

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

September 28, 2006

The Watermaster Board Meeting was held at the offices of the Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on September 28, 2006 at 9:00 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
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
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.
Andy Malone	Wildermuth Environmental Inc.

Others Present

Charles Moorrees	Santa Antonio Company
Rosemary Hoerning	City of Upland
Dave Crosley	City of Chino
Justin Scott-Coe	Vulcan Materials Company
Ken Jeske	City of Ontario
Ashok K. Dhingra	City of Pomona
Jim Taylor	City of Pomona
Bill Kruger	City of Chino Hills
Jeff Pierson	Ag Pool/Crops

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 on August 24, 2006

The minutes were pulled for discussion:

Ms. Rose stated she wanted to make some corrections to the August 24, 2006 draft minutes prior to them being approved and noted the deletions that were to be made. The committee members agreed to the changes and stated this item would be approved in the consent calendar per the changes Ms. Rose made.

B. FINANCIAL REPORTS

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

C. WATER TRANSACTION

1. **Consider Approval for Transaction of Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from San Antonio Water Company water in storage in the amount of 5,000 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2005/2006. Date of application: June 26, 2006

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

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

II. BUSINESS ITEMS**A. INLAND EMPIRE LANDSCAPING ALLIANCE**

Mr. Manning stated this resolution has already been approved by Inland Empire Utilities Agency, Chino Basin Water Conservation District, and other agencies within this basin. The alliance is a group effort to coordinate activities that have to do with conservation efforts. This item was approved by Advisory Committees with a change to the person who will be appointed on the committee for representation by Chino Basin Watermaster, being Ken Manning. Chair Willis stated he still wants to be personally involved in this effort. It is an important committee who will be doing good things for our communities. A brief discussion ensued with regard to the make up of the committee.

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

Moved to approve Resolution 06-04 for the support of the Inland Empire Landscaping Alliance with the change from a Chino Basin Watermaster Board Member to Ken Manning, CEO as the representative on the committee, as presented

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT**

1. Storage and Recovery Negotiations

Counsel Slater stated what we are attempting to do by opening up storage and recovery negotiations are to carry out the provisions of the Peace Agreement which sets aside certain quantities of storage space within the basin. Over the last twelve months there has been heightened interest in this program; there are three prospective parties that are pursuing or are expressing a strong interest in developing a relationship with the Chino Basin. These entities are Metropolitan Water District, San Diego County Water Authority, and Castaic Lake Water Agency. We are in the process of gathering information and we are now at a point where we need some further input from the stakeholders. Mr. Manning stated under the CEO section of the agenda is a placeholder to discuss the possibility of

forming a water policy committee comprised of various members. Counsel Slater stated staff does feel it necessary to have advice from the Appropriative Pool to determine the negotiating strategy with regard to storage and recovery. Staff will be asking that an ad-hoc committee be established. Staff has asked the chairman of the Appropriative Pool, Mr. Robert DeLoach to lead and appoint this committee.

2. Desalter Negotiations

Counsel Slater stated this item is to start the next level of desalting despite the fact that we have a Peace II Term Sheet which is under consideration. We have a continuing obligation under existing board approvals and court directives to develop a plan to address future desalters. The term sheet proposes a methodology to satisfy our obligation and one of the things that is anticipated is an expansion of existing desalter capacity. Staff is presently on their way to follow up on earlier discussions with Western Municipal Water District and others regarding desalting opportunities. This is not intended to supersede what is in the Peace II Term Sheet, it is complimentary and we are moving it along.

3. Peace II Term Sheet

Counsel Slater stated counsel and staff have been trying to bring the Peace II Term Sheet to conclusion. Our economist's evaluation of economic methods which was being updated from the outcome of the referee's workshop has been received by Hatch & Parent by electronic delivery this morning. This does not mean his report is final; we are now in the phase of distributing the document into the Watermaster process to allow for review and comment. If all goes well through that process the report should be in front of the board shortly. Counsel has also been meeting with, via telephone and in person, with the special referee, Anne Schneider and her technical assistant, Joe Scalmanini to go over technical issues. These meetings have been very constructive, positive, and collaborative.

Counsel Slater stated there was a past City of Chino Form 7 motion and that motion has been continued to allow counsel and staff the opportunity to move through the Peace II process. Watermaster has filed their 28th Annual Report and will be serving both of those items on the parties shortly.

Mr. Vanden Heuvel stated he was thankful to hear good reports on the recent meetings with the special referee; however, until we get verification from the referee's technical assistant it seems premature to finalize the Sunding Report. Counsel Slater stated Dr. Sunding has completed his report and submitted it knowing there might be some changes as it goes through the Watermaster process.

4. Hanson Aggregates

Counsel Slater stated we are currently waiting to see what the Regional Board and the Department of Fish and Game are going to do. Both parties have expressed concern about the discharge of sediment from Hanson's facility and have verbally told counsel that they are going to be initiating action against Hanson Aggregate.

5. Goodrich Subpoena

Counsel Slater stated this data request issue has been discussed in great detail at several of the committee meetings. There have been recent discussions between Watermaster and Goodrich and following those discussions, we are basically in the same position we were several weeks ago. They have agreed to sit down and tell us in greater detail what they are looking for and what they specifically need from us. We are representing to them that we are willing to be reasonable and cooperative.

B. WATERMASTER ENGINEERING REPORT

1. Monitoring Performed for the Annual Monitoring Program

Mr. Manning noted this presentation was given to the Agricultural Pool on September 19, 2006 by Andy Malone. Mr. Malone stated the presentation which is being given today is a

result of a request from the Agricultural Pool committee members last month. The presentation will include a review of monitoring programs, describe why Chino Basin Watermaster (CBWM) and Inland Empire Utilities Agency (IEUA) are conducting these programs, describe cost sharing between CBWM and IEUA, and describe use of data, who receives the data, and in what format. Mr. Malone addressed different monitoring programs and stated the basin wide Key Well Program is a 50/50 split between CBWM and IEUA, the MZ1 Subsidence Monitoring Program is 100% cost for CBWM, the MZ3 Monitoring Program is 100% cost for CBWM, the Recycled Water Recharge Monitoring Program is 100% cost for IEUA, the Hydraulic Control Monitoring Program is a 50/50 split between CBWM and IEUA, and the Desalter Monitoring Program is a 100% cost for CBWM. Some of the data uses for the basin-wide programs are requirements of the court, some data is the result of data requests. These requests are presented to the Agricultural Pool and no data is released without the consent of individual owners. Mr. Malone reviewed several area maps and discussed them in detail. Our Annual Report is required by the Basin Plan for the determination of hydraulic control which is one of the requirements to secure "maximum benefit" water quality objectives. Mr. Malone discussed the Desalter programs and the Recycled Water Recharge Programs. A discussion ensued with regard to desalter well locations. Mr. Malone noted Lysimeter data and groundwater monitoring well data are required by the Recycled Water Recharge Permit. The MZ1 and MZ3 programs were reviewed and several maps were utilized to show the locations of the MZ1 and MZ3 areas. A discussion ensued with regard to the plumes which were depicted in some of the maps. A question regarding World War II dumping sites was presented. Chair Willis offered comment on this question and a discussion ensued. Mr. Jeske noted this is a topic of great concern and one that should be discussed in closed session and not in a public setting. Counsel Slater stated this is an item that under the Rules and Regulations could be discussed in closed session once the topic is noticed to the parties. Chair Willis stated he wanted to poll the board members if they wished this item to be discussed in a closed session. It was the decision of the Watermaster Board that this item will not be discussed further today and does not need to be noticed or placed on a future agenda at this point in time.

C. WATERMASTER FINANCIAL REPORT

1. Audit

Ms. Rojo stated Watermaster has been very busy over the past few months. Watermaster had its annual audit last month and we should be expecting the final report within the next couple of months from the auditors; all went well during the auditing process.

2. Budget vs. Actual

Ms. Rojo stated there were some questions raised on the process for budget vs. actual expenditures and how people wanted to handle those on an on going forward basis. The determination by staff regarding this issue was more of a notification process when items looked like they would be going over budget, as long as the funds were still available.

3. Water Activity Report (WAR's)

Ms. Rojo stated we are waiting to hear from a few agencies regarding their water activity reports, these reports are required to tie out the production numbers which were submitted to Watermaster so that staff can start preparing the Assessment Package.

4. Assessment Package

Ms. Rojo stated that since the assessment package was reformatted, a lot of questions are coming forward that are going to need to be addressed prior to completion of this year's Assessment Package. This ties into what Mr. Manning was speaking about regarding the formation of a Water Policy Committee to assist in issues that arise. Our reserve percentages are somewhat low; there is also the issue of reserves for replenishment water. As long as we are continuously replenishing, our costs to IEUA are in the one to two million a month to pay for water. If we don't get our money in for the current year soon we could

have to look at doing some sort of special assessments. Our fiscal year begins right at July 1, and we do not get money that we budgeted to spend until we send assessments and then we usually start to receive that money in December and January. We need to look at building up our reserves to carry us through that first six month period and possibly take a look at closing the gap between the start of our fiscal year and when we send out invoices for the upcoming assessment package. The other issues with the assessment package this year are the application of storage losses which need to be written into the database program and renewed.

5. Governmental Savings Account

Ms. Rojo noted Watermaster currently has a governmental savings account which has approximately \$9,000 dollars in it and earns about \$12 dollars of interest every quarter. We have never done anything with this account and we are going to look at some options to roll this money over into another account.

D. CEO/STAFF REPORT

1. Storm Water/Recharge Report

Mr. Treweek stated we got back on our recharge schedule and received approximately 5,500 acre-feet of recharge water in August. September looks more favorable as far as recharge is concerned. We have now renovated the Lower Day Basin which was silted up and Metropolitan stated they have water to keep replenishing us in September. Orange County, which used to take a lot of water out of OC-59 has now shifted to taking most of their water out of another turnout; this is very encouraging news and greatly simplifies our operation when do not have to involve them when we share a turnout.

2. Legislative/Bond Update

Mr. Manning stated Ms. Davis is here from Inland Empire Utilities Agency and she will be giving a full legislative report during IEUA's section.

3. Water Fair

Ms. Maurizio stated there is a flyer on the back table for the Water Fair that is coming up on October 14, 2006. The Water Fair is going to be held at the Montclair Plaza. This event is being sponsored by Inland Empire Utilities Agency and all its member agencies, Chino Basin Water Conservation District, Metropolitan Water District, and Chino Basin Watermaster. The emphasis will be on conservation. There will be information on rebates, ways to save water and save money indoors, outdoors and also at businesses. There will be vendors with products and staff there helping from all the sponsored agencies to answer questions. Activities for kids have been planned which will help in getting the parents to attend. This should be a really nice event and will become an annual event. A water savings washer will be raffled off along with other prizes.

4. Strategic Planning/Pre-Strategic Planning Conference

Mr. Manning stated the organization of our upcoming Strategic Planning Conference in Indian Wells is proceeding nicely and we should have a good turn out at the conference according to conversations with people who are interested in attending. A detailed agenda will be forthcoming.

5. Treatment of Desalter Forgiveness

Mr. Manning stated that research has been done regarding this item by staff of Watermaster and a possible action needs to be taken. In October 2001, the Watermaster Board took action; the motion was in fiscal year 2001/2002 for the 2001/2002 Assessment Package, 50% of fiscal year 2000/2001 desalter production be counted as new yield for the Chino Basin. Staff believes this was a very wise decision in 2001; the same action should have been taken in the subsequent years. Watermaster has continued to take the 50% forgiveness on an annual basis. Staff is recommending for this next year that a similar resolution be adopted in October that would continue to credit a percentage of desalter

production that is based on analysis by Wildermuth. This is consistent with our Rules and Regulations and this will now be done through the Watermaster process on an annual basis. This item will be placed as an action item on the October agenda. This is consistent with our Rules and Regulations and this will now be done through the Watermaster process on an annual basis. This item will be placed as an action item on the October agenda.

Mr. Vanden Heuvel stated he believes we have a significant problem and are caught in a timing issue. The Peace II Term Sheet that is being that is being evaluated right now by the referee addresses the whole issue of forgiveness of replenishment whereby the replenishment will be forgiven if certain criteria are met. The half forgiveness that has taken place to this point was based on a verbal presentation made in 2001. When the Hydraulic Control plan that was embedded in the original Peace II Term Sheet was day lighted, Mr. Vanden Heuvel was working under the assumption that the Chino Basin already had Hydraulic Control because half of the replenishment was being forgiven. We progressed and learned more about this basin. Mr. Vanden Heuvel stated he objects right now that staff has the basis to come forward with a policy that half forgiveness on the desalter is sound policy whether or not Peace II is adopted. Mr. Vanden Heuvel stated he does not think staff has the technical data/record to support that recommendation. Mr. Vanden Heuvel inquired as to what to do about the other half and noted staff has been drawing down the desalter storage account on that amount and that we should be out of stored water by this assessment package. Peace II does have a section to deal with this but Peace II has not yet been adopted or ordered by the court. A lengthy discussion ensued as to the comments made by Mr. Vanden Heuvel. Mr. Lopez inquired if there is any paperwork to substantiate what Mr. Vanden Heuvel was talking about. Mr. Manning stated there was no corresponding paperwork in the agenda packet because this item was in the CEO Reports and Update section for information only and a full written report will be included in the October package when this item will be presented for further consideration. Counsel Slater stated in reviewing past minutes and documentation, that decision/action in 2001 was only for one year. To the extent there was earlier action, the only legal basis for Watermaster to address the assessments related to the desalters is by determining there is new yield. There had to be a technical basis for Watermaster to make a determination that under existing law. Counsel Slater stated that Mr. Manning has pointed out that the information associated with the earlier decision and in reviewing past minutes and documentation, that decision/action in 2001 was only for one year. A discussion ensued with regard to this item being taken care of prior to the assessment package. Chair Willis asked that Mr. Vanden Heuvel's questions be bulleted and handed out at the next meeting for all to see and comment on.

6. Establish a Water Policy Committee

Mr. Manning stated Watermaster is looking to have input by appropriators and others regarding decisions that are being made regarding upcoming storage and recovery agreements. Staff is looking to possibly form an ad-hoc committee of some sort to review agreements and give direction. Mr. Vanden Heuvel offered comment regarding ad-hoc committees and stated he personally did not want another committee set up which acts independently of the board. A discussion ensued with regard to forming this committee. It was noted this committee will only be discussing storage and recovery items and that the Board chairman, Mr. Willis, will be working with the appropriate pool on the formation of this committee. It was noted that Mr. DeLoach will be the head of the Storage and Recovery Ad-Hoc Committee.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

September 26, 2006	9:00 a.m.	GRCC Meeting
September 28, 2006	9:00 a.m.	Advisory Committee Meeting @ IEUA
September 28, 2006	11:00 a.m.	Watermaster Board Meeting @ IEUA
September 28, 2006	12:00 p.m.	RAND / IEUA Workshop @ IEUA
October 1, 2 & 3, 2006		Strategic Planning Conference – Hyatt Grand Champions Hotel, Indian Wells

The Watermaster Board Meeting Adjourned at 12:45 p.m.

Secretary: _____

Minutes Approved: November 16, 2006