

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

August 24, 2006

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on August 24, 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
Bob Bowcock	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
Gordon Treweek	Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Scott Slater	Hatch & Parent
Michael Fife	Hatch & Parent

Others Present

Mark Kinsey	Monte Vista Water District
Charles Moorrees	Santa Antonio Company
Rosemary Hoerning	City of Upland
Dave Crosley	City of Chino

The Watermaster Board Meeting was called to order by Chair 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 July 27, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of July 2006

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

Moved to approve the Consent Calendar items A and B, as presented

II. BUSINESS ITEMS**A. STATUS REPORT 2006-01**

Mr. Manning stated when the court reappointed the nine-member board at the beginning of the year, for another five-year term, that was the end of the official reporting cycle that was agreed to as part of Peace I. As part of this reappointment of the board, the court asked that we start a new cycle of reporting, similar to the old reporting style, although the format did need to be changed slightly. Chino Basin Watermaster has agreed to the new format and Status Report 2006-01 is the first of two, which will be filed with the court this year. Staff is seeking approval for Status Report 2006-01.

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

Moved to approve the filing of Status Report 2006-01, as presented

B. ANNUAL MONITORING PROGRAM AGREEMENT BETWEEN IEUA & CBWM

Mr. Manning stated in the year 2004/2005 there was a Memorandum of Understanding (MOU) Agreement between Inland Empire Utilities Agency (IEUA) and Chino Basin Watermaster (CBWM) that called for several monitoring functions within the Chino Basin. In that agreement, the MOU referred to an MOU, which would be reaffirmed by the agencies on an annual basis. This annual monitoring plan and budget is the aforementioned MOU that specifies what the breakup will be as far as the sharing of costs is concerned. Mr. Manning referred to page 27 of the meeting packet, which describes several monitoring programs under this agreement. Except for the recycled water monitoring, all of the cost shares are at 50%, the recycled water has a 75/25% split. Staff is seeking approval for the Annual Monitoring Program Agreement. Mr. Manning stated this agreement passed through the Pools with one negative vote and through the Advisory Committee with one negative vote, both by the same agency. Mr. Vanden Heuvel inquired as to the concerns of the one agency that voted no. Mr. Manning stated, Monte Vista was the dissenting party and their concern that the 75/25% split was inappropriate split because Watermaster is not receiving benefit from recycled water currently. Mr. Kinsey stated when this agreement was presented in 2004; Monte Vista had the same arguments in that they do not think it is appropriate that Watermaster subsidize the costs of the recycled water program since not all of the Watermaster agencies are in a position to receive benefits from recycled water. Monte Vista believes that IEUA and IEUA agencies should pay 100% of the costs associated with this particular line item rather than it being a 75/25% split. Mr. Manning stated this does not change the actual monitoring program; the monitoring program that is in place, even the recycled monitoring program, since Watermaster is a co-applicant on the recycled water program. The monitoring that Watermaster is performing is a result of the Hydraulic Control Program and Recycled Water Program and is mandated by the Department of Health Services and the Regional Board. If the Watermaster Board did not pass this cost sharing agreement, we still have a mandated requirement, which does not change. What this agreement does is coordinates both agencies to be prepared to share the costs of the program as it carries forward through this next year. Mr. Bowcock stated that as the non-agricultural pool representative he thinks that all parties within the Watermaster benefit from higher groundwater levels and are all responsible for replenishment water when it is required and ordered by the basin.

Motion by Kuhn, second by Bowcock, and by majority vote – Monte Vista Water District voted no

Moved to approve the Annual Monitoring Program Agreement between Inland Empire and Chino Basin Watermaster, as presented

C. UPDATE OF RESOLUTION 01-01

A number of years ago Watermaster had made a determination that staff was going to use the same costs/charges that are being applied to those types of requests for copied documents from the San Bernardino Superior Court. Watermaster adopted the same rate structure for our use and policy. The costs have gone up to \$.50 per page and in staying in concert with their rate structure staff is requesting to update our Resolution 01-01 to reflect the new rates.

Parties to the judgment have their fees waived; however, non-parties to the judgment must pay the copying fee if they want copies made. Recently there have been two requests for documents; one was a massive request for copied documents, making it even more important to adhere to the new Superior Court rate change.

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

Moved to approve updating of Resolution 01-01, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Goodrich Subpoena

Counsel Slater stated this item was discussed at length at the August Watermaster Board meeting. This is a subpoena, which was generated out of the Rialto litigation. Counsel Slater stated it was made known to the parties that Watermaster is not subject to such subpoenas; however, there is no objection to making the documents available so long as the parties comply with Watermaster's policies regarding copying/reimbursement costs. This matter has not yet been resolved with the Goodrich counsel. It is anticipated this issue will have some resolve by the next Watermaster Board meeting in October.

2. Stakeholder Non-Binding Term Sheet

Counsel Slater stated the Referee's Workshop was held recently and at that workshop, it was suggested and staff concurred, that along with the transmittal of the Peace II Term Sheet to the court, that we should also have a narrative. The narrative is an explanation of the circumstances under which the Term Sheet makes its way to the court and a summary of the historical conditions between both technical and legal, between the time the Judgment was adopted in 1978 and now effectively. We are now in the process of preparing a pleading which attached to the Term Sheet, that would go to the court; it would be open and subject to review through the typical Watermaster process. The Term Sheet would also have, as an attachment, the Sunding Report and the Wildermuth Environmental work to date. This would give the court a full record of our expectations. That work product is in progress. Staff and counsel have received some comments on the Sunding Draft Report and those have been transmitted to Professor Sunding. Once his report is complete, the second draft will be brought through the Watermaster process where it would be a receive and accept or not by this Board. Wildermuths work is essentially complete for this segment, although Mr. Wildermuth continues to fine-tune his work. We are anticipating a hearing for these items in late fall.

Counsel Slater noted there is a September 16, 2006 date that has to do with the motions that the City of Chino and the City of Chino Hills had filed many-many years ago on the court calendar. We are hopeful that will be moved over for another year.

3. Vulcan Assignment to San Antonio Water Company

Counsel Slater stated there is an assignment request which is described on page 35 of the meeting packet that counsel characterizes as a change in report as a result of an activity between San Antonio Water Company and Vulcan. Staff is presently involved in investigating the underlying facts so that the Board can be advised as to what the legal parameters are. At this point staff is going through the same process as it would go through any Form 10 request. Staff will be requesting a number of documents from the agencies that are requesting the transfer of the assignment along with several other underlying documents. This is the same due diligence staff would do for any other Form 10 project. Staff is anticipating the information released to Watermaster will provide us with a few dilemmas; staff is going to try and phrase those dilemmas into a question we are going to ask legal counsel to try and clarify for us in terms of the process and the legal authority. Once those two things are in place, staff is going to make a recommendation. When Watermaster staff first received this Form 10 credit, staff asked Vulcan, through their representative that we acknowledge this as not the "normal" kind of a request and that

Watermaster was not going to be comfortable in making any sort of recommendation unless this was fully vetted in front of the entire Watermaster process. Vulcan and their representative was very comfortable with daylighting this and receiving comments from the parties. There is no time line set for resolve, however, staff is seeking to handle this before the time of the Assessment Package process in November. Mr. Vanden Heuvel asked that what is being contemplated in this transaction be further clarified. Mr. Manning stated that Vulcan has water rights in the basin of about 317 acre-feet per year. What they are asking for is to have that water assigned, going back twenty-six years, to San Antonio. San Antonio, as well as others, has been supplying Vulcan with water for many-many years – even further back than the twenty-six years that for which they are trying to receive credit. Vulcan is saying they would like to do is to clear this up before the Peace II process is in place. Vulcan wants to transfer approximately 8,000 acre-feet of water to San Antonio; they have also disclosed that San Antonio has a deal with Fontana Water Company and Cucamonga Valley Water to sell that water to them once this transfer takes place. An extensive discussion with questions and comments ensued with regard to this matter. Mr. Manning reiterated that staff will be providing a complete and full report once this matter has been thoroughly investigated and the facts and data has been analyzed.

B. WATERMASTER ENGINEERING REPORT

1. Basin Outflows Regarding the Chino Airport Plume

Mr. Manning stated at the recent Referee Workshop there was some discussion about an area in the basin which is at the southwest portion where there appears to be some leakage into the Prado area of water. This item presented today is an addendum to the Wildermuth Hydraulic Control report. Mr. Manning reviewed the Hydrologic Basis for Hydraulic Control and Re-Operation / New West Desalter Well Field presentation. The need for the west desalter well field is shown in monitoring data indicates that currently we do not have control in that area. Modest expansions of Desalter I and Desalter II cannot achieve the needed hydraulic control. A map reviewing half desalter replenishment was reviewed in detail. Mr. Manning stated the next steps would be to optimize the west desalter well field and to prepare an addendum to the April 2006 report to include the west desalter well field. A brief discussion ensued with regard to the new wells.

C. CEO/STAFF REPORT

1. Storm Water/Recharge Report

Mr. Treweek stated our actual recharge for July was 1,600 acre-feet and our goal was 3,800 acre-feet. The reason we only achieved about 40% of our goal was that Metropolitan Water District shut down all the replenishment water during the very-hot days in July. We are now back running at full bore and we are recharging about 200 acre-feet a day in our basins. The only basin that is not working right now is the Lower Day Basin which is being cleaned. Mr. Treweek recapped the future CBFIP facilities and reviewed the schedule of potential yield. Mr. Manning stated what was just reported is an optimistic view of our recharge potential operations and we look at it as the best case scenario based upon where we are today and we also believe most of it achievable with a lot of work. There are still things that need to happen to realize our goal. We are thinking of ways to meet our obligations for recharge, this was one of the items the special referee mentioned at the workshop and is also critical to the court. We are thinking about where we need to be in the year 2030 and this is part of the planning we are working on as to how to get there, and this issue will be discussed further at our upcoming Strategic Planning Conference that is being held in October 2006.

2. Legislative/Bond Update

Mr. Manning stated Sacramento meetings will take place this month which is the last month of the session so anything that does not get off the floor and onto the governors desk is canned and will have to come back in the next session. We are in the middle of an election cycle and the filing period ends tomorrow for elections for seats that are up for election this year. There should be a lot of activity seen over the next couple weeks.

3. Hanson Aggregate Update

Mr. Manning stated this item is actually an information update and that if and when this item is discussed it will be in closed session from now on and will probably be discussed at the next Watermaster Board meeting at the end of the month.

4. Budget vs. Actual Update

Mr. Manning stated this item is in response to a letter written by Robert DeLoach to the chairman of the Agricultural Pool regarding the legal fee overage from the budgeted amount. A response letter was written back by Nathan deBoom, the chairman of the Agricultural Pool, in regard to the overage which included some great suggestions.

5. IEUA Landscaping Alliance

Mr. Manning stated there are a number of events that are all coming together at the same time, like the Strategic Planning Conference which is also related to this Alliance. Along the lines of the IEUA Landscaping Alliance, there is a series of workshops that RAND has offered to hold. The first workshop happens to tag on very nicely to the October conference and RAND wants to hold those in the same time frame as our conference. In September, we are going to be moving the Advisory Committee and the Watermaster Board meeting to the IEUA facilities and after the Board meeting we will have lunch and then go directly into the first RAND session which we will use as our pre-conference kick off. The first session will be addressing water supply and global warming water supply issues here in California.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

2. IE PAN Invitation

Mr. Manning noted the next IE PAN luncheon will be held on September 8, 2006.

V. BOARD MEMBER COMMENTS

Ms. Rose offered comment and concerns regarding fundraisers and other various functions that Watermaster is involved in. Mr. Manning stated he could get together with Ms. Rose and any other board member who had concerns and go over the selection process.

Ms. Rose inquired into Mr. Manning's goals and objectives, which she was received by email from Mr. Manning. A lengthy discussion ensued with regard to this issue. Chair Willis reminded the parties that this item was discussed in closed session and that since Mr. Kuhn, who is currently present and sits on the Personnel Committee that after the Board meeting concludes Ms. Rose, Mr. Kuhn, and Chair Willis can get together to review this matter. Counsel Slater stated, counsel was instructed to prepare a contract by the direction that was provided at the meeting. Ms. Rose stated she needed clarification as to what written information was handed out at the closed session in order to allow the Watermaster Board to make the recommendation to counsel to prepare a contract. Mr. Kuhn offered comment that since he sat on the Personnel Committee he was aware of

Mr. Manning's previous contract and what was handed out at the meeting was a term sheet that was prepared by the Personnel Committee Members that tried to spell out the important parts correctly. Mr. Kuhn stated the Watermaster Board asked counsel to write up a contract based upon the term sheet, which contained salary and some goals and objectives that the Personnel Committee had requested that day. Mr. Kuhn suggested that the Personnel Committee reconvene and meet with any Board member who has questions or concerns about the approved contract and/or

Mr. Manning's set goals and objectives. Counsel Slater stated the question that is being raised today is, whether the contract faithfully carries out what the intention of the Board was, and without piercing the discussion that took place in closed session. A way to address this issue would be to impanel the Personnel Committee to take a look at whether the contract meets with the expectations of the Committee and if those Committee members wish to

convene a closed session, we could also do that. A discussion ensued further regarding this matter. It was noted that Ms. Rose needed a copy of the contract and Mr. Manning stated he would provide that to her after the meeting.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION

No comment was made regarding this item.

VIII. FUTURE MEETINGS

August 24, 2006	9:00 a.m.	Advisory Committee Meeting
August 24, 2006	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board Meeting Adjourned at 12:40 p.m.

Secretary: _____

Minutes Approved: September 28, 2006