

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

May 24, 2007

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on May 24, 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
Charles Field	Western Municipal Water District
David DeJesus	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy
Jeff Pierson	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

Dave Crosley	City of Chino Basin Watermaster
Bill Kruger	City of Chino Hills
Gary Meyerhofer	Carollo Engineering
Rick Hansen	Three Valleys Municipal Water District
Raul Garibay	City of Pomona
Martha Davis	Inland Empire Utilities Agency
Ken Jeske	City of Ontario
Steve Orr	Richards Watson Gershon

The Watermaster Board Meeting was called to order by Chair Willis at 11:02 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 April 26, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of April 2007
2. Combining Schedule for the Period July 1, 2006 through March 31, 2007
3. Treasurer's Report of Financial Affairs for the Period March 1, 2007 through March 31, 2007
4. Profit & Loss Budget vs. Actual July 2006 through March 2007

Ms. Rose asked that a more detailed breakdown of the Credit Card Statements be made available with the other financial reports which are supplied in the meeting packets. Ms. Rojo stated she would put that in starting on the June meeting packages.

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – The lease and/or purchase of 500 acre-feet of water from West Valley Water District's storage account to Monte Vista Water District. This lease is made first from WVWD's net underproduction, if any, in Fiscal Year 2006-07, with any remainder to be recaptured from storage. Date of Application: October 31, 2006
2. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from The Nicholson Trust water in storage in the amount of 0.720 acre-feet, and annual production right in the amount of 6.974 acre-feet

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

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

II. BUSINESS ITEMS**A. MEMORANDUM OF AGREEMENT 2006-2008 MANAGEMENT ZONE 3 MONITORING PROGRAM**

Mr. Manning stated this Memorandum of Agreement (MOA) is for the Management Zone 3 (MZ3) area and is for Chino Basin Watermaster to engage in the construction and development of two wells that are funded by the AB 303 grant. In July, 2002, there was a letter from the Regional Board expressing some concern about the MZ3 contaminants. At that point in time Chino Basin Watermaster staff initiated the monitoring program and started monitoring the existing wells within the area and staff has been looking at additional wells. Inland Empire Utilities Agency (IEUA) was able to acquire an AB 303 grant that allowed us to get \$250,000 to fund a portion of these wells. The arrangements are simple in terms; the cost of the wells are about \$545,000, additional IEUA expenses are approximately \$90,000 dollars and all will be paid by Chino Basin Watermaster minus the \$250,000 grant funds. This grant will be administered by IEUA staff. Mr. Manning stated staff is seeking approval for this MOU at this time.

Motion by DeJesus, second by Rose, and by unanimous vote – Non-Ag concurred

Moved to approve the Memorandum of Agreement 2006-2008 for the Management Zone 3 Monitoring Program, as presented

B. MZ1 LONG TERM PLAN – NO ACTION REQUIRED

Mr. Manning stated this item is on the agenda for information only and to begin answering questions. Staff intends to bring this item back next month for approval. In 2002, Chino Basin Watermaster began its interim plan for the management of subsidence which called for a forbearance program to be established. A technical committee was established at that time. That committee worked with Wildermuth Environmental Inc. to develop a scientific approach to understanding what was going on in the subsidence area. In May, 2005, we had a workshop with the Special Referee and her technical assistant whereby we explained the information we had developed at that point in time. At the same time staff was developing Guidance Criteria. The Guidance Criteria was adopted by the Watermaster Board in May 2006 and it is now May,

2007, and the court is anxious for the adoption of a Long Term Plan (LTP). The court has made it clear over the last six months that they believe staff has enough information based upon the workshop to develop a Long Term Plan. Mr. Manning stated in conversations we have had in the past, we have two separate elements here; we have the LTP and an Alternative Water Supply Program that we are developing. The Alternative Water Supply Program is an important element and staff is going to continue to develop that program. However, the LTP itself stands independently from the Alternative Water Supply Program. Staff is working with the parties in MZ1 to develop the water program and if the parties in MZ1 decide that there is a hybrid or variation of this program that they feel would work better, staff will work with them to help initiate that plan as well. This item is on the agenda as notification that staff is going to be working through this and hopes to have it approved in June for the Long Term Plan. Mr. Manning stated that Counsel Fife and he have an appointment with the City of Chino Hills on May 31, 2007 to discuss the program. The City of Chino Hills has expressed some concerns with the plan as it has been presented. Staff will report on that meeting with Chino Hills at the June meeting. Mr. Kruger stated Chino Hills is very concerned about the stated water plan has a city there needs to be in control for our destiny. There are residents who need to be provided good water at a reasonable rate. The City of Chino Hills is unable to accept taking a large portion of water on a purchase basis that is not in their control and they are objecting the plan as it exists. Mr. Vanden Heuvel inquired if the Water Supply Plan being presented leaves in place any pumping volume that the City of Chino Hills would have in their control or will all of it be taken from them and then they would utilize an outside source. Mr. Manning stated this is, as stated several times in the past, a voluntary program and the science that was developed established a level which we know if the pumpers within that zone pump below, that they are going to create a condition where subsidence could occur. We have built in a number of criteria into the Water Supply Program. Mr. Wildermuth stated the basic plan provides for a managed water level condition and allows the pumpers in that area to pump. There is no control telling them they cannot pump; we merely say we know that if the water level passes through or drops below a certain threshold that subsidence could begin. The plan says that we will provide them with that information. We know which wells we should be concerned about and existing wells that may lead to that water level falling below that trigger level. We are asking that you do what you can and to try and coordinate with each other to try and not pump below that level. There is no one telling Chino Hills or the City of Chino, or anyone that they can't pump. We have made estimates of what could be pumped on a seasonal basis and that information has been provided to all the parties in the area. The plan itself is not a command and control; Watermaster's responsibility to the parties is to provide the information to the parties only. Mr. Vanden Heuvel inquired if staff had a calculation of amount of yield that the various parties that pump out of that area could get and still stay above the danger line. Mr. Wildermuth stated that calculation has been made. A lengthy discussion ensued with regard to this matter and the issue concerning the City of Chino Hills. Chair Willis asked the City of Chino Hills if they agreed or disagreed with the technical data that has been produced by the Board's consultants regarding subsidence. Mr. Kruger stated they have no way of refuting it; the City of Chino Hills does not disagree. Mr. Manning stated we have hopes that on the 31st we can mutually work out some arrangement. Mr. Bowcock stated Chino Basin Watermaster is providing technical information and they are not acting as a mediator, they are basically providing technical information to producers in MZ1 and if MZ1 producers choose they may seek injunctions upon each other but Watermaster will not engage in that activity. Counsel Slater stated the Judgment itself has certain things that were reserved to the parties at the time the Judgment was entered. One of those included disputes between specific producers about the effects one producer might have on another. In the Peace Agreement, there was a provision that related to an action or a compulsion by Watermaster to a party to move a specific facility. Watermaster was extremely careful in not deviating from a policy of allowing each producer to have control over their facilities and to exclusively limit its conduct to publishing Guidance Criteria. The plan being proposed is the publishing of Guidance Criteria which is in effect, information about the consequences of production. The second element which is completely severable and not part of the plan is how to provide access to water for Chino Hills in the event that there are consequences associated with

producing. The historical treatment within the Judgment has been to reserve disputes regarding individual facilities to the individual parties as they have not waived any rights. It would be a question of policy for this Board to become legally involved, however, the past practice has been hands off.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application

Counsel Slater stated the hearing went forward as expected on May 2, 3, and 4, 2007. Counsel Slater stated Michael Fife, Mark Wildermuth, and Ken Manning did a great job. We even heard from the hearing officer that the presentation was professional and effective. There was no opposition to our application, and our mission was accomplished in terms of the presentation. Counsel Slater noted that it appeared the State Board lacked staff and resources and the responsibility for drafting our decision is likely to fall on the hearing officer. That can actually result in further delays for us. Counsel Fife stated we had a number of stipulations going into the hearing which was very effective for the presentation of our case. We had good witnesses; SAWPA lent us the head of the Sucker Committee who testified very clearly in our favor. Most of the load was carried by Ken Manning and Mark Wildermuth, they were on almost every panel and they did a fantastic job at this four day hearing. We are in the process right now of drafting our closing briefs and those briefs will be due June 6, 2007. Counsel Fife noted the hearing was recorded on a DVD and if any one is interested in obtaining a copy of those four days; let staff know and they will get a copy of that DVD.

2. Referee Report Regarding Status Report Transmittal

Counsel Slater stated we received the Special Referee's report and we were pleased by the report because it relied on Watermaster's transmittal in making the recommendations. We are fully prepared to respond to each of the recommendations in a report. We are perfectly comfortable with those recommendations and notably the schedule was acceptable to the referee and she has asked the court to allow us to proceed in accordance with that proposed schedule. If we are not in a position to adopt a plan for MZ1 in accordance with the schedule proposed with the court we are going to have to file a subsequent pleading with the court to tell them when we will file. If we deviate from the proposed schedule, we are going to have to tell the court why we are deviating and this can be expected to be part of the routine until we conclude this issue. We are pleased with the report we have seen joinders filed and we have also seen a pleading that was filed by Monte Vista Water District.

3. Sunding Report

Counsel Slater stated in the Peace II Term Sheet, specifically there is a requirement that there be a Watermaster sponsored workshop on the scoping associated with Dr. Sunding's report. There was some concern that the process would not be public and that it would be controlled by legal counsel. As was stated at the last Board meeting in April, what staff is trying to do is establish a control point up until the public report so we could begin the process of public input. The ultimate decision regarding the scoping lied with the Watermaster process and this Board. In response to the Monte Vista Water District's (MVWD) pleading, we have indicated to MVWD counsel that we have no opposition and in fact we were intending to comply with the provision. In the interim a notice has gone out proposing a scheduled workshop on June 7, 2007 with Dr. Sunding. The court is aware of that workshop date and on that basis we believe this afternoons order will be a non-event.

Mr. Vanden Heuvel inquired as to the status of the Peace II matter because it is not listed on the agenda and he has been absent the past few months from the Watermaster Board meetings. Counsel Slater stated that he prepared a memo and distributed it to the Board in advance of the last Board meeting regarding the requirement under the Peace II Term Sheet and the context of the Scalmanini Report. Counsel's view was there actually are

three categories of comments by Mr. Scalmanini and one related to improvements on the model; he listed a dozen or so areas for suggested improvement in the model. Mr. Wildermuth had previously stated that he had already begun to make those improvements and they were in process. We made a parallel commitment to the court that all of those improvements would be made before we ran an analysis on the new project description. Those features were clearly acknowledged and addressed. The second item is quoted in the Referee's report and was in our transmittal; on a planning level the model was appropriate for use. However, on a future run that the model needed to be upgraded and matched against the precise project we proposed to implement, because earlier runs had a more vague definition of what the project was. They were definitional but they not exactly what the parties were proposing to do. The court is now expecting from us and we have already proposed to produce the precise project description that we are intending to implement and then analyze those impacts. There was a third set of comments in the document which would be characterized as interesting but superfluous to the purpose of the report and that is where the Special Referee's special assistant wondered how the data was being interpreted and used in the deal making process. That is based on subjective views that we cannot corroborate. Mr. Vanden Heuvel stated that he has read the Scalmanini Report and noted that his memory of the Peace II deal and of the give and take that we engaged in that led up to the adoption of the Peace II deal to have Scalmanini review the model. What triggered the Agricultural Pool concern about mining and the extent of mining that was in the original submittal on what now is known as Peace II. Mr. Vanden Heuvel stated there was some volleying on the numbers and he had made a counter proposal of significantly less mining and 400,000 was agreed to at that time as a place holder. We also agreed to do whatever the science would allow us to do and necessary to achieve Hydraulic Control. Counsel Slater stated the number was a part of a process and each party who had input into the development of that number had different things they were thinking about with regard to why that number was the proper number to use. There were features of that and the feature was, when asked Mark took a thought as what he believed was a proper place to draw a line, a black and white number. Mark was asked to carefully analyze the issue and give us a number. That number ultimately became the 400,000. There is a provision in the Peace II which suggests that the number was being used in our planning phase which is now and indeed Mr. Scalmanini says for the reason that we discussed earlier that the model needs to be upgraded; we would need more information and that we quite possibly could achieve the goal for less forgiveness. We are in the process of obtaining public finance on a multi-million facility and there needs to be certainty with regard to the economic consequences. Mr. Vanden Heuvel stated that he totally understands what Counsel Slater stated and he is in agreement. A discussion ensued to regard to this matter.

B. ENGINEERING REPORT

1. 2007 Watermaster Model Update

Mr. Wildermuth stated today's presentation is on the progress on Watermaster's Groundwater Model Update. The presentation will include topics on the Geologic Conceptual Model, the Percolation Model, estimated Evapotranspiration (ET) which is in the in process, the Recharge and Routing Model which is in the calibration period, and our next steps. Mr. Wildermuth stated there are specific questions to be answered with the new model. What will be the impact of re-operation on subsidence in MZ1? What will be the impact on riparian resources in the Prado reservoir area from new desalter pumping and re-operation, and what does the new equilibrium look like when re-operation is terminated? Watermaster's Groundwater model is incorporating the latest (since 2002) information from new wells and monitoring programs. We are also incorporating vadose zone flow and transport models along with non-linear ET functions for riparian vegetation. We have also extended the calibration from 11 years to about 40 years. New data sources for the conceptual model will include; subsidence investigation in the MZ1 area, 9 new HCMP well clusters, Chino II desalter wells, and other new monitoring wells, new appropriator wells, and OBMP water-level and water quality monitoring programs. A map

of the new wells was reviewed in detail. The thickness of unsaturated zone ranges from as low as 0 feet (Near Prado Basin) to as high as 1000 feet (north Chino basin). Mr. Wildermuth stated the vadose zone lithology varies from clay to gravel and sand and the vadose zone lithology is based on well completion reports which describe soil types based on USCS. Mr. Wildermuth gave a detailed presentation on how the deep percolation of precipitation and applied water moves through the vadose zone and the probably lag time between water entering the soil at the ground surface and its arrival at the water table. Mr. Wildermuth discussed Evapotranspiration. A question regarding vegetation was presented. Mr. Wildermuth discussed the next steps to be taken which will include the completion of the extended calibration period hydrology, (May), construction of the groundwater flow model (June), the calibration of the groundwater flow model (June/July), the building of the compaction model (June/July), the running of the planning scenarios (August/September), and the documentation of planning scenarios (October). Mr. Vanden Heuvel inquired into the water table and where that water will be in five years because there is a gradation and the water is moving. Mr. Wildermuth clarified that the vadose zone model is a one dimensional model that simulates the movement of water from the ground surface to the water table and the discharge from the vadose zone enters the saturated system and once there moves in the along the gradient that Mr. Vanden Heuvel referred to. Mr. Vanden Heuvel inquired as to how the model captures the current. Mr. Wildermuth stated what is being shown is only the vadose zone, one dimensional vertical flow. A discussion ensued with regard to Mr. Wildermuth's model presentation.

C. FINANCIAL UPDATES

1. Budget Presentation

Mr. Manning stated that at the pool meetings earlier this month, the 2007/2008 Watermaster budget would be presented at the Advisory Committee and the Watermaster Board meetings in draft form. The actual 2007/2008 budget will be presented for approval on the June agenda after going through the Watermaster process. Ms. Rojo stated the Appropriative Pool put together a Budget Advisory Committee and they have been meeting over the last couple months to go over some of the issues relating to the Watermaster process regarding the budget and the assessments. Ms. Rojo commented on the Watermaster Assessments and noted Watermaster is a budget driven organization. Ms. Rojo stated at the very first meeting of the Budget Advisory Committee the subject of options for stabilizing assessments was discussed. Ms. Rojo reviewed the 2005/2006, 2006/2007 and the differences for the assessments in various categories. An optional assessment calculation was also presented. Ms. Rojo discussed the Assessment History from the 2001/2002 through 2006/2007 years. The administrative costs for the 2007/2008 budget include Cola @ 4%, a reduction in Public Relations/Outside Consultants, and a cost increase for Information Technology was reviewed. Ms. Rojo reviewed the budget categories for OBMP Implementation Projects, debt service, and cost sharing projects. A discussion regarding the breaking out of cost shared items ensued.

D. CEO/STAFF REPORT

1. Legislative Update

Due to time constraints Mr. Manning will forego his detailed legislative report, however, noted in the Inland Empire Utilities Agency section of the packet starting on page 111 are very detailed reports regarding both federal and state legislative issues.

2. Recharge Update

No comment was made regarding this item.

E. INLAND EMPIRE UTILITIES AGENCY REPORT

1. Landscape Alliance Program Update

Ms. Davis thanked all the parties for their support and stated that as a reminder a goal of this alliance is to provide a unified voice on landscaping policies and also to help develop information that will help support the agencies in implementing landscaping programs.

There now is a legal requirement that in 2009/2010 cities will have to update their landscaping ordinances. This will help build the base of information that will support the effort. Given the current record dry conditions that we are experiencing now we need to change how we think in terms how our water supplies are increasingly uncertain and the role that outdoor conservation can play at helping us to reduce the amount of our water needs. Some of the things that we are trying to do in meeting with all the cities is to put up a web page regarding water conservation. Some of the feedback we received is that they want to see is plant lists for the Inland Empire that are California friendly, top water saving strategies, and scheduled for developing workshops on things like rain catching gardens/storm water management and recycled water. Ms. Rose asked, how does one go about taking your yard off grass to a more water friendly landscape and do it in a cost effective way. One of the things we understood from these meetings is that people want to attend informational workshops. We have now started those workshops and the first one was held on April 24, 2007. The first workshop was held at the Maloof Historic Residence & Garden and we talked about the whole concept of California friendly landscape design and some of the resources that are available from Metropolitan Water District. The second workshop was held yesterday morning over at the Rancho Santa Ana Botanical Garden. At that workshop a presentation was given by the San Gabriel Rivers Watershed Council regarding parking lot, median, sidewalk and public rite of way runoff management. Also residential street and landscape retrofits. A tour of Rancho Santa Ana Botanic Garden also took place. Ms. Davis reviewed the Landscape Alliance Informal Workshops that are going to take place now until December 2007.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Vanden Heuvel commented on the fact that it is good that the assessment process is being reviewed, hopefully, as a result, the Non-Agricultural Pool will pay more Watermaster assessments based on the benefits the are receiving. Ms. Rose commented that she appreciated the budget presentation and thought it was very insightful for the Board to receive information that allows them to make informed discussions.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

June 14, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
June 19, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
June 28, 2007	9:00 a.m.	Advisory Committee Meeting
June 28, 2007	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board meeting was adjourned by Chair Willis at 1:10 p.m.

Secretary: _____

Minutes Approved: June 28, 2007