

Minutes
CHINO BASIN WATERMASTER
BOARD MEETING
August 26, 2004

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on August 26, at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Robert Neufeld, Chair	Fontana Union Water Company
John Huitsing	Agricultural Pool
Bob Kuhn	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Bill Kruger	City of Chino Hills

Watermaster Staff Present

Sheri Rojo	Chief of Watermaster/Finance Manager
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Scott Slater	Hatch & Parent
Michael Fife	Hatch & Parent
Michael Fauver	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Ken Manning	San Gabriel Valley School District
Josephine Johnson	Monte Vista Water District
Raul Garibay	City of Pomona
Ken Jeske	City of Ontario
Dave Crosley	City of Chino
Mike Maestas	City of Chino Hills
Bill Stafford	Marygold Mutual Water Company

The Watermaster Board Meeting was called to order by Chair Neufeld at 11:04 a.m.

PLEDGE OF ALLEGIANCE

INTRODUCTION OF THE NEW CHIEF EXECUTIVE OFFICER FOR CHINO BASIN WATERMASTER

Chair Neufeld welcomed the new Chief Executive Officer, Kenneth Manning on behalf of the Chino Basin Watermaster's Board noting that his official start day will be September 1, 2004. Chair Neufeld stated that Ken comes to the Chino Basin with a great deal of experience. For the past twelve years Ken has served as a member of the Board of Directors of the Upper San Gabriel Valley Municipal Water District and San Gabriel Valley Water Quality Authority. During his time with those agencies Ken has been instrumental in bringing together the diverse interests within the region to improve water quality and ensure water availability. Prior to that, Mr. Manning served twenty years on the Board of Education for the Hacienda La Puente Unified School District. Mr. Manning thanked the attendees and stated so far he had met a great group of people and was energized to begin working on so many exciting issues that are currently present in the Chino Basin. Mr. Manning stated he has an open door policy and welcomes visitors and the opportunity to get to know each person on a personal basis.

AGENDA - ADDITIONS/REORDER

Chair Neufeld stated an item needed to be added to the agenda for an executive meeting to discuss personnel issues which is the finalization contract with Mr. Manning and commented to the Board members the need for them to stay for this brief meeting.

*Motion by Kuhn, second by Kruger, and by unanimous vote
Moved to approve adding this item to the agenda for a closed session*

I. CONSENT CALENDAR

A. MINUTES

- 1. Minutes of the Watermaster Board Meeting held on July 22, 2004
- 2. Minutes of the Watermaster Closed Board Meeting held on July 29, 2004

B. FINANCIAL REPORTS

- 1. Cash Disbursements for the month of July 2004
- 2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2003 through June 30, 2004
- 3. Treasurer's Report of Financial Affairs for the Period June 1 through June 30, 2004
- 4. Profit & Loss Budget vs. Actual July 2003 through June 2004

C. WATER TRANSACTION

- 1. Consider Approval for Transaction of Notice of Sale or Transfer from West Valley Water District to Fontana Water Company in the amount of 500 acre-feet; Date of Application: May 27, 2004

D. STATUS REPORT #11

Consider Authorization to File Status Report 11 with Court and Authorize Staff and Counsel to Make Minor Edits as Necessary

E. STATEMENT OF COMMENDATION

Consider Authorization to Present P. Joseph Grindstaff a Statement of Commendation for Outstanding Public Service

*Motion by Kruger, second by Kuhn, and by unanimous vote
Moved to approve Consent Calendar Items A through E, as presented*

Added Comment:

Ms. Rojo stated that at the time the package was mailed out the Statement of Commendation for Mr. Grindstaff was not available; however, a copy of that Statement was now available as a handout on the back table. Chair Neufeld noted due to the timing on this issue there was a reception held on behalf of Mr. Grindstaff last week to wish him well and in working with staff a Commendation was prepared on short notice to be presented to Mr. Grindstaff at the reception. Chair Neufeld stated he had spoken to Director Bowcock and felt this was an important decision to maintain our relationships.

II. BUSINESS ITEMS

A. CONSIDER IEUA FUNDING REQUEST

Ms. Rojo commented the National Academy of Sciences is doing an investigation and this request was coming by way of unanimous recommendation from the Pools and Advisory Committee after a detailed discussion. Ms. Rojo noted Mr. Huitsing, who is sitting in as Mr. Vanden Heuvel's alternate, attended a recent Agricultural Pool meeting where there was a detailed discussion on getting a representative from this Basin on this advisory committee; the Agricultural Pool strongly urged the Board to get somebody who would represent us well and

recommended that Mr. Wildermuth be on that committee. Mr. Huitsing was asked if that was correct or if he wanted to add any comment to Ms. Rojo's statement and Mr. Huitsing replied the statement made was correct and added no further comment.

Motion by Bowcock, second by Kuhn, and by unanimous vote
Moved to approve the IEUA funding request, as presented

B. CONSIDER AGREEMENT TO FORM A TASK FORCE

Ms. Rojo commented under the Maximum Benefit proposal Watermaster has committed to the Basin Monitoring Program for Nitrogen and Total Dissolved Solids in the Santa Ana River Watershed noting this is a once every three year study and has been budgeted. This request was coming by way of unanimous recommendation from the Pools and Advisory Committee.

Motion by Kuhn, second by Bowcock, and by unanimous vote
Moved to approve the agreement to form a task force, as presented

C. CONSIDER AGREEMENT TO CONDUCT A NITROGEN LOSS MONITORING PROGRAM

Ms. Rojo commented this is a one time study to monitor the Nitrogen loss to the Santa Ana River and there are no new costs associated with this due to the fact that these are tests we are already performing and therefore, this item has been budgeted. The gathered data will be combined with that of other agencies and this request was coming by way of unanimous recommendation from the Pools and Advisory Committee.

Motion by Kuhn, second by Kruger, and by unanimous vote
Moved to approve the agreement to conduct a nitrogen loss monitoring program as presented

D. CONSIDER FIRST AMENDMENT TO PEACE AGREEMENT AND WATERMASTER RESOLUTION 2004-__

Ms. Rojo noted this item is for Counsel Slater because this item is a result from the Attorney/Manager process and that Counsel Slater will provide an update for the Board. Counsel Slater noted these meetings were proceeding along a constructive course and that we had finalized a proposed resolution of the Monte Vista salt credit issue. Counsel reported on July 22, that the Board members were assured at that time although the discussions and negotiations were to remain confidential that any outcome would then be poured into the traditional Watermaster process. A documentation of the proposed agreement among the participants in those proceedings has been circulated, commented on, edited, and it has been included in the packet. Both a Resolution and a proposed Amendment to the Peace Agreement, by frame of reference for the Board, Watermaster is not a signatory to the Peace Agreement the Peace Agreement is among all of the producers it is a contractual method to bind them to a set of principals. Watermaster's role in the Peace Agreement is to respect the agreement among the producers and to agree to act in accordance with their wishes if and when the Pool process, Advisory Committee, and the Board elect to do so. Counsel Slater noted it is the wish of the producers; it would then be incumbent upon the process and the Board to decide to take an action and by choosing to do so, adopt as a matter of policy, the Resolution and agree to proceed in accordance to the proposed Amendment and then an application would be made to the court. This method of process is subscribed to by all parties noting this is the exact process followed by the adoption of the original Peace Agreement. Counsel Slater stated where we are today is we are before you with a proposed Resolution, not to be acted on, but for you to transmit or refer to the Pool process to secure comments and to come back to you in an orderly fashion so that you can exercise at your discretion as to whether you wish to proceed in accordance with the proposed Amendment. Counsel Slater noted he was advised that the Advisory Committee took action today to request the Board to

follow that process. Counsel Slater commented that if it is the Board's desire, Watermaster's general counsel will move the court on September 2, for a continuance of the Monte Vista motion to allow Watermaster the proper procedural compliance and time to deliberate the first Amendment and the Resolution and to secure the signatures to make the first Amendment effective and that would occur sometime in October, again, this is a request that you refer today the Pool process for feedback and potential adoption of the Resolution. The question of whether or not the Resolution which was presented was for the amendment itself or the actual amendment will go the Pool process. Counsel Slater commented that through the Pool process and the Board, however, knowing that all the parties are in favor of the Amendment it will be the Board's decision if they wish to proceed in accordance with their wishes; this is their desire and they are now taking this through the Pool process. Chair Neufeld stated this will also be incumbent upon each of the signatories to the Agreement to take action on whatever level there is on their Boards or agencies to move this forward. The question if there was an approximate time frame this process would take was presented. Counsel Slater commented that given the proper cycling through the public agendas it could be wrapped up as early as mid to late October.

Motion by Kuhn, second by Bowcock, and by unanimous vote

Moved to approve forwarding this first amendment to the Peace Agreement through the Pool process and adopting it as a resolution through the Watermaster Board, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Attorney/Manager Meetings

Counsel Salter stated we have continued to take the issues in a single package, just from an efficiency standpoint, and have warranted to Monte Vista that if that process started to slide that we would take the first Amendment in isolation, which is what we are proposing to do, and address the balance in a second step. Counsel Salter noted that has become necessary because many of the participants in the underlying Attorney/Manager process have become reluctant to engage in further deal making until more is known about some of the underlying objective facts, in that context, Mark Wildermuth and Dave Argo, as consultants to Watermaster, have been tasked with responsibility of interfacing with the producers to secure information which would then digested, evaluated, and then form a foundation upon which they would do more deal making. Counsel Slater noted just because the information has not been pulled together as rapidly as we would have hoped, we were hoping for an early August distribution date; it looks to be about September 20. There is a further negotiation date set for September 13, noting a slight concern because of the delay but in hopes to get it wrapped by the 20th. Counsel Slater stated based on all the information, the good faith of the parties, and various pieces of the puzzle that are coming together it is his opinion that there is a deal there and that we will get there in a constructive way just as was done with the salt credit issue. This will be done by a two step process instead of a one step process and we are sincerely anticipating its finalization by the end of this year.

2. Santa Ana River Application Process

Counsel Slater stated there are a number of activities that are moving forward and the item of greatest interest is Watermaster's Application. There is a historical tension between the upper and the lower area. Counsel Slater noted there is an actual law suit in the 60's which resulted in the Judgment, which essentially drew an imaginary line and on the side they would do one thing and on the other they would do another and a party that was missing from that process was the State Water Resource Control Board. In judicial decisions that day there is a rule that was developed that if the Sate Board is not part of

the process it is not bound. Counsel Slater commented that while we adhere to the 1969 Judgment, Orange County has been carrying on its operations down gradient, which is always contended is immune from regulation by the State Board. This came to light in the context of their proposed project and their Environmental Impact Report (EIR) and in the comments that are distributed on the back table there is an indication from the State Board that Orange County may not have the permit authorization that they are presently doing. Counsel Slater noted there is a draft San Bernardino Municipal Water District EIR out, an anticipated Western EIR being issued shortly, the reopening of the Santa Ana Sucker, rumors swirling on the Basin Plan Amendment which is relevant to Watermaster, and in summation the Santa Ana River is "hot" right now as it has been in a long time.

B. STAFF REPORT

1. Phase VII Bid Results

Ms. Rojo noted the Phase VII bid results has to do with the Recharge Improvement Project and it has been past practice to include a copy of the bid results in the package. Ms. Rojo stated the project is on schedule and on budget and presentations have been given recently on the subject. Time and financial budgets are looking favorably on this item.

2. Groundwater Modeling Update/Interim Results

Ms. Rojo commented that Mark Wildermuth and his staff have been working diligently on this project and asked Mr. Wildermuth to provide the group with an update on his efforts. Mr. Wildermuth stated that Metropolitan through Inland Empire Utilities Agency funded the development of detailed groundwater model of the Chino Basin and some surrounding areas. Mr. Wildermuth stated the only area where we found problems in calibrating that model was in the area of the deep zone of Chino Hills. As a parallel effort to the OBMP we have been collecting groundwater well data every 15 minutes of about 40 or 50 wells and noted that on the west side of the basin there is an extensometer facility and from that we have been able to come up with revised aquifer properties which have excellent calibration right now. Our ongoing efforts presently support our Peace II process; we now have a recalibrated model and will be receiving planning information shortly from Black & Veatch. Mr. Wildermuth stated there have been some difficulties due to various people being on vacation and such in getting data from various agencies. Counsel Slater commented that in the view of counsel no fault is lying at the feet of the consultants, the issue is getting the information out of the producers. Mr. Wildermuth stated that once we receive that information we will go back and re-run those scenarios as well as some scenarios that were requested by appropriators in the Peace II process. Mr. Wildermuth commented this will allow us to review different groundwater production scenarios in the lower end of the basins which will give us an idea if we to construct a large wellfield and desalter south of the existing desalter well fields or if we can achieve the goals of the OBMP with a series of distributed facilities located north of the existing desalter well fields. Mr. Wildermuth anticipates having some results in approximately two weeks and producing a good document from that in about four weeks.

3. Update on the Draft Chino I and Chino II Desalter Projects Groundwater Monitoring and Mitigation Plan

Ms. Rojo commented there have been discussions regarding Desalter II and an update on this was given at the recent Agricultural Pool meeting, however, that presentation was put on hold while we continue dialog with the Chino Basin Authority before we bring that forward. Ms. Rojo noted that on page 155 of the packet is the July 2004 Progress Report for the Chino I Expansion and Chino II Desalter Project if more information on this is needed.

Ms. Rojo stated we are also continuing dialog with Castaic Lake along with the San Diego Water Authority who have expressed an interest in storage within the Chino Basin; Ms. Rojo asked legal counsel if they had any further comment on these storage opportunity discussions. Counsel Slater commented that both of those entities are interested in participating in the harvesting of existing water which has been stored in the basin and access to available storage in the basin in exchange for compensation. We have held several meetings with Castaic with a follow up set for August 30, and in particular, the Castaic piece holds considerable promise as we have reported to appropriate pool members because it lacks the wheeling complexities associated with doing a deal within the Metropolitan area. Counsel stated there are some advantages that have been discussed before if the water does not have to be pumped over the hill there are actually some cost savings to MET, there are no loss sales issues within the MET service area which is an issue that would otherwise be troubling. Counsel Slater noted Castaic has stockpiled some connection fees that are being associated with its rapid growth and that those connection fees are available to fund capital facilities and projects. Counsel Slater stated we have disclosed to Castaic our proposed schedule and how we might proceed with things; it appears Castaic is eager to work with us. The next step in this process will be approaching MET.

IV. INFORMATION

1. Chino Basin Desalter Authority – Chino I Expansion and Chino II Desalter Project – Progress Report

Ms. Rojo noted this item is included in the packet as an informational item only.

2. CBFIP Mapping Information Facilities Location / Operational Stats / Startup Dates

Ms. Rojo noted there is an actual schedule of the operational stats for each recharge basin and what the expected startup dates for each of those basins will be. We are waiting for water from MWD and/or rain to make this happen.

3. Dry Year Yield Operating Plan

Ms. Rojo stated there were some questions presented earlier on the Dry Year Yield Operating Plan and wanted to discuss this item briefly. Ms. Rojo noted this Operating Plan was put together and submitted to MET at the beginning of the year as part of our Dry Year Yield obligation and what was done internally at staff level was to take our recharge improvement projects when they were coming on line and list their capacity. We will true up the operating plan as months go by.

V. BOARD MEMBER COMMENTS

Mr. Kuhn commented that the new C.E.O., the Board Chair, and possibly other Board members will be attending a conference at the same time the next Board meeting is to take place and inquired if the next meeting could be scheduled one week later to accommodate their schedules. Ms. Rojo noted the application for that conference was now available on the back table and that the Advisory Committee had discussed changing the meeting date as well. It was decided the next Advisory Committee and Watermaster Board meeting will be pushed back to Thursday, September 30, 2004.

The Board members each welcomed Mr. Manning to the Chino Basin Watermaster.

Mr. Kuhn addressed Legal Counsel with regards to the matter of potential conflict of interest. Mr. Kuhn commented on the former C.E.O. of Watermaster, John Rossi, who now sits on the Board as an alternate representing Western Municipal Water District and Terry Catlin with his new position at the WFA and being a Board member. Mr. Kuhn noted these comments were made for the protections of the entire Board to make sure that their decisions have integrity and that are otherwise legally sound. Counsel Slater stated Legal Counsel will take a look at the subject generally and there are processes that can be followed, one of which is an external independent agency that can offer opinions and take a neutral position. Legal Counsel will take a look at the general parameters

and report back to the Board. It was noted that Mr. Rossi was no longer an alternate that his Board took action and made him the official Watermaster Board representative.

Mr. Kuhn added comments regarding a local newspapers environmental section which a lot of other agencies are involved with and felt this was an opportune time for Watermaster to take part in this project. Mr. Kuhn asked Mr. Manning as part of coming on board to look into this type of advertising noting this ad usually takes place in October. If Watermaster can partake in this it would be a great opportunity Mr. Kuhn stated. Chair Neufeld gave a more detailed description of how the ad looks. Ms. Rojo noted this item can be an item added to the Agenda for next month.

Chair Neufeld commented on his duties as a member of the Cal Fed Drinking Water Committee and noted the monthly meeting of that committee will be tomorrow. Chair Neufeld stated they are in the process of reviewing the ten year budget for programs to be funded with prop 15 and some of the monies left over from prop 13 for drinking water quality projects throughout the State of California. Chair Neufeld mentioned that he had indicated to many of the present members before that one of the largest things facing Southern California is our friends and neighbors to the North and Central Valley and in looking at the package in preparation for the meeting tomorrow noted that 90% plus of the items that are being pushed forward are for projects outside the Southern California area. There is a need to develop a unified voice for water in Southern California; we are making progress but lots still needs to be accomplished. Chair Neufeld encouraged each member to go back to their respective agencies and carry the message that if Southern California does not develop a unified voice for water through this region we are going to continue to wind up on the short end of the stick.

VI. OTHER BUSINESS

No comment was made regarding this item.

The Confidential session was called into session at 11:51 a.m. and Chair Neufeld asked all participants other than the Watermaster Board, Watermaster Legal Counsel, and Mr. Manning to step outside.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster Board meeting for the purpose of discussion and possible action regarding Personnel Matters and/or Potential Litigation.

The Confidential session was concluded and the Watermaster Board meeting was reconvened and called into order by Chair Neufeld at 12:05 p.m.

Counsel Slater reviewed the two items discussed in the closed session which included:

- 1) The Board accepted the proposed agreement between Ken Manning and the Board for the Chief Executive Officer position which is now fully effective and is going forward.
- 2) The Personnel Committee has been charged to develop some goals and objectives for the Chief Executive Officer and to have a report by the end of October (10/31/04).

Chair Neufeld briefly reviewed the future meetings and noted the date change for the next Watermaster Board meeting.

VIII. FUTURE MEETINGS

August 25, 2004	9:00 a.m.	MZ1 Technical Committee Meeting
August 26, 2004	9:00 a.m.	Advisory Committee Meeting
August 26, 2004	11:00 a.m.	Watermaster Board Meeting
September 9, 2004	9:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
September 13, 2004	9:00 a.m.	Attorney/Manager Meeting @ BB&K

September 21, 2004	9:00 a.m.	Agricultural Pool Meeting @ IEUA
September 30, 2004	9:00 a.m.	Advisory Committee Meeting
September 30, 2004	11:00 a.m.	Watermaster Board Meeting

The Watermaster Board Meeting Adjourned at 12:07 p.m.

Secretary: _____

Minutes Approved: September 30, 2004