



CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

ADVISORY COMMITTEE AGENDA

AGENDA
CHINO BASIN WATERMASTER
ANNUAL MEETING -
ADVISORY COMMITTEE
10:00 a.m. - January 30, 2003

CALL TO ORDER

ADVISORY COMMITTEE OFFICERS, CALENDAR YEAR 2003 - Information

<u>Nathan deBoom</u>	Chair	(Agricultural Pool)
<u>Vic Barrion</u>	Vice-Chair	(Non-Agricultural Pool)
<u>Ken Jeske</u>	Second Vice-Chair	(Appropriative Pool)
<u>John Rossi</u>	Secretary/Treasurer	(Chief Executive Officer)

AGENDA - ADDITIONS/REORDER

RECOGNITION - Steve Arbelbide

I. CONSENT CALENDAR - Action

Note: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by one motion in the form listed below. There will be no separate discussion on these items prior to voting unless any members, staff, or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

A. MINUTES

1. Minutes of the Joint Meeting of the Non-Agricultural Pool, Appropriative Pool and Advisory Committee held December 12, 2002

B. FINANCIAL REPORTS

1. Cash Disbursement Report - December 2002 (*page 1*)
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2002 through November 30, 2002 (*page 5*)
3. Treasurer's Report of Financial Affairs for the Period November 1 through November 30, 2002 (*page 7*)
4. 2002-03 Actual YTD Revenues and Expenses Compared with Adopted 2002-03 Budget (*page 9*)

C. INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2002 (*page 11*)

D. NOTICE OF INTENT TO CHANGE OPERATING SAFE YIELD OF CHINO BASIN (pursuant to Judgment Exhibit 1 Paragraph 2(b))
Submitted annually in order to preserve the opportunity to change the operating safe yield of Chino Basin (*page 29*)

E. RESOLUTION 03-01, AUTHORIZING AND DESIGNATING SIGNATORIES OF DEPOSITORY AGREEMENTS, DEPOSITORY CARDS AND DEPOSITS, TRANSFERS AND WITHDRAWALS OF FUNDS
Annual resolution authorizing and designating signatories of financial agreements and transactions (*page 33*)

F. DRAFT TWENTY-FIFTH ANNUAL REPORT
Included separately for filing with the court by January 31, 2003 (*page 37*)

II. BUSINESS ITEMS - Action

A. MAXIMUM BENEFIT ANALYSIS

Fees for contract with Risk Sciences to perform Maximum Benefit Analysis plus contract administration costs through the Santa Ana Watershed Project Authority (page 39)

III. REPORTS/UPDATES - Information

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Attorney/Managers Meeting(s)
2. Colonies Project, Recharge Related Issues
3. Niagra Bottling Company
4. Chino Land & Water, SBSC Case No. RCV 064284

B. CEO/STAFF REPORT

1. Watermaster Project Meeting Updates
 - MZ1 Program
 - MWD Dry Year Yield Program
 - Recharge Improvements Operating Agreements
 - Black & Veatch - Submitting Watermaster for the American Association of Environmental Engineers Recognition for the Optimum Basin Management Program
2. Watermaster Administrative Updates
 - Montclair Basins-Spreading (6500 AF)
 - Board Member Appointments
3. Other Updates
 - Senator Soto's Legislation - Possible Water Quality Authority

C. INLAND EMPIRE UTILITIES AGENCY

1. MWD Conjunctive Use Program/Dry Year Yield (page 61)
2. MWD Rate Structure Update (page 69)
3. IRP Update (page 79)
4. Conservation Programs (page 91)
5. Legislative Update (page 107)
6. Communications Programs
7. Other

D. OTHER AGENCY REPORTS

IV. POOL MEMBER COMMENTS

V. OTHER BUSINESS

VI. FUTURE MEETINGS

February 13, 2003	10:00 a.m.	Joint Meeting of the Non-Agricultural & Appropriative Pool
	1:00 p.m.	Agricultural Pool Meeting
February 27, 2003	10:00 a.m.	Advisory Committee Meeting
	1:00 p.m.	Watermaster Board Meeting

Meeting Adjourn



CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

CONSENT CALENDAR

A. MINUTES

JOINT MEETING NON-AGRICULTURAL POOL,
APPROPRIATIVE POOL, & ADVISORY COMMITTEE

DECEMBER 12, 2002

Draft Minutes
CHINO BASIN WATERMASTER
JOINT MEETING OF THE
APPROPRIATIVE POOL, NON-AGRICULTURAL POOL
& ADVISORY COMMITTEE
December 12, 2002

A joint meeting of the Appropriative Pool, Non-Agricultural Pool and Advisory Committee was held at the offices of the Chino Basin Watermaster, 8632 Archibald Ave., Suite 109, Rancho Cucamonga, CA, on December 12, 2002 at 10:00 a.m.

NON-AGRICULTURAL POOL MEMBER PRESENT

James Jenkins	San Bernardino County Department of Airports
Les Richter	California Speedway
Michael Thies	Space Center Mira Loma

APPROPRIATIVE POOL MEMBERS PRESENT

Ray Wellington, Chair	San Antonio Water Company
Rich Atwater	Inland Empire Utilities Agency
Gerald J. Black	Fontana Union Water Company
Jim Bryson	Fontana Water Company
Ron Craig	City of Chino Hills
Robert DeLoach	Cucamonga County Water District
Jim Hill	City of Chino
Ken Jeske	City of Ontario
Mark Kinsey	Monte Vista Water District
Carole McGreevy	Jurupa Community Services District
Henry Pepper	City of Pomona
J. Arnold Rodriguez	Santa Ana River Water Company
Bill Stafford	Marygold Mutual Water Company
Rob Turner	City of Upland

AGRICULTURAL POOL MEMBERS PRESENT

Robert DeBerard	Crops
Jack Hagerman	State of California Institute for Men
Dana Oldenkamp	Milk Producers Council

Watermaster Staff Present

John Rossi	Chief Executive Officer
Traci Stewart	Chief of Watermaster Services
Sheri Rojo	Accountant/Office Manager
Michelle Lauffer	Water Resources Specialist
Mary Staula	Recording Secretary/Administrative Assistant

Watermaster Consultants Present

Dave Argo	Black & Veatch
Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental, Inc.

Others Present

Dave Crosley	City of Chino
Raul Garibay	City of Pomona
David Hill	Inland Empire Utilities Agency
Barrett Kehl	Chino Basin Water Conservation District
Rita Kurth	Cucamonga County Water District
Garth Morgan	Inland Empire Utilities Agency

The joint meeting was called to order by Advisory Committee Chair Jeske at 10:07 a.m.

AGENDA - ADDITIONS/REORDER

None

II. BUSINESS ITEMS

A. MINUTES

1. Minutes of the Joint Meeting of the Appropriative Pool, Non-Agricultural Pool and Advisory Committee held November 14, 2002

B. FINANCIAL REPORTS

1. Cash Disbursement Report - November 2002
2. Combining Schedule Of Revenue, Expenses And Changes In Working Capital For The Period July 1, 2002 through October 31, 2002
3. Treasurer's Report of Financial Affairs For The Period October 1 through October 31, 2002
4. 2002-03 Actual YTD Revenues And Expenses Compared With Adopted 2002-03 Budget

C. ALLOCATION OF VOLUME VOTE

1. Appropriative Pool Allocation of Volume Vote effective Calendar Year 2003
2. Non-Agricultural Pool Allocation of Volume Vote effective Calendar Year 2003
3. Advisory Committee Allocation of Volume Vote effective Calendar Year 2003

D. RESOLUTION NO. 02-05

A Resolution of Commendation for Anne Dunihue, IEUA Board Member and former Chino Basin Watermaster Board Member

Appropriative Pool

Motion by Maestas, second by McGreevy, and by unanimous vote

Moved, to approve Consent Calendar Items A through D, as presented.

Non-Agricultural Pool

Richter, Non-Agricultural Pool

The Non-Agricultural Pool concurs with action taken by the Appropriative Pool to approve Consent Calendar Items A through D, as presented.

Advisory Committee

Motion by Wellington, second by Black, and by unanimous vote

Moved, to approve Consent Calendar Items A through D, as presented.

II. BUSINESS ITEMS - POSSIBLE ACTION

A. RECHARGE OPERATIONS AGREEMENT

Mr. Rossi stated that a draft copy of the Recharge Operations Agreement "Agreement" was presented in detail at the November meetings and is before them today for approval. The Agreement between Watermaster, San Bernardino County Flood Control District (SBCFCD), Chino Basin Water Conservation District (CBWCD) and Inland Empire Utilities Agency (IEUA) is intended to provide detail to the basic Memorandum of Agreement reached in December 2001 by setting the framework for construction improvements to basins owned by CBWCD and SBCFCD for the purpose of using the basins to recharge imported water, recycled water and increased quantities of stormwater. Additionally, the Agreement creates a Groundwater Recharge Coordinating Committee to serve as a forum in which the four parties to the Agreement can meet to coordinate operation issues and resolve any disagreements. CBWCD approved the Agreement December 11 and it has been agendaized for approval by SBCFCD December 17 and by IEUA December 18. There were no questions or comments by the committee members.

Appropriative Pool

Motion by Hill, second by Rodriguez, and by unanimous vote

Moved, to recommend approval and execution of the Recharge Operations Agreement, with a authorization for staff and legal counsel to make minor non-substantive edits as necessary.

Non-Agricultural Pool

Richter, Non-Agricultural Pool

The Non-Agricultural Pool concurs with action taken by the Appropriative Pool to recommend approval and execution of the Recharge Operations Agreement, with non-substantive edits by staff and legal counsel as necessary.

Advisory Committee

Motion by McGreevy, second by Bryson, and by unanimous vote

Moved, to recommend approval and execution of the Recharge Operations Agreement and authorize staff and legal counsel to make minor non-substantive edits as necessary.

B. MEMORANDUM OF UNDERSTANDING FOR TASK FORCE

Mr. Rossi reported the Memorandum of Understanding (MOU) between Watermaster, Orange County Water District (OCWD) and Inland Empire Utilities Agency (IEUA) resulted from discussions with OCWD regarding the Maximum Benefit Demonstration for the Basin Plan Amendment. Both OCWD and IEUA have sent letters to the Regional Water Quality Control Board (RWQCB) in support of the Maximum Benefit Demonstration.

The MOU establishes a Task Force to focus specifically on areas of interface between the basins. Reference was made to page 66 of the agenda package for review of six activities defined in the MOU. The Task Force will establish goals and coordinate watershed planning and management for a period of five years from the date of its signing with an option to renew if mutually agreed to. The OCWD and IEUA governing bodies have approved the MOU.

Mr. Wellington asked if additional resources would be needed. Mr. Rossi responded that staff time will be required but in general, resources are in place to accomplish this activity.

Appropriative Pool

Motion by Black, second by Pepper, and by unanimous vote

Moved, to recommend approval and authorize execution of the Memorandum of Understanding between Watermaster, OCWD, IEUA to form a Task Force to coordinate Santa Ana River Watershed planning and management.

Non-Agricultural Pool

Richter, Non-Agricultural Pool

The Non-Agricultural Pool concurs with action taken by the Appropriative Pool to recommend approval and authorize execution of the Memorandum of Understanding to form a Task Force to coordinate Santa Ana River Watershed planning and management.

Advisory Committee

Motion by Atwater, second by Wellington, and by unanimous vote

Moved, to recommend approval and authorize execution of the Memorandum of Understanding between Watermaster, OCWD, IEUA to form a Task Force to coordinate Santa Ana River Watershed planning and management.

D. STATUS REPORT #5

Status Report #5 covers Watermaster activities for the months of October and November 2002. Status Report #6 will cover December 2002 as well as January and February 2003 activities. Status Report #4 served as a baseline for the format used, reporting by OBMP Program Elements, and the same format will be used for future quarterly status reports.

Mr. Rossi highlighted a few specific items and requested the Committees forward a recommendation for approval allowing staff to make non-substantive edits as necessary and file the report with the Court.

A recommendation was heard to include a reference under Program Element 4 (PE-4), Management Zone 1, page 11, relative to the formation of a Technical Committee and the meetings that have been held.

Appropriative Pool

Motion by Kinsey, second by Craig, and by unanimous vote

Moved, to approve Status Report #5, as amended to include additional information under PE-4 regarding the Technical Committee, authorizing staff and legal counsel to make non-substantive edits as necessary and file it with the Court by December 31.

Non-Agricultural Pool

Richter, Non-Agricultural Pool

The Non-Agricultural Pool concurs with action taken by the Appropriative Pool to approve Status Report #5, with an amendment to include information in PE-4 regarding the Technical Committee, authorizing staff and legal counsel to make non-substantive edits as necessary.

Advisory Committee

Motion by Pepper, second by Kinsey, and by unanimous vote

Moved, to approve Status Report #5, as amended to include additional information under PE-4 regarding the Technical Committee, authorizing staff and legal counsel to make non-substantive edits as necessary and file it with the Court prior to December 31.

II. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

Items 1 & 2 below were combined for the purpose of reporting.

1. Chino Land & Water Co., Inc., Case No. RCV 064284 (Greening Case)
2. Attorney/Managers Meeting(s)

General Legal Counsel Fife (Counsel) reported that Watermaster was served in the Greening Case in September, along with a number of appropriators and non-agricultural parties. In October, Counsel was told that additional defendants, including Watermaster, were dismissed from the case, however, this information turned out to be incorrect. In November, Counsel filed a "Demurrer" stating that the Plaintiff's complaint is inadequate and should be dismissed. As of November 27, all defendants other than Lewis Investment Co. have been dismissed without prejudice. Counsel attended the "Case Management Conference" held in court November 8 and the hearing held December 11, where Lewis Investment Co. indicated they plan to file a Demurrer by January 10 for a February hearing. On December 11, the court acknowledged that the additionally named defendants were dismissed, however, none of the parties have received conformed copies of the dismissals. This matter will be discussed in confidential session at the Watermaster Board Meeting. Counsel Fife suggested that discussion should also occur at an Attorney/Managers Meeting.

Appropriative Pool

Motion by Crosley, second by Black, and by unanimous vote

Moved, to schedule a meeting of the Attorney/Managers in January to continue discussing Watermaster's options in the Greening Case.

Non-Agricultural Pool

Richter, Non-Agricultural Pool

The Non-Agricultural Pool concurs with the action taken by the Appropriative Pool to schedule a meeting of the Attorney/Managers in January to continue discussing Watermaster's options in the Greening Case.

Advisory Committee

Motion by Wellington, second by Turner, and by unanimous vote

Moved, to schedule a meeting of the Attorney/Managers in January to continue discussing Watermaster's options in the Greening Case.

Items 3 and 4 were reordered to later in the meeting.

3. Colonies Project Recharge-Related Issues
4. Niagara Bottling Company Well Production

B. CEO/STAFF REPORT

1. Maximum Benefit Demonstration Update/RWQCB Basin Plan Objectives

Mr. Rossi referred to letters of support written by IEUA and OCWD included on pages 95 and 97 in the agenda package. These letters were presented at the RWQCB meeting on December 3. At that meeting, Mr. Wildermuth and Mr. Moore presented the concept and details of the Maximum Benefit Demonstration and it is now going to be integrated into the Basin Plan Amendment. It is anticipated the Basin Plan Amendment will be presented to the State Water Resource Control Board for consideration in March or April 2003. Mr. Wildermuth pointed out that the peer review group is currently reviewing basin plan objectives based on anti-degradation, Executive Order 6816, which is unrelated to the Maximum Benefit Demonstration. The decision to use the Maximum Benefit Demonstration was a policy decision by the RWQCB. Watermaster has developed a lot of credibility with the RWQCB due to a multitude of good things being accomplished in the Basin. Mr. Kinsey announced that Monte Vista Water District is currently reviewing the Basin Plan Amendment relative to the Peace Agreement for consistency with regard to salt credits.

2. Desalter Mitigation & Operations Recovery Plan

Mr. Rossi reported that he, Ms. Stewart and Mr. Wildermuth met with Ms. McGreevy, General Manager of Jurupa Community Services District regarding the Draft Desalter Mitigation & Operations Recovery Plan (Plan). After a few edits to the draft Plan, it will be reviewed with the staff of Milk Producers Counsel for input on plumbing and alternative plans for supply should emergencies and shortages arise relative to pumping. Following that review, the Plan will go to the Operating Committee and in February or March it should be ready to go through the Watermaster process for approval.

3. AGWA, Mr. Rossi Elected Vice-Chair

Mr. Rossi stated that AGWA took action to set up their system of governance whereby the officers will serve for two years. He was elected Vice-Chair and Mr. Mallory will continue his term and serve as Chair during 2003. In 2004, Mr. Rossi will begin to serve a two-year term as Chair of AGWA. Additionally, AGWA and the Water Education Foundation tentatively set up the annual conference at the Double Tree Inn in Ontario either the week before or after Easter in April 2003.

4. Recharge of Stormwater - New Yield (Appropriative Pool)

Mr. Rossi reported that he and Mr. Wildermuth have discussed this item and they will come back with some ideas for continued discussion with the appropriators in January or February.

5. Minority Pumpers Designation of Board Member (Appropriative Pool)

Since this item was placed on the agenda as a reminder, there has been discussion among the minority pumpers about their designation to the Watermaster Board in 2003. Additionally, Mr. Rossi reported that the Agricultural Pool acted on December 11 to continue with Mr. Hofer and Mr. Vanden Heuvel representing the agricultural producers on the Watermaster Board during 2003.

C. INLAND EMPIRE UTILITIES AGENCY REPORT

1. Proposition 50 Objectives & Priorities for Funding

Mr. Atwater reported that Proposition 50 is a high priority among all water agencies throughout California. Metropolitan will be going to their Board in February with requests for Proposition 50 funding. He made suggestions for consideration such as wellhead treatment, OBMP facilities, primarily enhancing dry-year yield capabilities (conjunctive-use), recycled water program, and possibly a modest amount of money to augment the Recharge Master Plan. Mr. Argo was asked to put together a primary list of OBMP projects, planning and engineering studies, as well as individual agency capital improvement projects for packaging into a prioritized list for review and submittal for funds.

2. MWD Dry Year Program Agreement
Mr. Atwater reported that the Findings of Consistency with CEQA were distributed this week for review. IEUA is being asked to approve the CEQA document next Wednesday. Mr. Dodson has requested comments on the CEQA document by the close of business December 16. IEUA has drafts of individual retail agreements and Mr. Rossi offered to schedule a meeting to review them. Mr. Kinsey asked if participant review could be streamlined by asking Watermaster General Legal Counsel to assist rather than each agency involving their individual legal counsels. Counsel Fife advised that it would be in their best interest to hire an appropriator attorney for that purpose. Mr. Wellington recommended this matter be discussed at the Attorney/Managers Meeting in January. Mr. Jeske suggested that the parties who are signatory to a user agreement with IEUA consider amending the existing contract with Special Counsel Markman to include this task.
3. Conservation Programs
Mr. Hill discussed IEUA's proposal submitted to the Department of Water Resources for a conservation program at the two prisons and the youth authority facilities in Chino valued at \$2.3 million. Estimated water savings would be around 1100 acre-feet water per year. About \$18 million is available under Proposition 13. The Washing Machine Rebate Program funds through CalFED ran out much quicker than anticipated. IEUA was able to obtain an appropriation in the amount of \$3 million through Metropolitan Water District to continue funding this program through June 30. Pool Cover Rebate and Toilet Rebate applications are available. The Ontario Convention Center has agreed to use IEUA's Table Tents relaying a message to conserve water resources and it is hopeful the local restaurants will do the same. Lastly, on December 11, the California Urban Water Conservation Council welcomed the City of Ontario as the latest signatory to their MOU.
4. Legislative Update
Mr. Atwater gave a brief update regarding the legislative action on the State Budget. Discussion ensued regarding Senator Soto's Spot Bill for the Inland Empire Water Quality Control Authority. It was suggested that Watermaster staff look into the pros and cons of the San Gabriel Water Quality Authority and defer further discussion to the January 16 meetings. Unrelated, Mr. Atwater announced that Senator Feinstein would be meeting to discuss perchlorate issues in Los Angeles on December 19, 2:00 p.m.
5. Communication Programs
Ms. Elrod reported that the Dolphin Group is preparing an outreach message in case a drought is officially declared in 2003. This should be available for review in January 2003. Mr. Wellington suggested inclusion of the fact that drought occurs when there is not sufficient participation to recharge the groundwater and water availability continues to decline. One or two days of rainfall will not alleviate drought conditions. Discussion followed regarding IID's position on the 4.4 Resolution and if drought occurs on the Colorado River Watershed, how that will impact Southern California.
6. Other
None

A break was taken at this time.

Following the break, Items II.A.3 and 4 were discussed.

II. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

3. Colonies Project Recharge-Related Issues
Last month, Counsel was asked to look into the legal aspects of this matter, specifically to recharge related elements. Counsel Fife provided an outline of four primary forums in which issues surrounding the recharge basin are being heard. The first three are lawsuits and the fourth is the permitting process described below.
 - Colonies -v- San Antonio Water Company (SAWCO) and San Bernardino County Flood Control District (SBCFCD) (unofficial title). The Colonies brought this lawsuit brought to determine effects of the 1966 SAWC deed to the property containing the recharge facilities. SAWC no longer holds the deed, however, the SBCFCD easement in the deed enables SAWC to continue performing recharge related activities on the property.

- The Colonies have stated that the deed restrictions are no longer valid and they should not have to abide by them.
- The Colonies -v- CalTRANS (unofficial title). The Colonies brought this lawsuit to determine the severance damages due to the condemnation of property for the 210 Freeway. The Colonies was compensated for the property taken by CalTRANS, however they claim that the additional stormwater runoff from the freeway is placing an additional burden on the recharge basins and they are asking for more money for damages.
 - Cucamonga County Water District (CCWD) -v- City of Upland (Upland) and SAWCO (unofficial title). The CCWD brought this lawsuit challenging the sufficiency of the EIR certified by Upland for the project. A recent stipulation was circulated and signed by the parties in this case to stay the litigation pending negotiations over the recharge basin issues. The lawsuit will be stayed until June 30, 2003. CCWD has asked for Watermaster's participation in this case.
 - Regional Water Quality Control Board (RWQCB) Permitting Process. The RWQCB has issued a "Stop Work Order" to the Colonies pending the issuance of a Waste Discharge Permit. Recharge issues will be a part of this process and the RWQCB has asked for Watermaster's participation in the permitting process.

Should this development continue as designed, it would reduce recharge in Basin #6 by the average annual amount (6,000 acre-feet) which would impact the Chino Basin as recharge is a critical component to maintaining the Basin's safe yield and to fulfilling Watermaster's recharge obligation under the Optimum Basin Management Program (OBMP). If the third lawsuit becomes active again, Watermaster may want to consider filing an amicus brief and/or Watermaster may want to consider participating in the RWQCB permitting process. A lengthy discussion ensued. It was determined that Watermaster needs to stay current on activities surrounding this development and the issues and be prepared should future involvement become necessary.

4. Niagara Bottling Company Well Production

Counsel Fife showed photos of the location of Niagara Bottling Company (Niagara) and their well. Watermaster has requested Niagara intervene into the Judgment but thus far, they have been unwilling to. Niagara produces approximately 300 to 400 acre-feet per year.

Appropriative Pool

Motion by DeLoach, second by Black, and by unanimous vote

Moved, to add this as an action item on the agenda.

Motion by DeLoach, second by Black, and by unanimous vote

Moved, to recommend General Legal Counsel to explore the most appropriate methods to ensure that Niagara Water Company intervenes into the Chino Basin Judgment or ceases pumping activities.

Non-Agricultural Pool

Richter, Non-Agricultural Pool

The Non-Agricultural Pool concurred with the Appropriative Pool action.

Advisory Committee

Motion by Wellington, second by DeLoach, and by unanimous vote

Moved, to add this as an action item on the agenda.

Motion by Wellington, second by DeLoach, and by unanimous vote

Moved, that the Advisory Committee forward the action taken by the Appropriative Pool to recommend the Board direct General Legal Counsel to explore the most appropriate methods to ensure that Niagara Water Company intervenes into the Chino Basin Judgment or cease pumping.

IV. COMMITTEE MEMBER COMMENTS

None

V. OTHER BUSINESS

None

VI. FUTURE MEETINGS

January 16, 2003	8:30 a.m.	ANNUAL MEETING of the Non-Agricultural Pool
	10:00 a.m.	ANNUAL MEETING of the Appropriative Pool
	1:00 p.m.	ANNUAL MEETING of the Agricultural Pool
January 30, 2003	10:00 a.m.	ANNUAL MEETING of the Advisory Committee
	1:00 p.m.	ANNUAL MEETING of the Watermaster Board

The meeting adjourned at 12:20 p.m.

Secretary

Minutes Approved: _____

A decorative border consisting of a repeating pattern of watermaster tools, which are long-handled, pointed instruments used in agriculture, framing the entire page.

CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

WATERMASTER BOARD AGENDA

AGENDA
CHINO BASIN WATERMASTER
ANNUAL MEETING -
WATERMASTER BOARD
1:00 p.m. - January 30, 2003

CALL TO ORDER

INTRODUCTIONS - CALENDAR YEAR 2003 WATERMASTER BOARD MEMBERS

Vic Barrion	Non-Agricultural Pool (Reliant Energy, Etiwanda, LLC)
Terry Catlin	Inland Empire Utilities Agency
Paul Hofer	Agricultural Pool (Crops)
TBD	Three Valleys Municipal Water District
Dan Rodriguez	Appropriative Pool (City of Pomona)
Don Schroeder	Western Municipal Water District
Geoffrey Vanden Heuvel	Agricultural Pool (Dairy)
Michael Whitehead	Appropriative Pool (Nicholson Trust, Non-Major Producer)
Dennis Yates	Appropriative Pool (City of Chino)

AGENDA - ADDITIONS/REORDER

PUBLIC COMMENTS

RECOGNITION - Steve Arbelbide

I. CALENDAR YEAR 2003 OFFICERS – Action

A. ELECTION OF OFFICERS

1. Nominations will be heard for Watermaster Board Chair.
2. Nominations will be heard for Watermaster Board Vice-Chair.
3. Nominations will be heard for Watermaster Board Secretary/Treasurer.

II. CONSENT CALENDAR - Action

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D. NOTICE OF INTENT TO CHANGE OPERATING SAFE YIELD OF CHINO BASIN (pursuant to Judgment Exhibit 1 Paragraph 2(b))

Submitted annually in order to preserve the opportunity to change the operating safe yield of Chino Basin (*page 29*)

E. RESOLUTION 03-01, AUTHORIZING AND DESIGNATING SIGNATORIES OF DEPOSITORY AGREEMENTS, DEPOSITORY CARDS AND DEPOSITS, TRANSFERS AND WITHDRAWALS OF FUNDS

Annual resolution authorizing and designating signatories of financial agreements and transactions (page 33)

F. DRAFT TWENTY-FIFTH ANNUAL REPORT

Included separately for filing with the court by January 31, 2003 (page 37)

III. BUSINESS ITEMS - Action

A. MAXIMUM BENEFIT ANALYSIS

Fees for contract with Risk Sciences to perform Maximum Benefit Analysis plus contract administration costs through the Santa Ana Watershed Project Authority (page 39)

IV. REPORTS/UPDATES - Information

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

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B. CEO/STAFF REPORT

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 - MWD Dry Year Yield Program
 - Recharge Improvements Operating Agreements
 - Black & Veatch - Submitting Watermaster for the American Association of Environmental Engineers Recognition for the Optimum Basin Management Program
2. Watermaster Administrative Updates
 - Montclair Basins-Spreading (6500 AF)
 - Board Member Appointments
3. Other Updates
 - Senator Soto's Legislation - Possible Water Quality Authority

C. AGWA REPORT

1. Agenda for the meeting held January 21, 2003 (page 47)
2. Minutes of the meeting held December 16, 2003 (page 49)
3. Minutes of the meeting held November 18, 2002 (page 53)

V. BOARD MEMBER COMMENTS

VI. OTHER BUSINESS

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.

VIII. FUTURE MEETINGS

February 13, 2003	10:00 a.m.	Joint Meeting of the Non-Agricultural & Appropriative Pool
	1:00 p.m.	Agricultural Pool Meeting
February 27, 2003	10:00 a.m.	Advisory Committee Meeting
	1:00 p.m.	Watermaster Board Meeting

Meeting Adjourn



CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

CONSENT CALENDAR

A. MINUTES

WATERMASTER BOARD MEETING

DECEMBER 12, 2002

Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
December 12, 2002

A Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 8632 Archibald Ave., Suite 109, Rancho Cucamonga, CA, on December 12, 2002 at 1:00 p.m.

WATERMASTER BOARD MEMBERS PRESENT

Mike McGraw, Chair	Appropriative Pool/Fontana Water Company
Terry Catlin, Vice-Chair	Inland Empire Utilities Agency
Dennis Yates, Secretary/Treasurer	Appropriative Pool/City of Chino
Gerald DuBois	Appropriative Pool/City of Ontario
Paul Hofer	Agricultural Pool/Crops
Muriel O'Brien	Three Valleys Municipal Water District
Donald Schroeder	Western Municipal Water District
Geoffrey Vanden Heuvel	Agricultural Pool/Dairy

WATERMASTER BOARD MEMBERS ABSENT

Steve Arbelbide	Non-Agricultural Pool/California Steel Industries Inc.
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Agricultural Pool Members Present

Robert DeBerard	Grapes
Dana Oldenkamp	Milk Producers Council

Appropriative Pool Members Present

Ken Jeske	City of Ontario
Mark Kinsey	Monte Vista Water District
Rita Kurth	Cucamonga County Water District
Mike McGraw	Fontana Water Company
Henry Pepper	City of Pomona

Non-Agricultural Pool Members Present

Steve Arbelbide	California Steel Industries, Inc.
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Watermaster Staff Present

John Rossi	Chief Executive Officer
Traci Stewart	Chief of Watermaster Services
Sheri Rojo	Accountant/Office Manager
Michelle Lauffer	Water Resources Specialist
Mary Staula	Recording Secretary/Administrative Assistant

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental, Inc.

Others Present

Mohamed El-Amamy	City of Ontario
Barbara Gilbert	Western Municipal Water District
Oscar Gonzalez	Integrated Water Resources
Josephine Johnson	Monte Vista Water District

Chair McGraw called the meeting to order at 1:10 p.m. Following the Pledge of Allegiance, a moment of silence was observed to reflect on the duties before Watermaster.

AGENDA - ADDITIONS/REORDER

The Ceremonies were reordered on the agenda.

PUBLIC COMMENTS

None

CEREMONIALS

Recognition of Service on the Watermaster Board:

- Muriel O'Brien, Three Valleys Municipal Water District
- Mike McGraw, Fontana Water Company
- Gerald DuBois, City of Ontario

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Watermaster Board meeting held November 14, 2002.

B. FINANCIAL REPORTS

1. Cash Disbursement Report - November 2002
2. Combining Schedule Of Revenue, Expenses And Changes In Working Capital For The Period July 1, 2002 through October 31, 2002
3. Treasurer's Report of Financial Affairs For The Period October 1 through October 31, 2002
4. 2002-03 Actual YTD Revenues And Expenses Compared With Adopted 2002-03 Budget

C. RESOLUTION NO. 02-05

A Resolution of Commendation for Anne Dunihue, IEUA Board Member and former Chino Basin Watermaster Board Member

Motion by O'Brien, second by DuBois, and by unanimous vote

Moved, to approve Consent Calendar Items A, B & C, as presented.

II. BUSINESS ITEMS - POSSIBLE ACTION**A. RECHARGE OPERATIONS AGREEMENT**

Mr. Rossi explained that the Recharge Operations Agreement between Watermaster, San Bernardino County Flood Control District, Chino Basin Water Conservation District and Inland Empire Utilities Agency sets the framework for operating facilities that are currently being improved to the extent that Watermaster is going to recharge imported water, storm water and recycled water.

Motion by Vanden Heuvel, second by Yates, and by unanimous vote

Moved, to adopt the Recharge Operations Agreement between Chino Basin Watermaster, San Bernardino County Flood Control District, Chino Basin Water Conservation District and Inland Empire Utilities Agency.

B. MEMORANDUM OF UNDERSTANDING (MOU), TASK FORCE FOR WATERSHED PLANNING AND MANAGEMENT

Mr. Rossi reported that the governing bodies of Orange County Water District (OCWD) and Inland Empire Utilities Agency (IEUA) have approved this MOU establishing a Task Force to coordinate watershed planning and management. The group will focus on technical and planning issues. Mr. Rossi also referred to letters from OCWD and IEUA supporting the Maximum Benefit Concept.

Motion by Vanden Heuvel, second by Catlin, and by unanimous vote

Moved, to adopt the Memorandum of Understanding between the Orange County Water District, Inland Empire Utilities Agency, and Chino Basin Watermaster establishing a Task Force to coordinate watershed planning and management.

C. OBMP STATUS REPORT #5

Mr. Rossi stated that status reports are filed with the Court on a quarterly basis to update and highlight key activities within each of the OBMP program elements. Status Report #5 will be submitted to the Court prior to December 31.

Motion by Catlin, second by DuBois, and by unanimous vote

Moved, to adopt Status Report #5 to be filed with the Court on or before December 31, 2002.

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT**

For the purpose of reporting, Items 1 and 3 were combined.

1. & Chino Land & Water SBSC Case No. RCV 064284**3. Attorney/Managers Meeting(s)**

Counsel Fife reported that all of the parties named in this case have been dismissed without prejudice except Lewis Investment Company. Now, Watermaster needs to determine whether or not it should remain involved in the case. That will be discussed later during Confidential Session and at an Attorney/Managers Meeting to be scheduled in January.

2. Colonies Project Recharge-Related Issues

Counsel Fife provided a few slides indicating the exact location of the Colonies Project in relation to Recharge Basin No. 6 and reviewing four lawsuits that have been filed. As requested, Legal Counsel has investigated recharge-related issues surrounding the project and the potential for Watermaster involvement (intervention) into the case. The RWQCB has issued a Stop Work Order pending issuance of a waste discharge permit, which has halted construction at this time and it is Legal Counsel's opinion that the best and most effective avenue for Watermaster participation would be in this permitting process.

Mr. Rossi attended the Upland City Council meeting where the project was approved. He reported that the City not only took all concerns under advisement but also included the concerns as a condition of approval to the extent that the developer has to maintain historic recharge to the satisfaction of the City of Upland, San Antonio Water Company and Cucamonga County Water District.

A lengthy discussion ensued regarding the EIR document, etc. Counsel will continue to follow and report on this project due to the recharge-related issues.

4. Niagara Water Company Well Production

Counsel Fife stated that Niagara has been a reoccurring issue because they continue to pump from the Chino Basin, however they refuse to intervene into the Judgment. Overheads were presented showing Niagara's facility, its location and well. Ms. Stewart reported that they are pumping approximately 300 acre-feet each year.

Motion by Vanden Heuvel, second by DuBois, and by unanimous vote

Moved, to direct General Legal Counsel to review and take appropriate action to ensure that if Niagara Water Company continues to pump water from the Chino Basin, they take the necessary steps to intervene into the Chino Basin Judgment.

B. CEO/STAFF REPORT**1. Maximum Benefit Demonstration Update/RWQCB Basin Plan Objectives**

Mr. Rossi referred earlier to the letter OCWD wrote to the RWQCB supporting Watermaster's Maximum Benefit Demonstration. OCWD, IEUA and Watermaster had a very positive meeting with the RWQCB staff on December 3. There is a process that must be followed before the

proposed Maximum Benefit and Basin Plan Objectives can receive State Water Resources Control Board approval.

C. AGWA REPORT

- 1. Agenda for the meeting held November 18, 2002
- 2. Minutes of the meeting held October 21, 2002

Mr. Rossi reported that at November AGWA meeting, he was elected as Vice-Chair beginning in January 2003. The members of AGWA have decided to implement a two-year cycle for rotating officers. Mr. Mallory will continue to Chair AGWA through 2003 and Mr. Rossi will assume the duties of Chair in 2004 and 2005.

D. OTHER AGENCY REPORTS

None

IV. BOARD MEMBER COMMENTS

None

V. CONFIDENTIAL SESSION - POSSIBLE ACTION

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

The Watermaster Board adjourned to Confidential Session at 2:05 p.m. No reportable action was taken during Confidential Session.

VI. OTHER BUSINESS

None

The meeting adjourned following Confidential Session.

Secretary

Minutes Approved: _____

A decorative border consisting of a repeating pattern of water rammers, arranged in a rectangular frame around the central text.

CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

AGENDA PACKAGE MATERIALS



CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements - December 2002



CHINO BASIN WATERMASTER

8632 Archibald Avenue, Suite 109, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

TRACI STEWART
Chief of Watermaster Services

STAFF REPORT

DATE: January 16, 2003
January 30, 2003

TO: Watermaster Committee Members
Watermaster Board Members

SUBJECT: CASH DISBURSEMENT REPORT – December 2002

SUMMARY

Issue – Record of cash disbursements for the month of December 2002.

Recommendation – It is recommended the Committees and Board receive and file the Cash Disbursement Report for December 2002 as presented.

Fiscal Impact – All funds disbursed were included in the FY 2002-03 Watermaster Budget.

BACKGROUND

A monthly cash disbursement report is provided to keep all members apprised of Watermaster expenditures.

DISCUSSION

Total cash disbursements during the month of November were \$922,671.16. The most significant expenditures during the month of December were Inland Empire Utilities Agency in the amount of \$638,727.05; Wildermuth Environmental, Inc. in the amount of \$71,811.44; and Hatch & Parent in the amount of \$36,672.75.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
December 2002

Type	Date	Num	Name	Amount
Dec 02				
Bill Pmt -Check	12/4/2002	5176	ARROWHEAD MOUNTAIN SPRING WATER	-15.09
Bill Pmt -Check	12/4/2002	5177	BANK OF AMERICA	-2,056.28
Bill Pmt -Check	12/4/2002	5178	BILL NAPOLI	-120.00
Bill Pmt -Check	12/4/2002	5179	BLACK & VEATCH CORPORATION	-15,005.11
Bill Pmt -Check	12/4/2002	5180	CITIZENS CONFERENCING	-170.56
Bill Pmt -Check	12/4/2002	5181	COLONIAL LIFE & ACCIDENT INSURANCE CO	-93.15
Bill Pmt -Check	12/4/2002	5182	COSTCO	-390.64
Bill Pmt -Check	12/4/2002	5183	ELLISON, SCHNEIDER & HARRIS, LLP	-27,009.02
Bill Pmt -Check	12/4/2002	5184	FEDEX	-12.00
Bill Pmt -Check	12/4/2002	5185	INLAND EMPIRE UTILITIES AGENCY	-632,060.05
Bill Pmt -Check	12/4/2002	5186	INLAND SURGICAL SUPPLY	-75.43
Bill Pmt -Check	12/4/2002	5187	MCCALL'S METER SALES & SERVICE	-3,431.02
Bill Pmt -Check	12/4/2002	5188	MWH LABORATORIES	-549.00
Bill Pmt -Check	12/4/2002	5189	NEXTEL COMMUNICATIONS	-434.57
Bill Pmt -Check	12/4/2002	5190	OFFICE DEPOT	-43.06
Bill Pmt -Check	12/4/2002	5191	PARK PLACE COMPUTER SOLUTIONS, INC.	-1,350.00
Bill Pmt -Check	12/4/2002	5192	PAYCHEX	-134.80
Bill Pmt -Check	12/4/2002	5193	PITNEY BOWES CREDIT CORPORATION	-468.72
Bill Pmt -Check	12/4/2002	5194	POWERS ELECTRIC PRODUCTS CO.	-600.60
Bill Pmt -Check	12/4/2002	5195	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-3,981.29
Bill Pmt -Check	12/4/2002	5196	PUMP CHECK	-701.97
Bill Pmt -Check	12/4/2002	5197	PURCHASE POWER	-1,200.00
Bill Pmt -Check	12/4/2002	5198	RANCHO TECH LLC	-4,368.00
Bill Pmt -Check	12/4/2002	5199	RAUCH COMMUNICATION CONSULTANTS, LLC	-2,372.50
Bill Pmt -Check	12/4/2002	5200	REID & HELLYER	-4,848.35
Bill Pmt -Check	12/4/2002	5201	RICOH BUSINESS SYSTEMS-Maintenance	-730.37
Bill Pmt -Check	12/4/2002	5202	RIVERA WATER PUMP & WELL SERVICE	-48.00
Bill Pmt -Check	12/4/2002	5203	SANTA ANA WATERSHED PROJECT AUTHORITY	-1,000.00
Bill Pmt -Check	12/4/2002	5204	SESSIONWARE INC	-88.95
Bill Pmt -Check	12/4/2002	5205	SOUTHERN CALIFORNIA EDISON	-596.78
Bill Pmt -Check	12/4/2002	5206	STANDARD INSURANCE CO.	-466.45
Bill Pmt -Check	12/4/2002	5207	STATE COMPENSATION INSURANCE FUND	-604.31
Bill Pmt -Check	12/4/2002	5208	VELASQUEZ JANITORIAL	-175.00
Bill Pmt -Check	12/4/2002	5209	VERIZON	-484.76
Bill Pmt -Check	12/4/2002	5210	WHEELER METER MAINTENANCE	-16,093.53
Bill Pmt -Check	12/4/2002	5211	WILDERMUTH ENVIRONMENTAL INC	-1,546.04
Bill Pmt -Check	12/4/2002	5212	WORLDCOM	-945.95
Bill Pmt -Check	12/4/2002	5213	CITISTREET	-7,754.82
Bill Pmt -Check	12/4/2002	5214	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-3,981.29
Bill Pmt -Check	12/5/2002	5215	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-3,981.29
Check	12/6/2002	5216	P.C. CLUB	-2,969.30
Check	12/6/2002	5217	ROJO, SHERI M	-862.60
Check	12/10/2002	5218	DJZ AUTOMOTIVE REPAIR	-175.00
Bill Pmt -Check	12/12/2002	5219	ACWA SERVICES CORPORATION	-74.46
Bill Pmt -Check	12/12/2002	5220	APPLIED COMPUTER TECHNOLOGIES	-1,660.10
Bill Pmt -Check	12/12/2002	5221	ARBELBIDE, STEPHEN	-125.00
Bill Pmt -Check	12/12/2002	5222	ASSOCIATION OF CALIFORNIA WATER AGENCIES	-6,715.00
Bill Pmt -Check	12/12/2002	5223	CATLIN, TERRY	-250.00
Bill Pmt -Check	12/12/2002	5224	CHEVRON	-358.40
Bill Pmt -Check	12/12/2002	5225	CHINO BASIN WATER CONSERVATION DISTRICT	-373.50
Bill Pmt -Check	12/12/2002	5226	DU BOIS, GERALD ALLEN	-125.00
Bill Pmt -Check	12/12/2002	5227	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
Bill Pmt -Check	12/12/2002	5228	HATCH AND PARENT	-36,672.75
Bill Pmt -Check	12/12/2002	5229	IDEAL GRAPHICS	-624.00
Bill Pmt -Check	12/12/2002	5230	INLAND COUNTIES INSURANCE SERVICES, INC.	-413.97
Bill Pmt -Check	12/12/2002	5231	INLAND EMPIRE UTILITIES AGENCY	-6,667.00
Bill Pmt -Check	12/12/2002	5232	LAB SAFETY SUPPLY, INC.	-187.85
Bill Pmt -Check	12/12/2002	5233	MCCALL'S METER SALES & SERVICE	-5,391.99
Bill Pmt -Check	12/12/2002	5234	MCGRAW, MICHAEL	-250.00
Bill Pmt -Check	12/12/2002	5235	MWH LABORATORIES	-1,590.00
Bill Pmt -Check	12/12/2002	5236	POWERS ELECTRIC PRODUCTS CO.	-858.00
Bill Pmt -Check	12/12/2002	5237	RAUCH COMMUNICATION CONSULTANTS, LLC	-357.50
Bill Pmt -Check	12/12/2002	5238	RICOH BUSINESS SYSTEMS-Lease	-3,591.31
Bill Pmt -Check	12/12/2002	5239	RICOH BUSINESS SYSTEMS-Maintenance	-648.47
Bill Pmt -Check	12/12/2002	5241	UNITED PARCEL SERVICE	-182.35
Bill Pmt -Check	12/12/2002	5242	VANDEN HEUVEL, GEOFFREY	-125.00
Bill Pmt -Check	12/12/2002	5243	WILDERMUTH ENVIRONMENTAL INC	-70,265.40
Bill Pmt -Check	12/12/2002	5244	YATES, DENNIS	-250.00
Check	12/12/2002	5245	HOMETOWN BUFFET	-340.00

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
December 2002

Type	Date	Num	Name	Amount
General Journal	12/14/2002	02/12/5	PAYROLL	-4,482.63
General Journal	12/14/2002	02/12/5	PAYROLL	-15,206.08
General Journal	12/27/2002	02/12/7	PAYROLL	-4,799.26
General Journal	12/27/2002	02/12/7	PAYROLL	-15,965.49
Dec 02				<u>-922,671.16</u>



CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

CONSENT CALENDAR

B. FINANCIAL REPORTS

2. Combining Schedule of Revenue, Expenses & Changes
in Working Capital for the period July 1 - November 30, 2002

3. Treasurer's Report of Financial Affairs for the Period
November 1 - November 30, 2002

4. FY 02-03 Actual YTD Revenues & Expenses Compared
with Adopted FY 02-03 Budget

CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2002 THROUGH NOVEMBER 30, 2002

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATION AND SPECIAL PROJECTS APPROPRIATIVE POOL	AGRICULTURAL POOL	NON-AGRIC. POOL	GROUNDWATER OPERATIONS GROUNDWATER REPLENISHMENT	SB222 FUNDS	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2002-03
Administrative Revenues									\$0.00	\$3,797,572
Administrative Assessments										
Interest Revenue			19,959.95	\$3,094.48	1,272.06			\$18.86	24,345.35	132,890
Mutual Agency Project Revenue	26,628.93								26,628.93	0
Grant Income									0.00	0
Miscellaneous Income									0.00	0
Total Revenues	26,628.93	\$0.00	19,959.95	3,094.48	1,272.06	\$0.00	\$0.00	18.86	50,974.26	3,930,462
Administrative & Project Expenditures										
Watermaster Administration	240,266.80								240,266.80	752,208
Watermaster Board-Advisory Committee	11,810.07								11,810.07	60,392
Pool Administration			5,938.46	27,385.86	2,105.36				35,429.68	139,782
Optimum Basin Mgmt Administration		420,091.75							420,091.75	891,634
OBMP Project Costs		1,471,651.69							1,471,651.69	3,324,257
Education Funds Use									0.00	375
Mutual Agency Project Costs	38,156.30								38,156.30	2,500
Total Administrative/OBMP Expenses	290,233.17	1,891,743.44	5,938.46	27,385.86	2,105.36	-	-	-	2,217,406.29	5,171,148
Net Administrative/OBMP Income	(263,604.24)	(1,891,743.44)								
Allocate Net Admin Income To Pools	263,604.24		192,033.44	62,754.54	8,816.26				0.00	0
Allocate Net OBMP Income To Pools		1,891,743.44	1,378,118.98	450,355.00	63,269.46				0.00	0
Agricultural Expense Transfer			537,870.40	(537,870.40)					0.00	0
Total Expenses	2,113,961.28	2,625.00	74,191.08	-	-	-	-	-	2,217,406.29	5,171,148
Net Administrative Income	(2,094,001.33)	469.48	(72,919.02)	252,933.10	0.00	0.00	0.00	18.86	(2,166,432.01)	(1,240,686)
Other Income/Expense										
MZ1 Assigned Water Sales									0.00	615,000
MZ1 Supplemental Water Assessments						1,586,000.00			1,586,000.00	1,670,049
Water Purchases									0.00	0
MZ1 Imported Water Purchase									0.00	(699,000)
Groundwater Replenishment						(1,333,066.90)			(1,333,066.90)	(1,586,049)
Net Other Income	0.00	0.00	0.00	0.00	0.00	252,933.10	0.00	0.00	252,933.10	0
Net Transfers To/(From) Reserves	(2,094,001.33)	469.48	(72,919.02)	252,933.10	-	18.86	(1,913,498.91)	(1,240,686)		
Working Capital, July 1, 2002	2,916,003.13	468,150.31	175,804.57	204,947.95	158,250.86	2,845.07	3,926,001.89			
Working Capital, End Of Period	\$ 822,001.80	\$ 468,619.79	\$ 102,885.55	\$ 457,881.05	\$ 158,250.86	\$ 2,863.93	\$ 2,012,502.98			
01/02 Production			120,855.574	39,494.349	5,548.481				165,898.404	
01/02 Production Percentages			72.849%	23.806%	3.345%				100.000%	

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CHINO BASI' .TERMASTER
 TREASURER'S REPORT OF FIN. ...CIAL AFFAIRS FOR THE PERIOD
 NOVEMBER 1 THROUGH NOVEMBER 30, 2002

SUMMARY at 11/30/2002

DEPOSITORIES:			
Cash on Hand - Petty Cash		\$	500.00
Bank of America			
Governmental Checking-Demand Deposits	\$163,714.46		
Savings Deposits	9,568.59		
Zero Balance Account - Payroll	0.00		173,283.05
Local Agency Investment Fund - Sacramento			<u>2,500,580.04</u>
TOTAL CASH IN BANKS AND ON HAND		\$	2,674,363.09
TOTAL CASH IN BANKS AND ON HAND	11/30/2002		2,257,145.59
	10/31/2002		
PERIOD INCREASE (DECREASE)		\$	<u>417,217.50</u>

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets:	Accounts Receivable	(6,883.41)
	Assessments Receivable	1,079,368.16
	Prepaid Expenses, Deposits & Other Current Assets	(2,209.73)
(Decrease)/Increase in Liabilities:	Accounts Payable	311,016.60
	Accrued Payroll, Payroll Taxes & Other Current Liabilities	234.94
	Transfer to/(from) Reserves	<u>(964,309.06)</u>
PERIOD INCREASE (DECREASE)		\$ <u>417,217.50</u>

	Petty Cash	Gov't Checking Demand	Zero Balance Account Payroll	Savings	Local Agency Investment Funds	Totals
SUMMARY OF FINANCIAL TRANSACTIONS:						
Balances as of 10/31/2002	\$500.00	(\$3,503.04)	\$0.00	\$9,568.59	\$2,250,580.04	\$2,257,145.59
Deposits		1,079,633.04	0.00	0.00	950,000.00	2,029,633.04
Transfers		700,000.00	37,013.32	0.00	(700,000.00)	37,013.32
Withdrawals/Checks		<u>(1,612,415.54)</u>	<u>(37,013.32)</u>	0.00	0.00	<u>(1,649,428.86)</u>
Balances as of 11/30/2002	\$500.00	\$163,714.46	\$0.00	\$9,568.59	\$2,500,580.04	\$2,674,363.09
PERIOD INCREASE OR (DECREASE)	\$0.00	\$167,217.50	\$0.00	\$0.00	\$250,000.00	\$417,217.50

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
NOVEMBER 1 THROUGH NOVEMBER 30, 2002**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
11/12/2002	Transfer	L.A.I.F.	\$ (700,000.00)				
11/20/2002	Transfer	L.A.I.F.	950,000.00				
TOTAL INVESTMENT TRANSACTIONS			\$250,000.00	\$0.00			

* The earnings rate for L.A.I.F. is a daily variable rate; 2.63% was the effective yield rate at the Quarter ended September 30, 2002.

**INVESTMENT STATUS
November 30, 2002**

<u>Financial Institution</u>	Principal Amount	Number of Days	Interest Rate	Maturity Date
Local Agency Investment Fund	\$2,500,580.04			
Time Certificates of Deposit	0.00			
TOTAL INVESTMENTS	\$2,500,580.04			

Funds on hand are sufficient to meet all foreseen and planned Administrative and project expenditures during the next six months.

All investment transactions have been executed in accordance with the criteria stated in Chino Basin Watermaster's Investment Policy.

Respectfully submitted,

Sheri M. Rojo

Sheri M. Rojo, CPA
Accountant/Office Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
2002/2003 ACTUAL YEAR TO DATE REVENUES AND EXPENSES
COMPARED WITH ADOPTED 2002/2003 BUDGET

	<u>Jul - Nov 02</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	26,628.93	20,000.00	6,628.93	133.15%
4110 · Admin Asmnts-Approp Pool	0.00	3,580,590.00	-3,580,590.00	0.0%
4120 · Admin Asmnts-Non-Agri Pool	0.00	196,982.00	-196,982.00	0.0%
4200 · Grants	0.00	0.00	0.00	0.0%
4700 · Non Operating Revenues	24,345.35	132,890.00	-108,544.65	18.32%
4900 · Miscellaneous income	0.00	0.00	0.00	0.0%
Total Income	<u>50,974.28</u>	<u>3,930,462.00</u>	<u>-3,879,487.72</u>	<u>1.3%</u>
Gross Profit	50,974.28	3,930,462.00	-3,879,487.72	1.3%
Expense				
6010 · Salary Costs	156,136.01	414,173.00	-258,036.99	37.7%
6020 · Office Building Expense	33,766.60	123,845.00	-90,078.40	27.27%
6030 · Office Supplies & Equip.	13,118.93	27,500.00	-14,381.07	47.71%
6040 · Postage & Printing Costs	25,559.04	72,450.00	-46,890.96	35.28%
6050 · Information Services	34,875.68	101,800.00	-66,924.32	34.26%
6061 · Other Consultants	9,483.24	29,000.00	-19,516.76	32.7%
6062 · Audit Services	0.00	5,000.00	-5,000.00	0.0%
6063 · Public Relations Consultan	0.00	12,000.00	-12,000.00	0.0%
6065 · MWD Connection Fee	6,500.00	15,600.00	-9,100.00	41.67%
6066 · Engineering Services	0.00	90,000.00	-90,000.00	0.0%
6067.1 · General Counsel	27,841.46	71,000.00	-43,158.54	39.21%
6067.2 · Legal Services -Markot	90.36	5,000.00	-4,909.64	1.81%
6080 · Insurance	5,974.65	11,210.00	-5,235.35	53.3%
6110 · Dues and Subscriptions	10,166.15	13,500.00	-3,333.85	75.31%
6140 · Other WM Admin Expenses	801.43	2,300.00	-1,498.57	34.85%
6150 · Field Supplies	1,677.00	3,950.00	-2,273.00	42.46%
6170 · Travel & Transportation	9,719.85	25,500.00	-15,780.15	38.12%
6190 · Conferences & Seminars	6,636.31	14,500.00	-7,863.69	45.77%
6200 · Advisory Comm - WM Board	6,203.36	17,870.00	-11,666.64	34.71%
6300 · Watermaster Board Expenses	11,810.07	42,522.00	-30,711.93	27.77%
8300 · Appr PI-WM & Pool Admin	5,938.46	16,310.00	-10,371.54	36.41%
8400 · Agri Pool-WM & Pool Admin	7,542.76	18,710.00	-11,167.24	40.31%
8467 · Agri-Pool Legal Services	17,218.10	83,000.00	-65,781.90	20.75%
8470 · Ag Meeting Attend -Special	2,625.00	17,300.00	-14,675.00	15.17%
8500 · Non-Ag PI-WM & Pool Admin	2,105.36	4,462.00	-2,356.64	47.18%
6500 · Education Funds Use Expens	0.00	375.00	-375.00	0.0%
9500 · Allocated G&A Expenditures	-108,283.27	-286,120.00	177,836.73	37.85%
Subtotal Administrative Expenses	<u>287,506.55</u>	<u>952,757.00</u>	<u>-665,250.45</u>	<u>30.18%</u>
6900 · Optimum Basin Mgmt Plan	391,389.56	810,777.00	-419,387.44	48.27%
6950 · Mutual Agency Projects	38,156.30	2,500.00	35,656.30	1,526.25%
9501 · G&A Expenses Allocated-OBMP	28,702.19	80,857.00	-52,154.81	35.5%
Subtotal OBMP Expenses	<u>458,248.05</u>	<u>894,134.00</u>	<u>-435,885.95</u>	<u>51.25%</u>

CHINO BASIN WATERMASTER
2002/2003 ACTUAL YEAR TO DATE REVENUES AND EXPENSES
COMPARED WITH ADOPTED 2002/2003 BUDGET

	<u>Jul - Nov 02</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7101 · Production Monitoring	12,680.36	61,062.00	-48,381.64	20.77%
7102 · In-line Meter Installation	158,316.50	439,399.00	-281,082.50	36.03%
7103 · Grdwtr Quality Monitoring	57,108.21	321,829.00	-264,720.79	17.75%
7104 · Gdwtr Level Monitoring	43,964.82	205,916.00	-161,951.18	21.35%
7105 · Sur Wtr Qual Monitoring	6,048.02	85,161.00	-79,112.98	7.1%
7106 · Wtr Level Sensors Install	16,595.99	34,501.00	-17,905.01	48.1%
7107 · Ground Level Monitoring	367,980.60	801,070.00	-433,089.40	45.94%
7200 · PE2- Comp Recharge Pgm	110,023.44	184,168.00	-74,144.56	59.74%
7300 · PE3&5-Water Supply/Desalte	5,300.00	123,587.00	-118,287.00	4.29%
7400 · PE4-MZ1 Mgmt Plan	73,510.74	81,172.00	-7,661.26	90.56%
7500 · PE6&7-CoopEfforts/SaltMgmt	84,784.22	58,299.00	26,485.22	145.43%
7600 · PE8&9-StorageMgmt/Conj Use	26,507.71	102,830.00	-76,322.29	25.78%
7690 · Recharge Improvement Debt Pymt	429,250.00	620,000.00	-190,750.00	69.23%
9502 · G&A Expenses Allocated-Projects	79,581.08	205,263.00	-125,681.92	38.77%
Subtotal Special Project Expenses	<u>1,471,651.69</u>	<u>3,324,257.00</u>	<u>-1,852,605.31</u>	<u>44.27%</u>
Total Expense	<u>2,217,406.29</u>	<u>5,171,148.00</u>	<u>-2,953,741.71</u>	<u>42.88%</u>
Net Ordinary Income	<u>-2,166,432.01</u>	<u>-1,240,686.00</u>	<u>-925,746.01</u>	<u>174.62%</u>
Other Income/Expense				
Other Income				
4231 · MZ1 Assigned Water Sales	0.00	615,000.00	-615,000.00	0.0%
4230 · MZ1 Sup Wtr Assessment	1,586,000.00	1,670,049.00	-84,049.00	94.97%
Total Other Income	<u>1,586,000.00</u>	<u>2,285,049.00</u>	<u>-699,049.00</u>	<u>69.41%</u>
Other Expense				
5012.4 · MZ1 Imported Water Purchase	0.00	699,000.00	-699,000.00	0.0%
5010 · Groundwater Replenishment	1,333,066.90	1,586,049.00	-252,982.10	84.05%
9999 · To/(From) Reserves	-1,913,498.91	-1,240,686.00	-672,812.91	154.23%
Total Other Expense	<u>-580,432.01</u>	<u>1,044,363.00</u>	<u>-1,624,795.01</u>	<u>-55.58%</u>
Net Other Income	<u>2,166,432.01</u>	<u>1,240,686.00</u>	<u>925,746.01</u>	<u>174.62%</u>
Net Income	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>



CHINO BASIN WATERMASTER

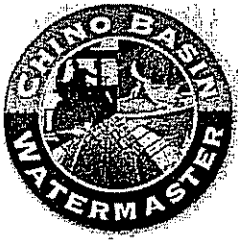
January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

CONSENT CALENDAR

C. INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 2002



CHINO BASIN WATERMASTER

8632 Archibald Avenue, Suite 109, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

TRACI STEWART
Chief of Watermaster Services

STAFF REPORT

DATE: January 16, 2003
January 30, 2003

TO: Watermaster Committee Members
Watermaster Board Members

SUBJECT: ANNUAL AUDIT REPORT - FISCAL YEAR 2001-2002

SUMMARY

Issue - Fiscal Year 2001-02 Independent Audit Report

Recommendation – Receive and file the FY 2001-02 Independent Auditor's Report as prepared by Conrad and Associates, L.L.P

Fiscal Impact - None

BACKGROUND

Pursuant to the Judgment, Paragraph 48, Watermaster Reports and Accounting, Watermaster's Annual Report shall contain "a certified audit of all assessments and expenditures pursuant to this Physical Solution".

DISCUSSION

Conrad and Associates, L.L.P. performed Watermaster's annual audit and their Independent Auditor's Report dated September 11, 2002 concludes that the financial statements "present fairly, in all material respects, the financial position of the Chino Basin Watermaster as of June 30, 2002 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America."

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CHINO BASIN WATERMASTER

Financial Statements

Year Ended June 30, 2002
(With Independent Auditor's Report Thereon)

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Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

Independent Auditors' Report

We have audited the accompanying financial statements of the Chino Basin Watermaster as of and for the year ended June 30, 2002, as listed in the accompanying table of contents. These financial statements are the responsibility of the Chino Basin Watermaster's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chino Basin Watermaster as of June 30, 2002 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Conrad and Associates, L.L.P.

September 11, 2002

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L. IINO BASIN WATERMASTER
Balance Sheet - All Fund Types and Account Groups
June 30, 2002

<u>Assets</u>	General	General Fixed	Totals	
	Fund	Assets Account Group	(Memorandum Only)	
			2002	2001
Cash (note 2)	\$ 85,082		\$ 85,082	\$ 47,538
Short-term investments (note 2)	4,045,244		4,045,244	2,931,513
Accounts receivable	108,905		108,905	49,125
Prepaid expenses	30,976		30,976	26,614
Property and equipment, at cost (note 3)		\$ 237,434	237,434	237,434
Total assets	\$4,270,207	\$ 237,434	\$4,507,641	\$3,292,224
 <u>Liabilities and Fund Equity</u>				
Accounts payable and accrued liabilities	\$ 261,958		\$ 261,958	\$ 313,435
Compensated absences payable (Note 4)	82,248		82,248	72,561
Total liabilities	344,206		344,206	385,996
 Fund Equity				
Investment in general fixed assets		\$ 237,434	237,434	237,434
Fund balance:				
Reserved for:				
SB222 expenditures (Note 6)	158,251		158,251	158,251
Groundwater replenishment	204,948		204,948	192,972
Appropriative pool	2,936,186		2,936,186	1,778,081
Agricultural pool (Note 7)	448,150		448,150	447,193
Non-agricultural pool	175,621		175,621	89,179
Educational programs	2,845		2,845	3,118
Total fund equity	3,926,001	237,434	4,163,435	2,906,228
Total liabilities and fund equity	\$4,270,207	\$ 237,434	\$4,507,641	\$3,292,224

CHINO BASIN WATERMASTER
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Prior Year Actual</u>
Revenues:				
Assessment revenue:				
Replenishment water assessments	\$ 48,276	\$ 48,276	\$ -	\$ 140,193
MZ1 supplemental water assessments	1,579,550	1,579,500	(50)	1,573,000
Administrative assessments (Note 8)	3,746,487	4,483,514	737,027	4,604,063
Interest	117,225	118,608	1,383	150,533
Grant revenue	-	76,151	76,151	-
Miscellaneous revenue	-	9,017	9,017	23,439
Total revenues	5,491,538	6,315,066	823,528	6,491,228
Expenditures:				
Replenishment water purchases	48,276	-	48,276	138,041
Pre-purchased replenishment water	-	-	-	7,128
MZ1 supplemental water	1,579,492	1,567,524	11,968	1,565,345
Watermaster administration	1,065,600	999,104	66,496	1,055,532
Pool administration	143,058	142,214	844	136,533
Education funds expenditures	-	375	(375)	375
Optimum Basin Management Plan	3,487,075	2,245,137	1,241,938	2,005,221
Mutual agency project costs	108,505	103,505	5,000	18,334
Total expenditures	6,432,006	5,057,859	1,374,147	4,926,509
Excess of revenues over/(under) expenditures	(940,468)	1,257,207	2,197,675	1,564,719
Fund balance at beginning of year	2,668,794	2,668,794	-	1,104,075
Fund balance at end of year	\$ 1,728,326	\$ 3,926,001	\$ 2,197,675	\$ 2,668,794

**CHINO BASIN WATERMASTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 -- REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The Chino Basin Watermaster ("Watermaster") was established under a judgment entered in Superior Court of the State of California for the County of San Bernardino as a result of Case No. RCV 51010 (formerly Case No. SCV 164327) entitled "Chino Basin Municipal Water District v. City of Chino et al", signed by the Honorable Judge Howard B. Wiener on January 27, 1978. The effective date of this Judgment for accounting and operations was July 1, 1977.

Pursuant to the Judgment, the Chino Basin Municipal Water District (CBMWD) five (5) member Board of Directors was initially appointed "Watermaster". Their term of appointment as Watermaster was for five (5) years, and the Court, by subsequent orders, provides for successive terms or for a successor Watermaster. Pursuant to a recommendation of the Advisory Committee, the Honorable J. Michael Gunn appointed a nine-member board as Watermaster on September 28, 2000.

Under the Judgment, three (3) Pool committees were formed: (1) Overlying (Agricultural) Pool which includes the State of California and all producers of water for overlying uses other than industrial or commercial purposes; (2) Overlying (Non-Agricultural) Pool which represents producers of water for overlying industrial or commercial (non-agricultural) purposes; and (3) Appropriative Pool which represents cities, districts, other public or private entities and utilities. The three Pools act together to form the "Advisory Committee".

The Watermaster provides the Chino Groundwater Basin service area with services which primarily include: accounting for water appropriations and components of acre-footage of stored water by agency, purchase of replenishment water, groundwater monitoring and implementation of special projects.

Watermaster expenditures are allocated to the Pools based on the prior year's production volume (or the same percentage used to set the annual assessments). Allocations for fiscal year 2001-02 expenses are based on the 2000-01 production volume.

	2000-01	
	Acre Feet	%
Appropriative Pool	113,437	70.251
Agricultural Pool	39,954	24.743
Non-Agricultural Pool	8,084	5.006
Total Production	161,475	100.000

The Agricultural Pool members ratified an agreement with the Appropriative Pool at their meeting of June 16, 1988, wherein the Appropriative Pool assumes Agricultural Pool administrative expenses and special project cost allocations in exchange for an accelerated transfer of unpumped agricultural water to the Appropriative Pool. In addition the Agricultural Pool transferred all pool administrative reserves at June 30, 1988 to the Appropriative Pool effective July 1, 1988.

In July of 2000, the principal parties in the Basin signed an agreement, known as the Peace Agreement, which among other things formalized the commitment of the Basin parties to implement an Optimum Basin Management Program. The Peace Agreement was signed by all of the parties, and the Court has approved the agreement and ordered the Watermaster to proceed in accordance with the terms of the agreement. The Court has approved revisions to the Chino Basin Watermaster Rules and Regulations.

The accounting policies of the Watermaster conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

Description of Fund and Account Group

General Fund

The General Fund is used to account for all revenues and activities financed by the Watermaster except those required to be accounted for in another fund.

General Fixed Asset Account Group

The General Fixed Asset Account Group is used to account for the cost of fixed assets required to perform general governmental functions.

Cash and investments

Investments are reported in the accompanying balance sheet at fair value. Changes in fair value that occur during a fiscal year are recognized as interest income reported for that fiscal.

Watermaster pools cash and investments of all fund balance reserves. Investment income earned by the pooled investments is allocated quarterly to the various reserves based on each reserve's average cash and investments balance.

Basis of Accounting

The Watermaster financial statements are prepared on the modified accrual basis of accounting. Revenues are accrued when they become both measurable and available. "Available" means collected in the current period or soon enough thereafter to pay for the expenditures incurred during the current period. Expenditures are recorded when the related liability for goods or services received is incurred.

General Fixed Assets

General fixed assets are recorded as expenditures of the General Fund at the time of purchase and are subsequently capitalized for memorandum purposes in the General Fixed Assets Account Group. No depreciation is provided on general fixed assets.

NOTE 2 – CASH, DEPOSITS, SHORT-TERM AND POOLED INVESTMENTS

State statutes and the Watermaster's investment policy authorize the Watermaster to invest in certificates of deposit with financial institutions having an operating branch within the Watermaster geographic area and the State of California Treasurer's Investment pool (L.A.I.F).

The Watermaster's deposits and investments are categorized to give an indication of the level of risk assumed at year-end by the following three categories:

Category 1

- Includes deposits insured or collateralized with securities held by the Watermaster or its agent in the Watermaster's name.
- Includes investments that are insured or registered or for which the securities are held by the Watermaster or its agent in the Watermaster's name.

Category 2

- Includes deposits with collateralized securities held by the pledging financial institution's trust department or agent in the Watermaster's name and deposits collateralized by an interest in an undivided collateral pool held by an authorized Agent or Depository and subject to certain regulatory requirements under State law.
- Includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Watermaster's name.

Category 3

- Includes uncollateralized deposits or deposits with collateralized securities held by the pledging financial institution or by its trust department or agent, but not in the Watermaster's name.
- Includes uninsured and unregistered investments for which securities are held by the broker or dealer or by its trust department or agent but not in the Watermaster's name.

In accordance with Government Accounting Standards Board Statement Number 3 ("GASB 3") criteria, the Watermaster's deposits and investments are categorized as follows for the year ended June 30, 2002:

	Categories			Bank Balance	Carrying Amount
	1	2	3		
DEPOSITS					
Demand deposits	\$179,494	\$0	\$0	\$179,494	\$85,082
INVESTMENTS					
Pooled funds:					
Local Agency Investment Funds (LAIF)*	0	0	0	4,045,244	4,045,244
Total deposits and investments	<u>\$179,494</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,224,738</u>	<u>\$4,130,326</u>

*Monies pooled with the State Treasurer in the Local Agency Investment Fund (LAIF) are not subject to risk categorization.

The bank balance reflects the amount credited by a financial institution to the Watermaster's account as opposed to the Watermaster's own ledger balance for the account. The carrying value reflects the ledger value, which includes checks written by the Watermaster, which have not cleared the bank as of June 30, 2002. As of June 30, 2002, \$79,494 of the amount carried at Bank of America was in excess of federally insured limits.

The Watermaster is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of Watermaster's investment in this pool is reported in the accompanying financial statements at amounts based upon Watermaster's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the investment accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations.

NOTE 3 – CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the year ended June 30, 2002 is as follows:

General fixed assets at June 30, 2001	\$237,434
Additions	0
Deletions	<u>(0)</u>
General fixed assets at June 30, 2002	<u>\$237,434</u>

NOTE 4 – COMPENSATED ABSENCES PAYABLE

Permanent Watermaster employees earn from 10 to 20 days vacation days a year, depending upon their length of employment, and 12 sick days a year. Employees may carry vacation days forward up to the equivalent number of days earned in the immediately preceding twenty-four (24) month period. There is no maximum accumulation of sick leave; and upon retirement or resignation at age 55 or greater, employees with continuous employment for a minimum of twenty (20) years are compensated for all accumulated sick leave at their rate of pay at termination. Other employees are paid based upon length of employment and age at time of retirement or resignation.

NOTE 5 – DEFERRED COMPENSATION PLAN

The Watermaster has established deferred compensation plans for all employees of Watermaster in accordance with Internal Revenue Code Section 457, whereby employees authorize the Watermaster to defer a portion of their salary to be deposited in individual investment accounts. Participation in the plans is voluntary and may be revoked at any time upon advance written notice. Generally, the amount of compensation subject to deferral until retirement, disability, or other termination by a participant may not exceed the lesser of \$8,500 or 33.33% of includible compensation, or 25% of gross compensation. Amounts withheld by Watermaster under this plan are deposited regularly with ICMA Retirement Corp. The Watermaster makes no contribution under the plan. As of June 30, 2002 the deferred compensation plan assets were held in trust accounts for the sole benefit of the employees and their beneficiaries, and accordingly have been excluded from the Watermaster's reported assets.

NOTE 6 – SB 222 FUNDS

On November 21, 1978, the Chino Basin Watermaster unanimously approved that remaining SB222 funds be utilized primarily to deliver and spread cyclic water and secondarily to purchase and spread replenishment water.

NOTE 7 – AGRICULTURAL POOL SALE OF WATER

In June 1988, the Agricultural Pool sold 2,000 acre feet of water in storage to Cucamonga County Water District. Funds from this sale are held and invested by the Watermaster for future use as determined by the Agricultural Pool members. At June 30, 2002, the proceeds from the sale and related interest earned thereon totaled \$448,151.

NOTE 8 – APPROPRIATIVE POOL INTEREST REVENUE ALLOCATION

On August 30, 1979, the Appropriative Pool unanimously approved assessment procedures whereby any interest earned from the Watermaster assessments paid by Appropriative Pool members would reduce the total current assessment due from those members. Fiscal year 2000-01 interest revenue was allocated to the Appropriative Pool, resulting in a reduction of the 2001-02 assessments.

NOTE 9 – OPERATING LEASE

The Watermaster currently has a lease agreement for office space expiring March 31, 2004. The amount paid under this lease was \$42,895 for the year ended June 30, 2002. The future minimum lease payments for this lease are as follows:

<u>Year Ending June, 30</u>	<u>Amount</u>
2003	\$ 52,767
2004	<u>40,365</u>
Total	<u>\$ 93,132</u>

NOTE 10 – EMPLOYEE RETIREMENT PLAN

Plan Description and Provision

The Watermaster contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Watermaster resolutions. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The Watermaster makes the contribution required by the employees on their behalf and for their account. The Watermaster is required to contribute at an actuarially determined rate. The current rate is 12.754% of annual covered payroll. The contribution requirements of plan members and the Watermaster are established and may be amended by PERS.

Annual Pension Cost

For the fiscal year ended June 30, 2002, Watermaster's annual pension cost (APC) of \$96,279 was equal to the Watermaster's required and actual contributions. The contribution required for the year ended June 30, 2002 was based upon the June 30, 1999 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%.

The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis with an average remaining amortization period of 19 years as of June 30, 2001.

Three-Year Trend Information for PERS

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC) (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/99	\$ 65,493	100%	-0-
6/30/00	58,089	100%	-0-
6/30/01	96,279	100%	-0-

Required Supplementary Information

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>*UAAL As a % of Payroll</u>
6/30/99	\$ 42,110	41,962	148	99.6%	258,820	(0.1%)
6/30/00	124,832	116,301	8,531	93.2%	333,316	(2.6%)
6/30/01	192,890	178,838	14,052	92.7%	291,502	(4.8%)

*UAAL refers to unfunded actuarial accrued liability.

NOTE 11 – LEGAL MATTERS

The Watermaster is involved in other pending litigation for which a final outcome is not known at this time.

NOTE 12 – PROJECT COMMITMENTS

Under a financing agreement developed pursuant to the OBMP Recharge Master Plan, the Watermaster is obligated to pay for one-half of the fixed project costs for certain recharge facilities in the Chino Basin area that are being constructed to increase the recharge of imported water, storm water, and recycled water to the Chino Groundwater Basin. The recharge facilities being constructed will be owned by the Inland Empire Utilities Agency pursuant to a Recharge Operations Agreement. When complete, the recharge project will enable the Watermaster to increase annual recharge to approximately 80,000 acre-feet of supplemental water to the Chino Groundwater Basin. In addition, stormwater and recycled water recharge could be increased by as much as 20,000 acre-feet each. Fixed project costs include construction costs, debt service on the related bond financing and reserves for repair, replacement, improvement and debt service.

CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2001 THROUGH JUNE 30, 2002

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATION AND SPECIAL PROJECTS APPROPRIATIVE POOL	AGRICULTURAL POOL	NON-AGRIC. POOL	GROUNDWATER OPERATIONS GROUNDWATER REPLENISHMENT	SB222 FUNDS	EDUCATION FUNDS	GRAND TOTALS	Amended BUDGET 2001-02
Administrative Revenues										
Administrative Assessments			\$4,241,553.41		\$241,880.88				\$4,483,614.37	\$3,740,487
Interest Revenue			97,379.97	\$15,982.97	5,143.87			\$101.31	118,808.12	117,225
Mutual Agency Project Revenue	\$8,974.13								8,974.13	
Grant Income	70,150.87								70,150.87	
Miscellaneous Income	43.45								43.45	0
Total Revenues	86,168.45	\$0.00	4,338,933.38	15,982.97	247,104.83	\$0.00	\$0.00	101.31	4,687,280.94	3,883,712
Administrative & Project Expenditures										
Watermaster Administration	938,850.25								938,850.25	981,742
Watermaster Board-Advisory Committee	62,463.89								62,463.89	83,858
Pool Administration			15,238.27	120,311.10	8,888.40				142,213.77	143,058
Optimum Basin Mgmt Administration		808,874.88							808,874.88	802,131
OBMP Project Costs		1,438,482.28							1,438,482.28	2,084,944
Education Funds Use								375.00	375.00	0
Mutual Agency Project Costs	103,504.00								103,504.00	108,504
Total Administrative/OBMP Expenses	1,102,608.14	2,245,137.16	15,238.27	120,311.10	8,888.40			375.00	3,480,334.07	4,804,237
Net Administrative/OBMP Income	(1,017,439.69)	(2,245,137.16)								
Allocate Net Admin Income To Pools	1,017,439.69		714,761.58	251,745.10	50,933.03				0.00	
Allocate Net OBMP Income To Pools		2,245,137.10	1,077,231.31	555,514.29	112,391.57				0.00	
Agricultural Expense Transfer			912,545.49	(912,545.49)					0.00	
Total Expenses			3,218,774.62	15,025.00	169,891.00	-	0.00	375.00	3,480,334.07	4,804,237
Net Administrative Income			1,119,158.76	957.97	77,113.83			(273.89)	1,190,868.07	(940,525)
Other Income/Expense										
Replenishment Water Assessments			38,948.40		9,329.20	0.00			48,276.00	48,276.00
MZ1 Supplemental Water Assessments						1,578,500.04			1,578,500.04	1,578,500
Water Purchases									0.00	50
SB222 Cyclo Storage Program									0.00	
Pre-purchased Replenishment Water									0.00	
MZ1 Supplemental Water									0.00	
Net Other Income			38,948.40	0.00	9,329.20	(1,587,524.10)	0.00	0.00	(1,539,250.50)	(1,027,769)
Net Income			1,158,105.10	957.97	86,443.03	11,975.94	-	(273.89)	1,257,208.41	(940,487)
Working Capital, July 1, 2001			1,787,887.87	487,182.34	88,381.54	182,972.01	158,250.88	3,118.76	2,688,793.48	
Working Capital, End Of Period			\$ 2,918,003.13	\$ 488,150.31	\$ 178,804.57	\$ 204,947.95	\$ 158,250.88	\$ 2,845.07	\$ 3,928,001.89	
10/01 Production			113,437.248	39,954.480	8,083.777				161,475.488	
10/01 Production Percentages			70.261%	24.743%	5.008%				100.000%	

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CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

CONSENT CALENDAR

D. NOTICE OF INTENT
CHANGE OPERATING SAFE YIELD



CHINO BASIN WATERMASTER

8632 Archibald Avenue, Suite 109, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

TRACI STEWART
Chief of Watermaster Services

STAFF REPORT

DATE: January 16, 2003
January 30, 2003

TO: Watermaster Committee Members
Watermaster Board Members

SUBJECT: Annual Filing Of Notice Of Intent Regarding the Determination Of Operating Safe Yield

Summary

Issue – Record keeping to remain in compliance with the Chino Basin Watermaster Judgment.

Recommendation - Approve the filing of Watermaster's "Notice of Intent to Change the Operating Safe Yield of the Chino Groundwater Basin" as part of its Twenty-Fifth Annual Report.

Fiscal Impact - None

Background

The Watermaster has closed its twenty-fifth year of operation under the Judgment (for accounting purposes, the Judgment became effective July 1, 1977). Pursuant to Exhibit I, Paragraph 2b of the Judgment, Quantitative Limits, "Operating Safe Yield shall not be changed upon less than (5) years' notice by Watermaster."

Discussion

In an effort to comply with the Judgment requirement that a five-year notice of change be provided should a re-determined of the safe yield of the Chino Basin be made, Watermaster has approved inclusion of its Notice of Intent in each annual report of Watermaster activities since 1982.

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**WATERMASTER'S "NOTICE OF INTENT"
TO CHANGE THE OPERATING SAFE YIELD
OF THE CHINO GROUNDWATER BASIN**

PLEASE TAKE NOTICE that on this 30th day of January 2003, Chino Basin Watermaster hereby files this 'NOTICE OF INTENT' to change the operating safe yield of the Chino Groundwater Basin pursuant to the Judgment entered in Chino Basin Municipal Water District v. City of Chino, et al., San Bernardino Superior Court, Case No. RCV 51010 (formerly Case No. 164327) (Exhibit I, Paragraph 2b, Page 80).

Approved by:

**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE**

**CHINO BASIN WATERMASTER
BOARD OF DIRECTORS**

By: _____
Chair

By: _____
Chair

**ATTEST:
CHINO BASIN WATERMASTER
BOARD OF DIRECTORS**

By: _____
Secretary/Treasurer

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CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

CONSENT CALENDAR

E. RESOLUTION 03-01,
AUTHORIZING & DESIGNATING
SIGNATORIES FINANCIAL TRANSACTIONS



CHINO BASIN WATERMASTER

8632 Archibald Avenue, Suite 109, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

TRACI STEWART
Chief of Watermaster Services

STAFF REPORT

DATE: January 16, 2003
January 30, 2003

TO: Watermaster Committee Members
Watermaster Board Members

SUBJECT: Resolution 03-01, a Resolution Authorizing and Designating Signatories

Summary

Issue – Annual Signature Designations

Recommendations - Approve Resolution 03-01 authorizing and designating signatories of depository agreements, depository cards and deposits, transfers and withdrawals of funds, for annual record keeping purposes.

Fiscal Impact – None.

Background

The Watermaster Board adopted Resolution 01-08 on June 28, 2001 to include the Chief Executive Officer as an authorized designated signatory. There have been no changes to the signature resolution since that time.

DISCUSSION

Resolution 03-01 is presented for annual record keeping purpose only and will rescind Resolution 01-08.

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**RESOLUTION 03-01
RESOLUTION OF THE CHINO BASIN WATERMASTER,
AUTHORIZING AND DESIGNATING SIGNATORIES OF
DEPOSITORY AGREEMENTS, DEPOSITORY CARDS AND
DEPOSITS, TRANSFERS AND WITHDRAWALS OF FUNDS**

WHEREAS, certain Depository Agreements and Depository Signatories were authorized which now need to be revised; and

WHEREAS, Watermaster proposes to hire an outside firm to provide payroll services, using a separate bank checking account established for this purpose; and

WHEREAS, two separate checking accounts and one savings account will be required in order to maintain the proper controls over all liquid assets.

NOW, THEREFORE, BE IT RESOLVED, by the Watermaster as follows:

- Section 1. Depository Agreements - Checking Accounts. The Watermaster Office Manager/Accountant is hereby authorized to enter into and execute agreements for deposit of Watermaster funds in two (2) bank accounts. In so doing Watermaster Office Manager/Accountant will act in accordance with Section 53630 et seq. of the Government Code as applicable.
- A. Regular Checking Account - all receipts of Watermaster funds will be deposited in this Checking Account; and all checks, other than payroll or payroll-related checks, will be drawn against this account.
 - B. Payroll Account - funds sufficient to cover bi-weekly payroll costs including net wages, related payroll taxes and employee authorized deductions, will be deposited bi-weekly in this account in accordance with the agreement entered into between Watermaster and the contractor.
- Section 2. Depository Cards - All Accounts. That the persons authorized and directed to execute depository cards for all bank accounts of the Chino Basin Watermaster (including LAIF) are designated as follows:
- A. Watermaster Officers:
 - Chairman
 - Vice-Chairman
 - Secretary/Treasurer
 - B. Watermaster Services Representatives:
 - Chief Executive Officer
 - Chief of Watermaster Services
 - Controller
 - Office Manager/Accountant
- Section 3. Signing of Checks. That checks of the Chino Basin Watermaster may be signed by certain persons as follows. Facsimile signatures are not acceptable.
- A. Any check up to \$1,000 may be signed by any one person authorized under Section 2 above.

- B. Any check over \$1,000, but less than \$10,000 must be signed by any two persons authorized above.
- C. Any check over \$10,000 must be signed by two persons authorized under Section 2 above; however one signature must be that of a Watermaster Officer as indicated in Section 2A above.

Section 4. **Credit Card Use.** The issuance of up to two (2) credit cards for incidental Watermaster expenses may be approved by a person authorized under Section 2 above. Each credit card shall have a credit limit of \$1,000 or the minimum credit limit of the issuing entity, whichever is higher. Credit cards may be used up to a limit of \$1,000 by any one person listed under Section 2 above. Local vendor account cards may be issued for other staff members who shall only use such cards with prior authorization by the Chief Executive Officer, the Chief of Watermaster Services, the Controller, or the Office Manager/Accountant.

Section 5. **Intra-bank Transfers.** That written authorization to transfer funds between the Chino Basin Watermaster checking accounts and savings accounts may be signed by any person listed under Section 2 above.

Section 6. **Newly issued Time Certificates of Deposit.** That any signatory listed under Section 2, may sign receipts for "Notices to Depository - Penalty for Early Withdrawal of Time Deposit" covering new Time Certificates of Deposit issued to the Chino Basin Watermaster.

Section 7. **Maturing Time Certificates of Deposit.** That any signatory listed under Section 2 may endorse a maturing Certificate of Deposit when such an endorsement is required by the issuing financial institution at redemption.

Section 8. **Rescission of Resolution.** Upon adoption of this resolution, Resolution No. 01-08 and any preceding resolution authorizing and designating signatories of depository agreements, depository cards and deposits, transfers and withdrawals of funds are hereby rescinded in their entirety.

APPROVED by the Watermaster Advisory Committee this 30th day of January 2003.

ADOPTED by the Watermaster Board this 30th day of January 2003.

Chairman, Watermaster Board

APPROVED:

Chairman, Advisory Committee

ATTEST:

Secretary
Chino Basin Watermaster



CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

CONSENT CALENDAR

F. TWENTY-FIFTH ANNUAL REPORT

(Included separately)



CHINO BASIN WATERMASTER

8632 Archibald Avenue, Suite 109, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

TRACI STEWART
Chief of Watermaster Services

STAFF REPORT

DATE: January 16, 2003
January 30, 2003

TO: Pool Committee Members
Advisory Committee Members
Watermaster Board Members

SUBJECT: Twenty-Fifth Annual Report

SUMMARY

Issue - Preparation of Twenty-Fifth Annual Report covering fiscal year 2001-02 for filing with the Court by January 31, 2003.

Recommendation - File the Report as presented, with the understanding it will be professionally formatted prior to distribution after being received by the Court.

Fiscal Impact - Minimal.

BACKGROUND

This Annual Report, covering the 2001-2002 fiscal year, is the Twenty-Fifth Annual Report of Watermaster. It is included separately and represents a proposed new format that would ultimately contain more useful information presented in a more professional, higher quality manner. Rauch Communications will be assisting staff once the basic material is fully assembled.

DISCUSSION

One of the goals of Watermaster is to improve communication of the Watermaster activities to the Producers and Interested Parties. The current format of the Annual Report was developed over 25 years ago, and has remained essentially unchanged since that time. With all the progress made with development and implementation of the OBMP, staff recommends filing the Twenty-Fifth Annual Report as presented, with the understanding some of the "histories" will be tabulated for inclusion prior to the Advisory and Board meetings, and the final report will be professionally formatted prior to distribution after being received by the Court.

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CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

BUSINESS ITEMS

A. MAXIMUM BENEFIT ANALYSIS



CHINO BASIN WATERMASTER

8632 Archibald Avenue, Suite 109, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

JOHN V. ROSSI
Chief Executive Officer

TRACI STEWART
Chief of Watermaster Services

STAFF REPORT

DATE: January 16, 2003
January 30, 2003

TO: Watermaster Committee Members
Watermaster Board Members

SUBJECT: Nitrogen TDS Task Force and Maximum Benefit Analysis

SUMMARY

Issue – Payment of Invoice for Maximum Benefit Analysis and Associated Administrative Costs

Recommendations – Approve payment of Santa Ana Watershed Project Authority (SAWPA) Invoice No. 50041 in the amount of \$31,220 for work performed by Risk Sciences for the maximum benefit analysis and associated administrative costs incurred by SAWPA.

Fiscal Impact – Funds are available from the OBMP budget for \$17,000 in excess of the \$14,220 previously approved for the Risk Sciences' contract.

BACKGROUND

Watermaster participated in TDS/TIN activities for several years in anticipation of helping to establish groundwater basin management zones and evaluate the need for developing objectives based on maximum benefit rather than ambient water quality. When it was brought to the attention of staff that the RWQCB would be updating the Basin Plan and changing the objectives, staff was asked to give a presentation to discuss demonstrating the maximum benefit concept with the RWQCB. At that time, it was determined that objectives based on ambient water quality criteria would not facilitate implementation of the OBMP as much as objectives based on maximum benefit, especially when hydraulic control of the basin is part of the OBMP and the criteria for maximum benefit can be demonstrated. In May 2002, Watermaster approved a contract with Mr. Tim Moore of Risk Sciences to assist in the development of a maximum benefit concept and with the TIN/TDS Task Force and Regional Board adoption of this change to the Basin Plan relative to Chino Basin objectives.

DISCUSSION

The contract with Risk Sciences was for a not-to-exceed amount of \$14,220. SAWPA's administrative costs associated with the additional meetings are \$5,000 and additional costs by the RWQCB staff in its advisory role to review the maximum benefit analysis on behalf of Watermaster are \$10,000. Additionally, the Watermaster has been billed \$2,000 for this year's portion of the TIN/TDS analysis. Therefore, staff recommends authorization to remit \$17,000 to SAWPA related to the Maximum Benefit proposal.

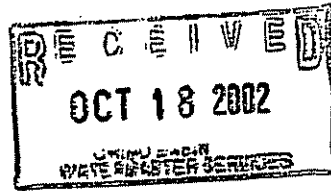
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Santa Ana Watershed Project Authority

SAWPA

October 17, 2002



COMMISSION FOR THE PROJECT AUTHORITY
EASTERN MUNICIPAL WATER DISTRICT
INLAND EMPIRE UTILITIES AGENCY
ORANGE COUNTY WATER DISTRICT
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT
WESTERN MUNICIPAL WATER DISTRICT

GENERAL MANAGER

P. JOSEPH GRINDSTAFF

Mr. John Rossi
Chino Basin Watermaster
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, CA 91730-4665

Subject: Nitrogen TDS Budget and Invoice

Dear Mr. Rossi:

The Nitrogen TDS Task Force work is nearing the completion of its core activities and a basin plan amendment with new TIN and TDS groundwater basin objectives along with new subbasin boundaries will be incorporated into the Santa Ana Regional Water Quality Control Board Basin Plan as an amendment for RWQCB approval by January 2003. Over the next two years, the RWQCB staff has indicated that the Basin Plan amendment will go through review by the State Office of Administrative Law and U.S. EPA. Consequently, the primary tasks and deliverables of the Nitrogen TDS Task Force are nearing completion.

At the February 2002 Task Force meeting, the Nitrogen TDS Task Force approved a budget for FY 02-03. The budget is attached herein. Subsequent to the approved budget by the Task Force, Chino Basin Watermaster expressed a desire to initiate a maximum benefit analysis. SAWPA agreed to administer the contract with Risk Sciences for the maximum benefit analysis. The Risk Sciences contract was for a not-to-exceed amount of \$14,220. Further, Chino Basin Watermaster agreed to pay SAWPA for the administrative costs associated with the additional meetings of \$5,000 and \$10,000 for additional costs by the RWQCB staff in its advisory role to review the maximum benefit analysis on Chino Basin Watermaster's behalf.

We anticipate at this time that upon acceptance by the RWQCB Board, the consultant work and frequency of task force meetings along with associated administrative costs will decrease after January 2003. Some work by the two consultants is also expected to continue after January 2003 in responding to technical questions by OAL and EPA.

An invoice for your agency's contribution for FY 02-03 is attached. We appreciate your prompt payment to the invoice. On behalf of SAWPA and the Task Force, we wish to thank you for your support of the previous study work effort and for your continued support as we move into the final work phase. If you have any questions or concerns regarding the study, please feel free to discuss them with me at any time.

Very truly yours,

Mark R. Norton, P.E.
Planning Department Manager

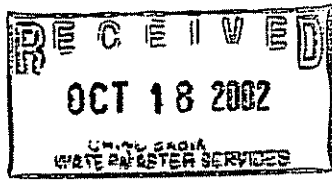
Enclosures



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11615 Sterling Avenue

Riverside, CA 92503
(951) 785-5411 Ext. 0000



To: Chino Basin Watermaster
8632 Archibald Avenue
Suite 109
Rancho Cucamonga, CA 91730

Invoice No. 60041
Date: 10/16/2002

FY 02-03 TIN TDS Taskforce Contribution

F E E S:

Other Agency Contributions	\$31,220.00	
	Fees:	\$31,220.00

OK FOR PAYMENT _____
ACCOUNT NUMBER 7503

TOTAL DUE THIS INVOICE: \$31,220.00
OUTSTANDING AMOUNT: \$0.00

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TIDWDS FY 02-03 Cost by Agency

October 8, 2002

CONSULTANTS

Wildermuth Environmental Inc. \$45,000
Risk Sciences \$45,000

RWQCB

\$70,000

SAWPA MGT.

\$40,000

Subtotal \$200,000

Carryover (\$80,000)

\$120,000

Contingency \$5,000

\$125,000

Distribution of Costs Among SAWPA, SARDA & Others

Agency	SAWPA Costs	SARDA Costs ⁽¹⁾		Other	Max. Benefit SAWPA Admin.	Max. Benefit Risk Sciences	Total
		buy-in	flow based subtotal				
IEUA	\$10,600						
EMWD	\$10,600						
OCWD	\$10,600						
SBVMWD	\$10,600						
WMWD	\$10,600						
	\$53,000						
CORONA	\$5,000	\$1,061	\$6,061				
EVMWD	\$5,000	\$493	\$5,493				
REDLANDS	\$5,000	\$867	\$5,867				
RIALTO	\$5,000	\$911	\$5,911				
RIVERSIDE	\$5,000	\$4,542	\$9,542				
RIX JPA	\$5,000	\$4,468	\$9,468				
YVWD	\$5,000	\$359	\$5,359				
WRCRWA	\$5,000	\$299	\$5,299				
	\$40,000	\$13,000	\$53,000				
CBWCD				\$2,000			
CBWM				\$2,000	\$15,000	\$14,220	\$31,220
OCSD				\$2,000			
WSBCWD				\$2,000			
SBVWCD				\$2,000			
RHWC				\$2,000			
JCSD				\$2,000			
CIM				\$5,000			Invoiced FY 01-02
				\$19,000			
Totals	\$53,000	\$53,000	\$53,000	\$19,000			
			Total	\$125,000			

Note: CIM's contribution covers past study efforts and deliverables

1. SARDA Costs based on a base amount and % of discharge flow.
%s used are as follows: Corona 8.16%; EVMWD 3.79%; Redlands 6.67%; Rialto 7.01%; Riverside 34.94%; RIX JPA 34.37%; YVWD 2.76%; and WRCRWA 2.3%

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CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

REPORTS/UPDATES

C. AGWA

ASSOCIATION OF GROUND WATER AGENCIES



2003

Tuesday, January 21, 2002 – 1:30 p.m.

Chino Basin Watermaster
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, CA
(909) 484-3888

1. Determination of Quorum/Introductions
2. Approve minutes from November 18 and December 16, 2002 meeting
Receive and file Financial Statements for December 2002
3. Presentation: The Colorado River Quantification Settlement Agreement – Dennis Underwood
4. Discussion and Actions
 - a. Request for Affiliate Membership – AMEC Earth & Environmental, Inc.
5. Committee Reports
 - a. MWD Liaison Committee (R. Palmer)
 - b. General Communications/Public Information Committee (C. Williams)
 - c. Program Committee (M. Blevins)
 - d. Legislative Committee (B. Mowry)
 - e. Assembly Groundwater Policy Committee (B. Mowry)
6. Other
7. Future Agenda Items
8. Next Meeting: Tuesday, February 18, 2003, 1:30 p.m. – Chino Basin Watermaster
9. Adjourn

Chairman Bruce Mowry Presiding

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MINUTES OF THE
ASSOCIATION OF GROUND WATER AGENCIES (AGWA)
BOARD OF DIRECTORS MEETING
HELD MONDAY, DECEMBER 16, 2002 - 1:30 P.M.
AT CHINO BASIN WATERMASTER

Mr. Ron Palmer, Vice Chairman, called the meeting to order.

Directors/Alternates present:

Ron Palmer, Vice Chairman	Raymond Basin Management Board
John Rossi	Chino Basin Watermaster
Bill Straub	Main San Gabriel Basin Watermaster
Burnell Cavender	San Bernardino Valley Water Conversation District

Affiliates present:

Don Berry	San Gabriel River Water Committee
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Others present:

Josephine Johnson	Chino Basin Watermaster
Jennifer Greenlief	Greenlief Communications
Nina Jazmadarian	McGuire Environmental
Ken Breitag	Main San Gabriel Basin Watermaster
Frank Forbes	Main San Gabriel Basin Watermaster
Fred Fudacz	Nossaman, Guthner, Knox and Elliott, LLP
Jack Woodbury	San Bernardino Valley Conservation District
Kavous Emami	Water Replenishment District of Southern California

MINUTES/FINANCIAL STATEMENTS

It was noted by the Vice Chairman that the quorum required for conducting Board business was not present. The Vice Chairman also stated that the Financial Statements for November 2002 were available for review, and then he ordered the Financial Statements to be received and filed.

DISCUSSION AND ACTIONS

February 2003 AGWA Meeting Reschedule – Mr. Ken Breitag noted that AGWA's February 2003 meeting is due to fall on February 17, which is the President's Day holiday. Director Cavender suggested that, since the January 2003 AGWA meeting was rescheduled to Tuesday, January 21 because of Martin Luther King Day, the February AGWA meeting might also be rescheduled from the third Monday to the third Tuesday. By consensus it was agreed to schedule AGWA's February 2003 meeting for Tuesday, February 21 at 1:30 p.m.

Mr. Breitag also noted that the Main San Gabriel Basin Watermaster's meeting room in Azusa is not available on that day, and Director Rossi stated that AGWA is welcome to hold the meeting in Chino Basin's meeting room.

STANDING COMMITTEE REPORTS

Metropolitan Water District of Southern California Liaison Committee – The Vice Chairman reported that the most prominent issue affecting MWD continues to be the future of the allocation of Colorado River water. He noted that Colorado River water users are currently in Las Vegas, and it is expected that the parties to a proposed Quantification Settlement Agreement (QSA) are meeting to attempt to reach an accord by the end of the year. However, the Vice Chairman noted that MWD is also actively identifying other potential sources of water, including the purchase of water from rice farmers in the Sacramento Valley.

Additionally, the Vice Chairman reported that MWD appears close to approving conjunctive use agreements with local water agencies, and that in two weeks MWD's new rate structure will take effect.

Finally, the Vice Chairman stated that there remain many questions about the future availability of Replenishment water from MWD, especially considering proposed MWD programs for banking surplus imported water.

General Communications/Public Information Committee – Ms. Jennifer Greenlief reported that the deadline for submitting items for AGWA's Winter 2003 newsletter is Friday, December 20, and she asked members to let her know of any prospective story ideas. The Vice Chairman noted that the proposed conjunctive use agreements between two of AGWA's members and MWD would be a good topic for the newsletter.

Program Committee – Mr. Breitag reported that he participated in a conference call on Thursday, December 12 with Water Education Foundation (WEF) staff in order to plan the program for AGWA's 2003 conference. Also representing AGWA on the call were Kelly Rowe of Camp Dresser & McKee and David Bolin of Komex H2O Science.

Mr. Breitag stated that many possible conference topics were suggested and that from these suggestions WEF staff had developed a first draft of an agenda for the conference. The suggested topics focused primarily on groundwater quality issues and included use of recycled water, new developments related to perchlorate and Chromium VI, the development of MCLs and Public Health Goals by the State, water banking programs, and Proposition 50. The consensus on the call was that State Sen. Mike Machado should be invited to the conference, since he appears likely to become chair of the Senate Agriculture and Water Resources Committee. In addition, it was suggested that Assemblywoman Carol Liu be invited to the conference. The Vice Chairman noted that he could contact Assemblywoman Liu and that he is confident the Assemblywoman would be very interested in participating. Director Rossi stated that the Comprehensive Groundwater Monitoring Program, being developed pursuant to AB 599, is due to be completed in February and that this would be a good topic for the conference in April. Finally, Mr. Breitag stated that it is hoped another conference call could be held within a couple of weeks to further discuss the program.

Mr. Breitag also noted that the conference has now been scheduled for April 8 and 9, 2003, at the Doubletree Hotel in Ontario, California. At the November AGWA meeting it had been reported that the conference would be held on April 17 and 18, but when it was noted that the 18th is Good Friday WEF staff worked to find alternative dates.

Director Rossi suggested that AGWA might want to consider giving out an award for groundwater management at the conference.

Ms. Greenleaf commented that AGWA should also consider issuing a press release to help publicize the conference. Mr. Breitag stated that he would speak with WEF staff to learn if this is part of their plan for conference publicity. He noted that WEF is creating a "save this date" flyer for distribution in January.

Finally, Mr. Forbes stated that Adan Ortega of MWD and Tony Fellow, who is on the MWD and Upper San Gabriel Valley Municipal Water District boards and who also teaches journalism at Cal State Fullerton and USC, would be good panelists for a session about the press.

Legislative Committee – Director Cavender reported that a bill was recently introduced which would create an Inland Empire Water Quality Authority. The bill, SB 34, was authored by Senator Neil Soto. Director Rossi stated that he had spoken with the Senator and her staff about the bill and that the intention is to create a vehicle for acquiring funding for cleanup of perchlorate and other contaminants in Inland Empire groundwater. Director Rossi further stated that his agency is watching the bill closely, since such a water quality authority's jurisdiction would overlap with part of the Chino Basin.

Mr. Frank Forbes stated that there is increasing concern in the San Gabriel Valley about what should be done to clean up contaminants in the soil. The fear is that these contaminants might later pollute the groundwater supply. However, the Regional Water Quality Control Board does not seem to be interested in this possibility.

Director Rossi stated that he would like to give a report on AB 599. He is serving on the task force which was created by the bill and which is charged with developing a statewide, comprehensive groundwater monitoring program. After getting off to a slow start, the task force has in the last two months made significant progress. It is expected that a draft report will be completed in February 2003, and that such a report will include recommendations for program funding. The final recommendations of the task force are expected to be delivered to the Governor and the Legislature in May 2003.

Assembly Groundwater Policy Committee – The Vice Chairman asked if there was anything new to report about this item, relating to a document requested by the State Assembly to assist it in formulating groundwater policy. Director Rossi stated that he had spoken to Chairman Mowry about this subject and that the Chairman had decided to issue the policy document from his agency, since there was not time to integrate all AGWA members' comments and issue it as an AGWA document.

Mr. Breitag stated that he was aware that this document had likely been already sent to the State Assembly but that AGWA members were curious about the topic and the item was on the meeting agenda in order that the Chairman might give a report.

OTHER

Mr. Breitag stated that when asked at the previous meeting how many copies AGWA still had of the conjunctive use guide it published in 2000, he had stated that he thought there were just about a half dozen. Since then he discovered that there actually are almost 100 guides. However, he was unable to find a digital copy of the guide and asked if others might

have such a softcopy. The Vice Chairman stated that he believed that he had a digital copy of the guide. He also asked Mr. Breitag to research AGWA's policy relative to distribution of the conjunctive use guides to members. Since AGWA still has so many copies, it might want to consider giving more copies to its members. Additionally, he stated that the original reason for selling the conjunctive use guide through WEF was to recoup production costs; however, if those costs have been covered AGWA should consider distributing the guide as widely as possible.

Finally, Mr. Fred Fudacz recommended to members that they read an article about perchlorate in today's Wall Street Journal. The article is very extensive, including detailing perchlorate's history, how it got into the water supply and its effects on humans.

FUTURE AGENDA ITEMS

Director Rossi stated that Chino Basin Watermaster appears close to finalizing its Dry Year Yield Program with MWD, and he offered to give a presentation on the program at a future AGWA meeting. The Vice Chairman noted that Raymond Basin is close to a similar agreement with MWD and that this program, too, might be the subject of an AGWA presentation.

Mr. Forbes noted that he had spoken with Dennis Underwood at MWD and that Mr. Underwood is scheduled to give a presentation on the future of Colorado River water to Southern California at AGWA's January meeting.

NEXT MEETING

The Chairman stated that the next meeting would be held on Tuesday, January 21, 2002, at 1:30 a.m. at the offices of the Chino Basin Watermaster located in Rancho Cucamonga, CA.

Carol Williams, Secretary/CFO

ATTEST:

Ron Palmer, Vice Chairman

DRAI
 MINUTES OF THE
 ASSOCIATION OF GROUND WATER AGENCIES (AGWA)
 BOARD OF DIRECTORS MEETING
 HELD MONDAY, NOVEMBER 18, 2002 - 9:00 A.M.
 AT MAIN SAN GABRIEL BASIN WATERMASTER

Mr. Ron Palmer, Vice Chairman, called the meeting to order.

Directors/Alternates present:

Ron Palmer	Raymond Basin Management Board
John Rossi	Chino Basin Watermaster
Tom Haslebacher	Kern County Water Agency
Bill Straub	Main San Gabriel Basin Watermaster
Burnell Cavender	San Bernardino Valley Water Conversation District
John Otto	Tehachapi-Cummings County Water District
Mel Blevins	Upper Los Angeles River Area Watermaster
John Kennedy	Orange County Water District

Affiliates present:

David Bolin	Komex H2O Science
Cindi LaCamera	Metropolitan Water District of Southern California

Others present:

Kelly Rowe	Camp Dresser & McKee
Nina Jazmadarian	McGuire Environmental
Ken Breitag	Main San Gabriel Basin Watermaster
Frank Forbes	Main San Gabriel Basin Watermaster
Keith Lyon	Municipal Water District of Orange County
Fred Fudacz	Nossaman, Guthner, Knox and Elliott, LLP
Cindy DeChaine	Three Valleys Municipal Water District
Rita Sudman	Water Education Foundation
Kavous Emami	Water Replenishment District of Southern California

MINUTES/FINANCIAL STATEMENTS

On a motion by Director Blevins, seconded by Director Haslebacher, and unanimously carried, the minutes from the October 21, 2002, meeting were approved. The Vice Chairman stated that the Financial Statements for October 2002 were available for review, and then he ordered the Financial Statements to be received and filed.

PRESENTATION

The Future of MWD's Replenishment Program- The Vice Chairman noted that concerns have arisen recently over the short-term and long-term availability of Replenishment water from MWD. He stated that it had been planned for Brandon Goshi of MWD to make a presentation today about this subject; however, Mr. Goshi was unable to attend the meeting, and the Vice Chairman noted that others present might adequately be able to cover the subject. He noted that Director Kennedy, Ms. Cindi LaCamera, and Mr. Keith Lyon are all familiar with the issue, and he asked Director Kennedy to begin by relaying his understanding of the future of MWD Replenishment water through his work with Orange County Water District (OCWD).

Director Kennedy stated that it appears that In-Lieu water would be

available through April of 2003. Ms. LaCamera noted that Replenishment water would be available in January but that, because of a scheduled maintenance shutdown at Lake Matthews, it was not yet known whether Replenishment water would be available in February and March of 2003. Following the shutdown MWD will re-evaluate the availability of Replenishment water.

Director Kennedy asked Ms. LaCamera if In-Lieu water would be available in February and March, even if Replenishment water was not available. She replied that the possibility of In-Lieu water would depend upon the overall water supply at that time.

Director Kennedy noted that this, at least, meant that Replenishment water would be available for one more month than originally feared, but, he stated, there remain both short-term and long-term issues to resolve. The short-term issue, as it relates to OCWD, is that the rate for In-Lieu water was previously a function of the seasonal shift baseline; however, the seasonal shift will no longer be a part of MWD's new rate structure. This will cause difficulties for OCWD next spring, and he noted that Ms. LaCamera and Mr. Lyon are working on a solution which would base In-Lieu water on an operating plan.

Director Kennedy stated that the long-term Replenishment water issue is related to the future of the Replenishment water discount. There is question as to whether this discount is too high or too low. Other MWD member agencies are also questioning the rules for Replenishment water, attempting to link the Replenishment water discount to groundwater basin performance.

Director Kennedy noted that OCWD is concerned that the Replenishment water discount is still being questioned. He stated that OCWD had approved MWD's new rate structure with the understanding that the price for Replenishment water was set.

The Vice Chairman asked Ms. LaCamera if, with the development of conjunctive use programs between MWD and member agencies, there would be conflicts between these programs and the demand for regular Replenishment water.

Ms. LaCamera stated that in the case of such conflicts MWD would likely follow its operating guidelines as set forth in its WSDM plan which lays out the priorities for fulfilling MWD's water obligations to member agencies.

In closing the discussion, the Vice Chairman added that he would like to see AGWA continue to discuss this issue as events progress.

DISCUSSION AND ACTIONS

Nominating Committee Report - Director Blevins reported that the Nominating Committee had met to discuss the nomination of a Chairman and a Vice Chairman for 2003. He stated that Chairman Mowry has agreed to serve a second year as AGWA Chairman and that Director Rossi has agreed to serve as Vice Chairman. Director Blevins added that the Committee had discussed with Director Rossi that, in serving as Vice Chairman, the Committee was not only asking him to serve as a back-up to the Chairman in 2003 but also to be prepared to succeed as the Chairman in 2004 and to serve in that office for two years.

The Vice Chairman stated that the proposed change in officers would take effect with the January AGWA meeting, and he asked for a motion relative to the Nominating Committee's recommendation. Director Blevins nominated

Director Mowry to serve a second year as Chairman, and he nominated Director Rossi as Vice Chairman. Director Cavender seconded the nominations, and the Vice Chairman asked if there were any other nominations. There being no further nominations, a unanimous ballot for Director Mowry as Chairman and Director Rossi as Vice Chairman was cast.

Meeting Change Survey Results - The Vice Chairman stated that, because of a change in time of one of WRD's monthly board meetings so that it now conflicts with AGWA meetings, the Chairman had requested a change in AGWA's regular meeting time. Consequently, an e-mail survey was conducted during the previous month to determine whether it was possible to change AGWA's regular meeting time from the morning of the third Monday of each month to the afternoon of the third Monday of each month. The Vice Chairman stated that it appears from the survey that moving the meeting to the afternoon will continue to satisfactorily accommodate members.

On motion made by Director Rossi, seconded by Director Blevins, and unanimously approved, the time of the regular AGWA meeting will be changed to 1:30 p.m. on the third Monday of each month. The Vice Chairman stated that this change would take effect with the next meeting, which is scheduled for December 16 at 1:30 p.m. at the offices of Chino Basin Watermaster.

Discussion of 2003 AGWA Conference - Director Blevins introduced Ms. Rita Sudman of the Water Education Foundation (WEF) and asked her to report on progress of the planning of AGWA's 2003 conference. Ms. Sudman stated that WEF staff have reserved the Doubletree Hotel in Ontario, California on April 17 and 18 for the conference.

The Vice Chairman noted that April 18 is Good Friday and asked those present if they believed this could create a significant conflict. Ms. Sudman stated that she was not aware that this date was Good Friday, and she added that she would follow up with her staff to examine scheduling alternatives.

The Vice Chairman stated that it had already been discussed at previous meetings to make groundwater quality issues a focus of the conference, and he asked members to provide Director Blevins with more specific ideas.

Ms. Sudman stated that she would like volunteers for a committee among AGWA members to develop the conference program and that she would like to hold a conference call among this committee during the second or third week of December. Director Blevins stated that Mr. Ken Breitag had already expressed interest, and he asked for additional volunteers, noting that he would like Director Rossi's participation as AGWA's incoming Vice Chairman. Director Rossi stated that he would be happy to serve on the committee, and Mr. David Bolin and Mr. Kelly Rowe also volunteered.

Ms. Sudman added that the Water Education Foundation was gratified to help coordinate the 2002 AGWA conference and that it had been working with groundwater issues for ten years, since it had received a grant from the Kellogg Foundation to produce WEF's first groundwater map. She also outlined WEF's other groundwater programs, and she thanked AGWA for its assistance in helping to make these programs possible.

Ms. Sudman stated that she had brought with her to the meeting two checks. The first check, in the amount of \$520, was AGWA's portion of the sales of Conjunctive Use Guides through WEF. Ms. Sudman also stated that she had discussed the expenses of the 2002 AGWA conference with Director Blevins. From the \$46,000 in conference receipts, \$30,000 went to direct expenses. Of the remaining \$17,000, WEF charged \$4,000 for clerical support of the conference and \$6,000 for

additional staff hours. Ms. Sudman stated that, pursuant to a conversation with Director Blevins, \$2,000 of the remainder was directed toward support of WEF's groundwater tour. This meant that the net balance from the 2002 AGWA conference amounted to \$4,500. Therefore, she had brought with her today a check to AGWA for \$2,225. She added that she had hoped that WEF could keep these funds in order to support its "No-No Game", an educational toy to teach schoolchildren about watershed pollution. She also commented that, in staging events such as the AGWA conference, the intention of WEF is not just to break even financially but to raise funds to support WEF educational programs for children.

The Vice Chairman stressed that in asking for half of the net proceeds of the 2002 AGWA conference it should not be construed that AGWA was dissatisfied with WEF's work on the conference but that determination of how these funds were allocated should have been left for AGWA to decide.

Director Blevins stated that he had originally discussed with Ms. Sudman that \$2,000 from conference proceeds be directed to WEF's "No-No Game" and that he now proposes that WEF keep the check for \$2,225 for its programs.

Director Cavender stated that AGWA has identified the need for educational materials directed at lawmakers, especially one-page fact sheets about local groundwater. Director Rossi, too, noted that it would be beneficial to AGWA for WEF to develop a presentation to assist in communicating with legislators.

Ms. Sudman commented that WEF has developed "Layperson's Guides", including an edition specifically covering groundwater, which are short and are directed at reporters and legislators. WEF has also organized a series of brown-bag lunches for lawmakers and their staffs and has developed half hour videotapes directed at legislators. She noted, however, that the problem in communicating with legislators is that they do not seem to care about water issues until a crisis situation has arisen. WEF has, therefore, concentrated efforts with legislative staff members who may be more motivated to learn about water issues for their own career progress.

Ms. Sudman stated that, perhaps, funds from the AGWA conference could be directed at efforts more directly related to AGWA's interests. She noted that WEF had developed a PowerPoint presentation covering California water issues, which has been very popular with legislators and that WEF is in the process of developing a similar presentation about the Colorado River. She suggested that WEF could begin working on a PowerPoint presentation which would help communicate about groundwater issues.

Director Blevins stated that he recommends that WEF use the amount of the \$2,225 check, plus the rest of AGWA's portion of the conference proceeds, to begin work on a PowerPoint presentation and that WEF contact AGWA if additional funds were required. On motion made by Director Cavender, seconded by Director Blevins, and unanimously carried, AGWA directed its entire portion of the 2002 conference proceeds to the Water Education Foundation for the development of a PowerPoint presentation for communication with legislators.

National Drinking Water Council Endorsement for Chairman Mowry - The Vice Chairman stated that, as a continuation of an item from the previous meeting, AGWA was expecting more information relative to the National Drinking Water Council in order to consider endorsement of Chairman Mowry to a seat on that panel. Mr. Kavous Emami of WRD stated that all of the paperwork had been filed relative to Chairman

Mowry's nomination to the National Drinking Water Council and there was no longer a need for AGWA to take action.

STANDING COMMITTEE REPORTS

Metropolitan Water District of Southern California Liaison Committee - The Vice Chairman stated that there was little news of note relative to MWD. MWD is in the process of implementing its new rate structure, which takes effect in 2003, and the MWD Board is expected to take action on its new Integrated Water Resources Plan (IRP) in December or January.

Director Rossi noted that the Chino Basin Watermaster, in coordination with Inland Empire Utilities Agency, is close to completing development of a conjunctive use agreement with MWD. The Vice Chairman added that Raymond Basin Management Board, too, is nearing finalization of a conjunctive use agreement with MWD.

General Communications/Public Information Committee - Director Blevins reported that there was nothing of note to share relative to AGWA; however, he stated that he had attended the American Ground Water Trust's conference on the previous Friday. Director Blevins stated that the conference, entitled "Legal Issues and Ground Water in California: Update on Recent Developments", was very good and that it was the type of conference that AGWA should want to continue through its own event.

Program Committee - In addition to discussion about AGWA's 2002 and 2003 conferences, Mr. Kelly Rowe stated that he is the organizing chairman for the American Water Resources Association's annual national meeting to be held in San Diego, November 2-6, 2003. He noted that Director Kendall is chairing the conference's technical planning committee and that a good program is planned. At this year's conference in Philadelphia there were approximately 75 different sessions, and it appears that the 2003 national meeting will be as big. Mr. Rowe further noted that he would be sending out letters requesting sponsorships for the conference and that he would like AGWA to be a sponsor.

Legislative Committee - Mr. Kavous Emami stated that Chairman Mowry had informed him that, because of the current legislative recesses, there was nothing of note to report.

Director Rossi reported that together with Chairman Mowry he had recently had the opportunity to make a presentation at a session, organized by Assembly Member Carol Liu, which was intended to educate local legislators about water issues. Director Rossi stated that AGWA might want to consider organizing a similar session. He noted that it is an on-going struggle to keep lawmakers adequately informed about groundwater issues and that this is a role in which AGWA could lead efforts in developing educational programs geared toward legislators.

OTHER

Director Blevins reported that the Upper Los Angeles River Area Watermaster is assembling a report to memorialize historical information relative to hexavalent chromium contamination in the San Fernando Basin. The report will be filed with the Court, and, upon completion, it will be made available to anyone who would like a copy.

FUTURE AGENDA ITEMS

Mr. Frank Forbes reported that he had spoken with Dennis Underwood of MWD, and Mr. Underwood has agreed, as discussed at the October AGWA meeting, to do a presentation about the future of Colorado River water; however, because of the current issues involving the proposed transfer of Colorado River water rights from the Imperial Valley to San Diego, he is unavailable to give the presentation until AGWA's January meeting.

The Vice Chairman stated that because the Colorado River presentation would not be given until January, there is currently no presentation scheduled for the December meeting. He stated that a presentation was not necessary at every meeting and that perhaps it might be appreciated if there was no program in December, allowing for a shorter meeting in what is always a busy month. He asked if anyone objected to this idea.

NEXT MEETING

The Chairman stated that the next meeting would be held on Monday, December 16, 2002, at 1:30 a.m. at the offices of the Chino Basin Watermaster located in Rancho Cucamonga, CA. He also noted that the January AGWA meeting would fall on Monday, January 20, 2003, but that date is Martin Luther King Day, a holiday for many agencies. After discussion it was decided that the January meeting should be held on Tuesday, January 21 at 1:30, and that it also be held at the Chino Basin Watermaster offices because the Main San Gabriel Basin Watermaster's meeting room would likely not be available on that date.

Carol Williams, Secretary/CFO

ATTEST:

Dr. Bruce Mowry, Chairman



CHINO BASIN WATERMASTER

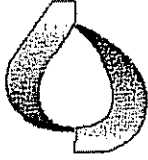
January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

REPORTS/UPDATES

C. INLAND EMPIRE UTILITIES AGENCY



Inland Empire
UTILITIES AGENCY

**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE
January 30, 2003**

AGENDA

INTER-AGENCY WATER MANAGERS' REPORT

**Chino Basin Watermaster
8632 Archibald Ave., Suite 109
Rancho Cucamonga, CA 91730**

30 – 40 Minutes

PROPOSED ITEMS:

1. MWD Conjunctive Use Program/Dry Year Yield – Rich Atwater
2. MWD Rate Structure Update – Rich Atwater
3. IRP Update – Rich Atwater
4. Conservation Programs – Dave Hill (verbal update)
5. Legislative Update – Martha Davis
6. Communications Programs – Sondra Elrod (verbal update)
7. Other

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CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

REPORTS/UPDATES

C. INLAND EMPIRE UTILITIES AGENCY

1. MWD Conjunctive Use Program/Dry Year Yield



• **Board of Directors**
Water Planning, Quality and Resources Committee

February 11, 2003 Board Meeting

X-X

Subject

Authorize entering into an agreement for the Conjunctive Use Storage Project with Inland Empire Utilities Agency and Chino Basin Watermaster under Proposition 13, and authorize the modification of the Carbon Canyon Reclamation Agreement

Description

The Governor's Annual Budget Act, released in May 2000, appropriated to the Department of Water Resources local assistance grant funds from Proposition 13. From these funds, the state allocated \$45 million to Metropolitan to help finance Southern California water reliability projects targeting groundwater conjunctive-use projects within Metropolitan's service area. These conjunctive-use projects will improve the water supply reliability for the entire region by creating additional dry-year supply, as targeted in the Integrated Water Resource Plan.

In April 2001, the Board directed staff to finalize agreement terms with the sponsoring entities that were selected through the Prop. 13 competitive Request for Proposal process. Included in the selection were the Chino Basin Groundwater Storage Project, sponsored by Inland Empire Utilities Agency, and Chino Basin Watermaster. This conjunctive-use program was recommended to receive \$9 million from the Prop. 13 funds allocated to Metropolitan. In November 2001, the Board authorized the Chief Executive Officer to proceed with finalizing an expanded program costing an additional \$18.5 million. The expanded program included the modification of the agreement for the Carbon Canyon Reclamation Project under the Local Projects Program, and refurbishment of inactive IEUA replenishment connections.

The Chino Basin Groundwater Storage Project will enable Metropolitan to store up to 100,000 acre-feet of water in the Chino Basin during wet years and produce 33,000 acre-feet per year for overlying demand during dry, drought, or emergency periods. The program facilities include new wells and ion exchange treatment facilities. On August 22, 2001, IEUA submitted the signed Program Term Sheet (**Attachment 1**) for this project to Metropolitan. The Program Term Sheet briefly describes the key articles of the agreement, consistent with Metropolitan's Principles for Groundwater Storage approved by the Board in January 2000, and is the basis of the contractual agreement. The submittal of the signed Program Term Sheet by IEUA signifies the intent to execute an agreement to develop the conjunctive-use project.

As part of the conjunctive-use project, Metropolitan would agree to a cost sharing approach to refurbish four existing replenishment connections (CB-11TB, CB-13T, CB-14T, and CB-15T) and one new connection along the Etiwanda Feeder. Metropolitan would review and approve design drawings, inspect constructed facilities, and approve all connections at a cost of \$600,000. IEUA will fund and contract for the design and construction of all five connections. IEUA would also be responsible for all permits and environmental work necessary to complete the new connection and reactivate the old replenishment connections. Another component of the project would permit modification of the Carbon Canyon Reclamation Project agreement to allow for credits under the LPP, which could then be applied to other areas in the IEUA service area under a new agreement. The resultant acceleration of recycled water use would enable local agencies to redirect groundwater production to higher-value potable applications, offsetting demand for imported water. The agreement limit of 13,500 acre-feet per year would remain unchanged; therefore, Metropolitan would have no new funding commitment.

Metropolitan has prepared the contractual agreement consistent with the Program Term Sheet for the Chino Basin Groundwater Storage Project and the modified agreement for the Carbon Canyon Reclamation Project. These

contractual agreements are available for review at the Executive Secretary's office. Under the contractual agreement IEUA will be responsible for the preparation of the CEQA documentation as the lead agency and the design, construction and operation of the facilities. This program would add to the conjunctive-use projects the Board approved last year with the City of Long Beach and Three Valley Municipal Water District.

Policy

Action by the Board on August 10, 1999, Board Letter 9-3

Action by the Board on January 11, 2000, Board Letter 9-5

Action by the Board on October 10, 2000, Board Letter 8-5

Action by the Board on April 10, 2001, Board Letter 9-9

Action by the Board on November 20, 2001, Board Letter 9-2

California Environmental Quality Act (CEQA)

CEQA determination(s) for Option #1

Conjunctive Use Storage Project with IEUA and Watermaster under Proposition 13

Pursuant to the provisions of CEQA and the State CEQA Guidelines, IEUA, acting as Lead Agency, prepared and processed a Final Program Environmental Impact Report (Final PEIR) for the Chino Basin Optimum Basin Management Program. The Final PEIR was certified and the project was approved by the Lead Agency on July 12, 2000. The environmental effects associated with construction activities tied to the proposed agreement between Metropolitan, IEUA, and the Watermaster were evaluated in the Final PEIR. Subsequent to that process, proposed minor modifications to those construction activities were found to be necessary. As a consequence, IEUA prepared a Finding of Consistency with the Final PEIR/Initial Study (i.e., Addendum) relating to those proposed modifications and found that no new significant effects would occur or no new mitigation measures would be required beyond what had been previously addressed in the Final PEIR. The Addendum (see **Attachment 2**) was certified by IEUA on December 18, 2002. Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the certified Final PEIR and Addendum and adopt the Lead Agency's findings prior to approval of the proposed agreement. The Final PEIR is available in the Executive Secretary's Office for review.

The CEQA determination is: Review and consider information provided in the 2000 certified Final PEIR and in the 2002 certified Addendum, and adopt the Lead Agency's findings related to the proposed agreement.

Amendment to the Carbon Canyon Reclamation Agreement

Pursuant to the provisions of CEQA and the State CEQA Guidelines, IEUA, acting as Lead Agency, prepared and processed the Final PEIR for the Chino Basin Optimum Basin Management Program. The Final PEIR was certified and the project was approved by the Lead Agency on July 12, 2000. The environmental effects associated with construction activities tied to the proposed amendment to the existing agreement were evaluated in the Final PEIR. Metropolitan shall have no obligations regarding funding of the future improvements under this proposed amendment, until such time as the Lead Agency has complied with the requirements of CEQA and the State CEQA Guidelines. Metropolitan, as Responsible Agency under CEQA, is required to certify that it has reviewed and considered the information in the certified Final PEIR and adopt the Lead Agency's findings prior to approval of the proposed amendment to the existing agreement. The Final PEIR is available in the Executive Secretary's Office for review.

The CEQA determination is: Review and consider information provided in the 2000 certified Final PEIR, and adopt the Lead Agency's findings related to the proposed agreement.

CEQA determination for Option #2:

None required.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Authorize the CEO to enter into an agreement in a form acceptable to the General Counsel for the Chino Basin Groundwater Storage Project with IEUA and Watermaster.
- b. Authorize the CEO to enter into an agreement in a form acceptable to the General Counsel that will modify the Carbon Canyon Reclamation agreement to allow credits under the LPP to be applied to other areas in the IEUA service area.
- c. Appropriate \$600,000 for Metropolitan's costs associated with the review, approval of design drawings, and inspection of the refurbished and new replenishment connections.

Fiscal Impact: Up to \$19.1 million in Proposition 13 or other State Funds, or Metropolitan's Local Groundwater Storage Program (Appropriation 15272). No additional financial commitment for the LPP will be realized.

Option #2

Do not proceed with approval of agreement.

Fiscal Impact: May jeopardize current plans to spend \$9 million of Proposition 13 funds in the Chino Basin

Staff Recommendation

Option #1

<i>Stephen N. Arakawa</i>	<i>Date</i>
<i>Manager, Water Resource Management</i>	

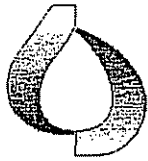
<i>Ronald R. Gastelum</i>	<i>Date</i>
<i>Chief Executive Officer</i>	

Attachment 1 - Terms of Agreement for the Chino Basin Groundwater Storage Project

Attachment 2 - Findings of Consistency of the Chino Groundwater Basin Dry-Year Yield Program / Addendum to Optimum Basin Management Program

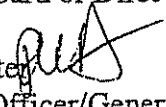
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Date: October 17, 2001

To: The Honorable Board of Directors

From: Richard W. Atwater 
Chief Executive Officer/General Manager

Subject: MWD Proposed Term Sheet for Proposition 13 Grant Funding of the Chino Basin Groundwater Storage Program – Amendments to the Term Sheet

RECOMMENDATION

It is recommended that the Board of Directors approve the amended Terms of Agreement for Proposition 13 Funding for Chino Basin Programs, and authorize the Chief Executive Officer/General Manager to execute the amended Term Sheet.

BACKGROUND

Agency staff and Chino Basin Watermaster have been working with MWD staff on an arrangement for the Chino Basin Groundwater Storage Program funding from MWD (and Proposition 13 grants). The amended Term Sheet provides \$27.5 million for constructing new production facilities for the benefit of the retail water utilities.

- \$ 9 million would be funded from Proposition 13
- \$18.5 million would be funded by MWD

In addition, MWD agreed to amend IEUA's recycled water local projects agreement to be applied throughout IEUA's service area.

The Term Sheet provides established principles for the execution of a contract. In addition, MWD has agreed to advance funds (approximately \$1.5 million) for the CEQA/preliminary engineering activities.

The Term Sheet also indicates that the contract may not be executed until September 1, 2002. The contract will be required prior to award of construction contracts.

PRIOR BOARD ACTION

This matter was discussed as an information item with the Board of Directors on August 1, 2001, and was approved (Term Sheet) by the Board on August 15, 2001. The revisions to the Term Sheet were discussed at the October 3, 2001, Board meeting.

IMPACT ON BUDGET

All costs will be reimbursed by MWD.

**Chino Basin Groundwater Conjunctive Use Program
Metropolitan/IEUA/Chino Basin Watermaster Partnership Under Proposition 13 RFP
Program Terms**

Program Storage Target	100,000 AF (Operating Committee will establish actual levels)
Annual Yield Target	33,000 AF (Operating Committee will establish actual levels)
Total Water	Program will be cycled as necessary over program term to meet dry year demands or emergencies.
Total Capital Investments	<p>TOTAL = \$27.5 million</p> <p>\$9 million from Prop 13 fund</p> <ul style="list-style-type: none"> > Cost-based > Ion Exchange Treatment Facilities <p>\$18.5 million from Metropolitan or other sources</p> <ul style="list-style-type: none"> > Subject to approval by the Metropolitan Board > Ion Exchange Treatment Facilities > 8 Pumping Wells
Annual Administration Fee	<p>\$132,000</p> <ul style="list-style-type: none"> > Fee will be escalated using the lesser of 2.5% or CPI
Program Term	25 years
Storage Losses	Metropolitan will be assessed storage loss in the same manner as other parties in the basin.
Payment for Water Delivery	Metropolitan will be paid the firm untreated water rate when water is produced from storage.
Energy & Maintenance Cost	Metropolitan will pay the actual Energy and Maintenance cost to extract annual yield.
Miscellaneous Conditions	<ul style="list-style-type: none"> > Replenishment Connections – Metropolitan forces to refurbish and activate existing connections -- will be listed. > Metropolitan and IEUA staff to produce engineering report for proposed new connections and develop cost sharing plan > Replenishment connections may be used to store Metropolitan water. > Metropolitan will allow shifting a portion of Carbon Canyon Reclamation Project yield under the Local Resources Program to other IEUA recycling plants.

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CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

REPORTS/UPDATES

C. INLAND EMPIRE UTILITIES AGENCY

2. MWD Rate Structure Update



• **Board of Directors**
Budget, Finance and Investment Committee

January 14, 2003 Board Meeting

9-1

Subject

Apportionment of revenues and setting of water rates and charges to raise firm revenues, and adopt resolutions giving notice of intention to impose rates and charges

Description

This letter requests that the Board set a time for a public hearing of the Budget, Finance and Investment Committee at which interested parties may present their views regarding the Chief Executive Officer's recommendations for rates and charges.

In addition, this letter recommends approval of resolutions of Metropolitan's intention to: (1) impose the Readiness-to-Serve Charge (including the Water Standby Charge) for fiscal year 2003/04; and (2) impose the Capacity Reservation Charge and Peaking Surcharge for FY 2003/04.

Metropolitan Water District Administrative Code § 4304(c) requires the CEO to present recommendations for water rates and charges for the next fiscal year based on the Budget, Finance and Investment Committee's determination of required water revenues, and to set a time for a hearing of the Budget, Finance and Investment Committee at which interested parties may present their views of the recommendations. In December 2002, the Budget Finance and Investment Committee considered the CEO's determination of the revenues to be derived from water rates and charges during FY 2003/04 in Committee Letter 6a, entitled "Determination of water revenue requirements for FY 2003/04," and approved moving forward with the rate setting process.

The recommended rates and charges to be effective Jan. 1, 2004, reflect Metropolitan's revised rate structure, which was initially effective Jan. 1, 2003. The cost-of-service analysis supporting the recommended rates and charges is described in Attachment 1, "Metropolitan Water District of Southern California, FY 2003/04 Cost of Service," and is consistent with the cost of service process approved last year.

The CEO's recommendation for water rates and charges for the coming fiscal year is shown in the table, "Recommended Rates and Charges." The overall increase in rates and charges revenue for FY 2003/04 is estimated to be 0.3 percent and is attributed to a \$10-per-acre-foot increase in the treatment surcharge. This represents the first increase in Metropolitan's rates and charges since January 1997. In addition, it should be noted that certain elements of the unbundled rate are increasing while others are decreasing, reflecting the cost-of-service analysis. The CEO is recommending an increase in the system access rate and water stewardship rate. However, these increases would be offset by a decrease in the system power rate, resulting in no change to the untreated cost of water.

The recommended rates and charges were determined based on a total revenue requirement of \$935.1 million for FY 2003/04. The existing rates which are effective through Dec. 31, 2003 and the recommended rates which are effective Jan. 1, 2004 would generate a combined revenue of \$859.9 million. This assumes total sales of 2.07 million acre-feet. About \$76 million from the water rate stabilization fund will be utilized to meet obligations during 2003/04.

Table 1. Recommended Rates and Charges		
Description:	(Effective January 1, 2003)	(Effective January 1, 2004)
Tier 1 Supply Rate (\$/af)	\$73	\$73
Tier 2 Supply Rate (\$/af)	\$154	\$154
System Access Rate (\$/af)	\$141	\$163
System Power Rate (\$/af)	\$89	\$60
Water Stewardship Rate (\$/af)	\$23	\$30
Full Service Untreated Volumetric Cost (\$/af)	N/A	N/A
Tier 1	\$326	\$326
Tier 2	\$407	\$407
Long-term Storage Water Rate Untreated (\$/af)	\$233	\$233
Interim Agricultural Water Program Untreated (\$/af)	\$236	\$236
Treatment Surcharge (\$/af)	\$82	\$92
Full Service Treated Volumetric Cost (\$/af)		
Tier 1	\$408	\$418
Tier 2	\$489	\$499
Long-term Storage Water Rate Treated (\$/af)	\$290	\$300
Interim Agricultural Water Program Treated (\$/af)	\$294	\$304
Readiness-to-Serve Charge (\$M)	\$80.0	\$80.0
Capacity Reservation Charge (\$/cfs)	\$6,100	\$6,100
Peaking Surcharge (\$/cfs)	\$18,300	\$18,300

- a. **Tier 1 Supply Rate.** It is recommended that the Tier 1 Supply Rate remain unchanged at \$73 per acre-foot. The Tier 1 Supply Rate recovers Metropolitan's supply costs that are not recovered by sales at the Tier 2 Supply Rate and a portion of the long-term storage and agricultural water sales. The Tier 1 Supply Rate will be charged on a dollar per acre-foot basis for system supply delivered to meet firm demands in excess of the Tier 1 Annual Limit as shown in Schedule 1, Attachment 1.
- b. **Tier 2 Supply Rate.** The Tier 2 Supply Rate is set at a level that reflects Metropolitan's cost of developing supplies. Since no additional supply programs have been implemented and provided benefit to Metropolitan since the Tier 2 Supply rate was set last year it is recommended that the Tier 2 Supply Rate remain unchanged at \$154 per acre-foot. The Tier 2 Supply Rate will be charged on a dollar per

acre-foot basis for system supply delivered to meet firm demands that are greater than the Tier 1 demands.

- c. **System Access Rate.** It is recommended that the System Access Rate be increased from the current level of \$141 per acre-foot to \$163 per acre-foot. The System Access Rate recovers a portion of the costs associated with the conveyance and distribution system, including capital and operating and maintenance costs. All users (including member agencies and third-party wheeling entities) of the Metropolitan system pay the System Access Rate. This increase is due to higher departmental operations and maintenance costs allocated to the distribution and conveyance functions, higher State Water Contract costs for operations, maintenance, rehabilitation and replacement and lower revenue offsets such as hydroelectric power revenues.
- d. **Water Stewardship Rate.** It is recommended that the Water Stewardship Rate be increased from the current level of \$23 per acre-foot to \$30 per acre-foot. The Water Stewardship Rate will be charged on a dollar per acre-foot basis to collect revenues to support Metropolitan's financial commitment to conservation, water recycling, groundwater recovery and other water management programs approved by the Board. It is estimated that Metropolitan's contributions to the programs will increase by more than \$12 million in FY 2003/04 due to increased production from recycled water projects and expansion of Metropolitan's commercial and outdoor landscape and conservation program. The Water Stewardship Rate is charged for every acre-foot of water conveyed by Metropolitan.
- e. **System Power Rate.** It is recommended that the System Power Rate be reduced by \$29 per acre-foot to \$60 per acre-foot. The System Power Rate will be charged on a dollar per acre-foot basis to recover the cost of power necessary to pump water from the State Water Project and Colorado River through the conveyance system. The System Power Rate will be charged for all Metropolitan supplies. As the market for power has returned to historic levels, power costs for pumping water on the Colorado River Aqueduct and State Water Project are anticipated to return to historic average levels as well. Entities wheeling water will pay the actual cost of power.
- f. **Treatment Surcharge.** It is recommended that the full service treatment surcharge be increased from the current level of \$82 per acre-foot to \$92 per acre-foot. The treatment surcharge recovers the cost of providing treated water service, including allocated capital financing costs and operating and maintenance cost. This increase is due to higher power, chemical and sludge disposal costs, an increase in capital financing costs and higher departmental operations and maintenance costs allocated to the treatment function.
- g. **Capacity Reservation Charge and Peaking Surcharge.** The Capacity Reservation Charge is recommended to remain unchanged at \$6,100 per cubic-foot-second of capacity requested by the member agency. The Peaking Surcharge is recommended to be \$18,300 per cfs of daily flow in excess of a member agency's requested maximum daily flow amount. The Capacity Reservation Charge is a fixed charge levied on the amount of capacity requested by the member agency. The Capacity Reservation Charge recovers the cost of providing peak capacity within the distribution system. Peak-day deliveries in excess of the requested amount of capacity chosen by the member agency will be assessed a Peaking Surcharge. Daily flow measured between May 1 and Sept. 30 for purposes of billing the Capacity Reservation Charge and Peaking Surcharge will include all deliveries made by Metropolitan to a member agency or member agency customer including water transfers, exchanges and agricultural deliveries.
- h. **Transition Period for Peaking Surcharge.** The Capacity Reservation Charge and Peaking Surcharge are designed to encourage member agencies to shift demands and avoid placing large daily peaks on the Metropolitan system during the summer months. To ease the transition to the new rate structure a transition mechanism intended to reduce negative impacts to member agencies was put into place. Last year it was proposed that Peaking Surcharge revenue collected by Metropolitan for the three years ending Dec. 2005, would be credited back to the member agency to implement capital projects and programs to avoid peaking charges in the future. But a minimum requested capacity amount equivalent to 75 percent of the member agency's May through September average peak-day-demand for the five years ending

June 30, 2000 was required. Summertime peak-day demands of over 4,000 cfs for the total system are not uncommon. To maintain the transition mechanism and to be consistent with the intent of the charge it is recommended that beginning Jan. 1, 2004 and continuing through Dec. 2005, two-thirds of the Peaking Surcharge be credited back to the member agency rather than the full amount. Through this revision member agencies will pay the Capacity Reservation Charge for the actual amount of capacity used and will still have the opportunity to adjust their operations without being subject to a Peaking Surcharge.

- i. **Readiness-to-Serve Charge.** It is recommended that the Readiness-to-Serve Charge remain at the current level of \$80 million. Metropolitan's Readiness-to-Serve Charge recovers costs associated with standby and peak conveyance capacity and system emergency storage capacity. The Readiness-to-Serve Charge is allocated among the member agencies on the basis of each agency's ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity). Revenues equal to the amount of Standby Charges will continue to be credited against the member agency's Readiness-to-Serve Charge obligation unless a change is requested by the member agency. Each agency's Readiness-to-Serve Charge is shown in **Attachment 2**.
- j. **Long-Term Storage Water Rate.** It is recommended that the untreated long-term storage water rate remain at its current level of \$233 per acre-foot. It is also recommended that the treated long-term storage water rate increase from its current level of \$290 per acre-foot to \$300 per acre-foot, reflecting the increase in treatment costs.
- k. **Agricultural Water Rate.** It is recommended that the agricultural water rate remain unchanged at the current level of \$236 per acre-foot. It is also recommended that the treated agricultural water rate increase from its current level of \$294 per acre-foot to \$304 per acre-foot, consistent with the increase in treatment costs.

Policy

Metropolitan Water District Administrative Code § 4304 (c) (f): Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenues

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed actions are not defined as a project under CEQA, because they involve continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed actions are not subject to CEQA because they involve the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed actions are not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Set a time for a public hearing of the Budget, Finance and Investment Committee at which interested parties may present their views regarding the Chief Executive Officer's recommendation for rates and charges to be effective Jan. 1, 2004.
- b. Adopt the following resolutions:
 1. Resolution of intention to impose the Readiness-to-Serve charge in the form shown as **Attachment 2** to this letter, declaring the Board's intention (i) at its Mar. 11, 2003 meeting to consider and act upon the Chief Executive Officer's recommendation to impose a Readiness-to-

Serve Charge and (ii) at its May 13, 2003 meeting to consider and act upon the Chief Executive Officer's recommendation to impose standby charges within the territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS charge.

- 2. Resolution of intention to impose a Capacity Reservation Charge and Peaking Surcharge in the form shown as Attachment 3 to this letter, declaring the Board's intention, at its Mar. 11, 2003 meeting to consider and act upon the Chief Executive Officer's recommendation to impose a Capacity Reservation Charge and Peaking Surcharge.

Estimated Fiscal Impact: An increase in revenues of \$2.8 million and an overall increase in rates of 0.3 percent during FY 2003/04 if the rates and charges are adopted as recommended.

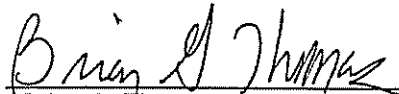
Option #2

Adopt the CEQA determination and instruct staff to modify the recommended rates and charges per board direction.

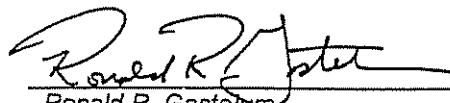
Fiscal Impact: Unknown

Staff Recommendation

Option #1


 Brian G. Thomas
 Chief Financial Officer

12/20/2002
Date


 Ronald R. Gastelum
 Chief Executive Officer

12/20/2002
Date

Attachment 1 – Metropolitan Water District of Southern California, FY 2003/04 Draft Cost of Service

Attachment 2 – Resolution of Intent (Readiness-to-Serve Charge)

Attachment 3 – Resolution of Intent (Capacity Reservation and Peaking Surcharge)

BLA #2070

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Schedule 11
Purchase Order Commitment Quantities (acre-feet)

	Tier 1 Annual Limit	Purchase Order Commitment (acre-feet)
Anaheim	22,240	148,268
Beverly Hills	13,380	89,202
Burbank	16,336	108,910
Calleguas	103,801	692,003
Central Basin	72,360	482,400
Compton	5,058	33,721
Eastern	75,700	504,664
Foothill	10,997	73,312
Fullerton	11,298	75,322
Glendale	26,221	174,809
Inland Empire	59,752	398,348
Las Virgenes	20,565	137,103
Long Beach	39,471	263,143
Los Angeles	304,970	2,033,132
MWDOC	222,924	1,486,161
Pasadena	21,180	141,197
San Diego	500,705	3,338,035
San Fernando	630	-
San Marino	1,199	-
Santa Ana	12,129	80,858
Santa Monica	11,109	74,062
Three Valleys	70,400	469,331
Torrance	20,967	139,780
Upper San Gabriel	16,511	110,077
West Basin	156,874	1,045,825
Western	58,769	391,791
Total	1,875,546	12,491,453

Table 1
Fiscal Year 2003/04 READINESS-TO-SERVE CHARGE

Member Agency	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1991/92 - FY2000/01	RTS Share	6 months @ \$80 million per year (7/03-12/03)	Rolling Ten-Year Average Firm Deliveries (Acre-Feet) FY1992/93 - FY2001/02	RTS Share	6 months @ \$80 million per year (1/04-6/04)	Total RTS Charge
Anaheim	16,740	1.09%	\$ 436,321	17,136	1.13%	\$ 451,395	\$ 887,716
Beverly Hills	19,163	0.86%	\$ 443,103	13,301	0.86%	\$ 350,384	\$ 693,487
Burbank	14,708	0.96%	\$ 383,366	14,120	0.93%	\$ 371,936	\$ 755,302
Calleguas MWD	81,345	5.95%	\$ 2,380,817	95,234	6.27%	\$ 2,508,834	\$ 4,889,651
Central Basin MWD	73,661	4.80%	\$ 1,919,982	62,958	4.15%	\$ 1,658,444	\$ 3,578,426
Compton	4,051	0.26%	\$ 105,578	4,006	0.26%	\$ 105,522	\$ 211,100
Eastern MWD	55,412	3.61%	\$ 1,444,338	58,753	3.87%	\$ 1,547,671	\$ 2,992,008
Foothill MWD	6,926	0.68%	\$ 232,652	8,663	0.57%	\$ 228,188	\$ 460,851
Fullerton	7,679	0.51%	\$ 205,369	7,427	0.49%	\$ 195,641	\$ 401,010
Glendale	26,344	1.72%	\$ 686,670	27,151	1.78%	\$ 715,200	\$ 1,401,870
Inland Empire Utilities Agency	43,233	2.82%	\$ 1,126,878	43,875	2.89%	\$ 1,155,740	\$ 2,282,619
Las Virgenes MWD	16,681	1.22%	\$ 486,920	19,801	1.30%	\$ 521,589	\$ 1,008,509
Long Beach	41,736	2.72%	\$ 1,087,850	35,524	2.34%	\$ 935,768	\$ 2,023,617
Los Angeles	178,632	11.64%	\$ 4,658,088	167,836	11.02%	\$ 4,407,943	\$ 9,064,030
Municipal Water District of Orange County	206,341	13.45%	\$ 5,378,334	207,931	13.69%	\$ 5,477,298	\$ 10,855,632
Pasadena	17,698	1.15%	\$ 461,812	15,088	0.99%	\$ 397,455	\$ 858,766
San Diego County Water Authority	389,077	25.35%	\$ 10,141,374	414,444	27.29%	\$ 10,917,250	\$ 21,058,624
San Fernando	221	0.01%	\$ 5,757	66	0.00%	\$ 1,466	\$ 7,223
San Marino	1,186	0.08%	\$ 30,812	1,168	0.08%	\$ 30,771	\$ 61,683
Santa Ana	12,626	0.82%	\$ 329,097	9,318	0.61%	\$ 245,444	\$ 574,541
Santa Monica	8,834	0.58%	\$ 230,269	9,134	0.60%	\$ 240,618	\$ 470,888
Three Valleys MWD	61,285	3.99%	\$ 1,588,106	63,146	4.16%	\$ 1,683,375	\$ 3,259,481
Torrance	20,632	1.34%	\$ 537,790	21,416	1.41%	\$ 564,126	\$ 1,101,916
Upper San Gabriel Valley MWD	8,400	0.55%	\$ 218,940	9,172	0.60%	\$ 241,810	\$ 460,550
West Basin MWD	171,126	11.15%	\$ 4,460,439	147,014	9.68%	\$ 3,872,622	\$ 8,333,061
Western MWD	42,725	2.78%	\$ 1,113,639	45,323	2.98%	\$ 1,193,899	\$ 2,307,538
MWD Total	1,534,811	100.00%	\$ 40,000,000	1,518,494	100.00%	\$ 40,000,000	\$ 80,000,000

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Schedule 12
Estimated Fiscal Year 2004 Deliveries
(assuming expected normal demands)

	Tier 1*	Tier 2*	Agricultural	Long-term Storage	Total
Anaheim	16,569	-	-	-	16,569
Beverly Hills	11,772	-	-	-	11,772
Burbank	13,096	-	-	-	13,096
Calleguas	101,162	22,120	3,599	-	126,881
Central Basin	58,745	-	-	21,285	80,030
Compton	5,058	302	-	-	5,360
Eastern	69,670	21,205	20,029	-	110,904
Foothill	9,753	557	-	-	10,310
Fullerton	8,284	-	24	-	8,308
Glendale	20,444	-	-	-	20,444
Inland Empire	52,532	7,373	88	6,500	66,493
Las Virgenes	18,188	1,832	-	-	20,020
Long Beach	32,293	-	-	8,000	40,293
Los Angeles	258,038	-	-	-	258,038
MWDOC	209,925	-	8,034	94,000	311,959
Pasadena	23,070	-	-	-	23,070
San Diego	384,800	47,362	85,727	4,000	521,889
San Fernando	-	-	-	-	-
San Marino	1,000	-	-	-	1,000
Santa Ana	12,354	323	-	-	12,677
Santa Monica	10,892	669	-	-	11,561
Three Valleys	67,340	-	75	5,400	72,815
Torrance	20,475	-	-	-	20,475
Upper San Gabriel	13,785	4,379	700	34,000	52,864
West Basin	157,215	2,691	19	1,960	161,885
Western	60,701	257	28,050	-	89,008
Total	1,637,160	109,070	146,345	175,145	2,067,720

*Tier 1 / Tier 2 split bases on tentative FY2002 firm sales data.

Draft dated: 12/20/02

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CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

REPORTS/UPDATES

C. INLAND EMPIRE UTILITIES AGENCY

3. IRP Update

Richard Atwater

From: Gastelum,Ronald R [rgastelum@mwdh2o.com]
Sent: Monday, January 13, 2003 12:45 PM
To: Adan Ortega; Ade Adeniji (E-mail); Amy Chen (E-mail); Andrew Werner (E-mail); Andy Sienkiewicz; Arlene Post; Barry Nelson (E-mail); Bill Jacoby (E-mail); Bill McDonnell; Bob Wilkinson (E-mail); Bong Hwan Kim (E-mail); Conner Everts (E-mail); 'Dan Griset' (E-mail); Dan Silver (E-mail) (E-mail); Dana Frieauf (E-mail); Daniel Cozad (E-mail); Dave Pettijohn (E-mail) (E-mail); David Beckman (E-mail); David Czamanske; David Nesmith (E-mail); 'Dee Zinke' (E-mail); Denise Landstedt (E-mail); Diane York (E-mail); Dorothy Green (E-mail); Ed LaBahn (E-mail); Ed Osann (E-mail); Elden Hughes (E-mail); Elsa Lopez (E-mail) (E-mail); Eugenia Laychak (E-mail); Flo Martin (E-mail); Frances Spivy-Weber (E-mail); Fred Cagle (E-mail); Gloria Anderson (E-mail); Gordon Hess (E-mail); Hazel Scotto (E-mail) (E-mail); Herley Jim Bowling (E-mail); Jack Sullivan (E-mail); Jacqueline Hamilton (E-mail) (E-mail); Jane Williams (E-mail); Jeff Davis (E-mail); Jerilyn Mendoza (E-mail) (E-mail); Jim Green; 'Jim Noyes' (E-mail); Joan Dym (E-mail); Joan Hartmann (E-mail) (E-mail); Joe Berg; Joe Garcia (E-mail); Joe Young (E-mail) (E-mail); John Andrew (E-mail); Kate Lutz (E-mail); Kathy Caldwell (E-mail) (E-mail); Keith Coolidge (E-mail); Kevin Donhoff; Kirby Brill (E-mail); Kirk S. Brewer (E-mail); 'Kourt Williams' (E-mail); Lynne Plambeck; Madelyn Glickfeld (E-mail); Marguerite Young (E-mail); Mark Brand (E-mail); Mark Gold (E-mail) (E-mail); Mark Kramer (E-mail) (E-mail); Mark Stadler (E-mail); Martha Davis; Mary Ann Dickinson (E-mail); Mary Lou Cotton (E-mail); Matt Lyons (E-mail); Matt Stone (E-mail); Meena Westford (E-mail); Michael Limbaugh (E-mail) (E-mail); Nancy Pfeffer (E-mail); Nick Di Croce (E-mail) (E-mail); Peer Swan (E-mail); Peter Weschler (E-mail); Randall Neudeck; Richard Atwater; Richard Harasick (E-mail); Rick Harter (E-mail); Rick Ruiz (E-mail); Rick Thomas (E-mail); Robert Gottlieb (E-mail); Roy Wolfe; Sam Pedroza (E-mail 2); Shelia Reed (E-mail); Steve Arakawa; Steven Kasower; Suja Lowenthal; Sujatha Jahagirdar (E-mail) (E-mail); Susan Lien (E-mail); Susan Munves; Suzanne Michel; Terry Tamminen (E-mail) (E-mail); Tom Erb; Tom Soto; Zigmund Vays (E-mail) (E-mail)

Subject: Southern California Water Supply



Imperial deal for
water is a b...

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MWD
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Date: January 9, 2003
To: Southern California Water Dialogue
From: Ronald R. Gastelum, Chief Executive Officer
Subject: Southern California Water Supply

In recent days you undoubtedly have seen and heard news reports about federal cutbacks in California's water supplies from the Colorado River.

This letter is to reassure you that urban Southern California's supplemental water supplies are already in-hand for the next few years, and plans are being implemented to see us through the next 20 years.

Secretary of the Interior Gale Norton recently stated that, "Because the Metropolitan Water District in Southern California had the leadership and foresight to develop alternative water supplies, people there will continue to see water flow from their taps."

Secretary Norton also indicated that if the parties agree to terms on a Quantification Settlement Agreement in 2003 or even later, surplus river water may be restored. We are committed to remain positive and constructive that San Diego gains its anticipated supply of 200,000 acre-feet per year, and that Southern California regain its surplus for storage.

These water resource programs have consistently been developed in conjunction with environmental protections and enhancements, and many of our successes have been assisted by your support.

We will continue to communicate with you as this key chapter is written in California water history. Thank you for your interest.

<<...OLE_Obj...>>
Ronald R. Gastelum

Attachment

<<Imperial deal for water is a bust.pdf>>

Imperial deal for water is a bust

By Stuart Leavenworth and Dale Kasler -- Bee Staff Writers
Published 2:15 a.m. PST Wednesday, January 1, 2003

The clock ran out on a crucial Colorado River water deal Tuesday, meaning Southern California will lose a big chunk of its liquid supplies and water lawyers may have plenty of new business in 2003.

Waiting until the last hours of a Dec. 31 deadline, officials for the Imperial Irrigation District approved a modified agreement Tuesday night to sell water to San Diego. But federal officials said the revised pact was unacceptable, because it included too many "offramp" clauses that allowed Imperial to back out of the 45-year transfer.

Because of the impasse, California will immediately lose part of its water from the Colorado River; Southern California will continue to look north for extra supplies and fingers are pointing everywhere for culprits in the collapsed deal.

"California could have had a soft landing," said Assistant Interior Secretary Bennett Raley in an interview from Washington. "Instead it will have a hard landing."

Some analysts blamed the Imperial Irrigation District, which backed away from the water sale on Dec. 9, despite being offered \$2 billion for a small portion of its bountiful water.

"Imperial is playing a giant game of chicken, and now there are two or three cars that have crashed into each other," said Peter Gleick, president of the Pacific Institute, a water think tank in Oakland. "We'll have to wait and see what this crash looks like, and how bad it will be."

Imperial officials, however, said they were being unfairly pressured into idling land for 45 years, instead of using conservation techniques to free up water for San Diego. In their revised pact Tuesday, they included a clause that would have allowed the district to back out of the transaction if it were forced to idle land after 15 years.

"IID has done everything in its power to meet the needs of California and negotiate something that Interior and the Colorado basin states can live with," said Sue Giller, spokeswoman for the Imperial Irrigation District.

Controlling three-fourths of the state's water from the Colorado, Imperial has long been a linchpin of federal plans to reduce California's consumption from the river. For years, California has been using more water than it is entitled to. Under pressure from Arizona and other states, Interior Secretary Bruce Babbitt in 1999 gave California three years to devise a plan for reducing its consumption.

Now that California has missed that deadline, federal officials say the Metropolitan Water District of Southern California -- the nation's largest urban water district -- will lose 415,000 acre-feet of water annually, enough for 830,000 households. Imperial will lose 205,000 acre-feet, the same amount it could sell to San Diego for about \$52 million a year.

The expected cutoff follows several days of marathon meetings among water officials to save the Imperial deal. The Davis administration pledged \$350 million in loan guarantees and Proposition 50 money to help ease Imperial's concerns over the Salton Sea, which would lose water under the transfer. Raley even engaged in some shuttle diplomacy, flying into California on Monday to offer some extra assurances.

Even so, Raley and other officials said they were disappointed with the "offramp" provisions Imperial was demanding, which differed substantially from a proposal approved by all parties in October.

"The last time an eleventh-hour proposal was hastily approved (in California) it created an energy crisis," said Ron Gastelum, general manager of the Metropolitan Water District. "This will not be the case with water."

Southern California officials say they have enough water in storage to easily last two years. Metropolitan is instituting conservation measures, but will not have to ration supplies this year or next, said Adan Ortega, a spokesman for the agency.

After that, the answers get tougher. Negotiations will continue on an Imperial water sale, and if a deal is reached, a major cutback could be averted, Ortega said. If not, Metropolitan will lose surplus water it needs to bank supplies underground in case of a major drought. The district, with 17 million customers, is already negotiating with Sacramento Valley rice farmers and the Placer County Water Agency for extra supplies.

Although nothing is certain in the world of water law, some experts say Imperial is risking a legal assault if a deal isn't reached.

"There is an inevitability here," said Barton Thompson, a Stanford University law professor. "Ultimately, through a negotiated transfer or litigation or legislation, it's hard to imagine that some water's not going to flow from agricultural regions to urban regions."

Water Supply Outlook

Special Board Meeting

January 6, 2003

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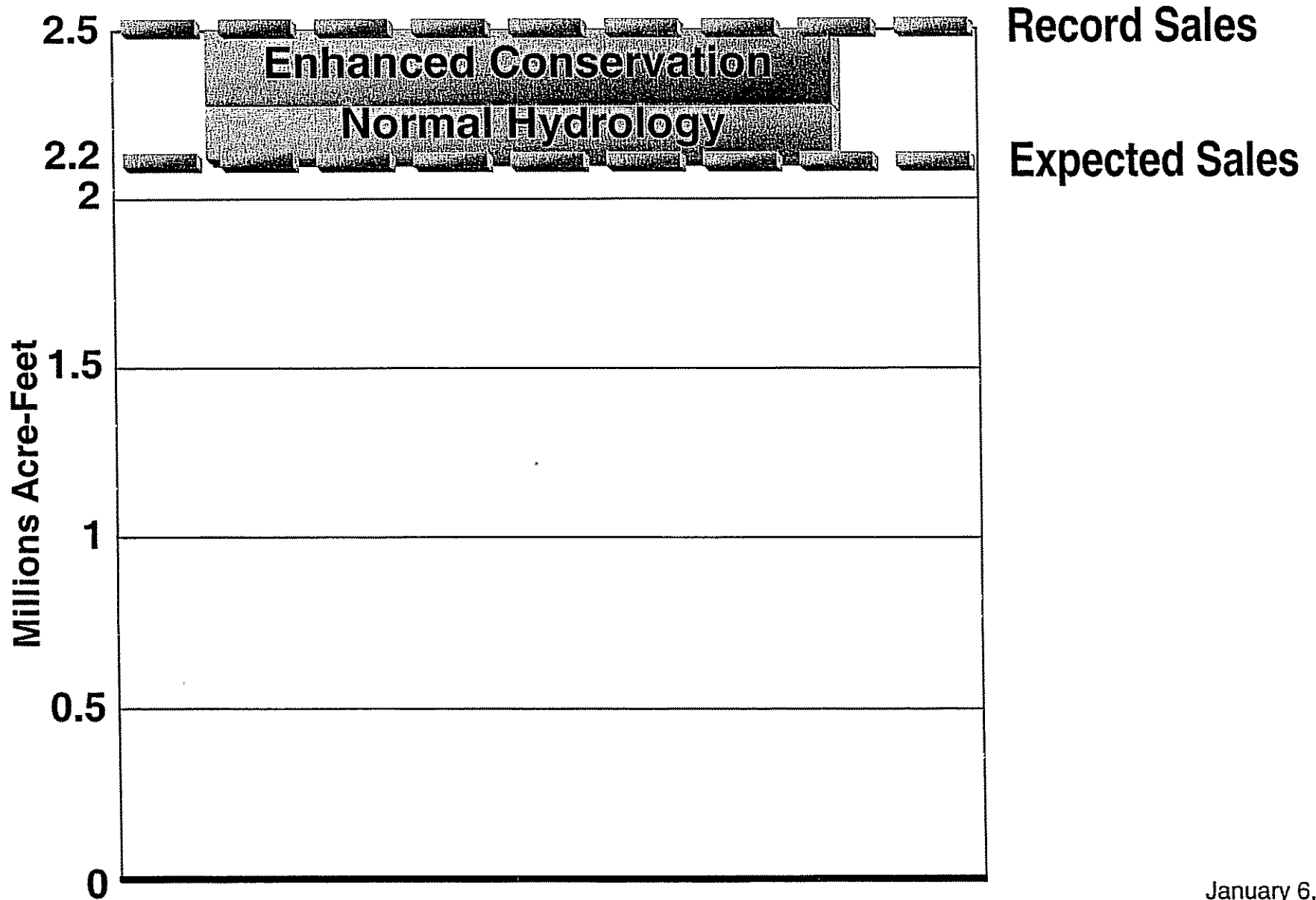
Water Supply Status

(January 1, 2003)

- **SWP – 40% to 70% allocation**
- **CRA – 65% of aqueduct**
- **Southern California Hydrology**
 - **Precipitation at 110% of average**
 - **Outdoor Conservation Programs**
- **Storage**
 - **Full DVL, Castaic and Perris reservoirs**
- **Banking & Transfer Programs**
 - **Full accounts in multi-year programs**
 - **Transfer Options**

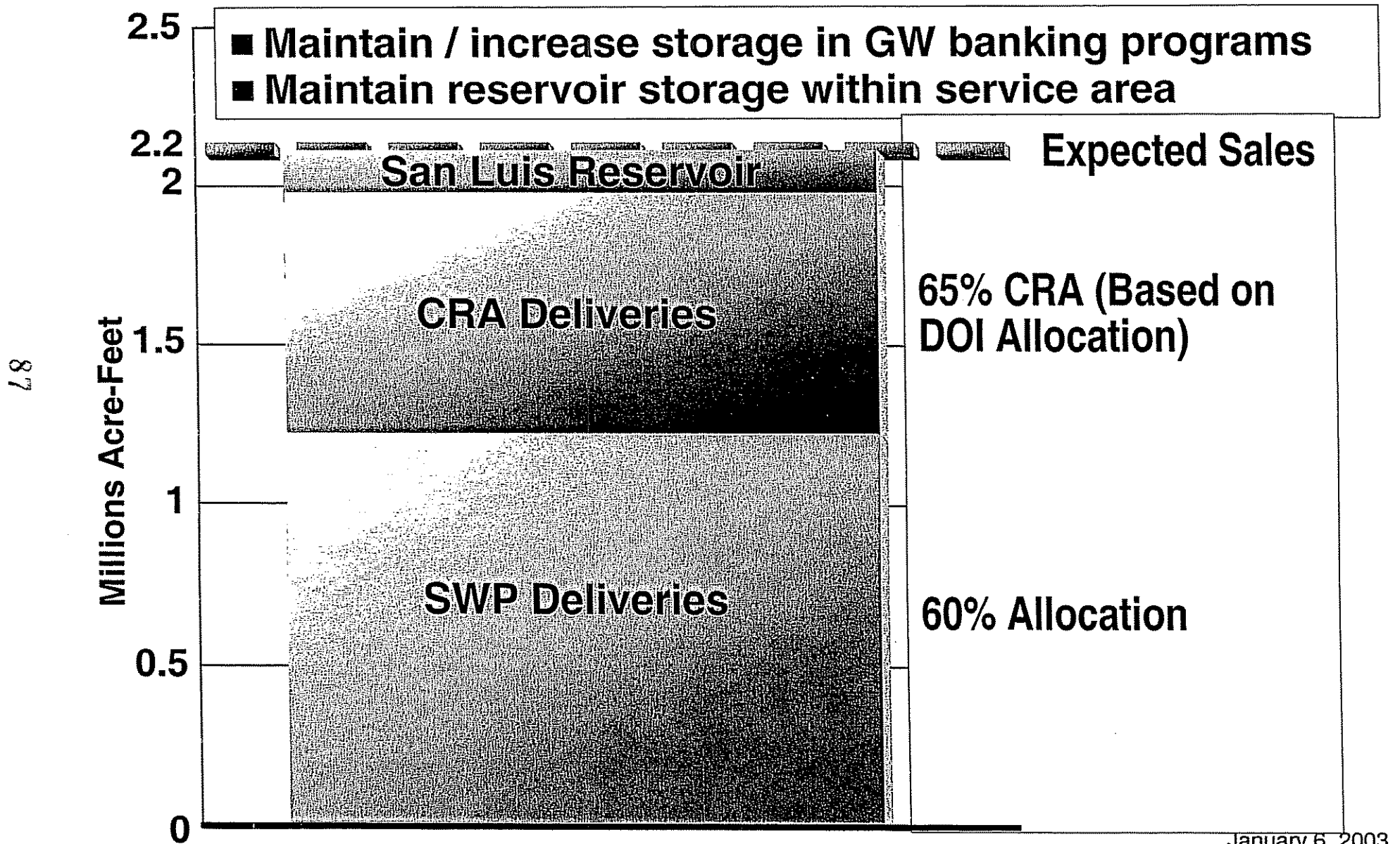
Meeting Demands in 2003

Expected Scenario

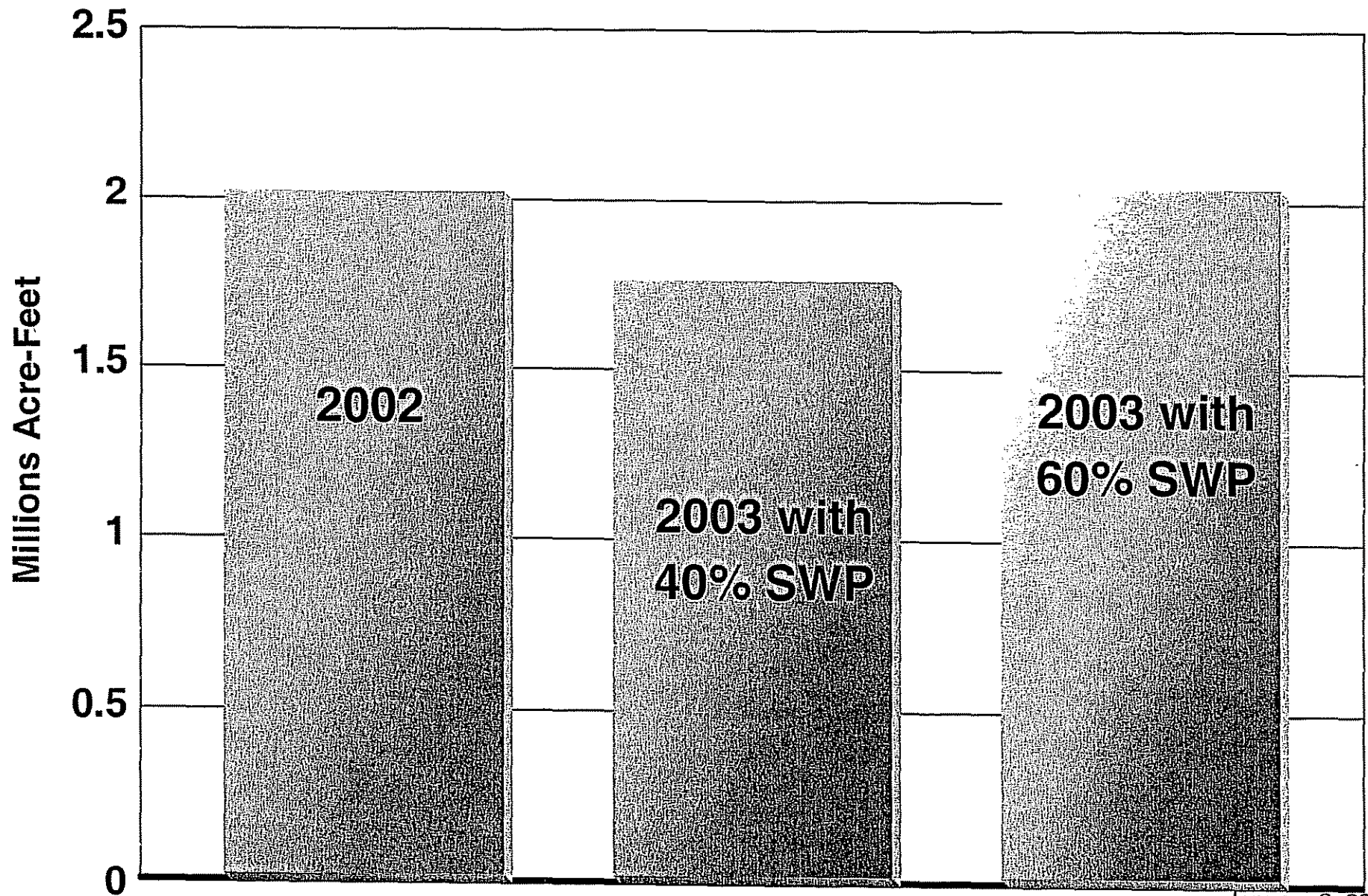


Meeting Demands in 2003

Expected Scenario

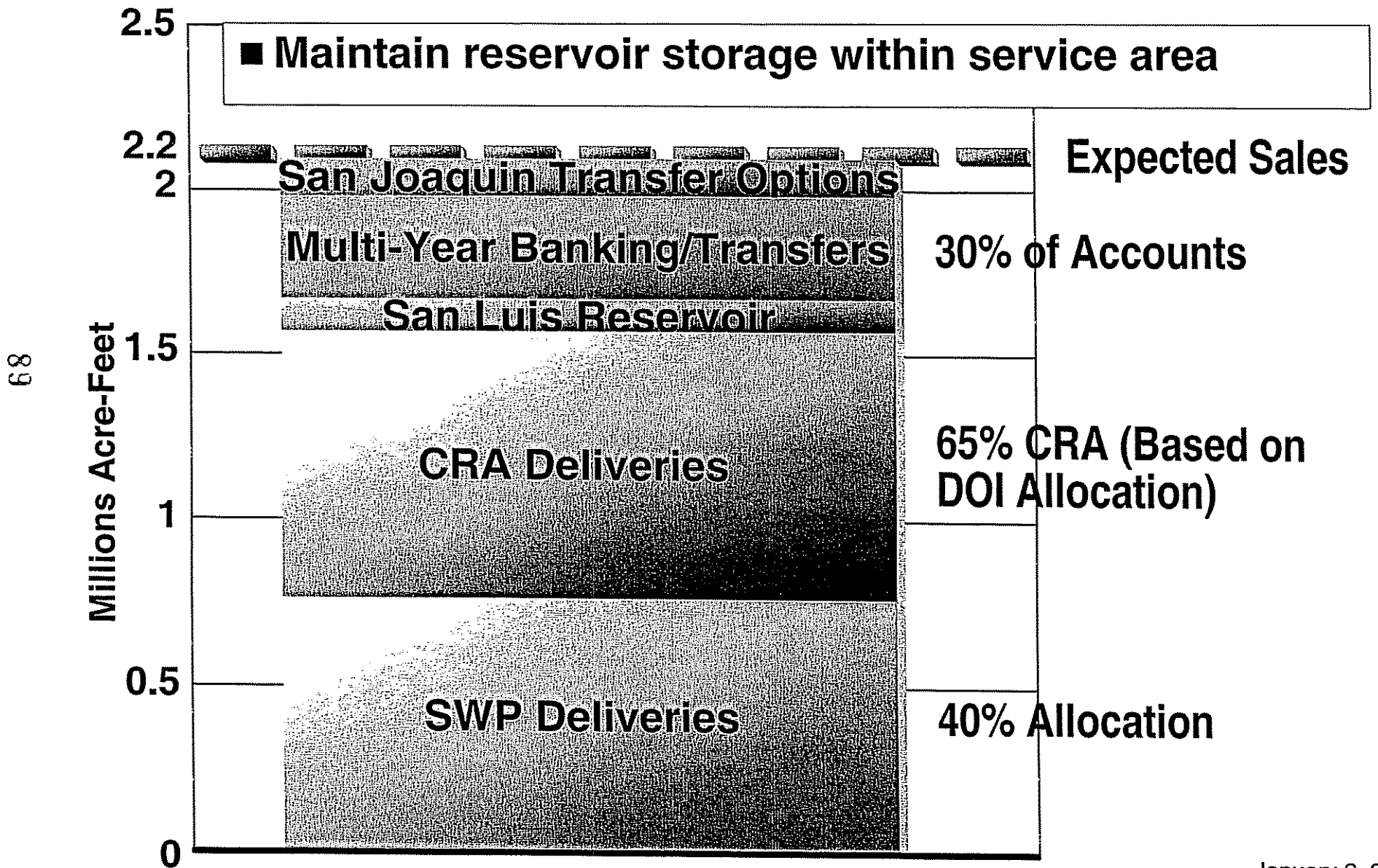


End-Of-Year Storage Accounts



Meeting Demands in 2004

Expected Scenario



Water Supply Reliability Outlook

Metropolitan will:

- Meet firm demands
- Meet expected replenishment needs
- Meet expected agricultural needs
- Maintain reservoir storage within its Service Area
- Provide a long-term resources plan



CHINO BASIN WATERMASTER

January 30, 2003

10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

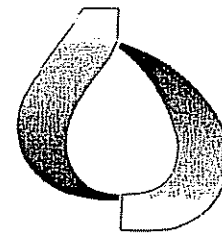
REPORTS/UPDATES

C. INLAND EMPIRE UTILITIES AGENCY

4. Conservation Programs

Inland Empire Utilities Agency Water Conservation Program

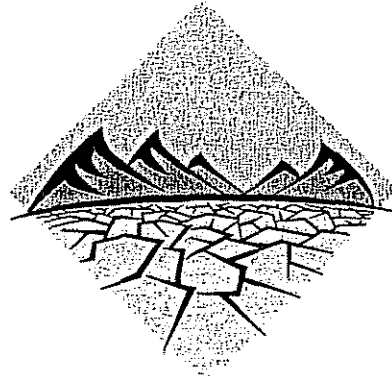
Six Month Work Plan
Five Year Strategy



Inland Empire
UTILITIES AGENCY

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Situation



- Despite recent storms, dry conditions prevail in the Southwest – 2002 was the driest year on record in Southern California
- Failure of the QSA means less water from the Colorado River – conservation and local projects are essential sources of replacement water for Southern California
- MWD's new water rate structure means significant cost increase for retailers **who move from Tier 1 to Tier 2.**

Consider



- Every \$1 invested in conservation saves \$2 - \$2.75 in Tier 2 imported water costs
- Conservation is the most cost-effective way to meet future growth needs
- IEUA, working in collaboration with its retail agencies, is developing new supplies through water efficiency programs that will help residential, retail and commercial customers conserve water and energy and save them money.

Past IEUA Conservation Programs

- Ultra Low Flow Toilets
 - 11,000 ULFT's distributed between 1991 and 2000
 - Achieved 400 acre-feet in water savings between 1991-2000

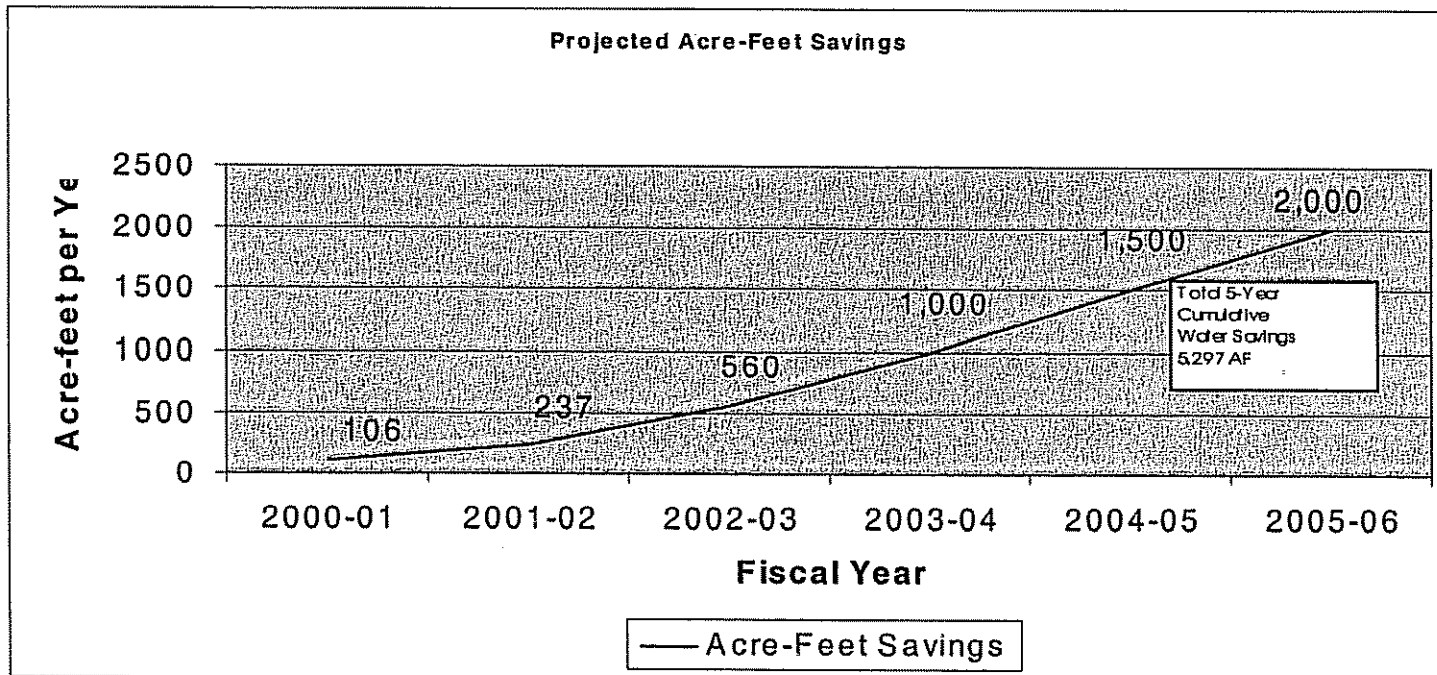
- Retail Agencies Sponsored Education Classes
 - Protector del Agua
 - School Programs

- Water Education Water Awareness Committee
 - Regional coordination of water conservation programs
 - School Video Competition
 - EduGrants for School Teachers

In 2000 IEUA Adopted the Urban Water Management Plan

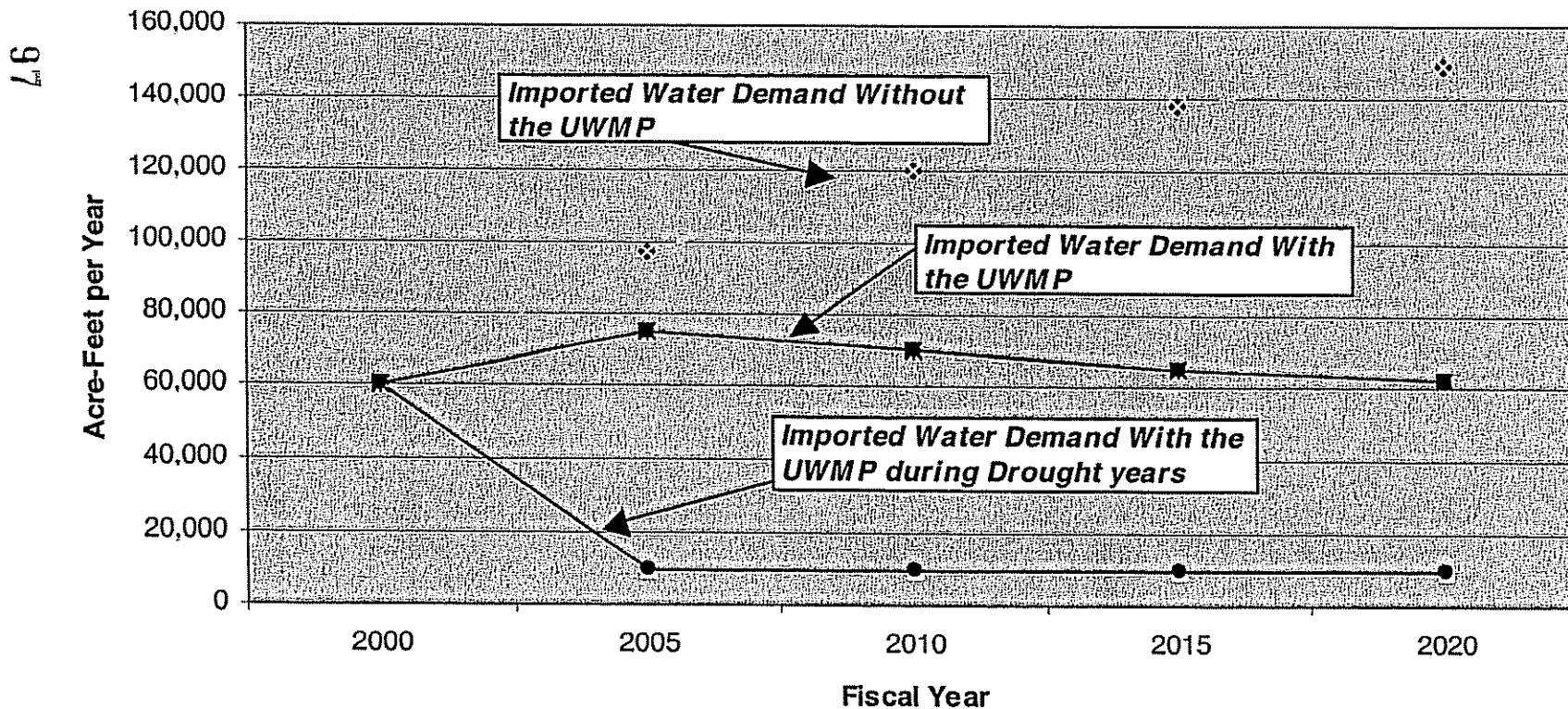
- Conservation goal to reduce water use by 5,000 acre-feet by 2005 by ramping up conservation programs

96



In 2000 IEUA Adopted the Urban Water Management Plan

- Water management goal is to minimize imported water demand and maximize locally reliable water supplies by 2020



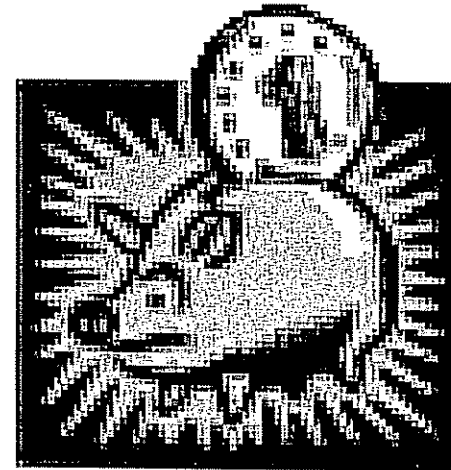
To Achieve 2005 Goal

-
- Increased Conservation Budget
 - **Adopted a \$1/acre-foot surcharge on imported water purchases to help pay for new conservation programs. Surcharge will increase at \$1 per year through 2005**
 - **Outside grant and funding opportunities sought to leverage local funding**
 - **In 2002-2003, every \$1 invested in conservation will be matched with over \$4 in outside funding**
 - Increased Water Programs and Savings
 - **Over 8,000 ULFT's to be distributed in 2002-2003**
 - **Expected program water savings is 600 acre-feet**
 - **IEUA is on track to achieve 5,000 acre-feet by 2005**

List of Conservation Programs Now Offered Through IEUA and Retail Agencies

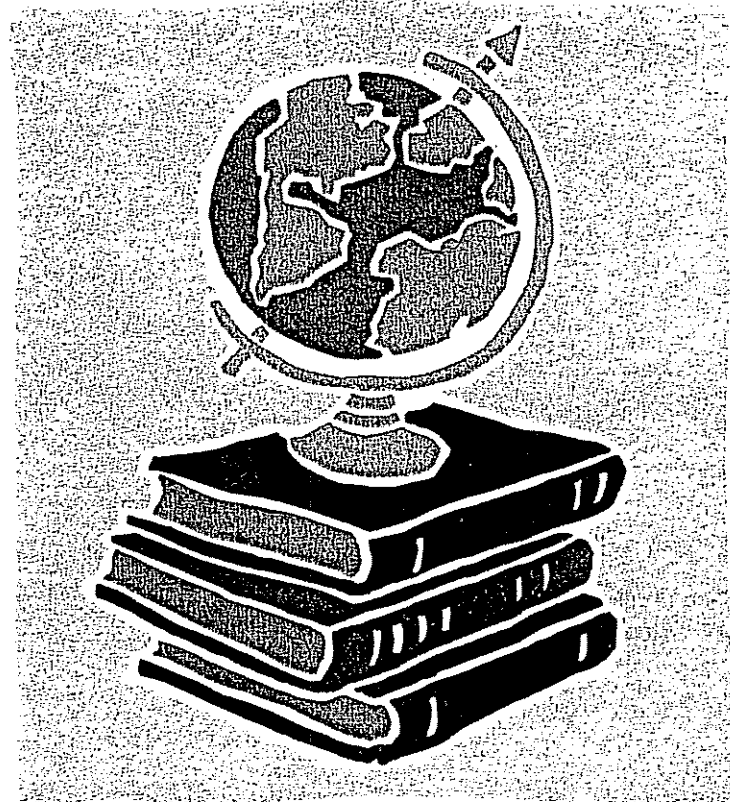
■ Rebates!!!!

- Residential ULF Toilets
- Residential Clothes Washer
- Pool Cover Rebates (new)
- Water Brooms (new)
- X-Ray Film Processors (new)
- MWD CII Rebates
 - Urinals
 - Commercial Clothes Washers
 - Conductivity Controllers
 - Pre-Rinse Spray Head Nozzles
 - ET Controllers



List of Conservation Programs Now Offered Through IEUA and Retail Agencies

- Education Programs
 - “Think Earth” Classroom Environmental Education Program and School Magic Show (new)
 - “WEWAC” School Video Contest, EduGrants, and web site
 - “Protector del Agua” Landscape Workshop
 - Restaurant Table Tents Water Awareness Program (new)



New: Landscape Programs

- 60 percent of water use within IEUA's service area is for landscaping and outdoor use.
 - Existing Programs that we can expand
 - "Protector del Agua" and other landscape workshops
 - IEUA Headquarters as a model for water efficiency
 - Use of recycled water, storm water and compost
 - New Landscape Initiatives
 - Promotion of Native Plants and Irrigation
 - "Sprinkler Index" with MWD
 - Green Leaf Internet-Based Landscape Management Tool
 - Inland Empire West Resource Conservation District/CalPoly Pomona collaboration on landscape workshops and guidebook for Chino Basin
 - Shade Tree Program
 - Landscape Contractor Certification Program

Six-Month Conservation Communication Work Plan

- Develop Water Conservation Alert/Drought Message
- Integrate Water Conservation Message with IEUA's programs
- Promote IEUA/Retail Agency Water Conservation Programs
- Implement a "Water Conservation Alert/Drought Watch Press Campaign
- Promote City Council "Drought-Proof" Resolutions

January Activities

-
- Distribute Press Release: High Efficiency Clothes Washer \$100 Rebate
 - Update IEUA Web Page with conservation tips and rebate information
 - Develop Conservation Information Package for Chino Basin
 - Hold Editorial Board Meetings
 - Publish Winter WAVE

February – June Activities

-
- **Water Conservation “Rebate of the Month” Press Release**
 - **Water Conservation “Drought Proof” Resolutions for Cities and County**
 - **Landscape workshops**
 - **Coordination of Water Conservation Message with Upcoming Events**
 - **Arbor Day (Fontana)**
 - **IEUA Leadership Breakfasts**
 - **Earth Day (Monte Vista)**
 - **Local and regional ULFT distribution events**
 - **Water Awareness Month**
 - **IEUA Headquarters Dedication**

IEUA Five Year Conservation Strategy

- **Build Upon Current Conservation Initiatives**
- **Expand IEUA Outdoor Conservation Programs**
 - **Native Landscape Demonstration Gardens and Nursery**
 - **Work with cities and developers to promote water efficient landscapes**
 - **Promote use of recycled water, storm water, compost**
- **Collaborate with MWD, Chino Basin Water Master local agencies, and SAWPA to ensure coordinated resource planning and consistent message**
- **Update Urban Water Management Plan**
 - **Annual Progress Reports**
 - **Update UWMP in 2005**

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CHINO BASIN WATERMASTER

January 30, 2003

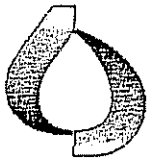
10:00 a.m. - Advisory Committee

1:00 p.m. - Watermaster Board

REPORTS/UPDATES

C. INLAND EMPIRE UTILITIES AGENCY

5. Legislative Update

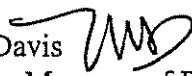


Date: January 15, 2003

To: The Honorable Board of Directors

Through: Legislative and Public Affairs Committee (*January 8, 2003*)

From: Richard W. Atwater
Chief Executive Officer/General Manager

Submitted by: Martha Davis 
Executive Manager of Policy Development

Subject: January Legislative Report

State Report

The budget crisis facing the State is swamping all other issues. The deficit for the combined current and next year is estimated at \$35 billion, and is still climbing. Governor Gray Davis called an Extraordinary Legislative Session in December. The budget hearings provided an overview of the Governor's proposed Mid-year Budget adjustments. However, no action was taken by the legislature on the proposals. Instead, the legislature will wait for the Governor's FY 03-04 proposed budget that is scheduled to be released January 11th. Thus far, the budget proposals have not included a property tax shift, but it is likely only a matter of time before the proposal is made.

The Legislature is in the process of making policy committee appointments. Staff will provide an update list of committee chairs and members at the January 15th meeting. A number of spot bills have also been introduced including enabling legislation for Proposition 50 (SB 21, Machado), legislation establishing an Inland Empire Water Quality Authority (SB 34, Soto), and a bill by Senator Machado and Kuehl to limit Imperial Irrigation's ability to receive Colorado River water to 2.6 million acre feet per year. A copy of the press materials on the Machado/Kuehl bill are attached for the Board's review.

Federal Report

When Congress returns in January, it will begin the task of organizing the 108th Congress. In the Senate, the transition from Democratic to Republican control could be subject to a filibuster unless agreement is reached on the allocation of staff and office resources. No work can be conducted on legislation and budget matters until this is done. Also, in the Senate, the change in the Majority Leader Bill Frist (R-TN) is not expected to lead to further changes in the top leadership positions. The House Resource Committee chairmanship is still under discussion, with Ken Calvert as a possible selection.

The first major business item for Congress is to pass another continuing resolution to enable to the government to function through January. It is expected that Congress will develop an omnibus spending measure to resolve the unfinished budget from FY 03. The Agency will be working with the U.S. Department of Agriculture and the U.S. Department of Energy to secure appropriations for the organics management program (second anaerobic digester) and the renewable energy program.

SENATE CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

FOR IMMEDIATE RELEASE
January 7, 2003

Contact: Bethany Westfall
(916) 445-2407

STATE SENATORS ANNOUNCE MAJOR WATER LEGISLATION

(Sacramento, CA) -- Today, Senator Michael J. Machado (D-Linden) and Senator Sheila Kuehl (D- Los Angeles) announced major water legislation that will limit the Imperial Irrigation District's (IID's) ability to receive Colorado River water to 2.6 million acre-feet a year.

Because the Quantification Settlement Agreement (QSA) was not signed by all parties by December 31, 2002, the United States Department of Interior has announced that they will take steps to reduce Colorado River water to California. The Board of Directors for the Coachella Valley Water District, Metropolitan Water District, and the San Diego County Water Authority approved the QSA agreement prior to the deadline. The IID Board of Directors rejected the QSA agreement on December 9, 2002.

Senator Mike Machado stated, "[t]hroughout the state, agencies are required to conserve and stretch their supplies to meet current and future water demand for agriculture, business, and our homes. No one agency should have the ability to jeopardize the economy and quality of life of all Californians. IID has had the luxury of excess water, while they exist the ability to use water in a more efficient manner without risking their local economy. It is my hope that this legislation will bring all parties to the table to come to a consensus for all Californians."

Senator Sheila Kuehl stated, "[i]n the face of a looming federal deadline, we in the California legislature have tried repeatedly to negotiate some way that our state could reduce its use of Colorado River water and also balance the many legitimate interests at stake. California needs drinking water and agricultural water, and we all have a long-term interest in environmental protection. Last year, in my legislation, Senate Bill 482, we negotiated a framework for the transfer that was acceptable to all parties, including IID. Now, because of IID's intransigence, our entire state's water supply is thrown back into question. Other parties are being hurt. Nevada, for example, will lose water, because there will not be a surplus from the Colorado River. Consequently, we feel we must take the necessary steps to impose this solution."

Press Release Page 2

The major components of the bill include:

- Prohibiting IID from entering into any existing or new contracts that would allow them to receive more than 2.6 million acre-feet of Colorado River water.
- Making IID liable for mitigating any environmental impacts associated with its use of Colorado River water.
- Sunsetting the language contained in the bill when IID agrees to water transfers under the QSA and when the Interim Surplus Guidelines have been reinstated.

Currently, California is allocated 4.4 million acre-feet of Colorado River water from the federal government, however, it uses more than 5.2 million acre-feet of water, 75% of which goes to IID.

###

MACHADO/KUEHL CALIFORNIA WATER LEGISLATION

- The State of California has the authority to:
 1. Cure water emergencies;
 2. Cure unreasonable and non-beneficial use; and
 3. Direct California public agencies

- Notwithstanding any other provision of law, the Imperial Irrigation District (IID) may not enter into any new contracts or agreements, nor take any action under any existing contracts, allowing IID to receive water from the United States Department of Interior that exceeds 2.6 million acre-feet of water a year.

- The limitation on IID's water order would terminate when IID agrees to water transfers that meet the benchmarks established in the Interim Surplus Guidelines and that the guidelines have been reinstated by the Department of Interior.

- Establishes liability for IID to mitigate any environmental impacts associated with its use of Colorado River water.

- State legislative intent that the IID, the Coachella Valley Water District, and the Metropolitan Water District shall complete the All American Canal Lining Project and the Coachella Branch Lining Project as planned and make the resulting conserved water available as prescribed under federal law.

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Los Angeles Times

12/12/2002

Water Deal Talks to Resume

With a big portion of the region's supply on the line, officials will meet in Las Vegas on Sunday.

By Tony Perry, Times Staff Writer

After two days of rancor, officials from water agencies involved in a proposed deal to help coastal Southern California avert a threatened reduction in Colorado River water agreed on Wednesday to renew talks aimed at a settlement.

Representatives of the water agencies plan to meet Sunday in Las Vegas to see if objections to the deal raised by the Imperial Irrigation District can be overcome.

The deal, which the Imperial district's board rejected Monday, called for farmers served by Imperial to fallow some farmland. Imperial would then sell the freed-up water to San Diego.

Board members said that fallowing land would hurt their region economically and that the deal did not protect the district sufficiently against possible future costs for environmental damage to the Salton Sea, which survives on water that runs off farms.

The meeting was scheduled after a day of telephone calls among state and federal officials and board members and staff members of the four agencies: the Imperial district, the San Diego County Water Authority, the Coachella Valley Water District and the Metropolitan Water District of Southern California.

Federal officials have said they will move to sharply cut California's take of water from the Colorado if the state cannot meet a Dec. 31 deadline for reaching an agreement on how to bring about a gradual reduction in its use of the river.

"It's a good sign that we're still continuing to discuss things," said Dennis Cushman, assistant general manager of the San Diego County Water Authority. "This 7 -1/2 year process has had fits and starts. We had a fit, and now we'll have a start."

The Sunday meeting is set for a conference room at Caesars Palace in the hours before the annual convention of the Colorado River Water Users Assn. It is anticipated that the convention will attract nearly a thousand water officials from seven states as well as U.S. Department of Interior Secretary Gale Norton.

She is scheduled to speak to the association and is expected to severely criticize Imperial and the other agencies for failing to reach agreement.

Among the officials trying to cajole the four agencies into resuming negotiations is state Sen. Michael Machado (D-Linden), soon to be named chairman of the Senate's Agriculture and Water Committee. Machado said he is working in conjunction with Gov. Gray Davis and Resources Secretary Mary Nichols to get the four agencies talking, rather than exchanging angry quotes in the media.

"We've all vented a little bit, now it's time to move on," Machado said.

He said San Diego, Coachella and Metropolitan should take seriously the Imperial district's concerns about the Salton Sea and fallowing.

"I understand their problems from a farmer-to-farmer perspective as someone who also has to depend on water for his livelihood," Machado said.

Though calling on the other three agencies to take Imperial seriously, Machado warned Imperial not to attempt to reopen negotiations on the issue of the price San Diego will pay for the water. Some Imperial board members have complained that the price is too low.

Ronald Gastelum, chief executive officer of Metropolitan, said he spoke to Imperial officials Wednesday but did not receive a clear recitation of their reasons for voting no.

There may not be the "political will" for the Imperial board to ratify a water sale in the face of angry and passionate opposition from some farmers and business leaders, he said.

U.S. set to cut state's water

Bay Area could feel ripples from demise of Colorado River deal

By James Sterngold
CHRONICLE STAFF WRITER

LOS ANGELES — A day after officials in the Imperial Valley defiantly rejected a critical deal to sell huge volumes of water to San Diego, a senior federal official said that Washington would make good on a long-standing threat to slash the amount of water California can take from the Colorado River, beginning Jan. 1.

Federal and other officials also hinted that the Imperial Irrigation District, which rejected the long-negotiated deal Monday evening because of what the district said were environmental concerns, might simply have some of its water allotments taken away if it refuses to come to terms.

That extreme measure could trigger years of litigation, but it made clear how much is at stake and the pressures that are building to achieve a contract.

If the Interior Department makes the cuts, California would lose enough water to supply roughly 1.6 million homes annually, an amount officials said they could fill temporarily but that could create long-term problems across the state, not just in the parched south.

"Unfortunately for California, unless (the district) changes its position, this decision will have very serious consequences for all of California," said Bennett Raley, assistant secretary for water and science at the Interior Department on Tuesday.

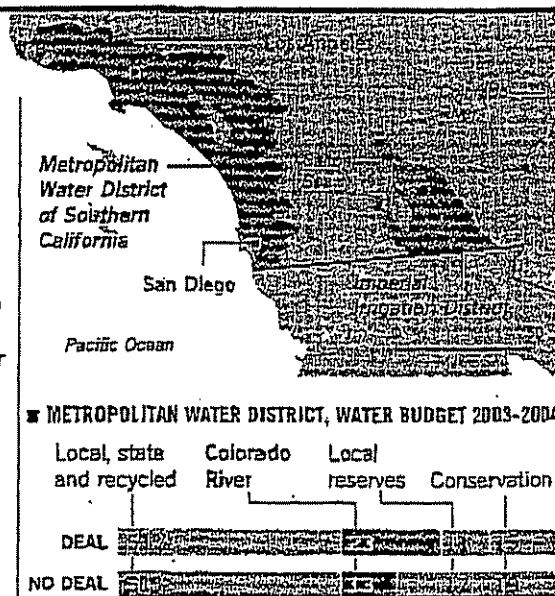
Numerous officials involved in the exceedingly complex, 75-year water deal said a compromise could still be reached before the federal deadline of year-end, or perhaps early next year.

But Raley's statements made clear what experts involved in the negotiations have said for years: This issue will affect water-rich Northern California, too, by putting pressure on wholesale water prices, pushing more agricultural districts to sell their water to urban areas and forcing the state to plan more water storage projects,

Water woes

The federal government has set Dec. 31 as a deadline for the Imperial Irrigation District to make a deal that would divert some of the water it gets from the Colorado River to the Metropolitan Water District of Southern California. The Metropolitan district would have to find other sources if there is no deal.

Sources: Colorado River Water Users Association; Metropolitan Water District of Southern California



New York Times Graphic

from somewhere," said Tom Berliner, an attorney who specializes in water issues and previously worked on San Francisco's water policies. "If they don't get it from the Imperial Valley, they'll get it from Northern California."

Raley hinted Tuesday that, while the federal government would remain flexible, and could quickly resume the current level of water shipments if the deal is concluded next year, a failure could have particularly dire consequences for the Imperial Valley.

The area now enjoys the largest allotment of Colorado River of any farming district.

The Imperial district, which encompasses one of the poorest regions of the state, receives slightly more than 3 million acre-feet of water a year, roughly equivalent to what Nevada and Arizona receive combined. An acre-foot equals roughly 326,000 gallons.

There is a provision in the laws that control Colorado River water under which the user can have some portion of an allotment taken away, without compensation, if it can be shown that the water is not being used efficiently or for an appropriate purpose. That pro-

that the area's farmers are efficient users. But water officials here said state figures showed, for instance, that the Imperial Valley's farmers use about 6.5 acre-feet of water per acre a year, compared with 2.7 acre-feet per year in the Westlands Water District in the San Joaquin Valley, one of the most efficient water users.

Raley warned Tuesday of a coming "extraordinary scrutiny" of water use, and warned: "What was acceptable a decade ago will no longer be acceptable now."

Gillen responded that the valley believes the greatest waste of water is in the urban areas, not by farmers.

The issue results from California's long practice of taking more than its legal allotment of Colorado River water. Because other states in the Southwest did not

need their full shares, California has been taking roughly 5.1 million acre-feet per year, more than its legal share of 4.4 million acre-feet per year.

But the other states are now demanding their full entitlement and California has been ordered to cut back.

Under this order, if California can prove it is taking steps to use its water more efficiently, in part by transferring large volume from agricultural areas to urban areas, it will be given 15 years to phase out its use of the surplus.

If the state cannot meet the test by the Dec. 31 deadline, however, access to the surplus will be cut off immediately.

Imperial Valley officials said they rejected the deal, by a 3-vote by the district's board, because of concerns that they might be held responsible if the transfer harm the nearby Salton Sea.

The state Legislature provides an indemnification from such concerns earlier this year, but valley officials also want a federal indemnification. Raley said that was highly unlikely.

Bob Hertzberg, the former speaker of the state Assembly who mediated the water deal, said he saw the district's rejection of it as something that could be changed.

But he also suggested the decision amounted to a failure of political nerve.

"These guys have more water than they know what to do with, he said. "They're scared that they could lose the water and get nothing, but this is a really intelligent deal. This is what people get elected to office to do, to show courage."

San Francisco Chronicle

Dec. 11th, 2002

Water brokers come up dry in talks to deal with cutbacks

Page 1 of 3



SignOnSanDiego.com
THE SAN DIEGO CHRONICLE

 **PRINT THIS**

CALIFORNIA & THE WEST

Water brokers come up dry in talks to deal with cutbacks

Colorado River flow may be pared Jan. 1

By Michael Gardner
 COPLEY NEWS SERVICE

December 18, 2002

LAS VEGAS - Like so many players here, California water brokers trudged away yesterday with little to show for a trip to the nation's gambling showplace.

Two days of intense negotiations produced little movement in a deadlock over how California will absorb a significant reduction in its draw from the Colorado River so that other states can take their legal entitlement.

The Imperial Irrigation District has balked at the last piece of a tentative agreement, a 75-year water sale to the San Diego region. That prompted Interior Secretary Gale Norton to sign an order on Monday that threatens to sharply reduce California's deliveries from the Colorado starting Jan. 1.

Another hitch also may be looming. To clear the way for the San Diego water transfer, California lawmakers agreed to weaken a tough environmental law that protects rare fish and birds along the Colorado River corridor. That exemption expires Dec. 31 if no deal is signed, one water official warned.

"It has the Cinderella provision," said Maureen Stapleton, general manager of the San Diego County Water Authority. "We cannot transfer water without this."

There is no guarantee the Legislature will renew the controversial exemption that state law that is tougher than federal environmental protections.

Those involved in the talks said a potential shift in strategy to appease the Imperial board is being developed and could be ready as early as tomorrow.

The emerging offer will attempt to give Imperial stronger guarantees in terms of environmental and economic costs of the San Diego transfer. But it also would have to be approved by six other western states with a stake in the outcome.

"We don't have anything firm yet," Stapleton said.

Water brokers come up dry in talks to deal with cutbacks

Page 2 of 3

Bennett Raley, the federal government's negotiator, said the discussions were "at the brainstorming level."

Andy Home, an Imperial director who voted against the water sale, said he is eager to review any new offers. But Home remained pessimistic just two weeks before a Dec. 31 deadline for California to finalize an agreement.

"I'd like to believe there is hope but the final deal is not likely," he said.

If Home is correct, Interior Secretary Norton will cut California's take from the Colorado by up to 800,000 acre-feet, enough for 1.6 million households a year. That represents the amount California has been using in excess of its 4.4 million acre-foot entitlement.

To offset reduced flows from the Colorado, the San Diego water authority wants to buy as much as 200,000 acre-feet per year from Imperial Valley farmers. The sale is the linchpin of the state's broader effort to reduce its dependence on the Colorado.

Urban Southern California will bear the brunt of any cutbacks from the river because the Imperial district established an earlier legal right to more than 3 million acre-feet from the Colorado. Imperial would not lose any of its water.

Norton has yet to issue details of how the cutbacks will be implemented, but warned California on Monday that "it is fair to say that there will be an actual reduction in diversions starting Jan. 1."

Officials with the San Diego County Water Authority and Los Angeles-based Metropolitan Water District say they can absorb losses for a couple of years without rationing or widespread rate increases.

With the Imperial board holding all the cards, the talk in Las Vegas has focused on appeasement.

But Norton has not dismissed the option of attempting to reallocate some of Imperial's water. The district has hired politically connected attorneys to fight such a move.

"This in no way, shape or form is retaliation. It's dealing with reality," said Raley, her adviser.

Imperial officials say they need assurances on a number of issues before agreeing to the San Diego transfer.

They want clear legal protection against unexpected costs associated with the Salton Sea, a wildlife haven sustained by runoff from Imperial Valley farms. Without that runoff, experts say the inland sea's increasing salinity will kill off various animals and plants. Imperial officials also want a shorter deal that would allow reassessment after examining the economic fallout.

Norton has repeatedly said that the Bush administration cannot offer any ironclad guarantees on the Salton Sea because of financial and legal limitations.

While the haggling continues, officials are still drawing up the legal documents in case there is a breakthrough.

"We have 14 days left. I'm still optimistic," said Dennis Underwood, Metropolitan's negotiator.

Stapleton suggested that the parties will work until the last minute.

"When you celebrate New Year's Eve," she said, "we will probably be in that same room upstairs trying to finish."

Governor Davis Releases 2003-04 State Budget Proposal Plan Calls For Tax Increases

Governor Gray Davis on January 10 released his highly-anticipated State Budget proposal, which contains tax increases as part of the recommended solution to closing an historic \$34.6 billion budget deficit over 18 months.

Dodging the Bullet – The following programs of concern to ACWA members have not been targeted by the Governor in his budget proposal:

- **Educational Revenue Augmentation Fund (ERAF) Repeal** – The Governor is not proposing the repeal of the two ERAF exemptions that multi-county special districts and water wholesalers, who are not primarily flood control agencies, currently have.
- **Increase in annual ERAF payment** – The Governor is not proposing to increase the amount of the annual payment that water districts are currently paying into the ERAF fund.
- **Special District Reserves** – The Governor is not proposing to utilize special district's reserves to help bridge the deficit.

Revenue

The Governor is supporting three types of taxes that would help balance the budget by adding \$8.3 billion in revenue:

- **Cigarette Tax** – Raise the current cigarette tax from 87 cents per pack to \$1.10.
- **Personal Income Tax** – Raise the ceiling of the current top 9.3% income tax bracket up to 10% (single filers earning \$130,000-\$260,000 and married filers earning \$260,000-\$520,000) and 11% (single filers earning \$261,000 or more and married filers earning \$521,000 or more)
- **State Sales Tax** – 1 cent state sales tax increase, which will bring it to 6%

The Governor is not proposing to raise vehicle license fees or taxes on alcohol that the Legislature has rejected.

Program Cuts

Among the deep health and welfare program cuts proposed by the Governor are reductions in payments to Medi-Cal providers, rescinding expansion of Medi-Cal Aged and Disabled program, elimination of optional Medi-Cal benefits, eliminating cancer research, eliminating the Early Mental Health Services program, and reducing the SSI/SSP (Supplemental Security Income) grant.

State-Local Government Realignment

The Governor is proposing to shift the responsibility for programs from the state to local government just as former Governor Pete Wilson did during the recession of the early

1990s. In addition to transferring responsibility for programs such as mental health and substance abuse, children and youth, long-term care, and court security to cities and counties, the state will provide local government with an accompanying revenue stream to pay for these programs at their current levels out of the new tax revenue stream.

CALFED Bay-Delta Program

The Governor is proposing to appropriate \$582.1 million for the state's share of the federal-state program: \$18.4 million in General Fund dollars, \$531.2 million in bond funds, and \$32.5 million in other funds. Here's how the money would be spent:

- \$206.1 million for water quality projects, the environmental water account, science, water transfers, watershed management, Delta levees, and program oversight
- \$133.1 million for ecosystem restoration programs and projects
- \$111.2 million for water storage projects
- \$88.4 million for water conservation activities
- \$43.1 million for Delta conveyance projects

"Polluter Pays" Principle

The Governor is proposing an expansion of his "polluter pays" principle by shifting the source of funding for several enforcement and regulatory programs to fees paid by the regulated industries. The two programs affected by the shift are the Air Resources Board's Stationary Source Pollution Program and the State Water Resources Control Board's core regulatory programs. To that end, the proposed budget includes a funding shift of \$13.6 million for the Core Regulatory Program from the General Fund to the Waste Discharge Permit Fund. The Waste Discharge Permit Fund is kept afloat by many types of permits including those listed below that will experience fee increases.

- **Waste Discharge Permit Fees Increase**
The Governor proposes an increase in waste discharge permit fees levied against entities discharging waste onto land and water. These fees are used to permit and monitor discharges and take enforcement action where dischargers are out of compliance with their permits.
- **Core Regulatory Program Fees Cap Increase**
The Governor proposes to increase the current statutory cap on National Pollution Discharge Elimination System (NPDES) permits, NPDES Stormwater, Chapter 15 Land Disposal, Waste Discharge Requirements, and Section 401 Clean Water Act Certification permits.

State Water Resources Control Board Takes Hit

The proposed budget also takes away \$14.7 million in General Fund money for various water quality and water rights programs such as: water rights applications, investigations and cleanups, water quality trend monitoring, water quality control planning, agricultural waste management, Chromium 6 investigations, nonpoint source activities, underground

storage tanks, Salton Sea restoration, and CALFED program oversight and coordination.

A full analysis of the Governor's proposed 2003-04 budget will be posted on the ACWA Web site early next week. If you have any specific questions please contact Wendy Ridderbusch at WendyR@acwanet.com or (916) 441-4545.

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