

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

May 25, 2006

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on May 25, 2006 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	West End Consolidated Water Company
Sandra Rose	Monte Vista Water District
John Anderson	Inland Empire Utilities Agency
Al Lopez	Western Municipal Water District
David DeJesus	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Paul Hofer	Agricultural Pool, Crops
Paul Hamrick	Jurupa Community Services District
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
Janine Wilson	Recording Secretary

Watermaster Consultants Present

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

Others Present

Rosemary Hoerning	City of Upland
Bill Kruger	City of Chino Hills
Steve Kennedy	Three Valleys Municipal Water District
Manuel Carrillo	Senator Soto's office
Jeff Pierson	Ag Pool
Jim Taylor	City of Pomona
Mike Maestas	City of Chino Hills
Carole McGreevy	Jurupa Community Services District
Dave Crosley	City of Chino

The Watermaster Board Meeting was called to order by Mr. Willis at 11:04 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 April 27, 2006

Mr. Vanden Heuvel stated he wanted the April 27, 2006 minutes to reflect the costs that would be incurred if there was no implementation of Peace II since it is such a costly amount and there was a long discussion at that meeting regarding such costs. Mr. Manning stated the minutes could be revised to include Mr. Vanden Heuvel's request of projected costs.

Motion by Lopez, second by Hofer, and by unanimous vote

Moved to approve Consent Calendar Item A with the amendment made regarding the cost of non-implementing Peace II added to the April 27, 2006 minutes, as presented

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

Ms. Rose asked if would be possible on the check register to have a separate memo column that might explain the costs incurred for. Mr. Manning stated that would take a great deal of work on staff's part and that we could possibly have more specific categories in place of an exact description. Ms. Rose asked a question regarding check number 10416 to Mathis & Associates and whether it was too late to stop the check from being mailed. The response was that the check had already gone out. A brief discussion ensued with regard to the policy of approving checks that have already gone out.

Motion by Hamrick, second by Willis, and by unanimous vote

Moved to approve Consent Calendar Item B, as presented

II. BUSINESS ITEMS

A. WATERMASTER BUDGET FOR FISCAL YEAR 2006/2007

Mr. Manning stated Ms. Rojo will give a more detailed description for this item and noted this item has gone to the Pools and Advisory Committee and had unanimous approval at those meetings. A budget workshop was held prior to this item being placed on the agenda and was very well attended. Ms. Rojo stated several appropriators and a few board members attended the budget workshop and the budget was reviewed and discussed in great detail. What is in the meeting package is the actual summary budget; the detailed budget will be available on our ftp and web site. The Watermaster budget is made up of four main expense areas; 1) administration, 2) general OBMP expenses, 3) OBMP implementation projects, and 4) water purchases. The budget in the administration area has two main areas of interest, first being the proposed COLA of 4.7% which is based on the CPI for this area and then the second is the proposed increase in the medical insurance cap; this is actually a place holder which Mr. Manning will be discussing further on the June meeting. Mr. Manning stated the adoption of the presented budget places the money that is in the category to cover the expenses. The actual item will go through the Watermaster process in June as a separate action item with a recommendation from the Personnel Committee. In the general OBMP category there are a couple of areas that increased overall. The first is staff is proposing, as a result of Peace II, we are going to have to do CEQA work and that is budgeted in the OBMP category; this is a place holder; we will be sub-contracting out that work. The second is the next State of the Basin Report, before now this was placed in the budget as an OBMP expense; this is now a separate line item to allow people to better understand the cost. Under the implementation projects and special projects there are a few areas that will be increasing; some slightly and some substantially. Ground water quality monitoring is anticipated to increase; those expenses are being tracked separately. The recharge O&M which was discussed in detail at the Appropriative and Advisory Committee meetings, substantially increased due to the number of basins which have recently come on-line. There is also our recharge debt service a result of the DWR grant funding, that is being cost shared with Inland Empire Utilities Agency on the

payment. The debt service line item was reviewed and discussed in detail. There are a few decreases in the project implementation area which relate to ground level monitoring. The MZ1 and the meter installation and maintenance costs are projected to drop. Overall staff is expecting an increase to assessments this year. Mr. Hofer inquired into how the cost of living adjustment is determined. Ms. Rojo stated that figure is based on the Consumer Price Index (CPI) for the Inland Empire.

Mr. Manning stated, in regards to our groundwater quality monitoring program, that Chino Basin Watermaster is pursuing working with the potential responsible parties (PRP's) on both the Ontario International Airport and the Chino Airport. All of those expenses are recoverable when we settle with the PRP's. Those are funds that would come back to the agency and to the organization at some point in time; we do not know when that will be exactly but they are recoverable expenses.

Mr. Vanden Heuvel inquired where were the increased costs of operations and maintenance for recharge located in the budget. Ms. Rojo stated that has been placed into the OBMP implementation projects category.

Ms. Rose inquired into the three bullets that Mr. Manning mentioned one being the Personnel Committee recommendations regarding the market survey. Mr. Manning stated this is a placeholder which allows the latitude to be able to work with any recommendation that would come through the approval by the Watermaster Board in June.

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

Motion to approve the Watermaster budget for fiscal year 2006/2007, as presented

B. PEACE II NON-BINDING TERM SHEET

Mr. Manning stated this item will be covered by Counsel Slater and noted that each member should have already received a copy of the Peace II Non-Binding Term Sheet under separate cover. Counsel Slater stated this item has been developed by the diligent work of the parties for the past twenty-four months who attempted to come to resolution for a proposed road map to take us into the next generation of Watermaster planning. At the last Board meeting in April counsel had indicated that a broader stakeholder meeting had taken place and that there was interest and support in convening additional meetings in an effort to, once and for all, come to a final conclusion as to an appropriate road map. Meetings were held on May 4, 2006 and May 15, 2006; those meetings resulted in a proposed stakeholder non-binding term sheet which is being presented to you today for your consideration. Counsel Slater stated he wanted to make clear the requested action that is being sought today by the Board members. The responsibility for preparation of the Optimum Basin Management Plan lies with this board. The genesis for the plan and for modifications of the plan lies with this board. Staff is not asking today to approve the non-binding term sheet; staff is recommending that this board refer the term sheet to the Pools and the Advisory Committee to move through the Watermaster process. Ms. Rose stated that she is glad that the board members were allowed to attend the last few sessions because it really helped in the understanding of the issues. Mr. Vanden Heuvel complimented the staff and all the parties for all the serious work done on the concerns raised at the last go around of the term sheet noting this is a better document now that all parties should be proud of.

Motion by Vanden Heuvel, second by Rose, and by unanimous vote

Motion to approve to move the non-binding term sheet through the Watermaster process for further consideration, as presented

C. MZ1 SUMMARY REPORT

Mr. Manning stated this is the same item that was presented to the Board a month ago noting this item has gone through the Pools and Advisory Committee and was passed with only one dissenting vote at the Advisory Committee meeting. At the Board meeting last month a

recommendation was made that this item be postponed for a month to give the Board Chairman an opportunity to meet with members of the Chino Hills counsel to discuss this subject. Mr. Manning stated he was not in attendance at any of those meetings. However, it is his understanding that the City of Chino Hills is now in the process of preparing a document that will provide some guidance for us on what they think could or should be achieved through the long-term plan. The outcome turned out well from the meetings that Chair Willis conducted with the City of Chino Hills. Staff's recommendation is still the same in that the Summary Report is just a report and does include the interim criterion which is voluntary in nature in terms of compliance. It does set out the guidance for good behavior to occur until the long-term plan is decided upon and is adopted. Staff is encouraging the Board to approve the report at this time. Chair Willis invited representatives of Chino Hills to speak. Mr. Maestas stated there are still some concerns with the MZ1 Criteria that have been released. Chino Hills believes there are still concerns that have not yet been addressed through this criteria plan, and believe they are going to be affected by it in production and/or source of water. It appears the MZ1 Committee is attempting to set up criteria. It is unknown how Chino Hills is going to be assisted or compensated for the loss of production by following this criteria. The City of Chino Hills wishes to work with Watermaster and wants resolution. However, Chino Hills does not want to step into a position were they are not taken care of as far as loss of production by following this set of criteria. Until these issues are resolved, the City of Chino Hills is not on board for approval. Chair Willis stated he looks forward to Watermaster staff and members of the Board working with the City of Chino Hills to find out what is in the realm of possibilities and to see if what they are suggesting is or is not possible. Mr. Manning stated he had a conversation with Mr. Kruger prior to the start of the Board meeting and Mr. Kruger commented that the city manager was going to be in contact with Watermaster staff shortly to schedule a meeting.

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

Motion to approve the MZ1 Summary Report, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Application

Counsel Slater stated that Orange County has come with its revised environmental report and the comment period is now open. Watermaster's general legal counsel is presently working to provide a set of draft comments which will be circulated shortly.

2. Boardsmanship Workshop Update

Counsel Slater stated staff and counsel did follow through with the holding of the Boardsmanship workshop and overall it was well received by those who attended. Counsel enjoyed the process and is in contact with the Special Referee with regard to potentially composing advanced curriculum to the extent that the Board thinks it is useful. Staff is thinking of putting together a technical segment which will entail more detailed information on any subject that the Board feels they would like to know more about. Counsel Slater noted that staff and counsel are involving the Special Referee in that curriculum.

B. WATERMASTER ENGINEERING CONSULTANT REPORT

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

Mr. Wildermuth stated he wanted to bring the board up to date on the Hydraulic Control Monitoring Program and then compare those results to the actual modeling work that was recently done. Mr. Wildermuth reviewed a map from the late 1800's to the early 1900's when USGS was investigating this entire watershed, mapping springs and performing geology work. Mr. Wildermuth stated when the desalter program was designed it was actually designed to do two things; 1) to replace the supply that would be lost from agriculture and 2) to keep water from going out to the river. If we did nothing and Watermaster parties just did what they normally do and agriculture went away there would

be no production in that area. What the modeling results shows is that the water levels in the north would drop quite a bit and we would lose, on average, over 20,000 acre-feet a year to the river. This would also cause us to have water quality problems with the Regional Board and we would have to desalt wastewater or dilute that water. After the OBMP and Peace Agreement were completed and during the TIN/TDS process it became clear that we could isolate the basin with the desalters and if we could isolate it we could end up with higher water quality objectives for TDS and nitrogen. The desalters were set up to cut off outflow; this is how they were developed initially with the information that was at hand. During the preparation of the Basin Plan Amendment which included the Chino Basin/Inland Empire's Maximum Benefits Proposal, we came up with a Hydraulic Control Monitoring Plan. That plan was incorporated into the Basin Plan Amendment. The 2004 Basin Plan Amendment required us to produce annual reports; the first report came out in May. In that report there are nine new wells that were constructed by Watermaster/IEUA and were partially funded by grant monies. In addition to that there are approximately forty other wells that were needed to provide water quality data for this purpose along with twenty five surface water stations. What we are trying to accomplish with the monitoring program is to look at the water level data and determine from the water level data how much containment we have. Mr. Wildermuth reviewed the modeling results map in detail. A discussion ensued with regard to some of the modeling results. Mr. Wildermuth discussed the conclusions which included monitoring data and groundwater simulations that suggest failure to gain hydraulic control west of Desalter I/well no. 5, surface water monitoring which suggests negligible water quality impact to the Santa Ana River. The Regional Water Quality Control Board requires the containment at wells, the locating of the new desalter wells in the west, reducing storage of the basin by 400,000 acre-feet, with the possibility that basin yield could increase by 14,000 to 17,000 acre-feet per year.

2. Proposed Waste Discharge Requirements (WDR) for Recharge of Imported Water

Mr. Wildermuth stated that when CBWM and IEUA were participating in the TIN/TDS work which started in 1996 and was completed in 2002, the technical people along with the decision makers participated in discussing the likelihood of managing the recharge of imported water and eventually permit it. The Regional Board has come out with a proposal to do which basically states, if you have a maximum benefit basin and if anyone else tried to recharge which is not consistent with our plan and did not obtain approval, they would get anti-degradation objectives. The Regional Board is trying to protect the maximum benefits objectives. The hopes are that parties will try and adopt a management plan that implement the Basin Plan without the Regional Board having to issue WDR's for recharge. Mr. Vanden Heuvel offered comments regarding water quality and costs to ensure that quality.

C. CEO/STAFF REPORT

1. Water Quality Update

Mr. Treweek stated that over the last year 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) has 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. 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 findings 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 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 String Fellow Plume.

2. Strategic Planning Committee Update

Mr. Manning stated an open invitation conference is being planned by the Strategic Planning Committee 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 half day Tuesday, October 3. We will be working on issues dealing with expansion of our recharge facilities based upon the Urban Water Management Plans that were submitted. There is strategic planning that we are going to be doing in many other areas as well. Flyers for this conference will be sent out in a timely manner to be placed on agendas as needed. Staff expects to have follow up sessions and those sessions will be held at Chino Basin Watermaster office or a near by facility locally. Ms. Rose inquired as to how many people are going to be invited. Mr. Manning stated the agencies who are a part of the Watermaster family and their board of directors also the agencies who have an influence on what we are doing at Watermaster, the total count of invitees could be very large. Ms. Rose inquired as to how many from Watermaster will be attending. Mr. Manning stated the majority of our key staff will be attendance. Ms. Rose asked if it will cost to attend the conference and Mr. Manning stated there will be a charge to attend. A discussion ensued with regard to the conference. Chair Willis suggested that the area of governance and policy resolution be discussed at the conference. Mr. Manning stated this item will be discussed with regard to processes.

3. Personnel Committee Update

Mr. Manning stated part of this item was covered under the budget presentation. The second part is the CEO evaluation going on through the Personnel Committee; they are still meeting on this item. Mr. Manning noted Watermaster contracted with 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 CEO evaluation.

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

Mr. Manning stated that Mr. Belitz and Mr. Kent from USGS gave a detailed presentation at the May Appropriative & Non-Agricultural pool meeting. USGS is scheduled to be in the Chino Basin in fall to begin their work. A public workshop will be held prior to the start of their project so that people will be given an opportunity to have input on how the process

will be monitored and how information will be dealt with. Their presentation was very informative and it did allow dialog to start between USGS and the Chino Basin.

5. Storm Water/Recharge Update

Mr. Treweek stated through the end of April we have recharged 36,000 acre-feet of storm water, imported, and recycled water. April was a very good water month and in that month alone there were over 5,000 acre-feet of water recharged.

Chino Basin Watermaster in conjunction with Inland Empire Utilities Agency has decided to pursue Hansen Aggregates (a sand and gravel operation) to repair the damage that their discharges did to our Lower Day Basin. Over the winter Hansen Aggregates discharged silt which went into the Lower Day Basin and the damage from that silt discharge is about a half a million dollars. Staff has met with IEUA and they are going to draft a demand letter to Hansen Aggregates. Staff feels we have very good evidence that it was their discharge that caused the basin damage. Mr. Manning stated CBWM's position is Hansen Aggregates can either voluntarily participate in the clean up or we can go to the Regional Board and they can force clean up.

6. Inland Empire Public Affairs Network (IEPAN) Update

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. IEPAN will be holding quarterly luncheons and the next speaker for September is Gary Miller. The intention behind IEPAN is to try and bring into the basin on a regular basis those people who are helping set policy within this country and state.

7. Legislative/Bond Update

Mr. Manning stated he was in Sacramento on May 24, 2006 and had a chance to facilitate a meeting with the Southern California Water Committee and Senator Perada's office. This meeting was to attempt to get a feel for where Senator Perada's water issues will go given the fact it was not part of this year's bond package. We were also able to the Simitian Bill. Senator Perada was very positive with regard to the Simitian Bill. Several other meetings took place regarding water policy which opened doors for good conversation on where we are at in the water policy issues process. These meetings were especially interesting because they combined staff from the Southern California Water Committee and the Bay Area Counsel. Mr. Manning stated he felt it was a very progressive day and was a good start; we are committed to having these types of meetings on a regular basis.

Mr. Manning stated he recently received an email regarding SB 1795 having to do with the changes within the bill regarding recharge. The changes are advantageous in the Chino Basin.

Mr. Vanden Heuvel offered comment on legislative issues and thanked Mr. Manning for his recent efforts in Sacramento.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Vanden Heuvel stated he would like to see the production for Desalter 1 on future agendas and offered comment on the minutes from the October 25, 2001 Board meeting regarding desalters. This is a very important issue and will require some serious staff work. Mr. Vanden Heuvel requested this item be explored and to be on the June agenda if at all possible.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

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
June 8, 2006	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
June 20, 2006	9:00 a.m.	Agricultural Pool Meeting @ IEUA
June 22, 2006	9:00 a.m.	Advisory Committee Meeting
June 22, 2006	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board Meeting Adjourned at 12:50 p.m.

Secretary: _____

Minutes Approved: June 22, 2006