

**Minutes**  
**CHINO BASIN WATERMASTER**  
**WATERMASTER BOARD MEETING**

*December 21, 2006*

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on December 21, 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
Paul Hamrick	Jurupa Community Services
Bob Kuhn	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy
Paul Hofer	Agricultural Pool, Crops

**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**

Rosemary Hoerning	City of Upland
Dave Crosley	City of Chino
Mark Kinsey	Monte Vista Water District
Ken Jeske	City of Ontario
Bill Kruger	City of Chino Hills
Jeff Pierson	Crops
Abayomi Sonuyi	State of California CIW
Wally Hall	State of California CIW
Raul Garibay	City of Pomona
David DeJesus	Three Valleys Municipal Water District
Dr. David Sunding	University of CA at Berkeley

The Watermaster Board Meeting was called to order by Chair Willis at 11:00 a.m.

**PLEDGE OF ALLEGIANCE**

**AGENDA - ADDITIONS/REORDER**

Mr. Manning stated there is a correction in the minutes in red and the minutes have been revised to reflect the revision.

**I. CONSENT CALENDAR**

**A. MINUTES**

1. Minutes of the Watermaster Board Meeting held November 16, 2006

**B. FINANCIAL REPORTS**

1. Cash Disbursements for the month of November 2006
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through October 31, 2006
3. Treasurer's Report of Financial Affairs for the Period October 1, 2006 through October 31, 2006
4. Profit & Loss Budget vs. Actual July 2006 through October 2006

Added Comment by Legal Counsel:

Counsel Slater noted the minutes are reviewed by the Special Referee and the Special Referee's Technical Assistant; they have reviewed the presented minutes. Via a telephone conversation with them yesterday, Ms. Schneider and Mr. Scalmanini do not want to make any adjustments to the presented minutes; however, there is a comment they would like shared with the Board members, which is, "Upon the review of the minutes they wish the Board and the members of the Watermaster family to understand that Mr. Scalmanini has formed no opinion as to the proper percentage for the percentage of forgiveness for replenishment to be used in connection of Hydraulic Control and that they are waiting for the completion of Mr. Scalmanini's report."

*Motion by Rose, second by Willis, and by unanimous vote*

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

**II. BUSINESS ITEMS****A. DR. SUNDING ECONOMIC BENEFITS REPORT**

Mr. Manning stated in the discussions regarding the Peace II Agreement there are prerequisites that need to be completed. One of those prerequisites was a macro evaluation of the Peace II arrangement and how it was going to affect the basin. The macro analysis viewed the basin as if were one owner and was not looking at individual parties. Dr. Sunding had presented his initial draft Economic Benefits Report to the parties at a July 2006 workshop and from that workshop he took questions and comments and has incorporated those changes into his newly revised report, which is ready to be approved to be received and filed with the court. Dr. Sunding gave his updated report and highlighted the changes that were made from the draft to the final report. Dr. Sunding reviewed several tables in detail to allow the parties to have a better understanding of his analysis. A discussion ensued with regard to Dr. Sunding's report. Ms. Rose inquired about the storage losses. Dr. Sunding stated there are different assumptions about exactly what the storage loss will be in percentage terms and could be as high as 2%. Mr. Kinsey inquired about the summary on the first page and offered comments regarding recycled water benefits. Mr. Kinsey referenced a letter written to Dr. Sunding regarding the "no action alternative." Monte Vista Water District feels the no action alternative is incorrect; essentially a no action alternative evaluated in this presented analysis says you build all the desalters but because you don't take advantage of re-operation, you do not get any of those benefits. Mr. Kinsey stated this is the macro analysis, which is the benefits of the collective and the more difficult part will be the micro analysis where it says how the costs will affect the various parties. Mr. Kinsey asked that his comments be made part of the record and that a follow up letter will be submitted to reiterate his points made. A discussion ensued with regard to page six of the scenario in the presented Economic Report. Mr. Vanden Heuvel asked Mr. Kinsey if he had any documentation to back up the assertion that absent Hydraulic Control we would not be able to use as much recycled water. Mr. Kinsey stated this subject was researched when he was working for Inland Empire Utilities Agency in working with the Regional Board and has also had some informal concept conversations with the Regional Board but there is nothing in writing. Mr. Kinsey referenced the Rancho Caballeros decision written by the Regional Board regarding the same content. Mr. Wildermuth stated he recently assisted Inland Empire Utilities Agency in negotiating their Reclamation Permit and the Basin

Plan would put a limitation on the use of recycled water for direct uses without Max Benefit. In formal conversations in which you will not find documentation on, the Regional Board stated if one has a cemetery or a golf course prior to Max Benefit, they would encourage that; however, a massive reclamation effort for direct use would have to have some offset built into the plan to offset the TDS loads if there was an analysis of capacity in the basin. Prior to Max Benefit, there was no safe capacity in the basin. What Max Benefit did was to create a safe capacity in which we could direct recycled water use projects with and for the record the Rancho Caballeros decision said, "You can't write a permit that can't doesn't implement the Basin Plan." Mr. Wildermuth stated the Regional Board would not allow us to have a reclamation permit if it did not implement the Basin Plan. Mr. Manning stated at the Advisory Committee meeting this morning there were some comments made that had merit about some corrections that could be made to the report. The report that Dr. Sunding has done is a report that is large in magnitude and there could be corrections that could go on for a long period of time; however, in the nature of continuing our dialog towards the completion of the Peace II process this is the first in the "next steps" that needs to be done. Mr. Manning stated the report is the report and staff is seeking a recommendation to receive and file this report with the court.

*Motion by Rose, second by Willis, and by unanimous vote*

***Moved to receive and file with the court the revised Economic Benefits Report by Dr. David Sunding, as presented***

#### **B. INLAND VALLEY DAILY BULLETIN ADVERTISING CAMPAIGN**

Mr. Manning stated several parties have been participating in this advertising water industry campaign for three years now and there have been excellent comments about the publications. Mr. Manning recapped what the past publications were trying to capture and noted this years will be slightly different in that there will be more articles printed in the actual newspaper as opposed to what was done in the past with inserts. Mr. Manning noted this item is in the FY 2006-2007 budget. A discussion ensued with regard to the context of the articles. Mr. Jeske commented on the possibilities of using the internet side of advertising for this cause. Mr. Manning stated this was an excellent idea and he would pursue it with the Daily Bulletin representatives.

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

***Moved to approve the twelve month advertising campaign with the Inland Valley Daily Bulletin to match contributing funds with Inland Empire Utilities Agency, as presented***

### **III. REPORTS/UPDATES**

#### **A. WATERMASTER GENERAL LEGAL COUNSEL REPORT**

##### **1. Santa Ana River Application**

Counsel Slater stated there is a letter on the back table to the State Water Resources Control Board. The State Board does appear determined to hold a hearing on all of the Santa Ana River Water Rights Applications including Chino Basin Watermaster's. At ACWA there were comments from Art Baggett that there will be a hearing in the spring of 2007. In response to that statement all the parties have been meeting on a regular basis to discuss what we feel the hearing should look like and how all the parties can work together. The letter is the first real outcome and proposes that we convene workshops prior to noticing the hearing. Chino Basin Watermaster has one remaining protest to the Chino Basin's application and that is from the Department of Fish and Game, although, they have not clearly stated what they are protesting and in the meantime have permitted our project. Counsel will keep the parties apprised on the progress of this matter.

##### **2. Peace II**

Counsel Slater stated Dr. Sunding's report was to not exceed twenty thousand dollars and having worked personally with Dr. Sunding through this process, counsel can assure all the parties that we got our monies worth. Counsel Slater thanked Dr. Sunding for his

outstanding job performance on this report. The study which is now complete was part of the Peace II Term Sheet and was the macro analysis. We are continuing to wait for the issuance of the Scalmanini review of the Wildermuth model. As of yesterday afternoon it was heard from the Special Referee and Mr. Scalmanini that they believe his report would be out at the end of January 2007.

Counsel Slater stated there is a draft timeline on the back table for review; this is an aggressive timeline to facilitate resolution of Peace II. This timeline was drafted by the request of the Watermaster Board. We are asking for comments on this draft timeline. Two items really need to have input on them and those are the itemization of issues and the steps we need to go through and the other is the time frames we have attached to those items. Counsel Slater stated there will be one pathway with Wildermuth Environmental reviewing the physical project, we have a second pathway which is the integration of the concepts in the Peace II Term Sheet into legal instruments and then moving the court with the benefit of all of the information which we have received to date including the more deliberate micro analysis. Counsel would go to the court sometime in 2007 and ask the court for a conditional approval of the whole package (not individual pieces). Conditional because we still have to anticipate the fact that we have to comply with CEQA as to some or all and we cannot lock all the parties into a final agreement until CEQA has been complied with as we did in 2000. A discussion ensued with regard to Counsel Slater's comments and possible person/party responsibilities. Mr. Vanden Heuvel stated he would like to see an estimate of cost done for the micro analysis from Dr. Sunding. A lengthy discussion ensued with regard to the listed items on the timeline. Mr. Manning stated that the next evolution of this timeline will be the expansion of the timeline into a gant chart; the parties will work together to create a critical path process.

3. Waste Discharge Requirements

Counsel Slater stated the parties which are most interested in this topic are Western Municipal Water District and San Bernardino Municipal Water District. They are continuing to meet and work on the draft which was handed out last month. Chino Basin Watermaster is continuing to monitor the progress of this process.

4. MZ1 Long Term Plan

Counsel Slater stated the non-binding term sheet set a goal of December 31, 2006 for the MZ1 long term plan to be completed. The MZ1 Technical Committee is meeting on a regular basis and the long term plan is being worked on and good progress is being made; however, we are going to miss the December 31<sup>st</sup> deadline. There is a potential that we will not miss that date by much time; a final product could come to fruition in the first quarter of 2007.

**C. CEO/STAFF REPORT**

1. Storm Water/Recharge Report

Mr. Manning stated the Storm Water report is available on the back table for review. In summary, we are on schedule in terms of our recharge progress. Mr. Treweek gave his "Silt Extraction" presentation and noted this presentation was given to the Agricultural Pool last month. A lengthy discussion ensued with regard to the presentation and several questions were presented to Mr. Treweek about the process and costs.

2. Legislative Update

Mr. Manning stated we received notice last week from Washington DC that a few changes have taken place that we all should be aware of. There are ten new members on the House side; ten new democrats bringing the total to thirty-eight members on that committee. Among the ten were three Californians; however, none of them are representing this area. Jerry Lewis will continue to hang on as the ranking Republican in that committee. In the senate, Diane Feinstein, remains on the senate appropriations committee and has become the chair of the interior sub-committee. Mr. Manning stated he recently had breakfast with

Senator Margett and Dan Dun Moyer; Dan is the senior and chief policy advisory to Governor Schwarzenegger and had a chance to sit down briefly with Dan and talk about state wide water policy. While at the recent ACWA conference a number of people met with Bob Johnston, Commissioner of the Bureau of Reclamation, to talk about Title 16 issues and that conversation went very well. A brief discussion ensued with regard to legislative issues.

3. Strategic Planning Issue Report

Mr. Manning stated the matrix from the October conference is now complete in draft form and available on the back table for review and comment. Mr. Manning reviewed the column titles and explained their meanings. Mr. Manning stated the context of this matrix will be incorporated into his next goals and objectives.

4. Holiday Open House

Mr. Manning stated he and his wife Sue, will be hosting an open house at their home in Alta Loma and all are invited to attend; there is a flyer on the back table with the address and time of the event.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

December 19, 2006	9:00 a.m.	GRCC Meeting
December 21, 2006	9:00 a.m.	Advisory Committee Meeting
December 21, 2006	11:00 a.m.	Watermaster Board Meeting
January 11, 2007	10:00 a.m.	Annual Appropriative Pool Meeting
January 11, 2007	11:00 a.m.	Annual Non-Agricultural Pool Meeting
January 16, 2007	9:00 a.m.	Annual Agricultural Pool Meeting @ IEUA
January 25, 2007	9:00 a.m.	Annual Advisory Committee Meeting
January 25, 2007	11:00 a.m.	Annual Watermaster Board Meeting

The Watermaster Board Meeting Adjourned at 12:20 p.m.

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

Minutes Approved: January 25, 2007