santa Ana River is very small for all post OBMP pumping and replenishment scenarios. Mr. Wildermuth discussed the proposed desalting program in the Peace II term sheet. Hydraulic control and re-operation's goal is to maximize yield of the basin pursuant to the OBMP and maximum benefit objectives. The Peace II proposal is 38 mgd of total desalter pumping, or 42,700 acre-feet per year of desalter pumping. Several maps regarding groundwater and geology were observed. Mr. Wildermuth referenced at a table which listed the decrease in Santa Ana River discharge in acre-feet per year. Mr. Wildermuth noted that discharge from Chino North to the Santa Ana River is very small for all post OBMP pumping and replenishment scenarios. The implementation of Peace II as proposed will reduce storage by 600k acre-feet without impacting safe yield and will increase yield by around 16,000 acre-feet per year forever. The benefit of increased yield is far greater than the expected increase of long-term pumping energy costs, and meets the requirements of the OBMP and maximum benefit objectives. The change in storage attributable to forgiving the replenishment obligation of the desalters through 2030 was reviewed in detail. Engineering to be completed include, 1) finalizing series of simulations based on term sheet for Watermaster and others, 2) finalizing simulations to estimate loss from storage with/without desalters, 3) development of Hydraulic Control Operating Plan, and 4) completion of draft report by mid November. Other requirements include the need to optimize location and magnitude of replenishment, including a long-term monitoring program to monitor groundwater levels and subsidence. We will need to increase replenishment per the judgment in 2030, CEQA will be necessary for hydraulic control and re-operation, monitoring, reviews and off ramps will need to be provided, and we will need to start a program to increase replenishment capacity as soon as possible. Mr. Vanden Heuvel noted that he saw this presentation at the Agricultural Pool meeting and stated his concerns that he raised at that meeting are still the same concerns today. Mr. Vanden Heuvel stated this is not good policy and that this basin needs to have true hydraulic control. Mr. Vanden Heuvel voiced several concerns over the policy issues that are being presented today. Counsel Slater stated this proposal can't survive if there is not a broad base of support for implementation. How you want to approach the basin as a resource and how you intend to manage that is really a stakeholder/board policy question. Counsel Slater offered comment on storage, recharge, and replenishment. Mr. Vanden Heuvel commented that he legacy is the issue and is really spending 600,000 without a return at the end of the twenty five years does not seem prudent. Counsel Slater stated the Mr. Wildermuth is not proposing a uniform strategy for the basin and is proposing we maintain water levels within Management Zone 1; in the area of Chino and Chino Hills where there is a concern. The approach being presented today is a road map, what is being discussed is that there is an advantage to be achieved and at this point we are a long way from

having developed all the tracks and processes that need to be put in place. Counsel Slater noted that the extended staff would not bring this item to you or have any expectation that this could succeed without a recharge plan that was coming along on an incremental basis. The committee asked that the presentation given today be made available and it was noted that it would be posted to the Chino Basin Watermaster ftp site by the end of the day. Mr. Vanden Heuvel asked that a chart that tracks the storage in the basin to the amount of water inflow be available for the workshop. Mr. Thibeault stated in regards to the maximum benefit objectives there were many commitments that were made by IEUA and CBWM to complete a number of actions including hydraulic control that were made as part of the process that allowed the Regional Water Control Board and the State Board to approve these new objectives. A lot of the calculations that were made to come up with the justification for the maximum benefit objectives had to do with predicting water quality in the basin and to take a look at what different things would come up in the basin that would affect that quality. This new proposal will change a lot of the conditions under the original estimates that were made. The CEQA process needs to be looked at with the work that is not only being done here but because of the affect on the River, Prado, and Orange County the Regional Water Quality Control Board will be looking for an evaluation of how the proposal would end up affecting Orange County. Mr. Manning stated that Watermaster's obligation for replenishment is taken very seriously and wet basin restoration is a strategy that is being looked at in order to maximize our recharge capacities, also additional facilities are being considered, and other maintenance being done to our current recharge basins. Efforts in this matter will be continued in the years to come in order to maximize our recharge. Chair Neufeld spoke favorably on our water conservation program and efforts. A lengthy discussion ensued with regard to the recharge numbers presented. Mr. Wildermuth stated the numbers presented only represent pumping from Chino Basin. Mr. Vanden Heuvel spoke on recharge and capacity efforts. A brief discussion ensued with regard to the rate structure for the year 2026. Mr. Wildermuth spoke on the way water moves throughout the basin and noted the rate presented was taken from a ten year projection from Metropolitan Water District and taken from a mid point between now and 2025. Chair Neufeld offered comment on recharge. Counsel Slater stated that the approach of hydraulic control is to deploy our asset; we are going to be carrying on recharge projects and storage projects. Mr. Manning noted that he has had discussions with Mr. Atwater at IEUA in terms of strategies and that we need to be looking at water that is not only in our control but in the control of others. Mr. Manning stated that as we start to transition our strategies in this basin we need to look at areas where we are going to have long-term relief and the ability to take in water when we can if we are going to be able to meet the water demands in the year 2026. Chair Neufeld stated that he as brought up the issue in the past of other parties willingness to enter into storage agreements with other entities to store water in this basin. A question regarding the 2004/05 storage number presented today. Mr. Wildermuth stated the number being presented takes into account no storage transactions. It states we are going to pump, this is our gross pumping right and so we then have a replenishment obligation. If somebody has water in storage and they want to use it, which would lower the replenishment number. An extensive discussion ensued with regard to replenishment. Mr. Bowcock noted the numbers presented go to the year 2025 and other agencies go out to 2030 and during the workshop he would like to see the numbers extended out to 2030.

2. Water Quality Update

Mr. Manning stated due to the long Basin Re-Operation/HCMP update presentation and discussion the Water Quality Update will not be given at today's meeting.

3. Consultant Service Agreement

Mr. Manning noted this item was presented to the Appropriative & Non-Agricultural and Agricultural Pool as a business item to seek a motion to approve the Mathis & Associates consulting agreement, however, after those meetings it was decided more information was needed on Mathis & Associates prior to asking for a motion, leaving this item to be

presented as an update for today's meeting. Mathis & Associates will be working with Watermaster on personnel issues along with the planning of a strategic planning and other related projects. No action is required today. This item will be presented back as a business item at the November meetings and will include a revised contract with more extensive background on qualifications on Mathis & Associates to accommodate committee members' requests. It was noted that a Strategic Planning Committee has now been formed and the committee members include: Nathan deBoom, Chris Diggs, Ken Jeske, Robert Neufeld (who will chair the committee), and Bob Bowcock.

4. Assessment Package Workshop

Mr. Manning stated the Assessment Package Workshop is scheduled for November 2, 2005, at 9:00 a.m. at the Chino Basin Watermaster office, nothing this is an open workshop and all parties who are interested are invited to attend.

5. November meeting schedule

Mr. Manning noted due to the Thanksgiving holiday the Advisory Committee and Watermaster Board meetings will be moved up one week to November 17, 2005 and to please adjust calendars to reflect this new date. It was also noted that it appears the meetings in December will take place and all parties will be notified in advance of those meetings; staff will attempt to schedule December meetings in the early part of December

III. INFORMATION

A. Newspaper Articles

No comment was made regarding this item.

IV. BOARD MEMBER COMMENTS

Mr. Vanden Heuvel thanked the committee members for starting the discussions on the policy issues at hand and that this is a beginning to fulfill our responsibility to serve future generations.

Mr. Anderson spoke on some of the water conservation activities that IEUA is and has participated in and asked now that the rainy season is approaching to turn down the water usage on our sprinklers for our lawns.

Chair Neufeld stated that he was contacted by Terry Gladback, who is the president of ACWA, and was asked to serve on another task force. Based upon the ACWA Blue Print which was released in June at the ACWA conference Mr. Houser has approached him to work on a series of the ACWA Blue Print; two of the features in that Blue Print would be extremely beneficial to this area, one is in the area of the desalters and to the other is recycled recharge which are key elements. \$360,000 dollars need to be raised in the next ninety days for this support. Chair Neufeld will keep the committee informed as to the progress that is being made in this effort.

V. OTHER BUSINESS

No comment was made regarding this item.

VI. FUTURE MEETINGS

October 27, 2005	9:00 a.m.	Advisory Committee Meeting
October 27, 2005	11:00 a.m.	Watermaster Board Meeting
November 2, 2005	9:00 a.m.	Assessment Package Workshop
November 10, 2005	9:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
November 15, 2005	9:00 a.m.	Agricultural Pool Meeting @ IEUA
* November 17, 2005	9:00 a.m.	Advisory Committee Meeting
* November 17, 2005	11:00 a.m.	Watermaster Board Meeting

* Note: meeting is one week early due to Thanksgiving

The Watermaster Board Meeting Adjourned at 1:10 p.m.

Secretary: _____

Minutes Approved: November 17, 2005