

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
November 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 November 9, 2006 at 10:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Robert DeLoach, Chair	Cucamonga Valley Water District
Mark Kinsey	Monte Vista Water District
Charles Moorrees	San Antonio Water Company
Mike McGraw	Fontana Water Company
Ken Jeske	City of Ontario
Ashok Dhingra	City of Pomona
Chris Diggs	Fontana Union Water Company
Rosemary Hoerning	City of Upland
Dave Crosley	City of Chino
Mike Maestas	City of Chino Hills
J. Arnold Rodriguez	Santa Ana River Water Company

NON-AGRICULTURAL POOL MEMBERS PRESENT

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

Sandra Rose	Monte Vista Water District
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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.
Andy Malone	Wildermuth Environmental Inc.
Tom McCarthy	Wildermuth Environmental Inc.

Others Present

Rich Atwater	Inland Empire Utilities Agency
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Chair DeLoach called the meeting to order at 10:02 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 October 12, 2006

B. FINANCIAL REPORTS

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

Mr. Kinsey presented questions regarding check numbers 10857, 10860, and 10912 which were clarified by Ms. Rojo. Mr. Kinsey inquired about the Mathis & Associates contract and Mr. Manning stated Watermaster is currently working off of two separate contracts and the work they were to perform is primarily over. Chair DeLoach inquired about where legal fees are located in the Watermaster budget. A lengthy discussion ensued with regard to Watermaster counsel's legal fees.

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

II. BUSINESS ITEMS**A. NEW YIELD ALLOWANCES FOR FY 06-07 ASSESSMENT PACKAGE**

Mr. Manning stated last month this item was introduced for this committee and it was decided to postpone action until a workshop on this item could be held. That workshop took place last month. Staff is seeking approval for this item this month. Mr. Manning reiterated the difference with the 30% number being used as induced inflow and the judgments and/or courts definition of new yield. At the workshop Mr. Scalmanini stated he thought 50% number was the best number to use from a management perspective, however, Watermaster does not have the authority to use 50% at this time until the Judgment amendments contemplated under Peace II are approved. A lengthy discussion ensued with regard to this issue. Mr. Jeske commented on the fact that the decision to use 30% could cause his customers to incur higher costs and that this seems inappropriate since everyone agrees that 50% is the better number to use. Chair DeLoach agreed this could affect customer rates. A discussion ensued with regard to the adoption of the Peace II Agreement. Counsel Fife stated staff has put forward a recommendation for 30%; we have also prepared an Assessment Package based on 30%. Watermaster is under an independent duty to follow the Judgment and the Peace Agreement by court order. A question regarding the financial impact was presented. Mr. Manning stated with the FY 2006-2007 Assessment Package the financial impact would be zero; it is only an accounting process in terms of the Watermaster storage account. The Pool discussed different proposals regarding using 50% rather than 30% by dividing the 50% into a 30% component for induced inflow and a 20% component for implementation of basin reoperation. Chair DeLoach stated while he will vote in favor of the motion set forth, Cucamonga Valley Water District did want the number to be a 50% desalter offset and not 30%.

*Motion by Jeske, second by Crosley, and by unanimous vote – Non-Ag concurred
Moved to approve this item at 30% of desalter production with an additional 20% to be applied under the proposed re-operation of the basin unless the Peace II Term Sheet is not approved in a timely manner, then the 20% will be backed out at a later time.*

B. FY 06-07 ASSESSMENT PACKAGE

Ms. Rojo stated the Assessment Package Workshop was held October 30, 2006. Ms. Rojo presented an overview for the FY 06-07 Assessment Package. The assessment analysis was broken down in detail and was compared to the FY 05-06 Assessment Package. The budgeted debt service was reviewed along with the replenishment reserve balance. In summary it was noted the assessments are set to increase from \$28/af to \$39/af (not including replenishment water reserves) and the recharge debt will increase based on % of operating safe yield. Ms. Rojo stated replenishment reserve increase options need to be discussed and noted two

options for this reserve could be to review/update the Watermaster budget or to shorten the Water Activity Reporting timeframe. A discussion ensued with regard to the Assessment Package presentation. Chair DeLoach noted there was a \$10/af reduction in the presentation being given today. Ms. Rojo stated that was correct. Mr. Kinsey inquired into some of the water transactions on page 38 of the meeting package regarding the 85/15 rule. Ms. Rojo stated the way the 85/15 rule works is if you are an over producer in one year and you qualify for the 15% credit, if you purchase water, Watermaster evaluates the water purchase before any transfers/purchases to determine if a party qualifies for the 15% credit. The credit is not limited to the amount of your over production in any one of the years. A discussion ensued with regard to the 85/15 rule. Mr. Crosley questioned if action by this joint committee was delayed for a month, is there sufficient cash reserves on hand to pay the anticipated bills for that intervening time period. Ms. Rojo stated that Watermaster is looking at collecting monies in the January/February timeframe unless we levied an assessment in November. Chair DeLoach noted this type of assessment has been done before in the past. Mr. Jeske asked that when this item is brought back next month for consideration, if staff could revisit the numbers for the CEQA work prior to presentation. Chair DeLoach asked if staff could also prepare an analysis and a recommendation for options for amending the billing process. Mr. Manning stated this could be presented in January 2007.

Motion by Crosley, second by Maestas, and by unanimous vote – Non-Ag concurred
Moved to table the FY 2006-2007 Assessment Package motion until next month to allow more time to review the numbers.
Moved to approve billing a special pre-assessment using 50% of last year's Assessment Package numbers to the parties to allow funds to come into Watermaster on a timely basis.

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Application

Counsel Fife stated the State Board has sent out some correspondence, not a notice, to all the parties involved letting them know that the State Board is hoping to notice a hearing on all of the Santa Ana River applications by the end of November. In subsequent discussions with the State Board, it turns out that almost all of the State Board's staff that is now assigned to this project is new to the project including the legal counsel. We still do not know for sure if this will go through to a hearing because of all the past delays over the past six years.

2. Peace II Term Sheet

Counsel Fife stated that as was reported at the last Advisory and Watermaster Board meeting staff is considering to precede with the Peace II Term Sheet by some sort of bifurcation of the process. Staff and counsel were anticipating presenting an idea of how to do this next week at the Advisory Committee and Watermaster Board meeting which would break the larger package into smaller manageable pieces. Chair DeLoach stated the Appropriate Pool Committee members, by prior discussion, want that proposal to go through the pool process prior to the Advisory and Board. Mr. Manning stated another alternative would be to hold a separate workshop prior to the Advisory Committee meeting for all parties to attend so that the pools have a full understanding of what will be presented to the Advisory and Board meetings; we are not asking for action, only introducing the idea. A discussion ensued with regard to this process. Mr. Kinsey inquired into the macro financial analysis that Dr. Sunding is putting together and are the comments that were submitted to Dr. Sunding going to be incorporated and sent back through the Watermaster process. Counsel Fife stated the report is still being worked on and will go through the Watermaster process prior to court submission.

3. Waste Discharge Requirements re Santa Ana River

Counsel Fife stated this is something that came up approximately six months ago when the Regional Board issued Draft Waste Discharge Requirements within the Santa Ana Watershed. There has been a process going on at SAWPA ever since and this is a participant process that Watermaster has only been watching and not been involved in because we are a maximum benefit. Others have been negotiating an agreement under SAWPA and the Regional Board's supervision and have come out with a draft. That draft is available on the back table dated October 12, 2006. Counsel Fife stated we are soliciting feedback from the parties because now that there has been something released, Watermaster is going to get involved to make sure that whatever comes out of the process does not negatively impact what we have done with the Regional Board. This is an interesting agreement and two items which need to be highlighted are the governance structure that they are contemplating for salt management in the watershed that is composed of an executive committee. Watermaster has presented comments to this group to the affect that if there is going to be some sort of governance structure that is created, the Watermaster of the Chino Basin, wants to be represented on that committee. Watermaster has spent several years going through the maximum benefit process and has spent a lot of money on it and nobody in the watershed contributed to that except Chino Basin. While we want to be on this governance structure, we don't want to be paying into something that we have already paid into once. The next interesting item in this agreement is salt credits; this is all about salt management in the watershed. This process is very much in flux and there is going to be a lot of movement on this item in the near future.

B. WATERMASTER ENGINEERING REPORT

1. Progress on the Western Desalter Well Field

Mr. Wildermuth gave his West Desalter Well Field Investigation presentation. The assignment given to Wildermuth regarding the Western Desalter Well Field (WDWF) was to develop the well field to achieve hydraulic control and develop a concept that will intercept the Chino Airport VOC plume. Mr. Wildermuth reviewed several area maps in detail and by a progression of dates to show how the Chino Airport VOC plume will be affected by the new WDWF wells. In addition to other assignments, Wildermuth Environmental will be preparing an addendum to the April report, coordinating with the Regional Water Quality Control Board and County, and prepare an addendum to be available before the end of November 2006. A brief discussion ensued with regard to the Wildermuth presentation.

Added Item:

Mr. Manning stated several months ago he along with Mr. Atwater from Inland Empire Utilities Agency and a number of other parties got together to prepare for submittal of some grants to the Department of Health Services (Prop 50 Grants). Watermaster ended up submitting three applications for grants which were, 1) Chino I Desalter Expansion for \$15M, 2) Ontario Groundwater Recovery (OIA Plume) for \$20M, and 3) the Chino Groundwater Recovery grant which is what Mr. Wildermuth just presented. This is a total of \$55 million dollars which was applied for and all three were approved by the Department of Health Services to move onto the next round. These funds will most certainly help in getting the Potential Responsible Parties to the table for clean up. This is very good news!

C. CEO/STAFF REPORT

1. Storm Water/Recharge Report

Mr. Treweek stated we are one third of the way through the year and are right on target for recharge. We have achieved 21,000 acre-feet of recharge towards our goal of 60,000 acre-feet. The day to day operations have been handled by Andy Campbell and his staff at Inland Empire Utilities Agency which has freed up Watermaster staff time to work on other projects. We have attempted to increase our recharge efforts by 20% to 25% each year.

2. Legislative/Bond Update
Mr. Manning stated congress has changed hands due to the recent elections. IEUA has sent over the Congressional Outlook for the 100th Congress (Innovating Federal Strategies – a Comprehensive Government look at Relations) which is available on the back table for review. Mr. Manning offered comment on how both houses being Democratic will affect us. Our hope that two items will get through in the funding one being WORDA and the other being the funding for our recycled water projects; both are sitting awaiting action in the senate.
3. Strategic Planning
Mr. Manning stated this item was placed on the agenda because staff was hopeful the matrix would be done from the recent Strategic Planning conference; that is not completed and will be brought back next month.
4. RAND Workshop Review
Mr. Manning stated the third and last workshop was held this past week. Overall the RAND series of three workshops were productive. There will be a follow up report and once that report is available we will provide a copy to all the parties. Other committee members who attended the RAND meetings offered comment on the workshops.
5. Invitation from French Government
Mr. Manning stated Mr. Neufeld and himself were notified last week by the French government that they had been selected to participate in a conference in France (paid by them) to attend the conference and visit with their officials over a four day period. An email was received just a few days ago stating this might not take place this year for them and Mr. Manning noted it was an honor just to be one of the few that were considered to attend this type of event. A copy of the invitation letter is available on the back table for review. Mr. Manning will keep the parties apprised if he will be attending the conference after final notice is received.

Added Item:

Mr. Manning stated as a reminder there is a confidential meeting for the Appropriators to discuss storage and recovery after this meeting concludes.

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

November 9, 2006	8:00 a.m.	MZ1 Technical Committee Meeting
November 9, 2006	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
November 15, 2006	1:00 p.m.	Agricultural Pool Meeting @ IEUA
November 16, 2006	9:00 a.m.	Advisory Committee Meeting
November 16, 2006	11:00 a.m.	Watermaster Board Meeting
November 20, 2006	1:00 p.m.	AGWA Meeting @ CBWM
November 28, 2006	9:00 a.m.	GRCC Meeting
November 30, 2006	10:00 a.m.	MZ1 Technical Committee Meeting

The Joint Appropriative & Non-Agricultural Pool Meeting Adjourned at 11:45 a.m.

Secretary: _____

Minutes Approved: _____