

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
May 18, 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 May 18, 2006 at 10:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

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| Robert DeLoach, Chair | Cucamonga Valley Water District |
| Jim Taylor | City of Pomona |
| Dave Crosley | City of Chino |
| Ken Jeske | City of Ontario |
| J. Arnold Rodriguez | Santa Ana River Water Company |
| Rosemary Hoerning | City of Upland |
| Mike McGraw | Fontana Water Company |
| Charles Moorrees | San Antonio Water Company |
| Mark Kinsey | Monte Vista Water District |
| Frank LoGuidice | Fontana Union Water Company |

NON-AGRICULTURAL POOL MEMBERS PRESENT

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| Justin Scott-Coe | Vulcan Materials Company (Calmat Division) |
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Watermaster Board Members Present

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| Sandra Rose | Monte Vista Water District |
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Watermaster Staff Present

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| Kenneth R. Manning | Chief Executive Officer |
| Sheri Rojo | CFO/Asst. General Manager |
| Sherri Lynne Molino | Recording Secretary |

Watermaster Consultants Present

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| Michael Fife | Hatch & Parent |
| Mark Wildermuth | Wildermuth Environmental Inc. |
| Andy Malone | Wildermuth Environmental Inc. |

Others Present

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| Marty Zvirbulis | Cucamonga Valley Water District |
| Craig Stewart | Geomatrix |
| Frank Brommenschenkel | Ag Pool Representative |
| Ashok K. Dhingra | City of Pomona |
| Paul Deutsch | Geomatrix for GE |
| Chris Diggs | Fontana Water Company |
| Manuel Carrillo | Representative Senator Soto's Office |
| Robert Kent | U.S. Geological Survey |
| Kenneth Belitz | U.S. Geological Survey |
| Anthony La | City of Upland |

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

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Joint Appropriative and Non-Agricultural Pool Meeting held April 13, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of April 2006
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through March 31, 2006
3. Treasurer's Report of Financial Affairs for the Period March 1, 2006 through March 31, 2006
4. Profit & Loss Budget vs. Actual July through March 2006

C. WATER TRANSACTION

1. **Consider Approval for Transaction of Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from The Nicholson Trust water in storage in the amount of 0.623 acre-feet and annual production rights in the amount of 8.000 acre-feet. Date of application: April 14, 2006
2. **Consider Approval for Transaction of Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from West Valley Water District water in storage in the amount of 2,000 acre-feet. Date of application: April 7, 2006

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

II. BUSINESS ITEMS**A. WATERMASTER BUDGET FOR FISCAL YEAR 2006/2007**

Ms. Rojo stated the recent budget workshop was very well attended. Ms. Rojo presented the 2006/2007 budget and reviewed the budget highlights which include a slight increase in administration expenses increases. It was noted the administration area of the budget included a 4.7% Cola increase and a proposed increase in the medical insurance cap for employees. Ms. Rojo stated the Cola figure was based on CPI. Mr. Manning stated the Personnel Committee has reviewed the health benefits issue, and in examining other water agencies benefits Chino Basin Watermaster's benefits are under what other agencies offer and what we are asking for is placing us to the medium of those other agencies over a two year period. The Personnel Committee is still working on this evaluation which will be presented to the Watermaster Board in June. Ms. Rojo stated staff is anticipating increases in all cost areas, however, in the area of the OBMP this figure will be increasing by approximately \$600,000 due to the undertaking of the CEQA process as a result of the Peace II negotiations/process. The State of the Basin Report will need to be rewritten and a separate line item has been added to track the cost of this particular item. A question regarding the cost for CEQA was presented. Ms. Rojo stated the CEQA process is being budgeted, but since the CEQA will be contracted, the exact cost is not known. The amount budgeted is approximately \$500,000 in itself and Mr. Manning stated some of the cost will go to special consultants to perform this type of work. Ms. Rojo reviewed the OBMP Implementation projects which have an anticipated increase in the areas of groundwater quality monitoring, recharge O&M, recharge debt service, and recharge master plan. Ms. Rojo noted there is a substantial increase to our recharge debt service. For the Phase I recharge debt payment, we are budgeting \$600,000 and that payment, will be assessed

based on each appropriators share of operating safe yield. The million dollar represents the payment for the DWR grant which was approved two months ago to pay back over a three year period. The portion payable by Watermaster will be around \$3M and \$1M will be budgeted each year. A question regarding cost sharing for the DWR grant was presented. Ms. Rojo stated the DWR grant is a \$5M dollar grant and a \$5M dollar cost in which Inland Empire Utilities Agency is fronting the money on a pass through cost to Watermaster, who will be charged interest only at the LAIF rate. A question regarding O&M recharge was presented. Ms. Rojo stated Watermaster's obligated to pay for the O&M on the recharge basins that is over and above what the Flood Control would otherwise need to do for their flood protection purposes. Mr. Manning stated staff included a letter from Mr. Atwater in the package because he discusses about the fact that O&M costs last year were built into the FEMA grants that we had as well as the previous DWR grants. Ms. Rojo reviewed the special projects that will decrease which are ground level monitoring, MZ1, and meter installation and maintenance. Mr. Manning offered comment on the groundwater expenses and noted those expenses are being kept tracked of separately so that we may be reimbursed from the PRP's on both the Ontario and Chino Airport plumes. A discussion regarding cost sharing ensued. Mr. Jeske stated a refresher report needs to be given on cost sharing. Mr. Jeske asked that if by adopting the budget does that make any change or alterations to the way we are portioning the costs for the presented items. Mr. Manning stated those items will be assessed by using the same formula as we have in the past. A discussion ensued with regard to the 2006/2007 budget presentation. Mr. Kinsey noted he would like see an overview at the assignment of recharge O&M and recharge debt services to see if some of those costs might be allocated differently than proposed in the budget. The committee members agreed they would want to have a separate meeting/workshop held with regards to Mr. Kinsey's suggestion for exploration.

Motion by Kinsey, second by Jeske, and by unanimous vote – Non-Ag concurred
Moved to approve the Watermaster Budget for fiscal year 2006/2007, as presented

B. TIME CHANGE FOR THE APPROPRIATIVE AND NON-AGRICULTURAL POOL MEETINGS

Chair DeLoach stated the request to change the meeting time from 9:00 a.m. to 10:00 a.m. was by his request. Several committee members agreed the time change would assist in their schedules also.

Motion by Rodriguez, second by Kinsey, and by unanimous vote – Non-Ag concurred
Moved to approve changing the meeting start time to 10:00 a.m., as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Peace II Process

Counsel Fife stated there is a 4:00 p.m. conference call scheduled for today regarding the Peace II Proposal and it appears there is great hope that staff will be asking the Watermaster Board to release the agreed upon proposal for their approval to move this item through the Watermaster process in June. Counsel Fife noted Director Vanden Heuvel gave a short presentation at the Agricultural Pool meeting this past Tuesday and it appeared his comments and views were accepted by all committee members present. After the presentation there was a very positive question and comment process that acknowledged the Agricultural Pool members were pleased with the final outcome of the process.

2. Santa Ana River Application

Counsel Fife stated Orange County Water District (OCWD) has issued a PEIR and Watermaster is going to provide comment on that report. Between now and the time we

comment on their PEIR, there is a piece legislation SB 1795 that is being sponsored by Stockton East Water District concerning applications to the State Board for water rights for diversion of surface streams for recharge into a groundwater basin, which is similar to Chino Basin's situation. There have been some modifications to language that Watermaster wanted to make which would make it clearer and more applicable to our situation. Counsel Fife stated Mr. Manning did a great job of working those modifications into the language. Counsels understanding from the meeting at ACWA last week is those modifications are being incorporated into the bill, although, the State Board is opposed to this bill. The bill is essentially designed to resolve some problems with how the State Board processes applications for diversion of surface streams for recharge into a groundwater basin. At the ACWA Legal Affairs Committee Meeting last week, there was a suggestion from the attorney representing Stockton East that the bill was fading fast based on the State Board opposition. OCWD EIR is out; however, no report has come out of Western Municipal Water District.

3. Boardsmanship Workshop Update

Counsel Fife stated after the April Board meeting, Chino Basin Watermaster held a workshop. This is a workshop that staff wants to offer on a yearly basis to hold in January when new board members are appointed.. This was a largely attended workshop and went very well. There were handouts/materials at that workshop which are available upon request. Mr. Manning stated this was an academic approach to the board's responsibilities as opposed to what their responsibilities might be in the individual board positions they hold; the roles are slightly different. Mr. Manning stated that Counsel Slater and Counsel Fife did an outstanding job of providing the information to the members. Staff will take what was taught and discussed at this workshop and turn that into some sort of curriculum that we will use every other year and then in the off year staff will put together a course that would extend the information into a slightly more technical approach to the basin.

This item was moved from B. WATERMASTER ENGINEERING CONSULTANT REPORT to be reported under the General Legal Counsel section.

4. Proposed Waste Discharge Requirements (WDR) for Recharge of Imported Water

Counsel Fife stated this item is part of the Basin Plan Amendment process, the Regional Board has been issuing various permits and this is one of the final pieces of the whole Basin Plan Amendment process. There is a copy of the proposed WDR in the meeting packet starting on page 63. In summarizing the permit, it indicates that anyone who wants to recharge imported water, if they are doing it in a basin that is governed by the Maximum Benefit Standards; they need an acknowledgement from the Maximum Benefit entities that the recharge is consistent with the Maximum Benefit objectives. Counsel Fife noted that Mr. Thibeault recently commented, The Maximum Benefit people have bought assimilative capacity and if anyone else wants to use that assimilative capacity, they need to get permission from the people who made the investments. Counsel Fife stated that by issuing the permit what the Regional Board is attempting to regulate is the recharge of imported state project water which is not commonly liked by other parties. Mr. Manning offered comment regarding the adoption of this permit. A brief discussion ensued with regard to the Regional Board.

B. WATERMASTER ENGINEERING CONSULTANT REPORT

1. Summary of WEI April 2006 Report Regarding Hydraulic Control, Desalters and New Yield

Mr. Malone stated what Mark Wildermuth has done for the Peace II process is to generate a report on Hydraulic Control which addressed a lot of the questions that came out of the November Attorney-Manager Workshop. Mr. Malone reviewed the map which

showed the basin conditions in 1905; before a lot of groundwater pumping occurred and then reviewed the same map for 2000, showing drawdown. Mr. Malone stated all of the pumping that has occurred since 1905 has reduced the groundwater levels, and reduced the groundwater that was rising to become surface water flowing out of the basin. With all this water level drawdown we have increased the yield of the basin significantly by reducing the entire groundwater outflow as surface water. The concept of hydraulic control and the intent of the OBMP was to maintain basin yield by constructing the desalter well field and keeping water levels suppressed in the southern end of the basin. This concept was incorporated into the Maximum Benefit commitments that Chino Basin Watermaster (CBWM) and Inland Empire Utilities Agency (IEUA) presented to the Regional Board in the most recent Basin Plan Update. Hydraulic Control means that CBWM and IEUA are committing to isolating the Chino Basin from any downstream impacts, in exchange; we received Maximum Benefit Water Quality Objectives. Those objectives were raised artificially to allow for things like recycled water recharge. We have a monitoring program that the Regional Board can evaluate and shows that we are isolating the basin. A report was just released to the Regional Board which will become an annual report on the Hydraulic Control Monitoring Program. Mr. Malone reviewed a slide which shows we have achieved a good deal of hydraulic control. Mr. Malone stated there are three elements to the monitoring program; one element looks at water levels, the second element looks at various water qualities, and the third element is groundwater modeling to verify we are creating the barrier. Several other well location maps were reviewed and discussed. A discussion regarding the location of new wells ensued.

2. Proposed Waste Discharge Requirements (WDR) for Recharge of Imported Water
This item was reported under the General Legal Counsel Section by Counsel Fife.

C. CEO/STAFF REPORT

1. Water Quality Update

Mr. Manning stated the Water Quality Committee is meeting on a regular basis and a report was given at their last meeting regarding the General Electric (GE) plumes. GE's program currently calls for them to be pumping from wells treating the water and then recharging into the Ely basins. Recently their permit for recharge into the basin which is with both the Conservation District and with the Flood Control District was up for renewal. The City of Ontario, Inland Empire Utilities Agency, and Chino Basin Watermaster wrote letter of concern because, we are using the Ely basins for increased recycled water recharge and for storm water recharge and in the future for imported water recharge and having GE occupy space within those basins limits our capacity. We would like to move GE into the position of solving their Regional Board orders with remedies that are within their control. The Regional Board has recently issued GE a five year permit to continue recharging in the Ely basins. In conversations with Pat Mead of Flood Control, it was noted that GE knows their permit will not be renewed after the five year term and during those five years they must seek other basins for their recharge needs. In speaking with GE we believe they are making progress in this area.

2. Strategic Planning Committee Update

Mr. Manning stated an open invitation conference is planned by the Strategic Planning Committee for October 1, 2, and 3, in Indian Wells at the Grand Champions Hyatt Hotel. The event will be kicked off on Sunday with workshops held all day Monday, October 2, and then Tuesday, October 3, will be a half day session. We will be working on issues dealing with expansion of our recharge facilities based upon the Urban Water Management Plans that were submitted. There is strategic planning we are going to be doing in many other areas as well.

3. Personnel Committee Update

Mr. Manning stated part of this item was covered under the budget presentation. The second part is there is still the CEO evaluation going on through the Personnel Committee; they are still meeting on this item. Mr. Manning noted Watermaster contracted with a new consultant this year by the name of Mathis and Associates who deal with cities and water districts around the country on issues dealing with personnel and recruitment. Mathis and Associates is currently working with the Personnel Committee on both the surveys that were needed for the health issues and on the CEO evaluation.

4. Groundwater Ambient Monitoring and Assessment (GAMA) Presentation by Robert Kent, California Water Science Center

Mr. Manning introduced the representatives from USGS who will be giving a presentation today. Mr. Manning stated the GAMA program was originally developed in response to the Groundwater Quality Monitoring Act of 2001. Its mandate is to assess the monitoring and quality of groundwater in the public supply from municipalities in California. The Chino Basin is not the first water agency/region that they have dealt with. The presentation is to give an overview of what the USGS plans for the Chino Basin and the Santa Ana River Region in general. Mr. Belitz stated the AB 599 Groundwater Quality Monitoring act of 2001 region objectives include: 1) Assess each groundwater basin in the state through direct and other statistically reliable sampling approaches, 2) Integrate existing monitoring programs and acquire new data as needed, and 3) Prioritize groundwater basins that provide drinking water. Mr. Belitz reviewed several detailed maps which included public supply wells, municipal pumping, agricultural pumping, leaky tanks, and pesticide applications. There are thirty-five study units to be examined, nine of which have been already sampled. Six units will be sampled from May 2006 – December 2006 which include the areas of Coastal Plain, Upper Santa Ana, Central Sacramento, Central Sierras, Owens/Indian Wells, and Central Sierras. Mr. Belitz reviewed the scope of the work which will be performed and noted there is a tiered analytical schedule to follow. The fast list of analytes and slow list of analytes was reviewed in detail. Mr. Belitz discussed how the reporting of results would be handled for each study unit. It was noted that well locations and names will not be reported and the implementation in upper Santa Ana was assessed by various area maps. Mr. Belitz stated randomized, spatially distributed sampling allows for unbiased assessment. Low level detection limits were reviewed. Mr. Belitz noted that environmental tracers are the basis for assessing connection between sources of compounds and occurrence in public supply wells. Mr. Belitz noted that basin-scale data will be collected consistently which allows for easier comparison between basins. Mr. Belitz stated Dr. Robert Kent is the studying hydrologist. In addition to the studying hydrologist there are teams of people who move from basin to basin performing the sampling. There is also another team who simply manage the phone lines for arrangements of well samples. Mr. Belitz noted there are several handouts at the back table which describes in more detail several of the items mentioned in today's presentation. Mr. Jeske inquired if some of the other well sampling data in other areas were available. Mr. Belitz noted the San Diego data report is available on their web site. A brief discussion ensued with regard to reporting. Mr. Manning inquired on how USGS would interface with the retailers and the Watermaster on the development on the scheduling of testing. Mr. Belitz stated this presentation is the start for communication with Watermaster and the owners of the wells are typically contacted personally approximately two months prior to sampling. A discussion ensued with regard to communication. Mr. Manning stated several of the wells that USGS requests to perform sampling on has already been sampled by Watermaster on the same levels. Mr. Manning asked what will be USGS's effort to coordinate with Watermaster and with our staff and consultants to ensure we are conducting these tests in an efficient way so that Watermaster is apprised as to what is going on in the basin. Mr. Belitz stated they will make every effort to coordinate every effort with Watermaster staff and Wildermuth's staff. Mr. Manning asked that USGS be made aware of our monitoring and sampling

program that is in place right now as to compliment what we are already doing. A discussion ensued with regard to the analytes that will be tested for in the wells. Mr. Wildermuth asked that the results be made available in electronic for Watermaster and the parties. Mr. Belitz stated that should not be a problem and that he will make the State Board aware that we have made this request.

5. Storm Water/Recharge Update

Mr. Manning stated Andy Campbell from IEUA who puts these numbers together for our update is on vacation; however, staff feels we are on target for our 50,000 acre-feet with our storm water recharge numbers.

6. Inland Empire Public Affairs Network (IEPAN) Update

Mr. Manning stated the flyer for this event is in the meeting packet on page 93. Jerry Silva with Southern California Edison and Mr. Manning are involved with setting up this event. This is a public affairs network that is involved with trying to bring speakers who are policy makers both in the State of California and the federal government to the policy decision people within the Inland Empire and allow them to speak directly to each other. Our first luncheon is Friday, June 2, with the guest speaker being Fred Aguiar; he is going to be talking about the State of California and the governor's proposals. IEPAN will be holding quarterly luncheons and the next speaker for September is Gary Miller. The intention behind IEPAN is to try and bring into the basin on a regular basis those people who are helping make policy and set policy within this country and state.

7. Legislative/Bond Update

Mr. Manning stated there is a bond going on the ballot in November which does not include water, there is a flood control component in it; this bill is basically transportation, education, flood, and a small amount of housing. There will be the Caves Initiative coming up shortly and a number of water agencies will take an opposition approach to the Caves Initiative. It is another one of those initiatives that is using the credibility of the water industry and scare tactics to talk people into using voting for funds to go to environmental issues. This will also provide more land for conservation purposes and will be more of an environmental plan than a water plan and it is not a water quality initiative. Mr. Manning stated this can possibly dig into our ability to go after "real" water bonds in the future.

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

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| May 16, 2006 | 9:00 a.m. | Agricultural Pool Meeting @ IEUA |
| May 18, 2006 | 9:00 a.m. | MZ1 Technical Committee Meeting |
| May 18, 2006 | 10:00 a.m. | Joint Appropriative & Non-Agricultural Pool Meeting |
| May 23, 2006 | 9:00 a.m. | GRCC Committee Meeting |
| May 25, 2006 | 9:00 a.m. | Advisory Committee Meeting |

May 25, 2006 11:00 a.m. Watermaster Board Meeting

The Joint Appropriative & Non-Agricultural Pool Meeting Adjourned at 11:50 a.m.

Secretary: _____

Minutes Approved: June 8, 2006