

**Minutes**  
**CHINO BASIN WATERMASTER**  
**WATERMASTER BOARD MEETING**  
*June 22, 2006*

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on June 22, 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
Bob Kuhn	Three Valleys Municipal Water District
Justin Scott-Coe	Vulcan Materials Company
Paul Hofer	Agricultural Pool, Crops
Paul Hamrick	Jurupa Community Services District
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy
Jack Safely	Western Municipal Water District

**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
Evelyn Kim	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.
Dr. Bill Mathis	Mathis & Associates

**Others Present**

Paul Deutsch	Geomatrix/GE
Jennifer Novak	State of California
Manuel Carrillo	Senator Soto Office
Jim Taylor	City of Pomona
Carole McGreevy	Jurupa Community Services District
Dave Crosley	City of Chino
David DeJesus	Three Valleys Municipal Water District

The Watermaster Board Meeting was called to order by Mr. Willis at 11:03 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 May 25, 2006

**B. FINANCIAL REPORTS**

1. Cash Disbursements for the month of May 2006
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through April 30, 2006
3. Treasurer's Report of Financial Affairs for the Period April 1, 2006 through April 30, 2006
4. Profit & Loss Budget vs. Actual July through April 2006

**C. WATER TRANSACTION**

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

**D. NOTICE: MAYER, HOFFMAN & McCANN TO PERFORM AUDIT FOR 2005-2006 FISCAL YEAR ENDING JUNE 30, 2006****E. CHINO BASIN WATERMASTER 28<sup>TH</sup> ANNUAL REPORT**

*Motion by Hamrick, second by Kuhn, and by unanimous vote*

***Moved to approve Consent Calendar Items A through E, as presented***

**II. BUSINESS ITEMS****A. PEACE II TERM SHEET**

Mr. Manning stated the Peace II process has been moving forward. The term sheet has now been agreed to by the parties and has gone to the Pools and to the Advisory Committee with unanimous approval. Staff is recommending the Watermaster Board approve the non-binding Peace II Term Sheet as this time. There is a workshop scheduled with the Special Referee on July 26, 2006 starting at 11:00 a.m. here at the Watermaster office. Mr. Vanden Heuvel inquired into the number of conditions precedent to the approval of the term sheet, specifically the review of the term sheet by the special referee's assistant. Counsel Slater stated there have been ongoing discussions with the special referee including separate conference calls with the special referee and her special assistant. Mr. Scalmanini has been in contact with Wildermuth Environmental's office in an effort to try and form an evaluation; the expectation for July 26<sup>th</sup> is to hold an informal workshop to elicit input. At the workshop Watermaster staff would present the term sheet, the technical underpinning for the term sheet, the further technical items that need to be performed, and include within that a report from a competent economist for the cost benefit analysis. The special referee's assistant, Mr. Scalmanini, will have had an opportunity to work through the model and verify its accuracy and its assumptions that are used in the model in terms of it being a planning tool. The expectation is there will be further work items that are either requested by Watermaster or directed by the court and that would be part of the ongoing process to be completed before there is a binding agreement. Mr. Manning stated within the last couple days Mr. Scalmanini has been down to Wildermuth's office and has been going over the model and the underpinnings of that with staff and has put in a great deal of work just over the last couple of days on the process. Mr. Scalmanini expects to have an analysis done, at some level, for the workshop.

*Motion by Kuhn, second by Vanden Heuvel, and by unanimous vote*

***Moved to approve the non-binding Peace II Term Sheet as a template approach for the development of final agreements, as presented***

**B. JOINT CHINO BASIN WATERMASTER/IEUA CHINO BASIN DATA EXCHANGE (DATA X) SYSTEM DEVELOPMENT AGREEMENT AMENDMENT**

Mr. Manning stated Danni from our Watermaster staff had previously given an update/presentation to the Board on the progress of the DataX program. Mr. Manning noted staff thinks the benefits to our organization, Inland Empire Utilities Agency (IEUA), and to all member agencies who utilize the data that we collect will far out weigh the costs involved with this process. The motion which is being sought after today is for approval of the Phase III agreement for the finalization of the process. Watermaster staff is currently using the process and are working with two test subjects, Cucamonga Valley Water District and the City of Chino, who are testing the input data elements that are involved. Phase III will give us an opportunity to correct any errors that are involved in the data processing part and to also put in any needed additional safety factors. Mr. Manning noted that IEUA had this item on their board agenda yesterday and was passed unanimously and staff is seeking an approval for Phase III today. This item was approved unanimously by the three Pools and the Advisory Committee.

*Motion by Kuhn, second b Hofer, and by unanimous vote*

***Moved to approve the Chino Basin Watermaster/Inland Empire Utilities Agency Chino Basin Data Exchange (DataX) System Development Agreement amendment, as presented***

**C. COST OF LIVING ADJUSTMENT (COLA)**

Mr. Manning stated the 2006-2007 budget was approved by all the parties and the Watermaster Board last month, included in that budget was the cost of living adjustment that is reflected in the CPI, a copy of that report was handed out last month and there are more copies if any board members need one today. For our region the CPI for March was 4.7%; we go by fiscal year from July to July so we used the March CPI for reference. Past policy of this board has been to use the CPI as the cost living adjustment for salary increases for staff and staff is recommending the continuation of that. Ms. Rose inquired into the cities that were listed in the CPI. Mr. Manning stated it is the greater Los Angeles area that they use and then Orange County is listed separately. A brief discussion ensued with regard to the COLA adjustment.

*Motion by Hamrick, second b Kuhn, and by unanimous vote*

***Moved to approve the Cost of Living increase for Chino Basin Watermaster employees as of July 1, 2006, as presented***

**D. HEALTH BENEFITS**

Mr. Manning stated Mr. Mathis is here from Mathis & Associates to answer any questions regarding the health benefits study he performed and recommended to the Personnel Committee. Mr. Manning noted the Personnel Committee has met several times over the last month and a half to look at a few items, one of which was the Watermaster health benefits issue. Mathis & Associates performed a survey and gave that survey to the Personnel Committee and those recommendations are being presented today. Chair Willis reviewed the recommendation which entailed the cost of \$907 dollars for health benefits plus an additional \$75 dollars for dental/vision coverage. Those who do not participate in the cafeteria program can take 75% of the \$982 and put it into a deferred compensation program or into a health savings account. The recommendation of the Personnel Committee was unanimous. Mr. Mathis stated the revised study was for health data only. Ms. Rose stated it was her

understanding that Watermaster was looking to increase their health benefits to meet the median standards for the water industry over a two year period and inquired why we are not using the \$907 figure and doing it over a two year period at this time. Ms. Rose stated she understood the \$75 is for additional dental/vision coverage but that the \$907 figure reflects dental and vision already incorporated into it. Mr. Manning stated this recommendation comes from the Personnel Committee based upon the survey that Mathis & Associates performed. Mr. Mathis stated the discussion about the median was certainly \$907 dollars over ten agencies; however, several of the surveyed agencies are in revision right now to increase their dollar figures or revise their cost sharing portions. The \$907 figure did bring us up to about the median of nine agencies but the Personnel Committee took into consideration the other agencies are in revision presently and then this increase would still be below their revised median. Mr. Kuhn stated the affect of the \$75 dollars also had to do with fact that we have never offered dental or vision previously and that figure specifically, in the mind of the Personnel Committee, was to add dental and/or vision and not just for the health benefit alone. The original recommendation was to spread this over a two year period but in discussions it was decided to not split the benefit but to absorb the cost now in full since the health benefits in the past has been seriously below the water industry median. A discussion on the original survey ensued; the discussion included comments on the COLA adjustment and on past health benefits being below average.

*Motion by Kuhn, second b Hamrick, and by majority vote – one no vote by Rose*

***Moved to approve the revised Health Benefits Package for Chino Basin Watermaster employees, as presented***

### III. REPORTS/UPDATES

#### A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. OCWD PEIR Comments

Counsel Slater stated Watermaster has filed a comment letter with regard to the Orange County PEIR. The effort was to be soft and supportive while still holding our position. It is a non-confrontational letter and is on page 91 of the meeting packet.

2. RWQCB Waste Discharge Permit Update

Counsel Slater noted there were no new updates to report on at this time for this item.

3. North Gualala Decision

Historically our judgment has been operated independently from the river and independently from the State Board under the theory we are percolating groundwater. That has always been the case and is recognized by the court to be that way in 1978. This is a case that has been taking place in the court system in northern California which raised the question of how broad the State Board's jurisdiction was over wells in the vicinity of a stream. This case is important to us and is found on page 93 of the meeting packet. On page 99 the court reaffirms a test for when we decide whether a well is in the jurisdiction of the Board. That test effectively states there has to be a channel; water needs to be flowing within that channel as opposed to a basin broadly. The real importance of the decision is on pages 124 and 125 because in affirming what the State Board did and what the trial court held, the court went on to say, we are not interested in taking a view of the State Board's jurisdiction that is broad on a valley wide basis. The court rejected an impacts test which means if the producing well has an impact on the stream that it would trigger State Board jurisdiction. This is relevant to our ongoing operations. There will be follow up cases of interest to the Chino Basin and as information is released on those cases they will be brought forward for report.

**B. CEO/STAFF REPORT**1. Storm Water/Recharge Report

Mr. Treweek stated there has been 46,000 acre-feet of recharge through the month of May. In June we should bring in approximately 3,000-3,500 acre-feet of imported water. These totals will bring us up almost to our goal of 50,000 acre-feet for the year. Looking towards the next fiscal year, there are items both physical and operational that staff is working on. For the physical improvements staff will be selecting a design consultant for the two new turnouts on the Rialto Pipeline plus some other improvements to the SCADA system. In regards to the operations, a meeting took place at the Department of Safety and Dams (DSOD) to discuss four of our basins: 1) San Sevaine #5, 2) Jurupa, 3) Hickory, and 4) the new Etiwanda Conservation ponds. When we have a major storm these basins have the ability to hold back a lot of the storm water for recharge. The DSOD put a requirement on those basins that within 24 hours after the pass of the storm event the sluice gate has to be raised and the basin drawn down. This only allows us a day or so to capture water for recharge. In the meeting with the DSOD we tried to determine the basis for their 24 hour release decision. When their decision was made, it was in the early 90's and several of the people who made that decision were still available for comment. The DSOD's decisions were made for safety reasons due to the possibility of an earthquake and the possibility of liquefaction occurring within the basin. The DSOD's staff stated CBWM has some really interesting ideas and they would be pleased to go back and re-evaluate their 24 hour water release decision after they assess all the data we presented to them.

2. Legislative/Bond Update

Mr. Manning stated recently Geoff Vanden Heuvel and he made a trip to Sacramento as part of a meeting with the Southern California Water Committee combined with the Bay Area Counsel. During that visit, Mr. Manning stated he had a chance to meet with Senator Margett and the Senator has agreed to schedule a meeting with Senator Perada, to talk about upcoming water bond potentials and the re-submittal of the Simitian Bill. The Simitian Bill was the bill which introduced the concept of a bypass facility around the Delta. This was a very successful legislative trip.

3. MZ1 Committee Update

Mr. Manning stated there was an MZ1 Technical Committee tentatively scheduled for June 8, however, we are still trying to work with the City of Chino Hills and the meeting was postponed. Mr. Manning stated that in discussions with Chino Hills they are in preparation of a position that will be under consideration by the committee, although, we have not yet received that documentation.

4. Desalter I Production Update

Mr. Manning stated at the last meeting board member Vanden Heuvel asked staff to look at the circumstances by which we were using the 50% number for replenishment of the desalter production. Mr. Manning distributed background information that includes the information within the Rules and Regulations that we are doing this and then went back to the October 25, 2001 minutes wherein the discussion was held regarding the 50%. At that meeting Mr. Wildermuth talked about the Chino Basin Water Resource Management Study the first TIN/TDS Study and the initial modeling for Chino I that all led to the 50% production allocation towards desalter production. That is the only board action that was take to date that reflects the 50% number. Mr. Vanden Heuvel thanked staff for putting this information in a formal memo and also noted this item was added to the agenda at the 2001 meeting and that he was not present at that meeting. Mr. Vanden Heuvel noted that in his opinion staff should have a more clear record for pumping and recharge in the basin for new yield.

Added Comment:

Mr. Manning stated a letter which was signed by Chino Basin Watermaster (CBWM) and Inland Empire Utilities Agency (IEUA) was sent to Hanson Aggregates addressing the recovery of damages for illegal discharges into the Day Creek Basin by Hanson Aggregates Inland Plant, was sent on June 5, 2006. The letter explains the extent and magnitude of physical and monetary damages caused by Hanson due to regular, illegal, and muddy water discharges from the Hanson Inland Plant into the Day Creek channel. Mr. Manning noted that IEUA and CBWM will initiate legal recourse if Hanson does not provide an adequate response within 10 business days which outlines the means of making whole the specified \$1.2 million dollars in damage incurred due to their illegal action. The cost is for clean up and monies lost in recharge.

**IV. INFORMATION**

1. Newspaper Articles

No comment was made regarding this item.

**V. BOARD MEMBER COMMENTS**

Mr. Hofer stated he attended the Agricultural Pool this past Tuesday and there was an issue that came up during the meeting with regard to the City of Chino which has drilled a well and now is in need of immediate access to private agricultural well data. This has been an issue with the Agricultural Pool in the past with regard to monitoring their wells and the release of data. Staff is going to look into the procedures for release of data and give a report back to the Agricultural Pool next month. Mr. Manning stated in these situations when we are working with parties to the judgment and parties who are under clean up and abatement orders from the Regional Board, staff would like to have a discussion with the Agricultural Pool on methods of expediting our ability to deliver information data to those parties whom we are familiar with working with. This will be using the same kind of expectation that information would be held in confidence and it would be protected, we will still be contacting the owners of the wells, following the same procedures we always do. We will ask that in some cases we make those decisions and then just report back to the Agricultural Pool, this will be a minor modification but could help greatly in expediting some of these requests. Mr. Hofer commented on parties drilling wells and if there is a potential to need data to ask for it in advance to go through the proper channels rather than needing their request expedited.

**VI. OTHER BUSINESS**

No comment was made regarding this item.

The regular open Watermaster Board meeting was dismissed at 11:50 a.m. to allow the confidential session to convene.

The confidential session for the Watermaster Board concluded at 12:25 p.m. and the open session re-convened.

**VII. CONFIDENTIAL SESSION**

Mr. Manning's three year contract which was forwarded by the Personnel Committee was approved by the Watermaster Board from July to July. Watermaster Board members gave direction to legal counsel to prepare the contract.

**VIII. FUTURE MEETINGS**

June 22, 2006	9:00 a.m.	Advisory Committee Meeting
June 22, 2006	11:00 a.m.	Watermaster Board Meeting

July 13, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
July 18, 2006	9:00 a.m.	Agricultural Pool Meeting @ IEUA
July 26, 2006	T. B. D.	Workshop for Peace II
July 27, 2006	9:00 a.m.	Advisory Committee Meeting
July 27, 2006	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board Meeting Adjourned at 12:30 p.m.

Secretary: \_\_\_\_\_

Minutes Approved: July 27, 2006