

Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
September 25, 2008

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on September 25, 2008 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	City of Upland
Bob Kuhn	Three Valleys Municipal Water District
Jim Curatalo	Cucamonga Valley Water District
Jim Bowman	City of Ontario
Charles Field	Western Municipal Water District
Terry Catlin	Inland Empire Utilities Agency
Bob Bowcock	Vulcan Materials Company
Jeff Pierson/Paul Hofer	Agricultural Pool
Geoffrey Vanden Heuvel	Agricultural Pool

Watermaster Staff Present

Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Scott Slater	Brownstein, Hyatt, Farber & Schreck
Michael Fife	Brownstein, Hyatt, Farber & Schreck
Mark Wildermuth	Wildermuth Environmental, Inc.

Others Present

Jennifer Novak	Department of Justice/CIM
Robert DeLoach	Cucamonga Valley Water District
Ken Jeske	City of Ontario
Mohamed El-Amamy	City of Ontario
Marty Zvirbulis	Cucamonga Valley Water District
Rich Atwater	Inland Empire Utilities Agency
Hank Stoy	Visitor
David DeJesus	Three Valleys Municipal Water District
Eldon Horst	Jurupa Community Services District
Ron Craig	RBF Consulting/Chino Hills
Eunice Ulloa	Chino Basin Water Conservation District
Martha Davis	Inland Empire Utilities Agency

The Watermaster Board Meeting was called to order by acting 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 Watermaster Board Meeting held July 24, 2008
2. Minutes of the Watermaster Board Conference Call held August 8, 2008
3. Minutes of the Watermaster Board Conference Call held August 13 & 14, 2008

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of July 2008
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2007 through June 30, 2008
4. Treasurer's Report of Financial Affairs for the Period June 1, 2008 through June 30, 2008
5. Budget vs. Actual July 2007 through June 2008
6. Cash Disbursements for the month of August 2008
7. Watermaster Visa Check Detail
8. Combining Schedule for the Period July 1, 2008 through July 31, 2008
9. Treasurer's Report of Financial Affairs for the Period July 1, 2008 through July 31, 2008
10. Budget vs. Actual July 2007 through July 2008

C. INTERVENTION

1. Consider Approval for Intervention into the Overlying (Non-Agricultural Pool) – City of Ontario (as an Overlying Non-Agricultural Party)

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

Moved to approve Consent Calendar Items A, B, and C as presented

II. BUSINESS ITEMS**A. SEMI-ANNUAL STATUS REPORT**

Ms. Rojo stated this report will be filed with the court. The Semi-Annual Status Report will give the court an update on all the aspects of the basin over a six month period. This report used to be a quarterly report; however, the court requested that it be changed to a semi-annual report. Ms. Rojo stated staff is looking at different ways to change the formatting on the report which will make it easier to read. Staff is seeking approval to receive and file this report. Mr. Catlin noted that he appreciated the history on this item.

Motion by Catlin, second by Willis, and by unanimous vote

Moved to receive and file the Semi-Annual Status Report with the court, as presented

B. BUDGET AMENDMENT

Ms. Rojo stated this item is in conformance with the new policies adopted recently regarding budget amendments. This item pertains to the debt services paid to Inland Empire Utilities Agency which was previously budgeted for the Phase I aspect of the Recharge Master Plan project. Watermaster provides that money to IEUA and at the end of the year IEUA uses that money to pay our portion of the debt service. This year the amount was originally budgeted at \$360,000 which was the amount that IEUA told Watermaster would be the amount necessary to cover the debt service; however, the invoice was received at \$560,000 also noting a \$45,000 credit, which would then require a budget amendment of \$151,594 for approval. A discussion regarding this item ensued. Mr. Atwater stated this item originated in 2002 and was set up with a variable rate. IEUA staff estimated the payment is based on estimates of the variable interest rate which is currently at 1.5% and IEUA staff is estimating, a rate for the year, of 3% which is how the \$500,000+ number came to be. A discussion regarding this matter ensued.

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

Moved to approve Budget Amendment, as presented

C. INLAND EMPIRE UTILITIES AGENCY DRY YEAR YIELD REPORT BY IEUA STAFF

Mr. Atwater gave the Updated Water Demand & Supply Forecasts and Dry Year Yield Status presentation. Mr. Atwater reviewed the updated demand and supply forecasts through the year 2035 in detail along with the forecasted production trends. Mr. Atwater reviewed the implications for groundwater replenishment options which included alternative options to construct new recharge facilities. The current and additional Chino Basin recharge capacities were reviewed for the basins, in-lieu, and ASR wells. The summary of initial and expanded DYY Program "puts" and "takes" per acre-foot was examined. Mr. Atwater reviewed the summary of program participants and facility requirements in detail along with reviewing the "condensed" project work plan and schedule. A discussion regarding Mr. Atwater's presentation and building trends ensued.

No motion was made regarding this item; it was presented as information only

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Santa Ana River Water Right Final Decision**

Counsel Slater stated the Watermaster application was unanimously approved on September 2, 2008. Counsel Fife noted the Orange County Water District and Western Municipal Water District's applications are still in the process of being reviewed and counsel will keep an eye on those. Counsel Slater thanked all the parties for the work put into getting this permit finalized.

2. LRP Funding Agreement

Counsel Slater stated this item begins on page 103 of the meeting packet as part of the agreement with MWD concerning the LRP Funding. There are commitments made to MWD about the expansion of the Dry Year Yield Program and those commitments must be fulfilled by September 1, 2009; a process will be gone through to accomplish completion by this date. On page 103 it states that by September 1, 2009 Watermaster needs to have approval of expansion of the DYY Program and Watermaster must waive losses on the MWD Storage Account; both for the original 100,000 acre-feet and this additional expansion. These are conditions which will allow us to hold onto the LRP money. A discussion regarding milestones ensued.

3. Report on the Issue of Governance

Counsel Slater stated this item is in the Legal Counsel portion of the agenda for clarification. Counsel Slater stated this item came up due to a joint pleading filed by the City of Chino Hills, City of Chino, and Monte Vista Water those discussions District about the Special Referee issue and although Watermaster is not participating in one of the issues those parties raised was the issue of governance. The allegation states that Watermaster has failed to fulfill its duties listed in the original stipulation. In August, a Watermaster Board conference call took place and MVWD who was on that call asserted to the board that Watermaster and Watermaster staff had not adequately addressed the governance issue. Counsel and staff's understanding was that at the last Strategic Planning Conference in 2007, the issue of governance was covered and the parties participating at that time felt that the issue had been adequately covered and Watermaster had fulfilled its responsibilities under the stipulations that it entered into and that the matter could be tabled. Chair Willis suggested that to take a look at governance, we should have somebody outside the Board with experience in governance come in and due a survey they would be able to tell us what the strong points are and points that are not so strong; which would then allow us to make a decision about going further with that process. Counsel Slater stated that this decision is within the province of the Board at any time to indulge in self examination and that is up to the Board members. Counsel Slater stated counsel and staff will follow the direction of the Board members on this matter. Chair Willis stated the Board members need to submit

suggestions regarding this matter in writing so that an accurate record can be kept and at some point in time have another discussion on this. Counsel Slater stated at the Appropriative Pool meeting, the committee asked that this item be brought back as an action item in October with a detailed staff letter outlining events.

4. Status of Judge Selection

Counsel Slater stated Chino Basin Watermaster has been assigned a new judge, Judge Wade. That assignment was made on September 15, 2008; notice to the parties was sent out on September 16, 2008. Judge Wade serves at the San Bernardino Court. Counsel Slater stated if no preemptory challenge is filed by the close of business tomorrow, we will have a judge for all purposes. A hearing is scheduled for October 21, 2008 to consider several various items that have been placed on hold while the judge selection has been taking place over the past few months. Counsel Slater stated in the context of the Conditions Subsequent, is our progress on implementing Hydraulic Control. The 400,000 acre-feet that we can access is dependent on making progress; there are some Max Benefit issues with Regional Board. Part of that issue involves the CDA expansion because the Peace II Agreement contemplates Western Municipal Water District (WMWD) joining CDA and contributing funding for the expansion of the desalters. That effort resulted in the negotiation of the Term Sheet and there will be a closed session today to go over the conceptual approval of picking up the prosecution responsibility for the contamination. This was agreed upon conceptually pending a presentation on budget and strategy which will be discussed in closed session today. If this Board is in agreement counsel will report out of closed session that you have authorized that action and at which point that would bring your responsibility in the context of the CDA effort to admit WMWD as a member; this would then bring this Board's responsibilities to a close. After that is done, counsel would turn to the parties themselves, who are in the process of approving the agreements. Counsel Slater stated all parties are presently poised to act within the October time frame; hopefully prior to October 21st hearing date. Counsel Slater stated it is his understanding that the City of Chino Hills is engaged in a due diligence process and they are reaching to each of the participants in the CDA process and the expansion group. A discussion regarding this matter ensued.

5. MOU of Water Accounting Procedures in Chino Basin

Counsel Slater stated this is an information item only and will be brought back next month as an agenda item.

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities, July – August 2008

Mr. Wildermuth stated this item will be on the agenda monthly as an update on the engineering activities. Mr. Wildermuth stated he is currently working with Black & Veatch and the Dodson Group on the Dry Year Yield Expansion tasks. Mr. Wildermuth stated improvements to the groundwater model are being made. In the last two months, the Recharge Master Plan project schedule has been implemented based on the outline which was sent to the court. There has been a lot of work being done in the MZ1 area for repairs and maintenance of equipment. For MZ3 we were successful in getting another AB303 grant to look at specific water quality issues and work has been done in that area. Mr. Wildermuth reviewed the list of tasks performed by Wildermuth staff in July and August. Preparation has begun on the State of the Basin Report. Condition Subsequent Report no. 7 is being worked on and is due at the end of 2008. Mr. Wildermuth stated Wildermuth Environmental no longer supports Data X and that has been replaced by D.A.V.E. which is called Hydro DAVE. Watermaster staff has now has Hydro DAVE installed on their systems and if any of the Watermaster parties want this software installed, arrangements can be made to do so. Mr. Vanden Heuvel inquired into a recent meeting that Mr. Thibeault attended regarding taking Max Benefit away; if that did happen would we then go back to the Basin Plan that was in place prior to Max Benefit? Mr. Wildermuth stated "no" it would fall back to the Anti-Degradation Objectives for Management Zones 1, 2, and 3 that were

established in 2004. A lengthy discussion regarding Mr. Vanden Heuvel's comments ensued. Mr. Vanden Heuvel inquired into the court process for approval of the 400,000 acre-feet that was approved on a go forward basis. Counsel Slater stated the issue was mentioned on the groundwater storage agreement; however, there are other conditions that still exist related to the December order from last year. One of those conditions related to the reconciliation by the end of this year which is an extremely important topic for the parties to begin discussing in the month of October/November if we are to have a resolution to the court by December. A discussion regarding this issue ensued.

C. CEO/STAFF REPORT

1. Legislative Update

Ms. Rojo stated the State budget has finally passed.

2. Financial Audit Update

Ms. Rojo stated Watermaster recently went through its financial audit and this presentation is going to be presented to the Watermaster Board today. As a result of new auditing standards that have passed; there is a requirement that auditors will have to do a lot more work in doing their financial statement audits. This will require increased communications with those charged with governance. Ms. Rojo discussed governing boards and audit committees. Mr. Rojo noted in an audit committee there needs to be at least one person who understands/knows financial knowledge. Those standards did affect Watermaster this year in that the auditors did a lot of increased internal control testing along with assessment and documentation of Watermaster's internal controlled procedures. The auditors did increase risk assessments. They not only spoke to the CEO, they also spoke with the CFO, Board members, and Watermaster staff. Ms. Rojo noted staff is expanding our current internal control systems documentation to codify what we are already doing and assist the auditors in their testing. Staff will be exploring the establishment of an audit committee. Staff will be continuously performing risk assessments to seek ways to improve our process. Watermaster will be looking into forming an audit committee. A discussion regarding the audit committee ensued.

3. Recharge Update

Ms. Rojo stated the most recent recharge spreadsheet is available as a handout on the back table for review.

4. MWD Groundwater Conjunctive Use Study

Ms. Rojo stated staff has participated since December, 2005 MWD has put together member agency representatives, and basin managers to formulate a groundwater assessment study. That committee is looking at formulating a report that would include an assessment of the overall basin management, the existing facilities and operations, historical production, recharge and water levels, water quality, and groundwater storage opportunities in their service area. Ms. Rojo stated that Mr. Pak from Watermaster staff has been attending those meetings with Mr. Manning. Mr. Rossi offered comment on what that committee is doing.

5. Report on Anticipated Board Closed Session Items

Ms. Rojo stated there will be a closed Board session held at the Watermaster Board meeting today regarding Hanson Aggregates, Tongva American Indian tribe, and the two airport plumes.

6. Strategic Planning Conference Update

Ms. Rojo stated the Strategic Planning Conference in Lake Arrowhead will be held this weekend.

7. Regional Board Meeting on Max Benefit

Ms. Rojo stated this item was reported on by Mr. Manning at the Pool meetings. A series of letters were received a few months ago about our schedule with regard to compliance with Max Benefit. The Regional Board expressed its displeasure at the pace of the development of our achievement of Hydraulic Control; we are about one year behind. In summary of those letters was that the executive director of the Regional Board did plan to ask the Board to schedule a hearing to consider whether the Max Benefit objectives should be removed from Chino Basin. Mr. Manning and Mr. Atwater attended that board meeting which was held on September 5, 2008 and assured the board that we were in fact moving forward. After discussions at that board meeting, that board directed Jerry Thibeault to hold off on the item but that if this process was not completed by October then they would schedule a hearing again to consider whether Chino Basin could still have access to the Max Benefit Objectives.

8. November and December Meeting Dates

Ms. Rojo noted as in previous years the Advisory Committee and the Watermaster Board meetings will need to be moved up one week to accommodate Thanksgiving Day and Christmas Day. The committee members agreed to move the meeting up one week in November and December.

IV. INFORMATION

1. Chino Basin Recycled Water Groundwater Recharge Program Quarterly Monitoring Report for April Through June 2008

No comment was made regarding this item.

2. Senator Dianne Feinstein Secures Senate Committee Approval of Key Water Supply Legislation for the Chino Basin

No comment was made regarding this item.

3. 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. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session will be held during the Watermaster Board meeting for the purpose of discussion and possible action regarding three items:

1. Hanson Aggregates Litigation
2. Tongva American Indian Possible Litigation
3. OIA / Chino Airport Possible Litigation

Counsel Slater stated the Watermaster Board took action to reaffirm its conceptual decision and it will assume its primary responsibility for prosecuting the airport plume contamination.

VIII. FUTURE MEETINGS

September 25, 2008	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
September 25, 2008	9:00 a.m.	Advisory Committee Meeting
September 25, 2008	11:00 a.m.	Watermaster Board Meeting
September 28-30, 2008		Strategic Planning Conference, Lake Arrowhead Resort
October 9, 2008	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
October 21, 2008	9:00 a.m.	Agricultural Pool Meeting @ IEUA

October 23, 2008	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
October 23, 2008	9:00 a.m.	Advisory Committee Meeting
October 23, 2008	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board meeting was dismissed by Chair Willis at 1:46 p.m.

Secretary: _____

Minutes Approved: October 23, 2008