

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
February 9, 2006

The Joint Appropriative and Non-Agricultural Pool Meeting were held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on February 9, 2006 at 9:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Robert DeLoach, Chair	Cucamonga Valley Water District
Raul Garibay	City of Pomona
Dave Crosley	City of Chino
Ken Jeske	City of Ontario
Bill Stafford	Marygold Mutual Water Company
Mike McGraw	Fontana Water Company
Charles Moorrees	San Antonio Water Company
Rosemary Hoerning	City of Upland
Rich Atwater	Inland Empire Utilities Agency
Mark Kinsey	Monte Vista Water District

NON-AGRICULTURAL POOL MEMBERS PRESENT

Justin Scott-Coe	Vulcan Materials Company (Calmat Division)
------------------	--

WATERMASTER BOARD MEMBERS PRESENT

Bob Kuhn	Three Valleys Municipal Water District
----------	--

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Danielle Maurizio	Senior Engineer
Gordon Treweek	Project Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Justin Brokaw	Marygold Mutual Water Company
Bill Curley	City of Upland
Bill Kruger	City of Chino Hills
Manuel Carrillo	Senator Soto's Office
Craig Stewart	Geomatrix
Mohamad Elamamy	City of Ontario
Curtis Aaron	City of Fontana

Chair DeLoach called the meeting to order at 9:10 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Annual Appropriative Pool Meeting held January 12, 2006
2. Minutes of the Annual Non-Agricultural Pool Meeting held January 12, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2005
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through November 30, 2005
3. Treasurer's Report of Financial Affairs for the Period November 1, 2005 through November 30, 2005
4. Profit & Loss Budget vs. Actual July through November 2005
5. Cash Disbursements for the month of January 2006
6. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through December 31, 2005
7. Treasurer's Report of Financial Affairs for the Period December 1, 2005 through December 31, 2005
8. Profit & Loss Budget vs. Actual July through December 2005

C. INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2005

Receive and File the Annual Audited Financial Statements for Fiscal Year Ended June 30, 2005.

D. WATER TRANSACTION

Consider Approval for Transaction of Notice of Sale or Transfer – Cucamonga Valley Water District has agreed to purchase from West Valley Water District water in storage in the amount of 500 acre-feet. Date of application: January 10, 2006.

*Motion by Jeske, second by Kinsey, and by unanimous vote – non-Ag concurred
Moved to approve Consent Calendar Items A through D, as presented*

II. BUSINESS ITEMS

No comment was made regarding this item.

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT**

1. Attorney Manager Process/Discussion of Peace II Agreement
 Counsel Fife stated the two items under legal reports will be reported as one item today. There have been a number of pleadings filed within the last ten days; the most recent are available on the back table and will be the subject of the court hearing scheduled for today at 2:00 p.m. There is an Attorney-Manager meeting scheduled today for 11:00 a.m. in order to discuss the pleadings that have been filed and a strategy for approaching the hearing at 2:00 p.m. Counsel is anticipating a quiet hearing as we have had for the past several years. Questions and major comments can be heard and addressed at the 11:00 a.m. meeting today.
2. Court Hearing
 No comment was made regarding this item.

B. WATERMASTER ENGINEERING CONSULTANT REPORT

1. Evaluation of the Cumulative Effects of Transfers Pursuant to the Peace Agreement
 Mr. Wildermuth stated one of the items the Special Referee noted in her comments/report that she was concerned about regarded the Accumulative Effect of Transfers Pursuant to the Peace Agreement, which is done every two years starting in 2003. This analysis was completed last summer, on time; it has not been brought forward through the Watermaster process to date. Wildermuth Environmental had produced a report in draft form in dealing with hydraulic control issues, balance of recharge and discharge, and that report contains

this required analysis within it since these issues are all drawn together and relate to one another. This report is now ready for internal staff review within the next few days and will go through the Watermaster process for approval.

2. Hydraulic Control Update

Mr. Wildermuth commented on the status of the State of the Basin Report. Mr. Kinsey inquired into a short summary of the Accumulative Effect Pursuant to the Peace Agreement. Mr. Wildermuth stated 261,000 acre-feet of water has been avoided in wet water recharge due to transfers from storage accounts and the assessment is that there is no negative impact in this regard. Mr. Wildermuth stated this process has been of great benefit to the Chino Basin and to disallow the transfers could end up being a financial burden on the parties involved. Mr. Kinsey offered comment on Mr. Wildermuth's summary. A discussion ensued regarding the accumulative effect and recharge within the basin. It was asked if the report can be brought back to this committee to be given in presentation form to bring parties up to full speed on its content and intent in a timely manner. Mr. Manning and Mr. Wildermuth stated it will be brought back for review as requested.

C. CEO/STAFF REPORT

1. 85/15 Update

Mr. Manning stated this item was asked to be reviewed by staff and to be agendaized for review and/or discussion at a future pool meeting. Mr. Manning stated a full report has not been completed at this date and time and noted this item will be brought back at the March meeting for review and/or discussion.

2. Volume Vote Update

Mr. Manning stated this item was brought up at the November 2005 pool meeting and it was noted, at that meeting, that this item would be addressed early in 2006. The volume vote was relative to the fact that Watermaster includes the payments for replenishment water as overproduction as part of the assessments paid in relationship to this volume voting issue. Watermaster staff asked counsel to do some research on this issue and some scenarios have been formulated for contemplation today. Counsel Fife referred to the memorandum regarding the Volume Vote which is available on the back table. Counsel Fife stated the issue with the volume voting is that under the Judgment which means under the Appropriative Pool pooling plan, there are 1,000 votes within the Appropriative Pool, 500 of those votes are distributed based on initial shares of safe yield and 500 of them are allocated according to "assessments paid to Watermaster". Watermaster has interpreted the phrase, "assessments paid to Watermaster", to include all assessments which means administrative, OBMP, and replenishment assessments and it is the replenishment assessments category that raised the issue at hand. Counsel Fife stated there is a reason replenishment assessments would be included as a policy counter balance to parties who were fully developed or had high water usages back in the 1970's when the Judgment was created and initial shares of safe yield were allocated; versus parties who have developed later and who have very low shares of safe yield but who now produce a lot of water. By including replenishment assessments in that equation sort of creates a balance. The question is that some parties, who may be over producers, in any given year, may cover their replenishment not by paying an assessment to Watermaster but by rather taking water out of storage or buying water from another party. This leads into the discussion that once the basin in balance and there can be more transfers across zones, parties may be covering a greater portion of their replenishment assessments this way. Counsel Fife questions the parties by asking does this analysis create an inequity – should Watermaster's policies concerning the allocation of volume votes be changed? Feedback was solicited from parties that resulted in a few approaches that we could take in resolving the issue. Counsel Fife read the four sample approaches that were listed in the memo and noted these approaches are intended to generate discussion and receive possible direction. Mr. Kinsey offered comment on the

history of how this calculation was first formulated during the creation of the Judgment. A lengthy discussion ensued by several committee members regarding the initial process and the issue at hand. It was noted this discussion and the decisions only involves/effects the "Appropriative Pool" and action will be taken only by this pool. Mr. Manning stated staff is looking for guidance to either have a decision today to bring this issue back for a motion in March or to come up with a few options today to have the parties explore the options with their agencies and bring it back for a motion at a later date. A further discussion ensued with regard to the presented sample approaches counsel brought forth. Mr. Garibay noted that he would like to see some numbers crunched prior to making a decision. Counsel Fife stated the direction would be to bring back a proposal in March and not to make a final decision today. Mr. Manning stated that numbers could be brought back with the proposal at the March pool meeting.

It was asked if the committee members could get an explanation of what will be brought up regarding the 85/15 rule and how this inquiry came about. It was noted that the City of Chino had brought up the issue at the November pool meeting. Mr. Crosley stated that during the review of last assessment package that was distributed, the City of Chino noticed application of the 85/15 rule in a few instances where he thought that it was a misapplication and at that time Watermaster staff was asked to research that and come back at a later time with the findings. A brief discussion ensued with regard to the 85/15 rule and it was noted that staff is not prepared to go into detail and that this item will be brought back at the March meeting with a full report.

3. Department of Water Resources Grant Financing Update

Mr. Manning stated that staff fully expects that next month the Pools, Advisory Committee, and Watermaster Board will be dealing with a contract wherein terms will be discussed relative to the financing of the Department of Water Resources (DWR) Grant – a grant that totals over \$10M; that is a 50/50 split between Chino Basin Watermaster (CBWM) and Inland Empire Utilities Agency (IEUA). Included at the back table is a handout which is a breakdown of the projects that are included within this DWR grant, it is a \$5M dollar grant with a \$5M dollar match; half paid by CBWM and half paid by IEUA, meaning that Watermaster will agree to contribute \$2.5M towards this grant. The terms of debt repayment are presently being worked out with IEUA. Mr. Manning reviewed several of the items listed in the handout. Mr. Atwater offered history on past funding agreements and debt services for improvements and noted the new debt service for this new grant will be a policy issue brought through the Watermaster process in the near future. A discussion regarding the possible additional and/or increase of acre-feet of water created by these improvements and who will benefit ensued. Ms. Rojo stated that the actual value of the increase in recharge capacity it is not known merely on potential storm water yield but more of a increase in recharge capacity. As our basin is constantly being overdrawn and is expected to be done in the future as well – we have an obligation to get water in the ground and we need places to do that. Mr. Atwater noted that given the quantity and involvement of the questions presented today he would not hesitate in putting together a workgroup to be able to elaborate better on what has been presented today. It was noted by several pool members that it is a good idea to put together a workgroup and be given the opportunity to discuss this issue in greater detail. Mr. Treweek offered comment on some of the Phase III improvements and how those improvements will enhance the capture of water.

4. San Diego County Water Authority RFP for Groundwater Conjunctive Use Project

Mr. Manning stated that the San Diego County Water Authority has released their RFP and staff has had the opportunity to review that proposal and staff is inclined to submit a proposal. It was asked if the RFP was available and Ms. Rojo noted she had copies available for those who wanted them. Mr. Manning noted that San Diego is anxious to have Watermaster involved and staff feels they are willing to discuss terms with us.

Added Item:

Mr. Manning noted that available on the back table is an additional handout regarding supplemental and storm water recharge; it was asked at a past meeting that parties be kept informed on a monthly basis of how we are doing on recharge. As was noted by Mr. Treweek, we appear to be on target for our recharge from more supplemental than storm water at this point in time. This chart will be made available with updates each month.

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

February 9, 2006	9:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
February 9, 2006	11:00 a.m.	Attorney Manager Meeting
February 14, 2006	9:00 a.m.	GRCC Meeting
February 21, 2005	9:00 a.m.	Agricultural Pool Meeting @ IEUA
February 23, 2006	9:00 a.m.	Advisory Committee Meeting
February 23, 2006	11:00 a.m.	Watermaster Board Meeting

The Joint Appropriative & Non-Agricultural Pool Meeting Adjourned at 10:07 a.m.

Secretary: _____

Minutes Approved: March 9, 2006