

Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
June 14, 2007

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 14, 2007 at 10:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

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

NON-AGRICULTURAL POOL MEMBERS PRESENT

Kevin Sage	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

Andy Campbell	Inland Empire Utilities Agency
Marty Zvirbulis	Cucamonga Valley Water District
Andrew Lazenby	Black & Veatch
Paul Deutsch	GE/Geomatrix

Chair Garibay called the joint Appropriative and Non-Agricultural Pool meeting to order at 10:00 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 May 17, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of May 2007
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2006 through April 30, 2007
4. Treasurer's Report of Financial Affairs for the Period April 1, 2007 through April 30, 2007
5. Profit & Loss Budget vs. Actual July 2006 through April 2007

C. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from the City of Upland water in storage in the amount of 10,000 acre-feet to satisfy a portion of the company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007
2. **Consider Approval for Notice of Sale or Transfer** – Cucamonga Valley Water District has agreed to purchase 500 acre-feet of West Valley Water District's stored Chino Basin groundwater. Date of application: May 24, 2007

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

II. BUSINESS ITEMS

A. MZ1 LONG TERM PLAN

Mr. Manning stated this item was presented last month as an information only item while making all parties aware this item will be brought forward this month for action. Mr. Manning stated this plan is adaptable and is a voluntary plan. The Alternative Water Plan is not part of this plan being submitted. Staff is in the process of developing an Alternative Water Plan although it is not a part of the Long Term Plan. The plan being presented today is the same plan that was brought to this committee last month; the staff report is long and extensive in an effort to ensure that this matter is understandable. Mr. Manning stated staff is recommending approval. Mr. Crosley stated the City of Chino had put together some written comments subsequent to the series of monthly meetings from the pools and a copy of that letter is on the back table. Mr. Crosley stated the ideas that are expressed in the letter were verbally expressed at the meetings of the technical group and there were no objections at those meetings on a technical basis to any of the comments. Mr. Crosley stated the comments address staff should move slowly and cautiously and check ourselves as we move along and as time progresses, relax the rigor in self checking if things are progressing well. Mr. Crosley noted he would like to see the Technical Committee have an opportunity to look at the document that would be going to the court before it is presented to the court. Mr. Crosley stated he believes the comments submitted by the City of Chino do not change the concept of the Long Term Plan and the plan could be revised in a non-substantive way and will still allow the plan to move forward to the court. Mr. Crosley asked that a meeting of the Technical Committee be convened before the document goes to court for a final check in and give further consideration to revisions to the plan to incorporate comments. Mr. Kinsey commented on the MZ1 goal which Mr. Kinsey read verbatim from the MZ1 Long Term Plan in the meeting packet on page 62. Mr. Kinsey expressed concern over the plan on how recharge is being utilized as a tool to manage subsidence in the MZ1 area. The plan does make a recommendation regarding an injection feasibility study. Mr. Manning stated in terms of the goal of this plan, one has to not only look at the Long Term Plan but also previous actions of Watermaster in that Watermaster has made MZ1 one of its highest priority for recharge in connection with the MZ1 Long Term Plan. Mr. Manning stated in terms of the injection there is no doubt that at some point in time we will want to pursue that but that is not a part of this plan. Mr. Wildermuth stated the technical work which was discussed at the Technical Committee meeting and presentations made before this Pool suggests that wet water recharge in basins has no value to the problems in Chino Hills. During the course of the technical investigations staff budgeted recharge feasibility work; the City of Chino Hills initially indicated they were interested in conducting

those recharge tests but that was never followed through by them. As a recharge tool, injection may be valuable in that area but the City of Chino Hills has not shown any interest in pursuing it. Mr. Wildermuth stated our technical conclusions as to how to manage the MZ1 area are extremely defensible. A lengthy discussion ensued with regard to this issue. Chair Garibay asked for clarification as to what staff is asking from the Committee Members as far as an approval at this time. Mr. Manning stated staff is asking for approval on the actual MZ1 Long Term Plan. The Water Supply Plan which has been discussed is actually still in its evolutionary stages. Mr. Kinsey stated he would like to see the plan move forward but would like to see provisions which state that Watermaster would develop a potential pilot injection program including a definition of what it would look like, define what infrastructure would be involved in creating it, and provide funding to at least identify what that would conceptually look like. Mr. Kinsey stated maybe Watermaster could possibly put that on the table and if agencies that need to participate don't embrace it, then it simply goes away. Mr. Manning noted section 3 of the plan talks about reconvening the Technical Committee in April of each year to review all available data collected and review the analysis performed over the course of the prior year and then formally recommend provisions or additions to the MZ1 Long Term Plan through the Watermaster process. Mr. Manning stated the provision Mr. Kinsey is asking for could be included. Mr. Manning stated we currently do not have money in the budget to allow the study at this point in time for injection within MZ1; however if in April the Technical Committee would make that recommendation and it was to be adopted in May of this next year staff could certainly build that number into the budget for the following year. Mr. Manning stated what we are doing today would not move us from eventually moving in that direction based upon the current language in the plan being submitted today. A discussion ensued with regard to making an injection program study part of the recommendation.

Motion by Crosley, second by DeLoach, and by unanimous vote – Non-Ag concurred

Moved to approve the plan which is intended to be adaptive and flexible to accommodate new information developed by the scientists and new opportunities as they come along, it is recommended that the plan be approved subject to non-substantive revisions including consideration of the City of Chino comments by the Technical Committee prior to submittal to the court, as presented

B. 2007/2008 BUDGET

Ms. Rojo stated there was a Budget Workshop held and a detailed presentation given at the Advisory Committee and Watermaster Board meetings last month. Ms. Rojo stated some comments were received regarding the presentation given last month and those changes were incorporated. Ms. Rojo stated that today she will highlight the 2007/2008 Watermaster Budget. Administrative costs include COLA at 4%, OBMP expenses include costs for the micro-economic study, Implementation Projects include increases in Ground Level Monitoring, HCMP and Storage Programs and decreases in Recharge O&M and MZ1 subsidence issues, Debt services remain neutral, and Assessments will remain neutral depending on production. Mr. Jeske inquired how the budget is implemented when we make our reports to the court does the court actually adopt our budget? Mr. Manning stated the court is not involved in the Watermaster budget. Counsel Fife agreed with Mr. Manning's statement; however, the court has all the authority to review any action of Watermaster. Counsel Fife stated the Watermaster Annual Report does contain some level of budget information which the court, does receive and file. Ms. Rojo noted the Annual Report includes both budget and assessment information. A discussion ensued with regard to the courts responsibilities regarding the Watermaster budget. Mr. Kinsey inquired into some of the MZ1 activities with regard to expenditures for the extensometers. Mr. Malone stated that was it was for an additional piezometer in the central MZ1 area for water level monitoring. Ms. Rojo stated that was a budgeted item. Ms. Hoerning inquired about the three year budget. Mr. Manning stated the three year budget is currently being worked on and staff is anticipating having that ready for presentation at the Advisory Committee and Watermaster Board meetings.

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

Moved to approve the Chino Basin Watermaster 2007/2008 Budget, as presented

C. MICRO-ECONOMIC ANALYSIS STUDY

Mr. Manning stated the Micro-Economic Analysis Workshop was held last week with Dr. David Sunding. Mr. Manning stated the non-binding Term Sheet notes that the micro-economic study is a pre-requisite for the binding agreement and that it also required that we hold a workshop which was completed on June 7, 2007. The prior macro economic study looked at the basin as if it were run by one owner, the micro study looks at it agency by agency. The proposal that is before this committee today is a not to exceed proposal with Dr. Sunding for \$172,600. The scope of work is fully inclusive of all the information that was discussed at the scoping meetings. A communication was received yesterday from the two economists, Dr. Mann and Dr. Hatchet, where they have made some comments on the scope of study; those comments are on the back table. Dr. Mann and Dr. Hatchet have been hired by: Monte Vista Water District, the City of Chino Hills, Three Valleys Municipal Water District, the City of Pomona, and the City of Upland to review and interpret the work of Dr. Sunding. Staff is recommending approval of the proposed scope of work for the micro-economic analysis proposal. Mr. Kinsey commented on the collaborative efforts of the economists. Mr. Kinsey asked for some clarification on portions of the scope of work and how it is consistent with the non-binding Term Sheet. Mr. Manning stated Dr. Sunding is using the Term Sheet as a baseline for a starting point. A discussion regarding Mr. Kinsey's comments ensued. Chair Garibay inquired into the original cost estimate from Dr. Sunding. Mr. Manning stated he believed it was in the \$160,000 range which also included the scoping process which he has already done. Chair Garibay inquired into the term export in the presented proposal. Mr. Manning stated that item was placed on the list at the scoping meeting. Mr. DeLoach stated it was his understanding according to the Peace Agreement there was value added for Watermaster to have the ability to export water out of the basin. A discussion ensued with regard to this matter. Mr. Kinsey stated the financial work is a discretionary item of the Watermaster Board and it seems to be consistent with Anne Schneider's 1998 analysis of responsibilities when the new board was appointed.

Ms. Hoerning inquired if Dr. Sunding is going to prepare a technical memorandum regarding all the items his study will include. Mr. Manning stated that process has not yet been discussed, although staff is anticipating giving periodical updates as to Dr. Sunding's progress.

Mr. Manning noted if necessary we will schedule a meeting to have Dr. Sunding come in and provide an update. Mr. Kinsey inquired into the contract with Dr. Sunding through Hatch & Parent which raises the question of full openness and accessibility to information and noted it would be better for him to contract through Watermaster directly. Mr. Manning stated staff is going to be working openly and cooperatively with the economists and the parties but if the intent is to put this contract with Watermaster that can be made part of the motion.

Motion by Kinsey, second by DeLoach, and by unanimous vote – Non-Ag concurred

Moved to approve the micro-economic analysis study not to exceed \$172,600 with the contract being held with Chino Basin Watermaster and not through Hatch & Parent, as presented

D. VOLUME VOTE

Mr. Manning stated this item was presented at the April meeting through the Watermaster process. At that April meeting, the Appropriative Pool committee members approved the presented Volume Vote formula. Following that meeting there was some feedback made regarding the formula which was used in the process. Mr. Manning stated at the May meeting, staff asked that this item be referred to the Budget Advisory Committee for their review and recommendation that could be brought back to this pool for consideration. Mr. Manning stated the reason this is so important from staff's perspective is that we are in the process of building a database for the assessment package. We are essentially finished with that project except for this portion which calculates the volume vote as part of the assessment package. Staff has no position as to which formula is chosen by the parties only that one is consistently chosen and applied. The recommendation from the Budget Advisory Committee is what is presented

in the meeting packet today; to adopt a formula that is slightly different from the one presented in April and staff is now asking for approval. Mr. Kinsey inquired into the proposal to utilize production as a surrogate for assessments paid which works as long as only production that has paid assessments get a vote. Mr. Kinsey stated Monte Vista Water District agrees with the change as long as it is clear that prior year's production includes only assessable production.

Motion by Jeske, second by DeLoach, and by unanimous vote – Non-Ag concurred
Moved to approve the adoption of the revised volume vote to include half of the vote based on operating safe yield and half of the vote based on the prior years assessable production. Each volume vote will be valid until a subsequent volume vote is adopted, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Hearing Closing Brief

Counsel Fife stated in the meeting packet there is a copy of Watermaster's closing brief in the Santa Ana process along with the stipulations that all the parties entered into concerning the 1969 Agreement.

B. ENGINEERING REPORT

1. Model Update

Mr. McCarthy gave a report on the Progress on Watermaster's Groundwater Model. Evapotranspiration Estimation (ET) was discussed in detail. Mr. McCarthy discussed the area of Prado, Orange County Water District's interest in protecting vegetation and endangered species present within Prado, and understanding the relationship between riparian resources in the Prado Basin, and desalter pumping/re-operation. Efforts to improve the original ET were reviewed. Several detailed maps were looked at and discussed and the preliminary results were reviewed. Mr. McCarthy stated the impact of the new quarterly data will help with calibration, have a more accurate water balance, and will better quantify needs of various communities and cross-check their demands with management planning scenarios. A discussion ensued with regard to the model update given.

C. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated there are a lot of bills moving through the committee right now and going back and forth between the two houses. The one bill that is noteworthy is SB59 which was essentially the governor's proposal for the water bond that was going to go on the next ballot. That bill was killed in committee and appeared to have no life. The concepts that were contained within SB59 have some legs though and the leadership senate was meeting in a private session last week to see how they could bring life back into the concept of SB59. It appears they are trying to develop an alternative to what was contained in SB59. Mr. Manning stated he is encouraging them to have more emphasis on groundwater within that bill.

2. Recharge Update

Mr. Manning stated the recharge handout is available on the back table for review. We did have a little over 200 acre-feet recharged by way of urban run-off this past month and we did have one minor storm and we were able to capture some water. Metropolitan Water District still has no replenishment water available to purchase at this time.

3. Dry Year Yield Report

Mr. Manning stated the Metropolitan Water District's Board took action on Tuesday to adopt the Dry Year Yield Program, which is to authorize the General Manger to execute the agreement with the Chino II Desalter for \$250 rebate. 9,600 acre-feet was covered under the first LRP program proposal. When Desalter II was developed, there was no LRP

program available at that point in time. This agreement also authorizes a \$1.5 million dollar study for the expansion of the Dry Year Yield Program within the basin from 100,000 to 150,000 acre-feet and Mr. Atwater would very much like to hold a workshop to start talking about the scope of that study. Inland Empire Utilities Agency and Chino Basin Watermaster will be looking at holding the workshops starting in July, possibly prior to the Appropriative Pool meeting. A discussion ensued with regard to this matter and what will be discussed at the workshop.

IV. INFORMATION

- 1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

Mr. Kinsey stated Monte Vista Water District has initiated groundwater injection operations at their Well #30 last week. Any person or parties wanting to see this operation is more than welcome to come and take a tour.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

June 14, 2007	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
June 19, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
June 28, 2007	9:00 a.m.	Advisory Committee Meeting
June 28, 2007	11:00 a.m.	Watermaster Board Meeting

The Appropriative and Non-Agricultural Pool committee meeting was dismissed at 11:07 a.m.

Secretary: _____

Minutes Approved: July 12, 2007