

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

*February 22, 2007*

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on February 22, 2007 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
Jim Bowman	City of Ontario
Al Lopez	Western Municipal Water District
Bob Kuhn	Three Valleys Municipal Water District
Kevin Sage	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**

Mark Kinsey	Monte Vista Water District
John Anderson	Inland Empire Utilities Agency
Jim Erickson	Law Offices of Jimmy Gutierrez
Ken Jeske	City of Ontario
Jeff Pierson	Crops
Raul Garibay	City of Pomona
Charles Moorrees	San Antonio Water Company
Mike McGraw	Fontana Water Company
Chris Diggs	Fontana Union Water Company
David De Jesus	Three Valleys Municipal Water District

The Watermaster Board Meeting was called to order by Chair Willis at 11:00 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 Annual Watermaster Board Meeting held January 25, 2007
- B. FINANCIAL REPORTS**
1. Cash Disbursements for the month of January 2007
  2. Combining Schedule for the Period July 1, 2006 through December 31, 2006
  3. Treasurer's Report of Financial Affairs for the Period December 1, 2006 through December 31, 2006
  4. Profit & Loss Budget vs. Actual July 2006 through December 2006
- C. INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 2006**  
Independent Auditors' Report from Mayer Hoffman McCann P.C. an Independent CPA firm
- D. CHINO BASIN WATERMASTER INVESTMENT POLICY**  
Resolution 07-01 - Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy
- E. LOCAL AGENCY INVESTMENT FUND**  
Resolution 07-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)
- F. NOTICE OF INTENT**  
Annual Filing of Notice of Intent Regarding the Determination of Operating Safe Yield
- G. COMMENDATION FOR MR. ROBERT NEUFELD**  
A Commendation to Recognize Mr. Robert Neufeld for His Dedication of Service with Chino Basin Watermaster

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

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

## **II. BUSINESS ITEMS**

### **A. ASSESSMENTS FOR FISCAL YEAR 2006-2007**

Mr. Manning stated the Watermaster Assessment Package was held over from a few months ago due to various changes that needed to be incorporated. The Assessment Package that is in the meeting packet has included all known needed changes and is being presented for approval today. Ms. Rojo reviewed the history of the 2006/2007 Assessment Package which is now on revision number four. Ms. Rojo reviewed the Assessment Package Timeline which began on July 15, 2006 when the Water Activity Reports (WAR) was sent out and concluded in February 2007 with the version being presented today. Ms. Rojo compared the 2005/2006 assessments with the 2006/2007 assessments which resulted in a net increase to all assessments. Ms. Rojo stated Watermaster Administrative Assessments are equal to \$6.23/af, OBMP/Special Project assessments are equal to \$34.49/af, and there is a 2% loss on all beginning storage balances. In summary, Ms. Rojo stated, the additional costs will include, Agricultural Pool reallocation, replenishment assessments, 85/15 charges for replenishment and water transactions, the Pomona credit, and recharge debt service. Ms. Rose asked for the comparison of the 2005/2006 for the OBMP and Special Projects to be reviewed in more detail since there appears to be a doubling of the reserves. Ms. Rojo stated for the reserve balance for the past, what we used to budget was a 30% administrative reserve balance and a 15% for OBMP. This means that starting on July 1<sup>st</sup> of last fiscal year; Watermaster would have no money until staff bills all of the appropriators for their assessments; meaning Watermaster will have to go several months without any money. What is now being done as a result of the assessment package workshop was to increase both of the reserve numbers to 30% which will carry Watermaster through for more months of each beginning fiscal year regarding the cash flow. Ms. Rojo stated she has many more ideas which she will be presenting to the newly formed Advisory Budget sub-committee that was formed at this morning's Advisory Committee meeting. A discussion regarding the split billing ensued. Mr. Catlin inquired into how much

discretion there is in the production category. Ms. Rojo commented on cost increases with regard to Mr. Catlin's question. A discussion ensued with regard to recharge O & M costs. Ms. Rojo acknowledged the recommendations for future assessment packages would be to modify the collection process, to shorten the WAR/Assessment timeframe, and to ensure the WAR accuracy. Ms. Rose stated that when the funds to assess goes up and the production goes down, the cost per acre-foot goes higher and higher, so this is Monte Vista's big concern and why we will be voting no on the presented Assessment Package. Mr. Vanden Heuvel commented on the rising costs and stated he felt having a budget sub-committee would be a good step forward to look at making some changes.

*Motion by Vanden Heuvel, second by Bowman, and by majority vote – one no vote from Monte Vista Water District*

***Moved to approve the Assessments for Fiscal Year 2006-2007, as presented***

### III. REPORTS/UPDATES

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

1. Santa Ana River Water Right Application

Counsel Slater stated a hearing has now been scheduled for May 2, 3, and 4, 2007 with a pre-hearing date of April 5, 2007. There is a confidential meeting scheduled for today after the agenda process has been concluded. The reason for the confidential session is to discuss hearing strategy that would be pursued by Watermaster. Watermaster's ability to go onto a confidential session is controlled by Watermaster Rule 2.6 which means that at a minimum we must invite the heads of the various pools. We have received a strong interest from the stakeholders to broaden the group. Counsel Slater stated under Rule 2.6a the Watermaster Board has the discretion to add other people into the confidential setting. As long as we can confer with people in confidence and not waive our attorney client privilege we will, at your discretion, invite other parties/stakeholders who want to participate in this closed strategy session. General Counsel has received telephone calls from various counsels who represent stakeholders in this process and there is a deep interest in anything that affects the Santa Ana River. Counsel Slater stated the Watermaster Board is holding a closed session after this meeting and other people beyond the Board Members have expressed an interest in participating in the closed session. It was noted that all Pool Chairs were notified of today's closed session.

2. Peace II Process

Counsel Slater stated the Peace II Term Sheet was essentially completed several months ago, we have also received the Sunding Report, and we are still waiting on the last item to be completed which is the Scalmanini Review of the proficiency of the Wildermuth Model. It was anticipated that we would have that review completed by the end of January 2007; however, our most current estimate of delivery is mid-March. Counsel Slater stated counsel and staff were tasked by the Board members to see a schedule in implementing the Peace II process. In November 2006, a calendar of expected events was released to the members and then preparation of a gant chart would follow. Today we are presenting our draft gant chart for time and responsibility. Counsel Slater stated for each one of the items that is on this chart – there is nothing new presented here – is just a visual depiction of what was previously presented. There will be a detailed drop down menu for each one of these tasks which identifies who is doing what. The executive summary is that the strategy and the structure of what we are doing contemplates being to the court in the September/October time frame requesting a conditional approval of all our expected action and an approval of all the legal instruments that are necessary to implement our strategy. The key delay in going from that hearing, in the conditional approval, to actually constructing things i.e. putting in wells, operating the expanded desalter, and implementing Hydraulic Control will be the duration of the CEQA process that is associated with these actions. Even if we have to do a full Environmental Impact Report, this report suggests that we will have completed this exercise in the second or third quarter in 2008.

## Added Comments:

Counsel Slater stated we have also received an order from the court. The court has set a hearing for May 24, 2007 to hear about the schedules for the Peace II Process, the desalters, for MZ1 subsidence issues, and for anything else going on that is relevant on the calendar. On page four of the court order it describes the briefing schedule; we are to file a report to the court by March 31, 2007 which will give the parties enough time and opportunity to respond. A lengthy discussion ensued with regard to going to the court with our proposed timeliness. Vanden Heuvel commented on the outline presented by counsel and stated he agreed with it. Mr. Vanden Heuvel inquired if the Scalmanini Report will be delivered via the mail/Fed Ex or will Mr. Scalmanini be coming down in person to present the report. Counsel Slater stated he believed it will be delivered as a report to Watermaster with no presentation from Mr. Scalmanini; however, if the Board at its pleasure wants to invite Mr. Scalmanini to come down and present it is a question left to the Board. Mr. Manning stated in anticipation of what is going to be in the report, because we have had some dialog with the court in terms of what they are looking at receiving, staff has asked Mr. Wildermuth to present an updated report on the issue of modeling and the progress that has been made. Mr. Vanden Heuvel commented on the Scalmanini report regarding this being the first time this has taken place with someone reviewing the modeling work that Wildermuth Environmental has done.

Counsel Slater stated we have received a letter from the Regional Water Quality Control Board asking us to give them an update on where we are in complying with the Basin Plan Amendments; particularly our progress towards Hydraulic Control and toward the planning of the third desalter. The Regional Board gave us a much shorter schedule than the court did so we need to have a report to the Regional Board by March 16, 2007 which does not give us much time.

Counsel Slater stated there is a letter from Baker Manock & Jensen who represents CCG Ontario. They are considering entering into a transfer of all their water rights to an entity that is not currently a party to the Judgment and as we understand it, does not own any land in the Chino Basin. They wrote us a letter and asked us to respond to a list of questions about this transfer and we will be doing that; however, there is not a time schedule as to when that response will be completed. Counsel Slater stated that because this is an unusual transaction, in that these rights are going to somebody who is not currently a party to the Judgment, they will need to intervene but more importantly they don't own any land in the Chino Basin and these are overlying rights. They wanted to daylight this to all the parties so that if there are concerns they could be transmitted and articulated. Counsel will keep the parties informed and if there are any questions or comments please let counsel or staff know.

**B. FINANCIAL REPORT**

1. Budget Update for fiscal 2007/2008  
No comment was made regarding this item.

**C. CEO/STAFF REPORT**

## Added Comment:

Mr. Manning noted he has heard within the last couple of days some good news regarding the Fontana Water Company and the City of Fontana. It appears that Inland Empire Utilities Agency is working with the City of Fontana on a plan for shared resources in the area of recycled water. This is very encouraging news that these discussions have begun.

1. Upland Basin Funding Assistance

Mr. Manning stated the City of Upland is in the process of approving the improvements for the Upland Basin for flood control needs and for conservation purposes. The City of Upland does have a \$5M dollar grant and originally the City of Upland had put together a set of plans for the improvements at the Upland Basin; however, there were improvements that Watermaster's staff wanted to see included within those plans. Staff has asked for an alternate bid to improve what our staff thinks would significantly improve their changes and the amount of conservation within the basins; the City of Upland has agreed and is putting together an additional bid package. Watermaster has an agreement with the Chino Basin Conservation District and Inland Empire Utilities Agency to sit down with them regarding cost sharing after the alternate bid is accepted for the improvements to be shared one third by each party. Mr. Manning stated the Upland and the College Heights Basins, together, equal 25% of our percolation within the basin. We are very interested in those basins performing as well as they possibly can. Mr. Vanden Heuvel offered comment regarding the Upland Basin project and noted how pleased he was to see these improvements being made.

2. Legislative Update

Mr. Manning stated last week ACWA held their annual conference in Washington DC. Mr. Manning stated that Washington DC is a very interesting place to be right now and noted he had a chance while attending that conference to meet with several of the members of congress who represent California. Jerry McNerney, who is a new freshman member of congress, seemed extremely enthusiastic and optimistic that he will make great changes in congress as a freshman. Meetings were held with John Doolittle and Grace Napolitano, who is the new chairperson of Water and Power sub-committee. She spoke about her sub-committee and what her future plans are. Kevin McCarthy, who is the other freshman who spoke, seems to be a real up and comer in congress. George Radanovich did not show up as scheduled. Ellen Tauscher, Hilda Solis, and Jim Costa were there and Mr. Manning was able to speak with them briefly. In general, the picture in Washington is there are twenty members of the Senate who will be running for President; ten Republicans and ten Democrats and all are worried about what they say today it may affect their platform next year. We are going to have to be very diligent in making sure our bills are heard in the Senate. The WORDA bill does appear to have some life and it will possibly go through. The farm bill is up this year and also appears to be going through. Mr. Manning stated the ACWA Sacramento conference will take place on March 22, 2007 and as always, it should be a very informative conference.

Added: Introductory Progress Report Watermaster's Groundwater Model Update

Mr. Wildermuth stated the presentation outline today would include an update on the subsidence in MZ1 and the progress on Watermaster's groundwater model update. Mr. Wildermuth pulled up a subsidence area map for MZ1 and pointed out the subsidence areas including well areas. The groundwater benchmarks were reviewed. Mr. Wildermuth reviewed the time history of production, recharge, groundwater levels, and ground levels in MZ1 from 1993 through 2007 in detail. Mr. Wildermuth stated Wildermuth Environmental, Inc. (WEI) and Watermaster staff has developed a series of model updates and programmed these efforts into Watermaster's 2006/2007 budget in March 2006. Work began on these updates in July 2006 and will likely continue until the end of the current fiscal year. WEI will start presenting summaries of this effort through the Watermaster process starting in March 2007. WEI will incorporate the latest information from new wells and monitoring programs and will extend calibration from 11 years to about 40 years. WEI will incorporate a vadose zone flow and transport models along with developing a localized high resolution compaction model for part of MZ1 which is dynamically linked to the basin model. WEI will be refining boundary conditions for the Rialto-Colton fault and Bloomington Divide. WEI will incorporate non-linear ET functions for riparian vegetation and revise projected groundwater pumping and replenishment plans. WEI will extend the projection

period from the present to 2060 and will also incorporate state-of-the-art visualization software and VLA processing. The purpose for these actions will be to update the Watermaster model based on new hydrogeologic information collected since 2002. Our new data sources will include subsidence investigation in MZ1, nine new HCMP well clusters, Chino II Desalter wells and other new monitoring wells, new appropriator wells, OBMP water level and water-quality monitoring programs. Mr. Wildermuth reviewed detailed one dimensional area maps. Mr. Manning stated Mr. Wildermuth and staff has been working together on the evolution of this model. All of us are aware the Microsoft just came out with Vista and in reality Microsoft started working on Vista before XP was released. That is not too much different from what Wildermuth does with these models; the difference is that Mark does not label its versions. The models themselves keep evolving and that is what Watermaster and Wildermuth are trying to express; these models are evolving and what Mr. Scalmanini is looking at is a point in time. Mr. Wildermuth stated all the work that WEI has done on the Basin Plan that goes back to the early 90's, was peer reviewed and the technical group who reviews the work is a large group. Processes and procedures are reviewed before we calculate them and then we open the books for strict review; work is being reviewed all the time.

3. Recharge Update

Mr. Treweek referenced the recharge handout and reviewed the numbers through January. Mr. Treweek stated it appears that February will be a dry month at the rate we are going with lack of anticipated rainfall.

**IV. INFORMATION**

1. Newspaper Articles

No comment was made regarding this item.

**V. BOARD MEMBER COMMENTS**

Mr. Manning noted Mr. Catlin would now be the Watermaster Board representative from the Inland Empire Utilities Agency and Mr. Anderson would be serving as Mr. Catlin's alternate. Chair Willis thanked Mr. Anderson for his past service on the board and noted a formal commendation would be presented to him at the March Watermaster Board meeting. Mr. Manning noted Mr. Lopez will be stepping down as a Watermaster Board member and will now be serving as an alternate for Mr. Fields who represents Western Municipal Water District. Chair Willis thanked Mr. Lopez for his past serves on the board and noted a formal commendation would be presented to him at the March Watermaster Board meeting.

**VI. OTHER BUSINESS**

No comment was made regarding this item.

**VII. FUTURE MEETINGS**

February 22, 2007	9:00 a.m.	Advisory Committee Meeting
February 22, 2007	11:00 a.m.	Watermaster Board Meeting
February 27, 2007	9:00 a.m.	GRCC Meeting
March 8, 2007	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
March 19, 2007	1:00 p.m.	AGWA Meeting @ CBWM
March 20, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 22, 2007	9:00 a.m.	Advisory Committee Meeting
March 22, 2007	11:00 a.m.	Watermaster Board Meeting
March 27, 2007	9:00 a.m.	GRCC Meeting

The Watermaster Board meeting closed its regular session at 12:40 p.m. to allow the parties to take a break before the confidential session starts.

The Watermaster Board closed session began at 12:52 p.m.

No report was given from the closed session to be recorded into the minutes.

The Watermaster Board meeting was adjourned by Chair Willis at 2:30 p.m.

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

Minutes Approved: March 22, 2007