

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

July 27, 2006

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on July 27, 2006 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	West End Consolidated Water Company
Sandra Rose	Monte Vista Water District
Terry Catlin	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
Al Lopez	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
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Mark Kinsey	Monte Vista Water District
Bill Kruger	City of Chino Hills
Ash Dhingra	City of Pomona
Eunice Ulloa	Chino Basin Water Conservation District
Rick Hansen	Three Valleys Municipal Water District
Charles Moorrees	Santa Antonio Company
Rosemary Hoerning	City of Upland
Dave Crosley	City of Chino
David DeJesus	Three Valleys Municipal Water District

The Watermaster Board Meeting was called to order by Mr. Willis at 11:05 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 June 23, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of June 2006
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through May 31, 2006
3. Treasurer's Report of Financial Affairs for the Period May 1, 2006 through May 31, 2006

Pulled for discussion: 4. Profit & Loss Budget vs. Actual July through May 2006

C. WATER TRANSACTION

1. **Consider Approval for Transaction of Notice of Sale or Transfer** – the lease of 2,500 acre-feet of water, first from the City of Pomona's (Pomona) net underproduction, if any, from its FY 2005/2006 allocation, with any remainder from Pomona's local storage account in the Chino Basin, to the Cucamonga Valley Water District. Date of application: May 30, 2006
2. **Consider Approval for Transaction of Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2005/2006. Date of application: May 11, 2006
3. **Consider Approval for Transaction of Notice of Sale or Transfer** – The one-year lease of 5,350 acre-feet of water from the City of Chino's annual production rights to the Cucamonga Valley Water District. This lease is made first from Chino's net underproduction in Fiscal Year 2005-2006, with any remainder to be recaptured from storage. Date of application: May 10, 2006

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

Moved to approve Consent Calendar Items A, B1 through B3, and C, as presented

This item was pulled for discussion and separate motion:

4. Profit & Loss Budget vs. Actual July through May 2006

Ms. Rose inquired into the items that are presented in item 4 that are over 100% of the budgeted amounts and to understand what the process is for doing a mid-year update on the budget for items that are over budget. Mr. Manning stated we generate financial statements on a monthly basis, and staff attempts to update each one of the elements within the budget and there are a couple of line items over budget presently. One item is 200% over budget and the organization that is involved has been notified of the overage. On the monthly reporting we try and keep parties involved in the understanding of where we are at as far as under or over budget. Ms. Rojo stated in the administrative section of the budget, items that are over budget need to be addressed and our Rules and Regulations state if we are 20% more in one category it should be brought forward to the group. The Appropriative Pool has questioned account 8467 related to Agricultural Pool expenses. In the section for the OBMP expenditures and special project expenditures in the 7000 thousand accounts updated to reflect amounts expended to be reimbursed by Inland Empire Utilities Agency. Before we finish the year end financials, the amount that is billed to IEUA is part of the cost sharing will be pulled out and a lot of those expenses will end up being reduced in the next month's financial statement. For the most part we have not had much of any type of budget variances that we have brought before the pools. Ms. Rose stated that it was her understanding that if an item goes over by 20% then that item should come back through the Watermaster process for approval. Ms. Rojo stated that was correct in that the item should be brought to attention; however, there is not a written process in place as to how to bring that forward. Mr. Manning stated he read that section in the Rules and Regulations several weeks ago and it is not 100% clear on exactly what the process would be. Staff will be working on a policy internally about how to deal with this issue and will bring back a recommendation through the Watermaster process.

*Motion by Rose, second by Catlin, and by unanimous vote
Moved to approve Consent Calendar Item B4, as presented*

II. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

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1. Workshop with Special Referee

Counsel Slater stated the workshop with the special referee and her assistant was held yesterday at the Watermaster offices. The purpose of the workshop was to inform the referee with regard to our proposed Peace II Term Sheet, we had three witnesses on behalf of Watermaster, counsel who was in charge of summarizing, and we offered two experts, Mr. Wildermuth and Dr. Sunding. Mr. Wildermuth was responsible for describing the technical analysis that had occurred to date, which is supportive of the Peace II Term Sheet, in the sense that the proposed new Watermaster goal of hydraulic control was indeed supportable by the technical work and modeling. And secondly, the strategy of securing hydraulic control through basin re-operation was also prudent. The strategy for this could be carried out without causing material physical injury or harm to the basin. Doctor Sunding gave his presentation last who did a cost benefit analysis and submitted his initial draft report. Dr. Sunding moved through his conclusions and generally is of the opinion that we are looking at a several hundred million dollar benefit associated with implementing this new strategy that is embedded in the new Peace II Term Sheet. There were comments from the public on specific issues in the presentation. Mr. Scalmanini, who is the assistant to the special referee made his report with regard to where he is on his progress in initially testing the model that has been prepared by Wildermuth and then laid out a schedule for his completion of that review. Counsel Slater stated that it is his impression of the workshop that it was very instructive, it was useful for the referee, and we covered a lot of ground; we made a particularly good record for our case. The referee did indicate there are certain areas that we need to shore up in terms of laying a foundation of a context for what we want to accomplish. Specifically Ms. Schneider has suggested that a narrative be prepared which would describe the circumstances that have changed from between the date the judgment was approved in 1978 and the present time. She also suggested a schedule for her compilation of a referee report and it is the view of counsel that it would be important to have the Sunding report completed before the referee finalizes her report. We have a summary and a tentative opinion from Dr. Sunding; there were some suggestions regarding some of the items he needed to consider; although, we would like to see that report completed and sent through the Watermaster process soon so we can insure that report becomes part of the record and is considered in the special referee's report. We have approximately sixty days to receive Dr. Sunding's report, prepare a narrative, and offer any further updates that we want to provide to the referee. It was asked if Dr. Sunding's report was going to be run through the entire Watermaster process or would it just go to the Watermaster Board. Counsel Slater stated that as a matter of custom, it would be run through the entire Watermaster process for full discussion and adoption. Counsel Slater noted that if any party has comments for Dr. Sunding regarding his recent report to submit those by email or writing as quickly as possible; Dr. Sunding has been asked to revise his report within seven to ten days for submission. A discussion ensued with regard to Dr. Sunding's report. Mr. Vanden Heuvel stated he was very impressed by the workshop and felt there was a tremendous amount of information presented. Chair Willis concurred with Mr. Vanden Heuvel's comments and noted the presentations were very informative and the workshop was well organized.

Added Item:

Counsel Slater stated Watermaster has been served with a subpoena arising out of some litigation that is involving the Colton Basin, a party that represents BF Goodrich has requested several documents. Counsel has conferred with Watermaster staff and this

raises legal issues whether Watermaster is subject to a subpoena and whether we are willing to provide documents that are requested and under what process. After meeting with staff it was noted there is a rule on file that states that if anybody effectively wants to secure Watermaster documents they must pay Watermaster costs. And by policy, your staff has directed legal counsel to use what the San Bernardino court uses as far as copying costs which as the rate of \$.50 cents per copy plus costs and that is what we will be informing them as to the costs in preparing their request for documents. We are also going to be conferring with their counsel and seeking to get the subpoena resented.

B. CEO/STAFF REPORT

1. Storm Water/Recharge Report

Mr. Treweek stated there is a handout on the back table which summarizes the year end recharge totals. We have recharged 49,000 acre-feet from all sources, imported, storm, and recycled water. A plan for fiscal year 06-07 has been drawn up and is available on the back table. The first page is on imported water, the second page is on storm water, the third page recycled water plan, and the fourth is a summary; we anticipate 60,000 acre-feet of recharge for the next fiscal year. There were two assumptions made in drawing up the new plan, that MWD would continue to provide replenishment water and that we will have an average rainfall year. This year our rainfall was about 20% below average. Our Phase II design consultant has been brought under contract and will design our Phase II improvements this fiscal year with the idea that in July of 2007 the Phase II improvements will be designed and constructed and that will add 15,000 acre-feet to the total replenishment. Watermaster staff has already identified some additional basins that we want to either lease or purchase; the Etiwanda Conservation Ponds, Victoria Basins South, and improvements to the Upland Basin that would constitute as a Phase III design for fiscal year 08-09. We are anticipating in the year 2008 we will be able to report that we can recharge 80,000 acre-feet. Mr. Vanden Heuvel inquired if this report was the final report for the fiscal year. Mr. Treweek stated this was the final for the year. Mr. Vanden Heuvel stated he wanted to note for the record there is a total for storm water at 12,940 acre-feet and subtracted from that is the baseline of 5,600 acre-feet, so in new storm water new yield for fiscal 05/06 is 7,340 acre-feet which is short of the 12,000 acre-feet allocated. This will be the second year an adjustment will need to be made. Mr. Manning stated this year was a below average rain year and there is a five year adjustment that we will do at the end of the five year period. Mr. Vanden Heuvel inquired to the handout regarding the forecast for next year; the plan is for 15,000 acre-feet which would again leave us short if we hit the plan which causes concern. A discussion ensued with regard to Mr. Vanden Heuvel's questions and comments. Mr. Treweek noted next year we are hoping to have an average rain fall year which we did not have this year; we have added capacity but again we are counting on have at least an average rain fall year. Mr. Vanden Heuvel stated the 12,000 acre-feet that was approved was not completely uncontested at the time. Based on an above average last year, where we just got the 12,000 and then a below average this year and a plan for an average year next year; it looks like the 12,000 on this five year plan did seem on the optimistic side then and now. Mr. Wildermuth stated an average rain fall year will not produce an average run off. An average rainfall year will produce below average recharge; super average years is where we will make up those low numbers.

2. Legislative/Bond Update

Mr. Manning thanked Rich Atwater and Martha Davis for the work they are doing in the legislative area. Regarding Proposition 84, Inland Empire Utilities Agency and Metropolitan Water District have both taken positions of favor on Prop 84. It is an issue that all the agencies should be looking at. Mr. Manning described the details of Prop 84 and stated this is the Caves initiative which is a \$5.4 billion dollar bond issue that is a water bond broken down into a \$2.7 billion dollar water bond and \$2.7 billion dollar environmental bond and it does provide money for the Santa Ana regions. There is a lot of discussion on this proposition. A discussion ensued with regard to legislation issues.

3. Hanson Aggregate

Mr. Manning stated this item has now been in the newspaper a few times and some of those articles are in the meeting packet under information. Mr. Manning noted last month a letter was sent to Hanson Aggregate which was signed by Rich Atwater and himself informing Hanson that we have silt built up in our Lower Day Basin which is just below the 210 freeway. The letter stated that preliminary investigations have pointed to the fact that we suspect Hanson was the cause of the silt from illegal discharges from their Hanson plant. A few weeks ago the Daily Bulletin phoned and scheduled an appointment with us go out with them to look at the damaged area and at Hanson facilities. Watermaster staff met with the Daily Bulletin staff at the site and showed them the problems first hand. We received a letter from Hanson Aggregate yesterday which informed us that they firmly believe they did not cause any of this damage because they practice Best Management Practices and this type of incident could not take place. Watermaster is now looking at our options as to how to proceed next and staff will keep the parties apprised. Mr. Manning stated the Daily Bulletin has taken this event on and feels it is news worthy material; they are spending a lot of time and resources on following up on this item. Mr. Manning stated we are looking at approximately \$1.2 million dollars in losses and that figure is going up almost every day. A discussion ensued with regard to this issue.

4. Annual Monitoring Program Agreement between IEUA & CBWM

Mr. Manning stated this is actually a notification item that this agreement is being worked on and will be coming up for approval through the Watermaster process in August.

III. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

IV. BOARD MEMBER COMMENTS

No comment was made regarding this item.

V. OTHER BUSINESS

No comment was made regarding this item.

VI. FUTURE MEETINGS

July 25, 2006	9:00 a.m.	GRCC Meeting
July 26, 2006	11:00 a.m.	Workshop for Peace II w/ Special Referee
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 11:50 p.m.

Secretary: _____

Minutes Approved: August 24, 2006