Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
June 8, 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 June 8, 2006 at 10:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Mark Kinsey, Vice-Chair	Monte Vista Water District
J. Arnold Rodriguez	Santa Ana River Water Company
Ken Jeske	City of Ontario
Rosemary Hoerning	City of Upland
Charles Moorrees	San Antonio Water Company
Eric Grubb	Cucamonga Valley Water District
Ashok K. Dhingra	City of Pomona
Mike McGraw	Fontana Water Company
Frank LoGuidice	Fontana Union Water Company

NON-AGRICULTURAL POOL MEMBERS PRESENT

Justin Scott-Coe	Vulcan Materials Company (Calmat Division)

Watermaster Board Members Present

Sandra Rose	Monte Vista Water District

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

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Chris Diggs	Fontana Water Company
Jim Erickson	Law Offices of Jimmy Gutierrez
Rick Hansen	Three Valleys Municipal Water District

Chair Kinsey called the meeting to order at 10:14 a.m.

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Joint Appropriative and Non-Agricultural Pool Meeting held May 18, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of May 2006

2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through April 30, 2006
3. Treasurer's Report of Financial Affairs for the Period April 1, 2006 through April 30, 2006
4. Profit & Loss Budget vs. Actual July through April 2006

C. WATER TRANSACTION

1. **Consider Approval for Transaction of Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2005/2006. Date of application: May 11, 2006

2. **Consider Approval for Transaction of Notice of Sale or Transfer** – The one-year lease of 5,350 acre-feet of water from the City of Chino's annual production rights to the Cucamonga Valley Water District. This lease is made first form Chino's net underproduction in Fiscal Year 2005-2006, with any remainder to be recaptured from storage. Date of application: May 10, 2006

3. **Consider Approval for Transaction of Notice of Sale or Transfer –** The lease of 2,500 acre-feet of water, first from the City of Pomona's (Pomona) net underproduction, if any, from its FY 2005/2006 allocation, with any remainder from Pomona's local storage account in the Chino Basin, to the Cucamonga Valley Water District. Date of application: May 30, 2006

E. NOTICE: MAYER, HOFFMAN & McCANN TO PERFORM AUDIT FOR 2005-2006 FISCAL YEAR ENDING JUNE 30, 2006

F. CHINO BASIN WATERMASTER 28TH ANNUAL REPORT

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

Pulled For Discussion and Separate Motion:

D. COST OF LIVING ADJUSTMENT (COLA)

Authorize 4.7% COLA to be Applied to the Salary Schedule as Approved in the FY 2006-07 Budget, Beginning July 1, 2006

Mr. Manning stated in the past, Watermaster has always put this on the Consent Calendar through the Watermaster Process. Mr. Manning stated this is actually a personnel matter and should be dealt with by the Watermaster Board as an action item. It was placed on the today's agenda in the section that is consistent with past agendas; this process ought to be changed from this point forward. It should be placed on the Pools and Advisory Committee agendas as an information item. Mr. Manning noted full disclosure of this item is made during the budget process. Mr. Manning stated staff's suggestion is to place this item as an information item and have it on the Board's agenda as a recommendation from the Personnel Committee as an action item. Counsel Fife stated that in an interpretation of the Judgment in paragraph 20 in which it states that personnel matters are within the Board's review, exclusively.

Motion by McGraw, second by Jeske, and by unanimous vote – Non-Ag concurred
Moved to take no action on this item and move it as an information only item for the Pools from this point forward, as presented

II. BUSINESS ITEMS

A. PEACE II TERM SHEET

Mr. Manning stated at the May 2006 Watermaster Board meeting Board members directed legal counsel and staff to take the non-binding Peace II Term Sheet through the Watermaster process for consideration and comment.. Staff is looking for a recommendation to send this item to the Board to be approved as a policy template for Watermaster from which staff and counsel can move forward and develop a binding agreement, perform the CEQA work, and other analysis. Chair Kinsey inquired if the term sheet presented on the back table was the same term sheet which was presented to the Watermaster Board for the distribution through the Watermaster process. Counsel Fife stated it was the exact same term sheet. Chair Kinsey inquired to the committee members if more detailed information was needed to decide on a motion. It was decided no more information was needed at this time.

Motion by Horning, second by Jeske, and by unanimous vote – Non-Ag concurred

Moved to approve the non-binding Peace II Term Sheet as a template approach for the development of final agreements and to forward the non-binding Term Sheet to the Advisory Committee and the Watermaster Board with the recommendation for approval, as presented

B. JOINT CHINO BASIN WATERMASTER/IEUA CHINO BASIN DATA EXCHANGE (DATA X) SYSTEM DEVELOPMENT AGREEMENT AMENDMENT

Mr. Manning stated Chino Basin Watermaster (CBWM) is involved with the DataX Program which is the combined effort between Inland Empire Utilities Agency (IEUA) and CBWM to share a database and to develop a program by which we can simplify the collection and distribution of data within the basin to one database. There would be enough security built into this database so that all parties are protected in terms of the information that is being released. The first two phases are almost complete and staff is now looking at the start of the third phase. The program has three different components: 1) direct data input by all Appropriative Pool data generators (including groundwater production, groundwater level, IEUA imported water certifications, and other data as needed for Watermaster and IEUA reports – a test with two different agencies is currently underway for this data input by Cucamonga Valley Water District and the City of Chino, 2) displaying of recharge basin calculated/results SCADA data, and 3) interfacing the imported and recycled water system with the IEUA billing system. Mr. Manning stated most of the development work is being accomplished by Wildermuth Environmental with support from CBWM and IEUA's staff as necessary. CBWM and IEUA have each agreed to pay one half of Wildermuth's charges for Phase III of the project. Mr. Manning stated both CBWM and IEUA are very satisfied with the system/program. Staff is recommending the approval of the Phase III cost. Chair Kinsey inquired as to the costs for this project. Ms. Maurizio stated the costs which were presented in the newly approved budget for this project was $70,000.00 dollars. Mr. Manning stated there is great value to this program and will well pay for itself in the combination of efforts which are currently being duplicated by several parties. A discussion ensued with regard to costs and the use of the program.

Motion by Rodriguez, second by Jeske, and by unanimous vote – Non-Ag concurred

Moved to approve the Chino Basin Watermaster/Inland Empire Utilities Agency Chino Basin Data Exchange (DataX) System Development Agreement Amendment, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. OCWD PEIR Comments

Counsel Fife stated there is a copy of Watermaster's comments to the OCWD PEIR regarding their Santa Ana Water Rights Application in the meeting packet. As was reported, counsel submitted short and friendly comments. Counsel Fife stated OCWD PEIR states they have no intention of seeking any rights against any up stream entity. The substance of our comments were, that in our view, their PEIR relies upon an expectation

that nothing is done in their water rights application that will in any way affect the Chino Basin. If it does affect us then there are impacts that result from their project which were not analyzed by their environmental documents; making their environmental documents inadequate. Included in the meeting packet were also Western and Muni's comment letter which followed our general substance. Counsel Fife noted he does not know who else has commented on this PEIR since the comments were due last week and no update has been released.

Counsel Fife commented on SB 1795 which will reform the State Board's procedures for processing water right applications whose purpose was to divert surface water for recharge into a groundwater basin.

2. RWQCB Waste Discharge Permit Update
Counsel Fife stated this is a process regarding the Santa Ana River. At a public workshop that the State Board held on Waste Discharge Permits Muni made a lengthy presentation. The result of that presentation and from some of their comments was that the Regional Board asked SAWPA to convene a stakeholder process including everyone in the Santa Ana Watershed for discussion purposes. Counsel Fife stated it is staff's expectation that Watermaster's consultants and/or counsel will participate in those meetings at some level; those meetings have not yet started. Muni has contacted Watermaster and wants to schedule a meeting to inquire about what Watermaster has done with regard to Maximum Benefit because they are now interested in doing the same thing. A discussion regarding comments/requirements ensued.

3. North Gualala Decision
Counsel Fife stated last week the appellate court for the North Gualala case issued its decision. This was a case regarding the North Gualala Water Company which is pumping groundwater near a river and the State Board took an enforcement action against the water company and said that they were pumping from the river without a permit. Their response was that they were pumping from a groundwater basin and not from the river. The reason this is of interest to the Chino Basin is because at the lower court level the court supported the State Board. The court found there was jurisdiction of the State Board over the water company, however, the court stated North Gualala's pumping impacts the river, and therefore there is jurisdiction. The case then went to the applet level and the appellate decision has come out. The appellate court clearly states that the impacts test is not the test which is used in California for State Board jurisdiction. The appellate court did uphold State Board jurisdiction over North Gualala pumping, however, it used the normal four part Garrapata test which analyzes whether there is a bed and banks and an underground stream and all of the normal things which are recited in the Water Code. A discussion ensued with regard to the courts decision.

Added Item:

Counsel Fife stated this item just came in a few days ago which is why it was not on the meeting agenda. The Water Conservation District has sent a letter to the Special Referee concerning Joe Scalmanini's technical review of the Peace II Term Sheet. Since this letter was sent to the Special Referee it will be served on all the parties shortly; a copy can be provided after today's meeting if needed. A discussion ensued with regard to the letter and the time frame the letter was received.

B. CEO/STAFF REPORT

1. Storm Water/Recharge Report
Mr. Treweek stated there has been 46,000 acre-feet of recharge through the month of May. In June we should bring in approximately 3,000-3,500 acre-feet of imported water. These totals will bring us up almost to our goal of 50,000 acre-feet for the year. Looking towards the next fiscal year, there physical and operational that staff is working on. For the physical improvements staff will be selecting a design consultant for the two new turnouts on the

Rialto Pipeline plus some other improvements to the SCADA system will need to be made. In regards to the operations, a meeting took place at the Department of Safety and Damns (DSOD) to discuss four of the basins: 1) San Sevaine #5, 2) Jurupa, 3) Hickory, and 4) the new Etiwanda Conservation ponds. These are basins which when we have a major storm have the ability to hold back a lot of the storm water for recharge. The DSOD put a requirement on those basins that within 24 hours after the pass of the storm event the sluice gate has to be raised and the basin drawn down. This only allows us a day or so to capture water for recharge. In the meeting with the DSOD we tried to determine the basis for their 24 hour release decision. When the decision was made it was in the early 90's and several of the people who made that decision were still available for comment. The DSOD's decisions were made for safety reasons due to the possibility of an earthquake and the possibility of liquefaction occurring within the basin. The DSOD's staff stated CBWM has some really interesting ideas and they would be pleased to go back and re-evaluate their 24 hour water release decision after they assess all the data we presented to them. A discussion ensued with regard to jurisdiction and responsibilities of the DSOD.

2. Legislative/Bond Update
   Mr. Manning stated this item was placed on the agenda in hopes additional information on legislation and bonds would be available, however, no new update has been obtained. Mr. Manning provided a summary on his recent trip to Sacramento and noted it was a very successful trip. Mr. Manning noted the Inland Empire Regional Water Recycling Project HR5427 was approved on a bipartisan support in the House and was then sent on to the Senate.

3. MZ1 Committee Update
   Mr. Manning stated there was an MZ1 Technical Committee tentatively scheduled for this morning, however, we are still trying to work with the City of Chino Hills and the meeting was cancelled. Mr. Manning stated that in discussions with Chino Hills they are in preparation of a position that will be under consideration by the committee, although, we have not yet received that documentation.

Added Comment:

Mr. Manning stated a letter which was signed by Chino Basin Watermaster (CBWM) and Inland Empire Utilities Agency (IEUA) to Hanson Aggregates addressing the recovery of damages for illegal discharges into the Day Creek Basin by Hanson Aggregates Inland Plant was sent on June 5, 2006. The letter explains the extent and magnitude of physical and monetary damages caused by Hanson due to regular, illegal, and muddy water discharges from the Hanson Inland Plant into the Day Creek channel. Mr. Manning noted that IEUA and CBWM will initiate legal recourse if Hanson does not provide an adequate response within 10 business days which outlines the means of making whole the specified $1.2 million dollars in damage incurred due to their illegal actions. The cost is for clean up and lost recharge. A brief discussion ensued with regard to this situation.

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

June 20, 2006	9:00 a.m.	Agricultural Pool Meeting @ IEUA
June 22, 2006	9:00 a.m.	Advisory Committee Meeting
June 22, 2006	11:00 a.m.	Watermaster Board Meeting

The Joint Appropriative & Non-Agricultural Pool Meeting Adjourned at 11:10 a.m.

Secretary: _____

Minutes Approved: June 22, 2006