

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

June 28, 2007

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on June 28, 2007 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Bob Kuhn, Chair	Three Valleys Municipal Water District
Sandra Rose	Monte Vista Water District
Jim Bowman	City of Ontario
Charles Field	Western Municipal Water District
Bob Bowcock	Vulcan Materials Company
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy
Paul Hofer	Agricultural Pool, Crops
Anthony La	West End Consolidated Water Company

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
Ryan Drake	Hatch & Parent
Andy Malone	Wildermuth Environmental Inc.

Others Present

Dave Crosley	City of Chino Basin Watermaster
Bill Kruger	City of Chino Hills
Raul Garibay	City of Pomona
Ken Jeske	City of Ontario
Bob Feenstra	Ag Pool, Dairy
Hank Stoy	Former Director of Cucamonga Valley Water District

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

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

Mr. Manning stated the MZ1 Technical Committee met this morning and that committee made a few minor changes to the Business Item A, MZ1 Long Term Plan. Those changes will be presented today under Business Items.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting held May 24, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of May 2007
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2006 through April 30, 2007
4. Treasurer's Report of Financial Affairs for the Period April 1, 2007 through April 30, 2007
5. Profit & Loss Budget vs. Actual July 2006 through April 2007

C. WATER TRANSACTION

1. Consider Approval for Notice of Sale or Transfer – The City of Upland has agreed to purchase from West End Consolidated Water Company a portion of West End's water in storage in the amount of 3,800 acre-feet. The 85/15 rule does not apply and a recapture plan has not been completed as Upland intends to immediately sell 10,000 acre-feet of water in storage to the Fontana Water Company. Date of application: April 11, 2007

Motion by Bowman, second by Bowcock, and by unanimous vote

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

II. BUSINESS ITEMS**A. MZ1 LONG TERM PLAN AND MZ1 PLEADING**

Counsel Slater stated there are a few changes on the MZ1 Long Term Plan that were recommended by the MZ1 Technical Committee which met this morning regarding this item. Counsel Slater stated the MZ1 Long Term Plan was presented to the Pools and the Advisory Committee and was approved at those meetings with the caveat that there may be some proposed minor changes that had come from both the City of Chino and Monte Vista Water District and the Appropriative Pool directed that another MZ1 Technical Committee meeting be held to consider those changes. Staff, counsel, and the MZ1 Technical Committee did meet this morning at 8:00 a.m. and considered the proposed changes. Those changes were included in the copy of the MZ1 Long Term Plan in the packet. At the meeting this morning there were a few additional changes. Counsel Slater stated the first change is on page 2-3 of the plan and page 57 in the agenda package. The change is with regard to the proposal to consider an injection project by the MZ1 Technical Committee. The change will now read, "*The Technical Committee will develop a scope and a budget for the proposed project by April 2008.*" The second change is in section 2-4 in the second paragraph which reads, "By the end of May 2008"; May is being changed to *April*. The last change is in the Evaluation and Update of the MZ1 Subsidence Management Plan on page 65 of the agenda package, beginning with the sentence, "*Within the Managed Area, Watermaster recommends that all.*" After the word all, a footnote is being changed and will now read, "*Well 11A will be exempt from this recommendation. This is based on the small amount of water pumped from the deep zone by this well and the impracticability to shut down this well due to permitting requirements. This exemption shall be subject to continuous review by the Technical Committee to ensure that continued pumping from this well does not interfere with water level recovery.*" Counsel Slater stated staff recommends that this committee then adopt these findings, adopt the Long Term Plan, and then direct them to be filed with the court along with the pleading which is also in the agenda packet beginning on page 67. Chair Kuhn inquired about the Long Term Plan being adaptive and what that means. Mr. Manning stated the plan is written in such a way that the MZ1 Technical Committee and Watermaster in general can review the work that is being done because this is an on going process. As we review and receive additional data, there will be opportunities to fine tune the plan. One of the recommendations that was just discussed is the possibility of doing injection into the area of concern. Staff is going to do a study and look at what the costs would be associated with doing that injection. Staff will come back to the Watermaster parties and possibly recommend a project to do some injection within that area which would assist in the recovery which could then possibly allow for pumping for longer periods of time during the course of the year. A discussion ensued with regard to this matter. Mr. Vanden Heuvel inquired as to how much money the Watermaster has expended since 2002 on the MZ1 effort. He would like this to include staff time, consultant fees, legal fees, and hardware; which will also include a full summary of investment in this project communicated to

the court and for the record. Chair Kuhn noted this is not part of today's discussion, however, it is a request made by a Board member. Mr. Vanden Heuvel stated he would like it to be a part of today's motion because we are being asked to approve counsel to file the MZ1 pleading with the court. Counsel Slater stated to keep the motion in line with the Advisory Committee's motion, would be to authorize counsel to prepare and file the pleading with an addition which references the expenditures of staff and resources and it would be an addendum to the pleading. Chair Kuhn asked counsel how the motion should read. Counsel Slater stated it could be done in one motion with three components. Ms. Rose commented she was glad to hear the addition of an injection feasibility study into the plan and feels this will be an important component. A discussion ensued with regard to Mr. Vanden Huevel's request for a cost breakdown and concerns were voiced regarding the court adopting all three aspects of the motion.

Motion by Vanden Heuvel, second by Bowman, and by majority vote

Moved to adopt the findings, to approve the MZ1 Long Term Plan on the basis of the findings, and to have counsel file the pleading with an addendum regarding MZ1 costs with the court, as presented

B. 2007/2008 BUDGET

Mr. Manning introduced the 2007/2008 budget item to the Board members and noted Ms. Rojo will also be revealing the draft three year budget today. Ms. Rojo stated a Budget Workshop was held and a detailed presentation given at the Advisory Committee and Watermaster Board meetings last month. Ms. Rojo stated some comments were received regarding the presentation given last month and those changes were incorporated. Ms. Rojo noted this item was approved at the Pool meetings earlier this month and by the Advisory Committee today. Ms. Rojo presented a summary of budget items presented such as the Administrative costs that include COLA at 4%, OBMP expenses include costs for the micro-economic study, Implementation Projects include increases in Ground Level Monitoring, HCMP and Storage Programs and decreases in Recharge O&M and MZ1 subsidence issues, Debt services remain relatively neutral, and Assessments should remain neutral but that depends on the final year end production. Chair Kuhn inquired into the budget desalter costs from last year compared to the much higher costs this year. Ms. Rojo stated the number reflects Wildermuth Environmental time that will be dedicated to the desalter implementation program and his staff time. A discussion regarding breaking out costs on the budget line items ensued.

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

Moved to approve the Chino Basin Watermaster 2007/2008 Budget, as presented

C. MICRO-ECONOMIC ANALYSIS STUDY

Mr. Manning stated the Micro-Economic Analysis Workshop was held last week with Dr. Sunding. Mr. Manning stated the non-binding Term Sheet notes that the micro-economic study is a pre-requisite for the binding agreement and that it also required that we hold a workshop which was completed on June 7, 2007. The prior macro economic study looked at the basin as if it were run by one owner; the micro study will look at it agency by agency. The proposal that is before this committee today is a not to exceed proposal with Dr. Sunding for \$172,600. The scope of work is fully inclusive of all the information that was discussed at the scoping meetings. A communication was received yesterday from Dr. Mann and Dr. Hatchet, where they have made comments on the scope of study; those comments are on the back table. Dr. Mann and Dr. Hatchet have been hired by: Monte Vista Water District, the City of Chino Hills, Three Valleys Municipal Water District, the City of Pomona, and the City of Upland to review and interpret the work of Dr. Sunding. Staff is recommending approval of the proposed scope of work for the micro-economic analysis proposal which is slightly different from the contract that was presented at the Pool meetings. The contract which is before this committee incorporated the change that the Pool Committee members requested, in that the contract is now between Dr. Sunding and Watermaster as opposed to the prior contract which was between Dr. Sunding and Hatch & Parent. Mr. Manning stated this item was approved

with the change from Hatch & Parent to Chino Basin Watermaster unanimously by the Pools and the Advisory Committee. Chair Kuhn commented on the hours from Dr. Sunding and stated he did not agree with some of the numbers that were higher in order to perform the work Dr. Sunding is anticipating to do. Mr. Vanden Heuvel commented it appears to him that Dr. Sunding is attempting to parse out the value of this project to the various entities and there is probably wisdom in that. Mr. Vanden Heuvel questions, "Is it good for the basin and is it good for future generations?" and he hopes that Dr. Sunding keeps those questions in mind.

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

Moved to approve the scoping work for the micro-economic analysis study not to exceed contract which is being performed by Dr. David Sunding, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Hearing Closing Brief

Counsel Slater stated in the meeting packet there is a copy of Watermaster's closing brief in the Santa Ana process along with the stipulations that all the parties entered into concerning the 1969 Agreement.

B. ENGINEERING REPORT

1. Model Update

Mr. Malone gave a report on the Progress on Watermaster's Groundwater Model. Evapotranspiration Estimation (ET) was discussed in detail. Mr. Malone discussed the area of Prado, Orange County Water District's interest in protecting vegetation and endangered species present within Prado, and understanding the relationship between riparian resources in the Prado Basin, and desalter pumping/re-operation. Efforts to improve the original ET were reviewed. Several detailed maps were looked at and discussed and the preliminary results were reviewed. Mr. Malone stated the impact of the new quarterly data will help with needed calibration and will better quantify needs of various communities and cross-check their demands with management planning scenarios. A discussion ensued with regard to the model update given. Mr. Vanden Heuvel inquired as to the time frame of the model being able to run scenarios. Mr. Malone stated that in speaking with Mr. Wildermuth, he noted September would be the date that Wildermuth is trying to meet for a draft report.

C. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated the Legislature has begun its budgetary review. Senator Denise Ducheny, Senator Mike Machado, Senator Dennis Hollingsworth, Assemblyman John Laird, Assemblyman Mark Leno, and Assemblyman Roger Niello have been appointed to a Joint Assembly and Senate Budget Committee. The State Water Contractors have asked the Budget Committee to redirect \$10 million within the Delta Levees Special Projects Program and an augmentation of \$50 million from Proposition 84 to the Department of Water Resources' delta Flood Protection Fund to implement a Delta Emergency operations plan as devised by the State Water Contractors. The Legislative Task Force agreed that it makes good sense to pre-position rock, sheet pile, and other necessary equipment to reduce the time needed to restore critical services, given the severe economic consequences of a Delta disaster. It was also noted there are no funds for integrated regional resource management that would be released until the 2008 fiscal year takes effect. Task Force members representing water agencies expressed their concern that the time line presented a problem for their proposed projects, and it had been their understanding that monies from Proposition 84 would be released in 2007 and 2008. Without funds this year, momentum from Proposition 50 may be lost.

Mr. Manning stated in the June 12, 2007 Metropolitan Water District (MWD) Board Action paper MWD has authorized execution of an agreement for the Chino Basin Desalination Phase II desalter; and appropriate \$1.5 million to study expansion of the existing the Chino Basin Groundwater Storage Program. In June 2003, MWD executed the Chino Basin Groundwater Storage Agreement with the Chino Basin Watermaster, Three Valleys Municipal Water District, and Inland Empire Utilities Agency for a groundwater storage program in the Chino groundwater basin. MWD is also proposing an agreement that would pay up to \$250 an acre-foot for about 15,000 acre-feet per year of water produced by the existing Phase II of the Chino Desalination Project. The expanded Storage Program is expected to provide the following regional benefits: 1) Additional Storage capacity an increase of 50 percent to 150,000 acre-feet, 2) Additional dry year yield increasing from 37,000 acre-feet to 50,000 acre-feet, 3) Elimination of losses in MWD's account, 4) ability to help manage peak delivery on the East Branch and Rialto Feeder, and 5) Improved water quality in the Chino Basin.

A lengthy discussion with regard to the peripheral canal and bypass facilities ensued.

2. Recharge Update

Mr. Manning stated the recharge update handout is available on the back table for review. We did have a little over 200 acre-feet recharged by way of urban run-off this past month and we did have one minor storm and were able to capture some water. Metropolitan Water District still has no replenishment water available to purchase at this time.

3. Dry Year Yield Report

Mr. Manning noted there is workshop scheduled for today at 1:00 p.m. here at the Chino Basin Watermaster office to discuss the Dry Year Yield Program. It was noted Rich Atwater from Inland Empire Utilities Agency will host today's DYY workshop.

Added Comment

Mr. Manning referenced is a matrix regarding Peace II that goes through the items that are included within the Peace II process. There are sixteen distinct areas that have been developed and need to be dealt with in order for us to reach completion of our mission. A comment about what each one of the items means and its status is listed as to where they are as of today. A due date of when staff thinks those are to be completed are listed as well and those coincide with the schedule that was developed for the court and the Regional Board. This matrix will be updated each month and made available so that all parties can be kept up to date on the progress of Peace II and the related elements.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Ms. Rose stated there is a confidential session scheduled today and noted that she would like to suggest tabling that closed session because our chair person is not here and another regular board member is not present from Inland Empire Utilities Agency.

Mr. Vanden Heuvel inquired as to the status of the assessment process review. Ms. Rojo stated as a result of meeting with the Budget Advisory Committee, some basic changes to our cash flow analysis have been decided on and staff will bring forward those items at the end of the year with the Assessment Package. Mr. Vanden Heuvel stated he wanted to reiterate a comment that he made last month that he has been noticing there has been some interest in an attempt to turn the water and storage held by the overlying non-agricultural pool into cash. As he looks at the way Watermaster is assessed, we basically get paid based on production and the overlying non-agricultural water is not being produced, as it accumulates it increases in value. The overlying non-agricultural parties have piggy-backed on Watermaster's investments that added value to their water

held in storage. Those parties have never paid any assessments nor have made any investment in the development of this asset and now are coming in and attempting to cash in; there is an inequity that should be addressed. There needs to be some discussion on possibly a split funding mechanism where you pay so much on the share of safe yield and then so much on pumping, rather than all exclusively on pumping. Mr. Bowcock stated he shares Mr. Vanden Heuvel's concern that the non-agricultural pool has an abundance of water in storage and we fully believe that it needs to be put into play. It needs to be utilized and to be properly managed. The issue of economics and who pays has come up over the years and we have asked Watermaster to do an analysis and every time it comes back, the non-Agricultural members have paid based on production, an amount equal to an appropriator and actually there was a small overage. Mr. Bowcock stated something does need to be done and he is open to any and all discussion about this issue. Mr. Bowcock noted that even in the Appropriative Pool there is an enormous amount of water in storage that goes untaxed and un-assessed and is equal to the same quantity that is in the Non-Agricultural Pool. Mr. Bowcock referred to the water transaction that took place on today's consent calendar. A lengthy discussion ensued with regard to Mr. Vanden Huevel's and Mr. Bowcock's comments. It was noted this does need to be investigated. Chair Kuhn inquired as to where this discussion might take place and it was noted the parties and staff are not sure at this time. A discussion ensued with regard to this matter. Mr. Manning stated this item might also be addressed in a workshop and noted Watermaster staff is planning on having a follow up Strategic Planning session and this might be a topic put on the agenda there for a sub-workgroup to discuss. It was noted by the Board members the follow up Strategic Planning conference would be a good place to put this topic for review and discussion.

VI. OTHER BUSINESS

No comment was made regarding this item.

The Chino Basin Watermaster Board meeting was adjourned to allow the confidential session to convene at 12:10 p.m.

The Chino Basin Watermaster closed session was called to order at 12:15 p.m.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

It was noted the Chino Basin Watermaster Board accepted the proposal from the Personnel Committee regarding personnel matters pertaining to the Chief Executive Officer of Watermaster which was presented to the committee members during the closed session.

The Chino Basin Watermaster Board closed session was adjourned at 12:25 p.m.

VIII. FUTURE MEETINGS

June 28, 2007	8:00 a.m.	MZ1 Technical Committee Meeting
June 28, 2007	9:00 a.m.	Advisory Committee Meeting
June 28, 2007	11:00 a.m.	Watermaster Board Meeting
July 12, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
July 17, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
July 24, 2007	9:00 a.m.	GRCC Meeting
July 26, 2007	9:00 a.m.	Advisory Committee Meeting
July 26, 2007	11:00 a.m.	Watermaster Board Meeting

The Chino Basin Watermaster Board meeting was dismissed by Chair Kuhn at 12:26 p.m.

Secretary: _____

Minutes Approved July 28, 2007