

CHINO BASIN WATERMASTER



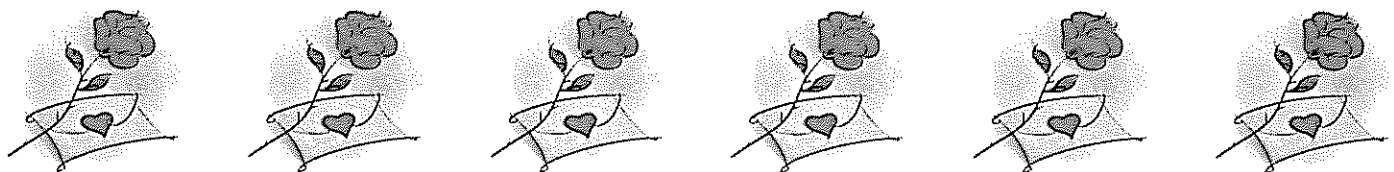
NOTICE OF MEETINGS

Thursday, February 23, 2006

9:00 a.m. – Advisory Committee Meeting
11:00 a.m. – Watermaster Board Meeting

(Lunch will be served)

AT THE CHINO BASIN WATERMASTER OFFICES
9641 San Bernardino Road
Rancho Cucamonga, CA 91730
(909) 484-3888





CHINO BASIN WATERMASTER

February 23, 2006

9:00 a.m. - Advisory Committee Meeting

11:00 a.m. - Watermaster Board Meeting

(Lunch will be served)

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

9:00 a.m. – February 23, 2006

At The Offices Of

Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

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 Annual Advisory Committee Meeting held January 26, 2006 *(Page 1)*
2. Minutes of the Advisory and Watermaster Board Conference call held January 30, 2006 *(Page 9)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2005 *(Page 21)*
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through November 30, 2005 *(Page 25)*
3. Treasurer's Report of Financial Affairs for the Period November 1, 2005 through November 30, 2005 *(Page 27)*
4. Profit & Loss Budget vs. Actual July through November 2005 *(Page 29)*
5. Cash Disbursements for the month of January 2006 *(Page 31)*
6. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through December 31, 2005 *(Page 35)*
7. Treasurer's Report of Financial Affairs for the Period December 1, 2005 through December 31, 2005 *(Page 37)*
8. Profit & Loss Budget vs. Actual July through December 2005 *(Page 39)*

C. INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2005

Receive and File the Annual Audited Financial Statements for Fiscal Year Ended June 30, 2005 *(Page 41)*

II. BUSINESS ITEMS

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Attorney Manager Process/Discussion of Peace II Agreement
2. Court Hearing Update

B. WATERMASTER ENGINEERING CONSULTANT REPORT

- 1. Evaluation of the Cumulative Effects of Transfers Pursuant to the Peace Agreement *(Page 63)*
- 2. Hydraulic Control Update

C. CEO/STAFF REPORT

- 1. 85/15 Update
- 2. Volume Vote Update
- 3. Department of Water Resources Grant Financing Update
- 4. San Diego County Water Authority RFP for Groundwater Conjunctive Use Project

D. INLAND EMPIRE UTILITIES AGENCY

- 1. MWD Status Report – Richard Atwater
- 2. Recycled Water Implementation Schedule – Richard Atwater
- 3. Water-Energy NEXUS "CaLeep" Study – Martha Davis
- 4. Monthly Water Conservation Programs Report *(Page 75)*
- 5. Groundwater Operations Recharge Summary *(Page 79)*
- 6. Monthly Imported Water Deliveries Report *(Page 81)*
- 7. State/Federal Legislation Reports *(Page 83)*
- 8. Public Relations Report *(Page 105)*

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

- 1. Newspaper Articles *(Page 107)*

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

February 23, 2006	9:00 a.m.	Advisory Committee Meeting
February 23, 2006	11:00 a.m.	Watermaster Board Meeting
March 9, 2006	9:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
March 21, 2006	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 23, 2006	9:00 a.m.	Advisory Committee Meeting
March 23, 2006	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**

11:00 a.m. – February 23, 2006
At The Offices Of
Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

AGENDA

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AGENDA - ADDITIONS/REORDER

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2. Minutes of the Advisory and Watermaster Board Conference call held January 30, 2006 *(Page 19)*

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(Page 63)
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- 1. 85/15 Update
- 2. Volume Vote Update
- 3. Department of Water Resources Grant Financing Update
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Meeting Adjourn



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Annual Advisory Committee Meeting –
January 26, 2006
2. Advisory and Watermaster Board
Conference call – January 30, 2006



Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL ADVISORY COMMITTEE MEETING
January 26, 2006

The Annual Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on January 26, 2006 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Agricultural Pool

Nathan deBoom, 2006 Chair
Bob Feenstra
Jeff Pierson

Milk Producers Counsel
Ag Pool/Dairy
Ag Pool/Crops

Appropriative Pool

Ken Jeske
Robert DeLoach
Rich Atwater
Gerald J. Black
Mike McGraw
Rosemary Hoerning
Dave Crosley
Raul Garibay
Mike Maestas
Eunice Ulloa
J. Arnold Rodriguez
Mark Kinsey
Charles Moorrees
Bill Stafford

City of Ontario
Cucamonga Valley Water District
Inland Empire Utilities Agency
Fontana Union Water Company
Fontana Water Company
City of Upland
City of Chino
City of Pomona
City of Chino Hills
Chino Basin Water Conservation District
Santa Ana River Water Company
Monte Vista Water District
Santa Ana Water Company
Marygold Mutual Water Company

Non-Agricultural Pool

Justin Scott-Coe

Vulcan Materials Company (Calmat Division)

Watermaster Board Members Present

Ken Willis

West End Consolidated Water Company

Watermaster Staff Present

Kenneth R. Manning
Gordon Treweek
Danielle Maurizio
Sherri Lynne Molino

Chief Executive Officer
Project Engineer
Senior Engineer
Recording Secretary

Watermaster Consultants Present

Scott Slater
Michael Fife
Mark Wildermuth

Hatch & Parent
Hatch & Parent
Wildermuth Environmental Inc.

Others Present

Bill Kruger
Terry Catlin
Justin Brokaw
Dean Martin
Henry Pepper
Paul Deutsch
Chris Diggs

City of Chino Hills
Inland Empire Utilities Agency
Marygold Mutual Water Company
Inland Empire Utilities Agency
City of Pomona
Geomatrix/GE
Fontana Water Company

Steven G. Lee
Martha Davis
Rick Rees

Ag Pool Legal Counsel
Inland Empire Utilities Agency
California CIM/DOS

The Advisory Committee meeting was called to order by Chair deBoom at 9:00 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. INTRODUCTIONS OF THE ADVISORY COMMITTEE OFFICERS, CALENDAR YEAR 2006

<u>Nathan deBoom</u>	Chair	(Agricultural Pool)
<u>Ken Jeske</u>	Vice-Chair	(Appropriative Pool)
<u>Bob Bowcock</u>	Second Vice-Chair	(Non-Agricultural Pool)
<u>Ken Manning</u>	Secretary/Treasurer	(Chief Executive Officer)

II. CONSENT CALENDAR

A. MINUTES

- 1. Minutes of the Advisory Committee Meeting held December 15, 2005

B. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 06-01 - Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy

C. LOCAL AGENCY INVESTMENT FUND

Resolution 06-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

D. ASSESSMENTS

Resolution 06-03 – Resolution of the Chino Basin Watermaster Levying Replenishment and Administrative Assessments for Fiscal Year 2005-2006

E. NOTICE OF INTENT

Annual Filing of Notice of Intent Regarding the Determination of Operating Safe Yield

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

Moved to approve Consent Calendar Items A through E, as presented

III. BUSINESS ITEMS

A. PROPOSAL FOR PROFESSIONAL ENGINEERING SUPPORT SERVICES FOR THE CHINO BASIN FACILITIES IMPROVEMENT PROJECT

Mr. Manning stated Watermaster is in the process of working with our partners in the development of a number of improvements to the recharge facilities that have been improved over the last few years. One item that is going to be looked at is the area of earthen berms, the other area that we need assistance in is the area of Department of Safety of Dams in analyzing how staff can work with Flood Control and the Department of Safety of Dams to make sure we are maximizing the length of the time the water stays within the basins. Staff is seeking to hire a consultant to assist in these areas. The contract presented is for \$10,000 dollars and Mr. Manning noted he has a limit to sign contracts up to \$9,999.99. Mr. Manning stated even if this was not over his signatory limit it is important to bring these types of items to the Advisory and Watermaster Board for approval and understanding. Chair deBoom inquired as the length of the service this contract will hold and it was noted it is an on-going contract. Staff is seeking approval to forward this contract to the Board.

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

Moved to approve the proposal to secure a professional engineering support service (Stantec) for the Chino Basin Facilities Improvement Project, as presented

B. BASIN OPERATIONS MANUAL

Mr. Manning stated the County Flood Control Department is looking for two things to occur before they will feel comfortable in relinquishing control of the basins during flood events and during non-flood events. The Operations Manual is one of those two items; the other was the introduction of operations of the SCADA system. The operations of SCADA are complete enough for them to feel comfortable that we can operate the basins from remote locations and not have a problem in a storm event. The Operations Manual is before the Advisory Committee now and has gone through the Pools with unanimous support; however a request from the Conservation District to change the motion that would be made to the Advisory Committee to change to motion to a receive and file rather than approve. The reason for this change is that they and we feel this is a document that will have a number of changes to it over the next few years as we operate and use it – making it a fluid document. Since there are policy statements contained in the Operations Manual, staff feels it important to review it periodically with the Watermaster. A brief discussion ensued with regard to the manual and its review process.

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

Moved to approve to Receive and File the Basin Operations Manual, as presented

C. MONTE VISTA WATER DISTRICT APPLICATION TO RECHARGE

Mr. Manning stated Watermaster received on November 1, 2005 an application from Monte Vista Water District (MVWD) for recharging 3,500 acre-feet of State Water Project water into four of their wells as in injection program. Staff understands this program that MVWD is undertaking is consistent with the goals and objectives of Watermaster and because of the application and the nature of it. If it is required that Watermaster perform analysis of material physical injury. It was sent to Wildermuth Environmental for that analysis; the summary of that analysis is included in the meeting packet. Wildermuth Environmental has come to the conclusion that there is no material physical injury. Watermaster is excited about this opportunity, it is a chance for staff to learn about the injection process and how it might be applied elsewhere in the basin. Mr. Jeske inquired if this was partially covered financially by grant money and district money and it was noted the financial aspect will be covered by both grant and district monies. Mr. Jeske stated at the Appropriative Pool meeting there was a discussion on this item regarding the permit options and noted it was supported at that meeting and stated they were looking forward to seeing how the process works.

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

Moved to approve the Monte Vista Water District's application to recharge a maximum of 3,500 acre-feet/yr of treated State Water Project water by injection at its wells 1, 4, 30 and 32 subject to entering into an agreement with the Watermaster and Inland Empire Utilities Agency whereby MVWD's recharge would be covered in the Watermaster/IEUA permit for the recharge of imported and recycled water and to have the permitting process come through the Watermaster process, as presented

IV. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Board Reappointment Motion**

At the Watermaster Board meeting the original pleading for the reappointment of the nine member board was approved with a small conditionality relating to the creation of a Watermaster Governance Committee and was subsequently filed with the court. Counsel Fife stated the Special Referee has filed a report of comments on Watermaster's motion for reappointment which was filed two weeks prior. The Special Referee's comments are available on the back table. Since this document was just received a few days ago, Watermaster counsel has not had time to get formal direction from the Board as to how we should respond to the report. In anticipation of the Watermaster Board meeting today, counsel has started to draft a response and a copy of that draft response is on the back table for review. Counsel has not received notice to draft this response and it was prepared

to begin discussions at the Board meeting today. This item will be discussed at the Watermaster Board meeting today and if any party is interested in this item, they are recommended to attend that meeting. It was asked if an extension of time to review the Special Referee's comments is going to be filed due to time constraints. Counsel Fife stated an extension has not been filed and again noted council has not received input from any parties on the approach to take. Proposing more time is an alternate suggestion that will be presented to the Board as opposed to filing the draft response in haste. Mr. Jeske stated what is contained in the Special Referee's Report are not new topics, they are topics which have been discussed over the last period of ten years, so for the record, to get a report within a matter of days of a scheduled court hearing from the Special Referee with a four day turn-around time for comment and it is a highly inappropriate action by a Special Referee. Mr. Jeske noted he suggests that his comment be injected into the response filed with the court and strongly supports asking for more time to respond properly to the report. Mr. DeLoach stated that he agrees with the statements made by Mr. Jeske and noted that the Special Referee's comments requires a well thought out response. Mr. DeLoach stated that based on the nature of the Special Referee's filing, we are really left with very few options of how to respond. The Board may or may not be adequately equipped to respond due to the two new board members being seated on the board today. As Mr. Jeske noted the Special Referee has placed several new items that were not previously on the table and agencies can only comment on what was written in a separate motion to the court. Mr. DeLoach offered comment on the history of the appointing of the Special Referee. Mr. DeLoach stated the Special Referees' report paints a bleak picture of the millions of dollars that have been paid by every party to the Judgment to make the advances and improvements that we have made to date. Cucamonga Valley Water District would like to see, at a minimum, the Board request an extension of time to allow parties adequate time to prepare a formal response. Mr. Jeske noted that our responses should present a level of consistency and stated that he felt we all live in the best managed water basin in the world. A discussion ensued with regard to possible workshops and processes that will be created by the Special Referee's comments and requests. Counsel Fife stated that it sounds like the unified message from the Advisory Committee to the Board is to ask the Board to request more time to respond. It was noted by the committee members that assumption was correct and that the comments stated today need to be forwarded to the Watermaster Board this afternoon.

2. Peace II Process

Counsel Fife stated counsel and Wildermuth Environmental continues to prepare the responses to the questions that were put forward in the two workshops and it is anticipated those responses will be complete shortly. After the responses are presented, it will be decided what steps are needed in moving the process forward to completion. It was asked if there is a time frame for incorporating the responses into the term sheet. Counsel Fife stated the responses to the questions are to be presented within the next few weeks; after that it will be a matter of checking in with the parties to decide what, if anything needs to be done to the term sheet.

B. ENGINEERS REPORT

Mr. Manning noted the first item on the CEO/Staff Report section is the Engineers Report section which will become a regular agenda item from now on. This will give our engineers a chance to keep the parties up to date on technical activities. Mr. Wildermuth stated that he is diligently working on the Peace II Technical Report which is formulated out of the questions and comments received at the workshops, emails, and conversations. It is anticipated the report will be complete soon. Mr. Wildermuth stated that last summer Wildermuth Environmental completed its analysis of the accumulative effect of transfers and the balance of recharge and discharge, which needs to be done every two years on odd years. This will be brought through the Watermaster process for approval.

C. CEO/STAFF REPORT**1. Ontario International Airport Data Request**

Mr. Manning offered comment on the history of the Ontario International Airports Potentially Responsible Parties (PRP's) issue. In July, the Regional Water Quality Control Board (RWQCB) sent six PRP's draft clean up and abatement orders on the Ontario International Airport plume. There have been two subsequent meetings held with those PRP's; the first meeting was an introduction meeting where information was shared about the evidence that led those organizations to be at the table and the second meeting was to discuss potential solutions. Staff was pleased with the PRP's reactions at the meetings, it was thought by discussions at the second meeting that the PRP's had held individual meetings prior to the main meeting. At the last meeting they did make a request to Watermaster to supply them with data that the RWQCB and others were relying on that would show that they were in fact responsible for the pollution. Much of that data was in our agricultural well area which required special authorization from the Agricultural Pool to seek well release information. Staff has not received 100% of the release cards to date; however, enough were received in a wide enough area to move forward with the PRP's request of data. Mr. Jeske stated this will not be a short process in just looking at the time lines for gathering information and meeting with the Regional Board; there will be plenty of time to keep the Watermaster parties apprised of the happenings. Mr. Jeske inquired into the well owners that refused to allow the release of data. Mr. Manning stated he would need to go back to the Agricultural Pool for a request to release any data and noted that it be best if Mr. Jeske spoke to chair deBoom directly. It was noted several wells are in areas under construction presently.

3. Water Activity Update

Mr. Manning stated we have experienced one storm this season and along with that storm Watermaster is doing some recharge of State Water Project water off the Metropolitan delivery system. Mr. Treweek noted last year was the first year that we had most CBFIP facilities in place which recharged about 18,000 acre-feet of storm water and approximately 12,000 acre-feet of imported water for a total around 30,000 acre-feet. This year Watermaster set a goal of approximately 50,000 acre-feet consisting of 20,000 acre-feet of storm water, 28,000 acre-feet of imported water, and 3,000 acre-feet of recycled water; this is an ambitious goal. As for the six month report, approximately 1,000 acre-feet of recycled water, 3,000 acre-feet of storm water, and 16,000 acre-feet of imported water for a total of approximately 20,000 acre-feet has been recharged within the first six months of this year. We are looking to capture over the remaining six months about 30,000 acre-feet; a good portion of that amount will be imported water unless the storms pick up. Mr. Manning stated during the next several months staff will keep the parties apprised of all water activities. It was noted that it would be helpful that when staff is discussing water activity that it be made known which basins are receiving the water.

D. INLAND EMPIRE UTILITIES AGENCY**1. MWD Status Report – Richard Atwater**

Mr. Atwater stated there is good news with regards to the Rialto Pipeline emergency interconnects with the San Gabriel Valley Municipal Water Districts – Inland Empire Utilities Agency (IEUA) is on schedule with the agreements. IEUA will be working with several parties on the design and construction of those connections. With regard to the Rialto Pipeline, Metropolitan is in the process of procuring 96" isolation valves – there is a long lead time for those.

On February 14, 2006 the Metropolitan Board will be holding a public hearing on a rate increase – this increase will not affect the Chino Basin area. Mr. Atwater stated that included in the meeting packet is the IEUA December news letter on the Chino Basin Facilities Improvement Project and noted that almost all the work on the Phase I has been completed. Mr. Manning noted that in February staff will be having a discussion to go over the items that are included in the Phase II improvements.

2. Recycled Water Status Report – Rich Atwater

Mr. Atwater stated the goal for recycled water for the fiscal year will be about 3,000 acre-feet of recharge. In about a month or so we will start to recharge recycled water in the Turner Basin. In working with the county we would like to have more basins accessible for recharge. This figure will be more than doubled next year once all the improvements have been made. Overall with regard to recycled water from July through December IEUA has delivered about 6,500 acre-feet of recycled water which is what was done for all of last year; there are some new users being hooked up this spring. The expectation for this year is approximately 14,000 acre-feet of recycled water and then next year we will exceed to serve 20,000 acre-feet.

3. Water Bond Update – Martha Davis

Mr. Atwater spoke briefly on the water bond issue and noted the update for this issue was made available in the meeting packet. Mr. Atwater noted an important point on this issue is the water bond package which included a water fee or water tax and wants Southern California to speak with one voice regarding this issue. A meeting regarding this is scheduled at IEUA next week and Mr. Atwater welcomes all interested parties to attend and to be involved. We need to work together and have a common message on this issue. In speaking with Mr. Manning we have asked our legislative parties to organize a legislative briefing for our members of the legislature on February 16, 2006 – any and all are invited to participate in that meeting. It will be an informative meeting to give our perspective of that component of infrastructure on water and how it could affect our area. It is also a good time to discuss the great things that are happening in the Chino Basin.

4. Monthly Water Conservation Programs Report

No comment was made regarding this item.

5. Quarterly Planning and Water Resources Report

No comment was made regarding this item.

6. Chino Basin Facilities Improvement Project Report

No comment was made regarding this item.

7. State/Federal Legislation Reports

No comment was made regarding this item.

8. Public Relations Report

No comment was made regarding this item.

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

No comment was made regarding this item.

V. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

2. NWRA Election Results

No comment was made regarding this item.

3. AGWA Hydrologic, Environmental and Legislative Challenges to Southern California's Present and Future Managed Aquifer Recharge Programs Monday, February 6, 2006

No comment was made regarding this item.

4. Integrated Resource Management Business Disclosure

No comment was made regarding this item.

VI. COMMITTEE MEMBER COMMENTS

No comment was made regarding this item.

VII. OTHER BUSINESS

No comment was made regarding this item.

VIII. FUTURE MEETINGS

January 25, 2006	1:00 p.m.	MZ1 Technical Committee Meeting
January 26, 2006	9:00 a.m.	Annual Advisory Committee Meeting
January 26, 2006	11:00 a.m.	Annual Watermaster Board Meeting
February 9, 2006	9:00 a.m.	Joint Appropriative & Non-Ag Pool Meeting
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February 23, 2006	11:00 a.m.	Watermaster Board Meeting

The Annual Advisory Committee Meeting Adjourned at 9:55 a.m.

Secretary: _____

Minutes Approved: _____

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Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE & WATERMASTER BOARD CONFERENCE CALL

January 30, 2006

The Watermaster Board conference call took place on January 30, 2006 at 8:00 a.m.

WATERMASTER BOARD MEMBERS ON THE CALL

Ken Willis, Chair	City of Upland
Sandra Rose	Monte Vista Water District
Bob Kuhn	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy

Watermaster Staff On the Call

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	C.F.O/Assistant G.M.
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants On the Call

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

Others Present On the Call

Ken Jeske	City of Ontario
Justin Brokaw	Marygold Mutual Water Company
Jill Willis	Attorney for Cucamonga Valley WD
J. Arnold Rodriguez	Santa Ana River Water Company
Robert DeLoach	Cucamonga Valley Water District
Mike Maestas	City of Chino Hills
Mark Kinsey	Monte Vista Water District
Raul Garibay	City of Pomona
Tom Bunn	Lagerloff, Senecal, Bradley, Gosney & Kruse

The Watermaster Board Conference call began at 8:00 a.m.

It was asked if all parties on the conference call had a copy of the latest pleading and it was noted all parties had received a copy. After some discussion it was noted there appears to be four goals that need to be accomplished in the response; 1) correct any misconception that the motion for reappointment is for a five year term and not a two year term, 2) clearly state all parties are asking for the reappointment of the nine member board, 3) suggest we are very capable of making and carrying out decisions, and 4) parties want to avoid any unnecessary workshops. A discussion ensued with regard to the Special Referee's request for a workshop in three months and again in six months. Counsel Slater stated this needs to be a Watermaster Board discussion and that the Watermaster is capable of digesting data; workshops are not always needed to be heard. This needs to be an open process and counsel needs to get to court and make our case to the judge. A discussion ensued with regard to why the Special Referee responded the way she did. It was noted that we need to focus on the next increment of five years instead of focusing on our failure to come to closure. It was noted that by the tone of the Special Referee's response that she has been provided sanitized views of what we are doing and the progress we are making. Counsel Slater stated he believes she wants to see a resolution and a conclusion. A discussion regarding the five year term misconception ensued. Counsel stated that will be corrected and the judge will understand we are

asking for a five year reappointment. Ms. Rose stated she would find a workshop very beneficial since she is new to the topics at hand. Counsel Slater identified the difference between an open workshop and a Special Referee and noted Watermaster is capable of holding informative individual workshops at which we could leave an open invitation for the Special Referee to attend. Mr. Kuhn stated he is hoping for an open workshop because when it is recorded it really puts off open and honest conversation and statements. Mr. Willis inquired to Ms. Rose if she had an opportunity to have a sit down with the Watermaster staff and Ms. Rose stated that she in deed has met with staff. It was noted that Watermaster can hold a workshop in a formal or an informal setting and invite the Special Referee to sit in. Mr. Vanden Heuvel inquired if we hold workshops do we still need to go to court and it was noted that answer was unknown. Mr. Jeske stated he is also in favor of a more informal workshop.

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

Moved to approve the pleading as presented to the court and a willingness to hold as many workshops as needed. A six month report will be formally given to the court on progresses.

A discussion regarding the six month report ensued. Counsel Slater noted we can hold as many workshops as we want and that we do not have to hold a formal workshop; however, this report was due to the court in September 2005 and we will need to ask for a continuance consistent with the Special Referee's recommendations. Mr. Manning stated we are going to send a message that we are going to be responsive and that we are seeking court approval. Mr. Vanden Heuvel spoke on the Peace II process and noted he felt the Special Referee's comments were not a negative and his hopes are that we can have a single voice to present to the judge because we are not unified at this moment in time. The time frame for the Peace II process was discussed. A discussion ensued with regard to page 8 and it was noted that page needs to be polished. It was noted that the other changes that were discussed would be clarified in the document prior to the court time today.

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

Moved to approve the pleading with the changes that was discussed to the court and a willingness to hold as many workshops as needed and have more informal communication with the Special Referee with a court hearing date for finalization in July 2006.

A question regarding Judge Gunn ensued and it was noted there is a possibility that he will not continue as our judge. A discussion ensued with regard to the current Special Referee guiding the new judge and it was decided that this item needs to be agendized for the Watermaster Board in its entirety to discuss this issue. Counsel Slater stated a presentation as to the role of Watermaster and the referee could be given at a board meeting. With no further comments received.

The Watermaster Board Conference Call ended at 8:45 a.m.

Secretary: _____

Minutes Approved: _____



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Annual Watermaster Board Meeting –
January 26, 2006
2. Advisory and Watermaster Board
Conference call – January 30, 2006



Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL WATERMASTER BOARD MEETING

January 26, 2006

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California, on January 26, 2006 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, 2006 Chair	West End Consolidated Water Company
Sandra Rose	Monte Vista Water District
Terry Catlin	Inland Empire Utilities Agency
Al Lopez	Western Municipal Water District
Bob Kuhn	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Paul Hofer	Agricultural Pool, Crops
Paul Hamrick	Jurupa Community Services District
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Gordon Treweek	Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

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

Others Present

Robert Neufeld, 2005 Chair	Fontana Union Water Company
Bill Kruger	City of Chino Hills
Rosemary Hoerning	City of Upland
Justin Scott-Coe	Vulcan Materials Company
Ken Jeske	City of Ontario
Robert DeLoach	Cucamonga Valley Water District
Mike Maestas	City of Chino Hills
Mark Kinsey	Monte Vista Water District
Rich Atwater	Inland Empire Utilities Agency
Rick Hansen	Three Valleys Municipal Water District
Jeff Pierson	Ag Pool/Crops
Charles Moorrees	Santa Ana Water Company
Henry Pepper	City of Pomona
Carole McGreevy	Jurupa Community Services District
Dave Crosley	City of Chino

The Watermaster Board Meeting was called to order by Mr. Manning at 11:00 a.m.

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

It was noted there will be an extended discussion on the legal items presented today.

PUBLIC COMMENTS

No public comments were received.

INTRODUCTIONS - CALENDAR YEAR 2006 WATERMASTER BOARD MEMBERS

John Anderson	Inland Empire Utilities Agency
Bob Bowcock	Non-Agricultural Pool (Vulcan Materials Company)
Paul Hamrick	Jurupa Community Services
Paul Hofer	Agricultural Pool (Crops)
Bob Kuhn	Three Valleys Municipal Water District
Al Lopez	Western Municipal Water District
Sandra Rose	Monte Vista Water District
Geoffrey Vanden Heuvel	Agricultural Pool (Dairy)
Ken Willis	West End Consolidated Water Company

RECOGNITION OF OUTGOING WATERMASTER BOARD MEMBERS

1. Mr. Robert Neufeld
Mr. Manning presented the former Watermaster Board Chair with a Commendation of Service award and thanked him for his service as the board chair and his tremendous efforts on behalf of the Chino Basin.
2. Mr. Bill Kruger
Mr. Manning presented Mr. Kruger with a Commendation of Service plaque and thanked him for all his efforts while servicing on the Watermaster Board.

I. CALENDAR YEAR 2006 OFFICERS – Action

A. ELECTION OF OFFICERS

1. Nominations will be heard for Watermaster Board Chair:

Mr. Lopez nominated Mr. Paul Hamrick for Board Chair and Mr. Hamrick seconded the nomination.

Ms. Rose nominated Mr. Ken Willis for Board Chair and Mr. Bowcock seconded the nomination

By majority vote it was decided Mr. Willis will be the 2006 Chair.

2. Nominations will be heard for Watermaster Board Vice-Chair:

Mr. Willis nominated Mr. Hamrick as Board Vice-Chair and Mr. Bowcock seconded the nomination.

By unanimous vote it was decided Mr. Hamrick will be the 2006 Vice-Chair

3. Nominations will be heard for Watermaster Board Secretary/Treasurer:

Mr. Vanden Heuvel nominated Ms. Sandra Rose as the Board Secretary/Treasurer and Mr. Bowcock seconded the nomination.

By unanimous vote it was decided Ms. Rose will be the 2006 Board Secretary/Treasurer

Mr. Manning turned the meeting over to the new Chair Mr. Willis.

II. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Watermaster Board Meeting held December 15, 2005

B. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 06-01 - Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy

C. LOCAL AGENCY INVESTMENT FUND

Resolution 06-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

D. ASSESSMENTS

Resolution 06-03 – Resolution of the Chino Basin Watermaster Levying Replenishment and Administrative Assessments for Fiscal Year 2005-2006

E. NOTICE OF INTENT

Annual Filing of Notice of Intent Regarding the Determination of Operating Safe Yield

*Motion by Kuhn, second by Hamrick, and by majority vote and one abstention
Moved to approve Consent Calendar Items A through E, as presented*

III. BUSINESS ITEMS**A. PROPOSAL FOR PROFESSIONAL ENGINEERING SUPPORT SERVICES FOR THE CHINO BASIN FACILITIES IMPROVEMENT PROJECT**

Mr. Manning stated Watermaster is in the process of working with our partners in the development of a number of improvements to the recharge facilities that have been improved over the last few years. One item that is going to be looked at is the area of earthen berms, the other area that we need assistance in is the area of Department of Safety of Dams in analyzing how staff can work with Flood Control and the Department of Safety of Dams to make sure we are maximizing the length of the time the water stays within the basins. Staff is seeking to hire a consultant to assist in these areas. The contract presented is for \$10,000 dollars and Mr. Manning noted he has a limit to sign contracts up to \$9,999.99. Mr. Manning stated even if this was not over his signatory limit it is important to bring these types of items to the Watermaster Board for approval and understanding.

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

Moved to approve the proposal to secure a professional engineering support service (Stantec) for the Chino Basin Facilities Improvement Project, as presented

B. BASIN OPERATIONS MANUAL

Mr. Manning stated the County Flood Control Department is looking for two things to occur before they will feel comfortable in relinquishing control of the basins during flood events and during non-flood events. The Operations Manual is one of those two items; the other was the introduction of operations of the SCADA system. The operations of SCADA are complete enough for them to feel comfortable that we can operate the basins from remote locations and not have a problem in a storm event. The Operations Manual is before the Advisory Committee now and has gone through the Pools with unanimous support; however a request from the Conservation District to change the motion that would be made to the Advisory Committee to change to motion to a receive and file rather than approve. The reason for this change is that they and we feel this is a document that will have a number of changes to it over the next few years as we operate and use it – making it a fluid document. Since there are policy statements contained in the Operations Manual, staff feels it important to review it periodically with the Watermaster. A brief discussion ensued with regard to the manual and its review process. Mr. Vanden Heuvel asked if a presentation can be given in the future on the workings of this document. Mr. Manning stated that a presentation will be scheduled in the next few months.

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

Moved to approve to Receive and File the Basin Operations Manual, as presented

C. MONTE VISTA WATER DISTRICT APPLICATION TO RECHARGE

Mr. Manning stated in November 2005 Monte Vista Water District (MVWD) sent to Watermaster an application for recharge by injection, up to 3,500 acre-feet in four wells which triggers, by Watermaster, an analysis of material physical injury. This request for material physical injury was forwarded to Wildermuth Environmental to do the analysis. In Wildermuth's analysis of this application it was concluded there is no material physical injury caused by this application. Staff's recommendation is based upon Wildermuth's findings. Mr. Manning noted there is a slight modification in the motion which is presented in the meeting package which alleviates the wording regarding the Regional Water Quality Control Board (RWQCB). Mr. Manning read how the new motion would read with the minor change and noted MVWD will enter into an agreement with Chino Basin Watermaster and Inland Empire Utilities Agency (IEUA). The permit required for this recharge application would be covered by the Watermaster/IEUA permit for recharge of imported and recycled water, whereby MVWD will forego going through the RWQCB and working through the Maximum Benefits Permits with IEUA. A question regarding the decision to forego the RWQCB was presented. Mr. Wildermuth stated that MVWD submitted their application along with the large document that is included in the meeting packet which led Wildermuth Environmental to its review. Mr. Wildermuth noted this is a very small project in and amongst wells that are owned and operated by MVWD. This project avoids 3,500 acre-feet of spreading somewhere else in the basin. Based on those findings and other criteria there are no subsidence issues, water quality issues and this project does assist in the implementation of the Optimum Basin Management Plan (OBMP). The conclusion is there is no material physical injury and implementation of this project supports the OBMP. Mr. Manning stated that staff is pleased that this approach is going to be tested by MVWD on their well field. The opportunity to run this test case at MVWD actually is a benefit to the basin by allowing us to learn a lot about recharge by injection which could assist us in the future; this test will be watched very closely. A discussion ensued with regard to the structure of the permit and the timing of the test. A question regarding monitoring/check in capabilities was presented. Mr. Wildermuth stated the monitoring/check in process will be covered in the monitoring program resulting from the permit requirements, which is the reason that permits expire and also have monitoring/check in requirements. It was noted that Mr. Kinsey stated at the Appropriative Pool meeting that he has no problem with some sort of monitoring programs and that will be made part of the permit and/or agreement. A discussion ensued with regard to the Regional Board's interest in this permit. Counsel Slater offered comment on the legal aspects of permitting. Mr. Wildermuth discussed the historical events for obtaining permits and noted the Regional Board is supportive of our permitting process. Mr. Manning stated there are two places in which this will come back through the Watermaster process, one as the permit is being developed and second is on the renewals of the permit.

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

Moved to approve the Monte Vista Water District's application to recharge a maximum of 3,500 acre-feet/yr of treated State Water Project water by injection at its wells 1, 4, 30 and 32 subject to entering into an agreement with the Watermaster and Inland Empire Utilities Agency whereby MVWD's recharge would be covered in the Watermaster/IEUA permit for the recharge of imported and recycled water and to have the permitting process come through the Watermaster process, as presented

IV. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. Board Reappointment Motion**

Counsel Slater stated at the December 2005 Watermaster Board meeting counsel was directed to file a motion seeking the reappointment of the nine member board. There were revisions to that original motion that were suggested and approved at the Board meeting; there is a copy of the motion available on the back table. The hearing for this motion is scheduled for February 9, 2006 at 2:00 p.m. Counsel Slater stated that subsequently the Special Referee has filed a report of comments on Watermaster's motion for reappointment which was filed two weeks prior. The Special Referee's comments are available on the back table. Since this document was just received a few days ago, Watermaster counsel has not had time to get formal direction from the Board as to how we should respond to the report and is seeking that direction now. In anticipation of the Watermaster Board meeting today, counsel has started to draft a response and a copy of that draft response is on the back table for review. The Advisory Committee discussed the Special Referee's report at length and stated by unanimous decision they wanted the Watermaster Board to be made aware that they want a request for more time to respond to her comments be filed with the court. Counsel Slater stated that the Special Referee's motion stated three main items, 1) listed complaints, 2) required additional information on items, and 3) interpreted our motion for reappointment as a two year term instead of a five year term. Counsel Slater stated that in reviewing the perceived information and noting that the Special Referee did not acknowledge all the good work that has been accomplished there are three options the Board can take. Counsel Slater noted the date to file a response in four days from today. The options are as follows 1) accept the report as is, accepting the two year term and schedule the two demanded workshops (one in three months and one in six months), 2) ask for a continuance due to the fact it is impossible for all the interested agencies to review this document at such a late date, take it to their boards and interested parties, and have sufficient time to respond, and 3) amend the motion to clarify that the request is for a five year term, request a possible 30 day extension for review, and recitation of the correct view about Watermaster's accomplishments over the past five years. A long-lasting discussion ensued with regard to this issue by all directors of the board, counsel, and Watermaster staff. It was noted that a unified voice needed to be heard and changes needed to be made to the draft response. It was decided that the changes discussed at today's meeting would be incorporated into the response. A conference call with both the Advisory Committee members and Watermaster Board members would take place on Monday, January 30, 2006 at 8:00 a.m. to review the response prior to the court hearing. Counsel stated the revised document would be transmitted as quickly as possible to allow time for digestion.

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

Moved to approve filing an amended motion to clarify the reappointment of the nine member board is for a five year term, ask the court for a possible 30 day extension, and note corrections to the view about Watermaster's accomplishments over the past five years.

2. Peace II Process

Counsel Slater stated counsel and Wildermuth Environmental continues to prepare the responses to the questions that were put forward in the two workshops and it is anticipated those responses will be completed shortly. After the responses are presented, it will be decided what steps are needed in moving the process forward to completion.

B. ENGINEERS REPORT

Mr. Manning noted the first item on the CEO/Staff Report section is the Engineers Report section which will become a regular agenda item from now on. This will give our engineers a chance to keep the parties up to date on technical activities. Mr. Wildermuth stated that he is diligently working on the Peace II Technical Report which is formulated out of the questions and comments received at the workshops, emails, and conversations. It is anticipated the report will be completed soon. Mr. Wildermuth stated that last summer Wildermuth Environmental completed its analysis of the accumulative effect of transfers and the balance of recharge and discharge, which needs to be done every two years on odd years. This will be brought through the Watermaster process for approval.

C. CEO/STAFF REPORT**1. Ontario International Airport Data Request**

Mr. Manning offered comment on the history of the Ontario International Airports Potentially Responsible Parties (PRP's) issue. In July, the Regional Water Quality Control Board (RWQCB) sent six PRP's draft clean up and abatement orders on the Ontario International Airport plume. There have been two subsequent meetings held with those PRP's; the first meeting was an introduction meeting where information was shared about the evidence that led those organizations to be at the table and the second meeting was to discuss potential solutions. Staff was pleased with the PRP's reactions at the meetings, it was thought by discussions at the second meeting that the PRP's had held individual meetings prior to the main meeting. At the last meeting they did make a request to Watermaster to supply them with data that the RWQCB and others were relying on that would show that they were in fact responsible for the pollution. Much of that data was in our agricultural well area which required special authorization from the Agricultural Pool to seek well release information. Staff has not received 100% of the release cards to date; however, enough were received in a wide enough area to move forward with the PRP's request of data.

2. Water Activity Update

Mr. Manning stated we have experienced one storm this season and along with that storm Watermaster is doing some recharge of State Water Project water off the Metropolitan delivery system. Mr. Treweek noted last year was the first year that we had most CBFIP facilities in place which recharged approximately 18,000 acre-feet of storm water and about 12,000 acre-feet of imported water for a total around 30,000 acre-feet. This year Watermaster set a goal of approximately 50,000 acre-feet consisting of 20,000 acre-feet of storm water, 28,000 acre-feet of imported water, and 3,000 acre-feet of recycled water; this is an ambitious goal. As for the six month report, approximately 1,000 acre-feet of recycled water, 3,000 acre-feet of storm water, and 16,000 acre-feet of imported water for a total of 20,000 acre-feet has been recharged within the first six months of this year. We are looking to capture over the remaining six months about 30,000 acre-feet; a good portion of that amount will be imported water unless the storms pick up. Mr. Manning stated during the next several months staff will keep the parties apprised of all water activities.

V. INFORMATION**1. Newspaper Articles**

No comment was made regarding this item.

2. NWRA Election Results

No comment was made regarding this item.

3. AGWA Hydrologic, Environmental and Legislative Challenges to Southern California's Present and Future Managed Aquifer Recharge Programs Monday, February 6, 2006

No comment was made regarding this item.

- 4. Integrated Resource Management Business Disclosure
No comment was made regarding this item.

VI. BOARD MEMBER COMMENTS

It was decided since there were unresolved motion issues, a conference call pending, and a court hearing date of February 9, 2006, this meeting will not be adjourned today and will be continued to Thursday, February 16, 2006 at 1:00 p.m.

VII. OTHER BUSINESS

Ms. Rose stated she was glad to be a part of this board and looked forward to getting to know each director and all the interesting aspects of our water issues. Mr. Vanden Heuvel thanked Mr. Neufeld for all of his hard work and his continued efforts that he knows he will make on behalf of the Chino Basin. Mr. Kuhn stated that he is excited to work with Ms. Rose and Mr. Willis and welcomed them to the Chino Basin Watermaster process. Mr. Willis thanked the parties present for the confidence in him to elect him as chair and offered a brief narrative on his vast work in public relations and his past and present water expertise.

VIII. FUTURE MEETINGS

January 25, 2006	1:00 p.m.	MZ1 Technical Committee Meeting
January 26, 2006	9:00 a.m.	Annual Advisory Committee Meeting
January 26, 2006	11:00 a.m.	Annual Watermaster Board Meeting
February 9, 2006	9:00 a.m.	Joint Appropriative & Non-Ag Pool Meeting
February 21, 2006	9:00 a.m.	Agricultural Pool Meeting @ IEUA
February 23, 2006	9:00 a.m.	Advisory Committee Meeting
February 23, 2006	11:00 a.m.	Watermaster Board Meeting

The Annual Watermaster Board Meeting is continued to Thursday, February 16, 2006 at 1:00 p.m.

Secretary: _____

Minutes Approved: _____

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Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE & WATERMASTER BOARD CONFERENCE CALL
January 30, 2006

The Watermaster Board conference call took place on January 30, 2006 at 8:00 a.m.

WATERMASTER BOARD MEMBERS ON THE CALL

Ken Willis, Chair	City of Upland
Sandra Rose	Monte Vista Water District
Bob Kuhn	Three Valleys Municipal Water District
Bob Bowcock	Vulcan Materials Company
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy

Watermaster Staff On the Call

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	C.F.O/Assistant G.M.
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants On the Call

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

Others Present On the Call

Ken Jeske	City of Ontario
Justin Brokaw	Marygold Mutual Water Company
Jill Willis	Attorney for Cucamonga Valley WD
J. Arnold Rodriguez	Santa Ana River Water Company
Robert DeLoach	Cucamonga Valley Water District
Mike Maestas	City of Chino Hills
Mark Kinsey	Monte Vista Water District
Raul Garibay	City of Pomona
Tom Bunn	Lagerloff, Senecal, Bradley, Gosney & Kruse

The Watermaster Board Conference call began at 8:00 a.m.

It was asked if all parties on the conference call had a copy of the latest pleading and it was noted all parties had received a copy. After some discussion it was noted there appears to be four goals that need to be accomplished in the response; 1) correct any misconception that the motion for reappointment is for a five year term and not a two year term, 2) clearly state all parties are asking for the reappointment of the nine member board, 3) suggest we are very capable of making and carrying out decisions, and 4) parties want to avoid any unnecessary workshops. A discussion ensued with regard to the Special Referee's request for a workshop in three months and again in six months. Counsel Slater stated this needs to be a Watermaster Board discussion and that the Watermaster is capable of digesting data; workshops are not always needed to be heard. This needs to be an open process and counsel needs to get to court and make our case to the judge. A discussion ensued with regard to why the Special Referee responded the way she did. It was noted that we need to focus on the next increment of five years instead of focusing on our failure to come to closure. It was noted that by the tone of the Special Referee's response that she has been provided sanitized views of what we are doing and the progress we are making. Counsel Slater stated he believes she wants to see a resolution and a conclusion. A discussion regarding the five year term misconception ensued. Counsel stated that will be corrected and the judge will understand we are

asking for a five year reappointment. Ms. Rose stated she would find a workshop very beneficial since she is new to the topics at hand. Counsel Slater identified the difference between an open workshop and a Special Referee and noted Watermaster is capable of holding informative individual workshops at which we could leave an open invitation for the Special Referee to attend. Mr. Kuhn stated he is hoping for an open workshop because when it is recorded it really puts off open and honest conversation and statements. Mr. Willis inquired to Ms. Rose if she had an opportunity to have a sit down with the Watermaster staff and Ms. Rose stated that she in deed has met with staff. It was noted that Watermaster can hold a workshop in a formal or an informal setting and invite the Special Referee to sit in. Mr. Vanden Heuvel inquired if we hold workshops do we still need to go to court and it was noted that answer was unknown. Mr. Jeske stated he is also in favor of a more informal workshop.

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

Moved to approve the pleading as presented to the court and a willingness to hold as many workshops as needed. A six month report will be formally given to the court on progresses.

A discussion regarding the six month report ensued. Counsel Slater noted we can hold as many workshops as we want and that we do not have to hold a formal workshop; however, this report was due to the court in September 2005 and we will need to ask for a continuance consistent with the Special Referee's recommendations. Mr. Manning stated we are going to send a message that we are going to be responsive and that we are seeking court approval. Mr. Vanden Heuvel spoke on the Peace II process and noted he felt the Special Referee's comments were not a negative and his hopes are that we can have a single voice to present to the judge because we are not unified at this moment in time. The time frame for the Peace II process was discussed. A discussion ensued with regard to page 8 and it was noted that page needs to be polished. It was noted that the other changes that were discussed would be clarified in the document prior to the court time today.

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

Moved to approve the pleading with the changes that was discussed to the court and a willingness to hold as many workshops as needed and have more informal communication with the Special Referee with a court hearing date for finalization in July 2006.

A question regarding Judge Gunn ensued and it was noted there is a possibility that he will not continue as our judge. A discussion ensued with regard to the current Special Referee guiding the new judge and it was decided that this item needs to be agendized for the Watermaster Board in its entirety to discuss this issue. Counsel Slater stated a presentation as to the role of Watermaster and the referee could be given at a board meeting. With no further comments received.

The Watermaster Board Conference Call ended at 8:45 a.m.

Secretary: _____

Minutes Approved: _____



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2005
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through November 30, 2005
3. Treasurer's Report of Financial Affairs for the Period November 1, 2005 through November 30, 2005
4. Profit & Loss Budget vs. Actual July through November 2005
5. Cash Disbursements for the month of January 2006
6. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2005 through December 31, 2005
7. Treasurer's Report of Financial Affairs for the Period December 1, 2005 through December 31, 2005
8. Profit & Loss Budget vs. Actual July through December 2005





CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: February 9, 2006
February 21, 2006
February 23, 2006

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report – December 2005

SUMMARY

Issue – Record of cash disbursements for the month of December 2006.

Recommendation – Staff recommends the Cash Disbursements for December 2006 be received and filed as presented.

Fiscal Impact – All funds disbursed were included in the FY 2005-06 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 December 2006 were \$1,962,905.66. The most significant expenditures during the month were Inland Empire Utilities Agency in the amount of \$1,341,056.70, Wildermuth Environmental Inc. in the amount of \$392,949.65, and Hatch and Parent in the amount of \$39,055.02.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
December 2005

Type	Date	Num	Name	Amount
Dec 05				
General Journal	12/1/2005	05/12/03	PAYROLL	-5,928.55
General Journal	12/1/2005	05/12/03	PAYROLL	-21,151.27
Bill Pmt -Check	12/2/2005	10062	MEDIA JIM	-300.00
Bill Pmt -Check	12/2/2005	10063	MEDIA JIM	-765.00
Bill Pmt -Check	12/6/2005	10064	ACWA	-9,680.00
Bill Pmt -Check	12/6/2005	10065	ANDERSON, JOHN	-125.00
Bill Pmt -Check	12/6/2005	10066	APPLIED COMPUTER TECHNOLOGIES	-2,501.10
Bill Pmt -Check	12/6/2005	10067	ARROWHEAD MOUNTAIN SPRING WATER	-26.02
Bill Pmt -Check	12/6/2005	10068	BLACK & VEATCH CORPORATION	-1,050.00
Bill Pmt -Check	12/6/2005	10069	CUCAMONGA VALLEY WATER DISTRICT	-5,076.00
Bill Pmt -Check	12/6/2005	10070	DIRECTV	-74.98
Bill Pmt -Check	12/6/2005	10071	GEOTECHNICAL SERVICES	-217.39
Bill Pmt -Check	12/6/2005	10072	GLOBAL PRESENTER.COM	-93.20
Bill Pmt -Check	12/6/2005	10074	INLAND EMPIRE UTILITIES AGENCY	-461,915.60
Bill Pmt -Check	12/6/2005	10075	KRUGER, W. C. "BILL"	-125.00
Bill Pmt -Check	12/6/2005	10076	KUHN, BOB	-250.00
Bill Pmt -Check	12/6/2005	10077	NEUFELD, ROBERT	-375.00
Bill Pmt -Check	12/6/2005	10078	NORDBAK'S PROMOTIONAL PRODUCTS	-468.77
Bill Pmt -Check	12/6/2005	10079	OFFICE DEPOT	-141.16
Bill Pmt -Check	12/6/2005	10080	PRE-PAID LEGAL SERVICES, INC.	-129.50
Bill Pmt -Check	12/6/2005	10081	PREMIERE GLOBAL SERVICES	-64.74
Bill Pmt -Check	12/6/2005	10082	PRINTING RESOURCES	-527.98
Bill Pmt -Check	12/6/2005	10083	PURCHASE POWER	-2,016.99
Bill Pmt -Check	12/6/2005	10084	R&D PEST SERVICES	-85.00
Bill Pmt -Check	12/6/2005	10085	RICOH BUSINESS SYSTEMS-Maintenance	-40.00
Bill Pmt -Check	12/6/2005	10086	SCOTT-COE, JUSTIN	-125.00
Bill Pmt -Check	12/6/2005	10087	SPRINT	-560.14
Bill Pmt -Check	12/6/2005	10088	STANDARD INSURANCE CO.	-566.60
Bill Pmt -Check	12/6/2005	10089	STATE COMPENSATION INSURANCE FUND	-1,113.89
Bill Pmt -Check	12/6/2005	10090	VANDEN HEUVEL, GEOFFREY	-375.00
Bill Pmt -Check	12/6/2005	10091	VELASQUEZ JANITORIAL	-1,300.00
Bill Pmt -Check	12/6/2005	10092	YUKON DISPOSAL SERVICE	-123.90
Bill Pmt -Check	12/6/2005	10093	HATCH AND PARENT	-39,055.02
Bill Pmt -Check	12/6/2005	10094	PARK PLACE COMPUTER SOLUTIONS, INC.	-2,145.00
Bill Pmt -Check	12/6/2005	10095	HSBC BUSINESS SOLUTIONS	-833.09
Bill Pmt -Check	12/6/2005	10096	INLAND COUNTIES INSURANCE SERVICES, INC.	-238.57
Bill Pmt -Check	12/6/2005	10097	OFFICE DEPOT	-461.19
Bill Pmt -Check	12/6/2005	10098	PAYCHEX	-172.38
Bill Pmt -Check	12/6/2005	10099	QUILL	-131.37
Bill Pmt -Check	12/6/2005	10100	RICOH BUSINESS SYSTEMS-Maintenance	-745.50
Bill Pmt -Check	12/6/2005	10101	THE FURMAN GROUP, INC.	-2,625.00
Bill Pmt -Check	12/6/2005	10102	UNION 76	-288.06
Bill Pmt -Check	12/6/2005	10103	VERIZON	-41.41
Bill Pmt -Check	12/6/2005	10104	CALPERS	-2,428.35
Bill Pmt -Check	12/6/2005	10105	WILDERMUTH ENVIRONMENTAL INC	-194,212.44
Bill Pmt -Check	12/8/2005	10106	VIP AUTO DETAILING	-379.40
Bill Pmt -Check	12/13/2005	10107	PETTY CASH	-580.91
General Journal	12/15/2005	05/12/5	PAYROLL	-2,018.85
General Journal	12/15/2005	05/12/5	PAYROLL	-14,148.48
Bill Pmt -Check	12/19/2005	10108	EL TORITO	-201.92
Bill Pmt -Check	12/20/2005	10109	ACWA SERVICES CORPORATION	-223.18
Bill Pmt -Check	12/20/2005	10110	BANK OF AMERICA	-1,964.38
Bill Pmt -Check	12/20/2005	10111	CALPERS	-2,650.83
Bill Pmt -Check	12/20/2005	10112	ELLISON, SCHNEIDER & HARRIS, LLP	-28,649.12
Bill Pmt -Check	12/20/2005	10113	EXCEL LANDSCAPE	-1,206.00
Bill Pmt -Check	12/20/2005	10114	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
Bill Pmt -Check	12/20/2005	10115	HATCH AND PARENT	0.00
Bill Pmt -Check	12/20/2005	10116	MCI	-909.55
Bill Pmt -Check	12/20/2005	10117	QUILL	-92.85
Bill Pmt -Check	12/20/2005	10118	REID & HELLYER	-10,509.80
Bill Pmt -Check	12/20/2005	10119	RICOH BUSINESS SYSTEMS-Lease	-3,591.31
Bill Pmt -Check	12/20/2005	10120	TREWEEK, GORDON	-2,262.05
Bill Pmt -Check	12/20/2005	10121	UNITED PARCEL SERVICE	-209.95
Bill Pmt -Check	12/20/2005	10122	VERIZON	-361.06
Bill Pmt -Check	12/20/2005	10123	WILDERMUTH ENVIRONMENTAL INC	-198,737.21
Bill Pmt -Check	12/20/2005	10124	RICOH BUSINESS SYSTEMS-Maintenance	-1,111.42
Bill Pmt -Check	12/20/2005	10125	STAULA, MARY L	-136.61
Bill Pmt -Check	12/20/2005	10126	WATER EDUCATION FOUNDATION	-150.00

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
December 2005

Type	Date	Num	Name	Amount
General Journal	12/20/2005	05/12/7	PAYROLL	-6,197.61
General Journal	12/20/2005	05/12/7	PAYROLL	-22,128.46
Bill Pmt -Check	12/22/2005	10127	INLAND EMPIRE UTILITIES AGENCY	-879,141.10
Bill Pmt -Check	12/22/2005	10128	CITISTREET	-2,450.00
Bill Pmt -Check	12/22/2005	10129	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	0.00
Bill Pmt -Check	12/22/2005	10130	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-17,451.76
Bill Pmt -Check	12/22/2005	10131	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-5,062.16
Bill Pmt -Check	12/23/2005	10132	A & R TIRE	-34.87
Bill Pmt -Check	12/23/2005	10133	PRE-PAID LEGAL SERVICES, INC.	-129.50
Bill Pmt -Check	12/23/2005	10134	STANDARD INSURANCE CO.	-568.49
General Journal	12/31/2005	05/12/10		1,148.33
				-1,962,905.66

Dec 05

CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2005 THROUGH NOVEMBER 30, 2005

	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 2004-05
Administrative Revenues										
Administrative Assessments									-	\$3,984,888
Interest Revenue			57,326	6,167	1,969				65,462	78,330
Mutual Agency Project Revenue									-	0
Grant Income									-	0
Miscellaneous Income									-	0
Total Revenues	-	-	57,326	6,167	1,969	-	-	-	65,462	4,063,218
Administrative & Project Expenditures										
Watermaster Administration	179,970								179,970	621,784
Watermaster Board-Advisory Committee	21,639								21,639	37,018
Pool Administration			7,852	56,730	2,004				66,586	91,153
Optimum Basin Mgmt Administration		566,268							566,268	1,019,183
OBMP Project Costs		1,079,008							1,079,008	3,733,694
Education Funds Use								375	375	375
Mutual Agency Project Costs	13,040								13,040	80,004
Total Administrative/OBMP Expenses	214,649	1,645,276	7,852	56,730	2,004	-	-	375	1,926,886	5,583,211
Net Administrative/OBMP Income	(214,649)	(1,645,276)								
Allocate Net Admin Income To Pools	214,649		166,686	44,929	3,035				-	0
Allocate Net OBMP Income To Pools		1,645,276	1,277,639	344,378	23,260				-	0
Agricultural Expense Transfer			443,011	(443,011)					-	0
Total Expenses	1,895,188	3,025	1,895,188	3,025	28,298	-	-	375	1,926,886	5,583,211
Net Administrative Income			(1,837,862)	3,142	(26,329)			(375)	(1,861,424)	(1,519,993)
Other Income/(Expense)										
Replenishment Water Purchases						369,248			369,248	0
MZ1 Supplemental Water Assessments									-	2,179,500
Water Purchases									-	0
MZ1 Imported Water Purchase									-	(2,278,500)
Groundwater Replenishment						(3,109,953)			(3,109,953)	0
Net Other Income	-	-	-	-	-	(2,740,705)	-	-	(2,740,705)	(99,000)
Net Transfers To/(From) Reserves			(1,837,862)	3,142	(26,329)	(2,740,705)	-	(375)	(4,602,129)	(1,618,993)
Working Capital, July 1, 2005			4,450,869	464,653	187,298	3,580,499	158,251	2,238	8,843,808	
Working Capital, End Of Period			2,613,007	467,795	160,969	839,794	158,251	1,863	4,241,679	
04/05 Production			127,810.967	34,450.449	2,326.836				164,588.252	
04/05 Production Percentages			77.655%	20.931%	1.414%				100.000%	

Q:\Financial Statements\05-06\05 Dec\Combining Schedule Dec.xls\Sheet1

Prepared by Sheri Rojo, Chief Financial Officer /Assistant General Manager

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
NOVEMBER 1 THROUGH NOVEMBER 30, 2005**

DEPOSITORIES:			
Cash on Hand - Petty Cash			\$ 500
Bank of America			
Governmental Checking-Demand Deposits	\$ 135,653		
Savings Deposits	9,672		
Zero Balance Account - Payroll	<u>(27,080)</u>		118,245
Vineyard Bank CD - Agricultural Pool			412,751
Local Agency Investment Fund - Sacramento			<u>4,850,481</u>
TOTAL CASH IN BANKS AND ON HAND		11/30/2005	\$ 5,381,977
TOTAL CASH IN BANKS AND ON HAND		10/31/2005	5,564,741
PERIOD INCREASE (DECREASE)			<u>\$ (182,764)</u>

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets:	Accounts Receivable	\$ -
	Assessments Receivable	-
	Prepaid Expenses, Deposits & Other Current Assets	-
(Decrease)/Increase in Liabilities:	Accounts Payable	1,262,075
	Accrued Payroll, Payroll Taxes & Other Current Liabilities	(1,000)
	Transfer to/(from) Reserves	<u>(1,445,839)</u>
PERIOD INCREASE (DECREASE)		<u>\$ (184,764)</u>

	Petty Cash	Gov't Checking Demand	Zero Balance Account Payroll	Savings	Vineyard Bank	Local Agency Investment Funds	Totals
<u>SUMMARY OF FINANCIAL TRANSACTIONS:</u>							
Balances as of 10/31/2005	\$ 500	\$ (757,470)	\$ -	\$ 9,672	\$ 411,558	\$ 5,900,481	\$ 5,564,741
Deposits	-	3,816	-	-	1,193	-	5,009
Transfers	-	996,557	53,443	-	-	(1,050,000)	-
Withdrawals/Checks	-	(107,250)	(80,523)	-	-	-	(187,773)
Balances as of 11/30/2005	<u>\$ 500</u>	<u>\$ 135,653</u>	<u>\$ (27,080)</u>	<u>\$ 9,672</u>	<u>\$ 412,751</u>	<u>\$ 4,850,481</u>	<u>\$ 5,381,977</u>
PERIOD INCREASE OR (DECREASE)	<u>\$ -</u>	<u>\$ 893,123</u>	<u>\$ (27,080)</u>	<u>\$ -</u>	<u>\$ 1,193</u>	<u>\$ (1,050,000)</u>	<u>\$ (182,764)</u>

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
NOVEMBER 1 THROUGH NOVEMBER 30, 2005**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
11/1/2005	Withdrawal	L.A.I.F.	\$ (850,000)				
11/21/2005	Withdrawal	L.A.I.F.	(200,000)				
TOTAL INVESTMENT TRANSACTIONS			\$ (1,050,000)	-			

* The earnings rate for L.A.I.F. is a daily variable rate; 3.18% was the effective yield rate at the Quarter ended September 30, 2005.

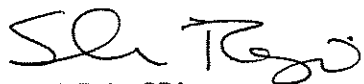
**INVESTMENT STATUS
November 30, 2005**

Financial Institution	Principal Amount	Number of Days	Interest Rate	Maturity Date
Local Agency Investment Fund	\$ 4,850,481			
TOTAL INVESTMENTS	\$ 4,850,481			

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, CPA
Chief Financial Officer & Assistant General Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through November 2005

	<u>Jul - Nov 05</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	0	132,000	-132,000	0.0%
4110 · Admin Asmnts-Approp Pool	0	4,804,121	-4,804,121	0.0%
4120 · Admin Asmnts-Non-Agri Pool	0	73,425	-73,425	0.0%
4700 · Non Operating Revenues	65,462	78,330	-12,868	83.57%
Total Income	<u>65,462</u>	<u>5,087,876</u>	<u>-5,022,414</u>	<u>1.29%</u>
Gross Profit	65,462	5,087,876	-5,022,414	1.29%
Expense				
6010 · Salary Costs	155,574	404,153	-248,579	38.49%
6020 · Office Building Expense	33,264	97,850	-64,586	34.0%
6030 · Office Supplies & Equip.	12,014	47,500	-35,486	25.29%
6040 · Postage & Printing Costs	30,061	75,700	-45,639	39.71%
6050 · Information Services	56,487	103,500	-47,013	54.58%
6060 · Contract Services	1,939	130,500	-128,561	1.49%
6080 · Insurance	-691	24,210	-24,901	-2.86%
6110 · Dues and Subscriptions	2,102	14,000	-11,898	15.02%
6140 · WM Admin Expenses	794	6,500	-5,706	12.22%
6150 · Field Supplies	-1,832	4,050	-5,882	-45.23%
6170 · Travel & Transportation	43,353	45,200	-1,847	95.91%
6190 · Conferences & Seminars	5,247	17,500	-12,253	29.98%
6200 · Advisory Comm - WM Board	6,364	14,082	-7,718	45.19%
6300 · Watermaster Board Expenses	15,276	29,782	-14,506	51.29%
8300 · Appr PI-WM & Pool Admin	7,852	15,347	-7,495	51.16%
8400 · Agri Pool-WM & Pool Admin	8,423	18,756	-10,334	44.91%
8467 · Agri-Pool Legal Services	45,283	45,000	283	100.63%
8470 · Ag Meeting Attend -Special	3,025	10,000	-6,975	30.25%
8500 · Non-Ag PI-WM & Pool Admin	2,004	7,423	-5,419	27.0%
6500 · Education Funds Use Expens	375	375	0	100.0%
9500 · Allocated G&A Expenditures	-158,342	-378,284	219,942	41.86%
Subtotal G&A Expenditures	<u>268,570</u>	<u>733,144</u>	<u>-464,574</u>	<u>36.63%</u>
6900 · Optimum Basin Mgmt Plan	511,396	996,767	-485,371	51.31%
6950 · Mutual Agency Projects	13,040	75,000	-61,960	17.39%
9501 · G&A Expenses Allocated-OBMP	54,872	109,541	-54,669	50.09%
Subtotal OBMP Expenditures	<u>579,308</u>	<u>1,181,308</u>	<u>-602,000</u>	<u>49.04%</u>
7101 · Production Monitoring	25,736	68,755	-43,019	37.43%
7102 · In-line Meter Installation	8,405	97,954	-89,549	8.58%
7103 · Grdwtr Quality Monitoring	67,701	66,503	1,198	101.8%
7104 · Gdwtr Level Monitoring	66,226	184,812	-118,586	35.83%
7105 · Sur Wtr Qual Monitoring	8,273	90,223	-81,950	9.17%
7106 · Wtr Level Sensors Install	0	5,734	-5,734	0.0%
7107 · Ground Level Monitoring	62,333	554,825	-492,492	11.24%
7108 · Hydraulic Control Monitoring	199,835	495,368	-295,533	40.34%
7109 · Recharge & Well Monitoring Prog	294,615	133,061	161,554	221.41%
7200 · PE2- Comp Recharge Pgm	132,810	759,105	-626,295	17.5%

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through November 2005

	<u>Jul - Nov 05</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7300 · PE3&5-Water Supply/Desalte	339	12,548	-12,209	2.7%
7400 · PE4- Mgmt Plan	60,353	1,081,014	-1,020,661	5.58%
7500 · PE6&7-CoopEfforts/SaltMgmt	44,244	255,769	-211,526	17.3%
7600 · PE8&9-StorageMgmt/Conj Use	4,667	77,268	-72,601	6.04%
7690 · Recharge Improvement Debt Pymt	0	300,000	-300,000	0.0%
7700 · Inactive Well Protection Prgm	0	12,128	-12,128	0.0%
9502 · G&A Expenses Allocated-Projects	103,470	268,742	-165,272	38.5%
Subtotal Project Expenditures	<u>1,079,008</u>	<u>4,463,809</u>	<u>-3,384,801</u>	<u>24.17%</u>
Total Expense	<u>1,926,886</u>	<u>6,378,261</u>	<u>-4,451,375</u>	<u>30.21%</u>
Net Ordinary Income	-1,861,424	-1,290,385	-571,039	144.25%
Other Income/Expense				
Other Income				
4231 · MZ1 Assigned Water Sales	0	600,000	-600,000	0.0%
4210 · Approp Pool-Replenishment	369,248			
Total Other Income	<u>369,248</u>	<u>600,000</u>	<u>-230,752</u>	<u>61.54%</u>
Other Expense				
5010 · Groundwater Replenishment	3,109,953	699,000	2,410,953	444.92%
9999 · To/(From) Reserves	-4,602,129	-1,389,385	-3,212,744	331.24%
Total Other Expense	<u>-1,492,176</u>	<u>-690,385</u>	<u>-801,791</u>	<u>216.14%</u>
Net Other Income	<u>1,861,424</u>	<u>1,290,385</u>	<u>571,039</u>	<u>144.25%</u>
Net Income	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0.0%</u></u>



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: February 9, 2006
February 21, 2006
February 23, 2006

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report – January 2006

SUMMARY

Issue – Record of cash disbursements for the month of January 2006.

Recommendation – Staff recommends the Cash Disbursements for January 2006 be received and filed as presented.

Fiscal Impact – All funds disbursed were included in the FY 2005-06 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 January 2006 were \$3,18,653.95. The most significant expenditures during the month were Ellison, Schneider & Harris, LLP in the amount of \$11,634.06, Wildermuth Environmental Inc. in the amount of \$168,643.61 and Hatch and Parent in the amount of \$25,218.04

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
January 2006

Type	Date	Num	Name	Amount
Jan 06				
Bill Pmt -Check	1/5/2006	10135	AMERICAN GROUND WATER TRUST	-250.00
Bill Pmt -Check	1/5/2006	10136	APPLIED COMPUTER TECHNOLOGIES	-1,801.95
Bill Pmt -Check	1/5/2006	10137	ARROWHEAD MOUNTAIN SPRING WATER	-26.02
Bill Pmt -Check	1/5/2006	10138	DIRECTV	-74.98
Bill Pmt -Check	1/5/2006	10139	INLAND COUNTIES INSURANCE SERVICES, INC.	-238.57
Bill Pmt -Check	1/5/2006	10140	MEDIA JIM	-765.00
Bill Pmt -Check	1/5/2006	10141	PAYCHEX	-253.30
Bill Pmt -Check	1/5/2006	10142	PRINTING RESOURCES	-45.28
Bill Pmt -Check	1/5/2006	10143	RICOH BUSINESS SYSTEMS-Maintenance	-40.00
Bill Pmt -Check	1/5/2006	10144	SOUTHERN CALIFORNIA WATER COMMITTEE	-50.00
Bill Pmt -Check	1/5/2006	10145	SPRINT	-557.10
Bill Pmt -Check	1/5/2006	10146	STATE COMPENSATION INSURANCE FUND	-1,452.58
Bill Pmt -Check	1/5/2006	10147	THE FURMAN GROUP, INC.	-2,715.00
Bill Pmt -Check	1/5/2006	10148	TOGO'S	-54.05
Bill Pmt -Check	1/5/2006	10149	UNION 76	-192.13
Bill Pmt -Check	1/5/2006	10150	VERIZON	-360.33
Bill Pmt -Check	1/5/2006	10151	AMERICAN GROUND WATER TRUST	-750.00
Bill Pmt -Check	1/5/2006	10152	YUKON DISPOSAL SERVICE	-180.54
General Journal	1/5/2006	05/12/9	PAYROLL	-6,857.57
General Journal	1/5/2006	05/12/9	PAYROLL	-18,535.42
Bill Pmt -Check	1/9/2006	10153	TOGO'S	-209.60
Bill Pmt -Check	1/9/2006	10154	VIP AUTO DETAILING	-504.15
Bill Pmt -Check	1/10/2006	10155	CAFE CALATO	-115.83
Bill Pmt -Check	1/13/2006	10156	ACWA SERVICES CORPORATION	-223.18
Bill Pmt -Check	1/13/2006	10157	ANDERSON, JOHN	-250.00
Bill Pmt -Check	1/13/2006	10158	BEN MEADOWS COMPANY	-207.07
Bill Pmt -Check	1/13/2006	10159	DE BOOM, NATHAN	-625.00
Bill Pmt -Check	1/13/2006	10160	DURRINGTON, GLEN	-375.00
Bill Pmt -Check	1/13/2006	10161	FEENSTRA, BOB	-250.00
Bill Pmt -Check	1/13/2006	10162	HAMRICK, PAUL	-250.00
Bill Pmt -Check	1/13/2006	10163	Hettinga, Peter	-500.00
Bill Pmt -Check	1/13/2006	10164	HOSTETLER, DAN	-250.00
Bill Pmt -Check	1/13/2006	10165	HUITSING, JOHN	-750.00
Bill Pmt -Check	1/13/2006	10166	KOOPMAN, GENE	-375.00
Bill Pmt -Check	1/13/2006	10167	KRUGER, W. C. "BILL"	-250.00
Bill Pmt -Check	1/13/2006	10168	KUHN, BOB	-375.00
Bill Pmt -Check	1/13/2006	10169	LOS ANGELES TIMES	-42.40
Bill Pmt -Check	1/13/2006	10170	MCCALL'S METER SALES & SERVICE	-7,133.05
Bill Pmt -Check	1/13/2006	10171	MCI	-908.17
Bill Pmt -Check	1/13/2006	10172	NEUFELD, ROBERT	-500.00
Bill Pmt -Check	1/13/2006	10173	OFFICE DEPOT	-279.33
Bill Pmt -Check	1/13/2006	10174	PARK PLACE COMPUTER SOLUTIONS, INC.	-2,530.00
Bill Pmt -Check	1/13/2006	10175	PIERSON, JEFFREY	-250.00
Bill Pmt -Check	1/13/2006	10176	PUMP CHECK	-715.50
Bill Pmt -Check	1/13/2006	10177	QUILL	-139.97
Bill Pmt -Check	1/13/2006	10178	REID & HELLYER	-7,986.26
Bill Pmt -Check	1/13/2006	10179	RICOH BUSINESS SYSTEMS-Maintenance	-705.50
Bill Pmt -Check	1/13/2006	10180	SCOTT-COE, JUSTIN	-250.00
Bill Pmt -Check	1/13/2006	10181	UNITED PARCEL SERVICE	-366.84
Bill Pmt -Check	1/13/2006	10182	VANDEN HEUVEL, GEOFFREY	-500.00
Bill Pmt -Check	1/13/2006	10183	VELASQUEZ JANITORIAL	-1,200.00
Bill Pmt -Check	1/13/2006	10184	CUCAMONGA VALLEY WATER DISTRICT	-5,076.00
General Journal	1/15/2006	06/01/3	PAYROLL	-6,831.10
General Journal	1/15/2006	06/01/3	PAYROLL	-20,426.69
Bill Pmt -Check	1/19/2006	10185	BANK OF AMERICA	-4,168.28
Bill Pmt -Check	1/19/2006	10186	BLACK & VEATCH CORPORATION	-1,695.00
Bill Pmt -Check	1/19/2006	10187	CALPERS	-2,650.83
Bill Pmt -Check	1/19/2006	10188	DELUXE BUSINESS FORMS & SUPPLIES	-84.53
Bill Pmt -Check	1/19/2006	10189	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
Bill Pmt -Check	1/19/2006	10190	HATCH AND PARENT	-25,218.04
Bill Pmt -Check	1/19/2006	10191	INLAND EMPIRE UTILITIES AGENCY	-60.00
Bill Pmt -Check	1/19/2006	10192	PITNEY BOWES CREDIT CORPORATION	-468.72
Bill Pmt -Check	1/19/2006	10193	PRE-PAID LEGAL SERVICES, INC.	-129.50
Bill Pmt -Check	1/19/2006	10194	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-32.34
Bill Pmt -Check	1/19/2006	10195	RICOH BUSINESS SYSTEMS-Lease	-3,591.31
Bill Pmt -Check	1/19/2006	10196	STAULA, MARY L	-136.61
Bill Pmt -Check	1/19/2006	10197	U S POSTMASTER	-20.00
Bill Pmt -Check	1/19/2006	10198	UNITEK TECHNOLOGY INC.	-527.98

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
January 2006

Type	Date	Num	Name	Amount
Bill Pmt -Check	1/19/2006	10199	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-33.91
Bill Pmt -Check	1/24/2006	10200	CAFE CALATO	-71.38
Bill Pmt -Check	1/26/2006	10201	WILDERMUTH ENVIRONMENTAL INC	-148,517.36
Bill Pmt -Check	1/26/2006	10202	ARROWHEAD MOUNTAIN SPRING WATER	-26.02
Bill Pmt -Check	1/26/2006	10203	CALIFORNIA PUBLIC EMPL RETIREMENT SYSTEM	-400.00
Bill Pmt -Check	1/26/2006	10204	ELLISON, SCHNEIDER & HARRIS, LLP	-11,634.06
Bill Pmt -Check	1/26/2006	10205	OFFICE DEPOT	-67.87
Bill Pmt -Check	1/26/2006	10206	PETTY CASH	-456.75
Bill Pmt -Check	1/26/2006	10207	PREMIERE GLOBAL SERVICES	-31.60
Bill Pmt -Check	1/26/2006	10208	QUILL	-49.55
Bill Pmt -Check	1/26/2006	10209	SPRINT	-554.00
Bill Pmt -Check	1/26/2006	10210	STANDARD INSURANCE CO.	-568.49
Bill Pmt -Check	1/26/2006	10211	UNITEK TECHNOLOGY INC.	-300.62
Bill Pmt -Check	1/26/2006	10212	WILDERMUTH ENVIRONMENTAL INC	-20,126.25
Bill Pmt -Check	1/26/2006	10213	YUKON DISPOSAL SERVICE	-134.72
Bill Pmt -Check	1/26/2006	10214	CLARO'S ITALIAN MARKET	-222.77
				-318,653.95

Jan 06

CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2005 THROUGH DECEMBER 31, 2005

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATION AND SPECIAL PROJECTS			GROUNDWATER OPERATIONS		EDUCATION FUNDS	GRAND TOTALS	BUDGET 2004-05
			APPROPRIATIVE POOL	AGRICULTURAL POOL	NON-AGRIC. POOL	GROUNDWATER REPLENISHMENT	SB222 FUNDS			
Administrative Revenues			4,781,347		66,160				4,847,507	\$3,984,888
Administrative Assessments			100,514	7,951	3,278			37	111,780	78,330
Interest Revenue									19,879	0
Mutual Agency Project Revenue		19,879							-	0
Grant Income									-	0
Miscellaneous Income									-	0
Total Revenues	-	19,879	4,881,861	7,951	69,438	-	-	37	4,979,166	4,063,218
Administrative & Project Expenditures									250,746	621,784
Watermaster Administration	250,746								26,185	37,018
Watermaster Board-Advisory Committee	26,185								81,593	91,153
Pool Administration			9,777	69,642	2,174				650,258	1,019,183
Optimum Basin Mgmt Administration		650,258							829,450	3,733,694
OBMP Project Costs		829,450						375	375	375
Education Funds Use									15,755	80,004
Mutual Agency Project Costs	15,755							375	1,854,362	5,583,211
Total Administrative/OBMP Expenses	292,686	1,479,708	9,777	69,642	2,174	-	-	375	1,854,362	5,583,211
Net Administrative/OBMP Income	(292,686)	(1,459,829)							-	0
Allocate Net Admin Income To Pools	292,686		227,285	61,263	4,138				-	0
Allocate Net OBMP Income To Pools		1,459,829	1,133,630	305,561	20,638				-	0
Agricultural Expense Transfer			430,316	(430,316)				375	1,854,362	5,583,211
Total Expenses			1,801,008	6,150	26,950	-	-	375	3,124,804	(1,519,993)
Net Administrative Income			3,080,853	1,801	42,488			(338)	5,752,322	(1,618,993)
Other Income/(Expense)									6,635,065	0
Replenishment Water Purchases						6,635,065			-	2,179,500
MZ1 Supplemental Water Assessments									-	0
Water Purchases									-	(2,278,500)
MZ1 Imported Water Purchase									(4,007,547)	0
Groundwater Replenishment						(4,007,547)			2,627,518	(99,000)
Net Other Income						2,627,518			2,627,518	(99,000)
Net Transfers To/(From) Reserves			3,080,853	1,801	42,488	2,627,518		(338)	5,752,322	(1,618,993)
Working Capital, July 1, 2005			4,450,869	464,653	187,298	3,580,499	158,251	2,238	8,843,808	
Working Capital, End Of Period			7,531,722	466,454	229,786	6,208,017	158,251	1,900	14,596,130	
04/05 Production			127,810,967	34,450,449	2,326,836				164,588,252	
04/05 Production Percentages			77.655%	20.931%	1.414%				100.000%	

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
DECEMBER 1 THROUGH DECEMBER 31, 2005**

DEPOSITORIES:		\$	500
Cash on Hand - Petty Cash			
Bank of America			
Governmental Checking-Demand Deposits	\$	493,387	
Savings Deposits		9,685	
Zero Balance Account - Payroll		<u>(25,393)</u>	477,679
Vineyard Bank CD - Agricultural Pool			413,970
Local Agency Investment Fund - Sacramento			<u>2,800,481</u>
TOTAL CASH IN BANKS AND ON HAND	12/31/2005		\$ 3,692,630
TOTAL CASH IN BANKS AND ON HAND	11/30/2005		5,381,977
PERIOD INCREASE (DECREASE)			<u>\$ (1,689,347)</u>

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets: Accounts Receivable	\$	(487,647)
Assessments Receivable		(10,842,039)
Prepaid Expenses, Deposits & Other Current Assets		-
(Decrease)/Increase in Liabilities: Accounts Payable		(717,329)
Accrued Payroll, Payroll Taxes & Other Current Liabilities		3,218
Transfer to/(from) Reserves		<u>10,354,450</u>
PERIOD INCREASE (DECREASE)		<u>\$ (1,689,347)</u>

SUMMARY OF FINANCIAL TRANSACTIONS:

	Petty Cash	Govt'l Checking Demand	Zero Balance Account Payroll	Savings	Vineyard Bank	Local Agency Investment Funds	Totals
Balances as of 11/30/2005	\$ 500	\$ 135,653	\$ (27,080)	\$ 9,672	\$ 412,751	\$ 4,850,481	\$ 5,381,977
Deposits	-	271,788	-	13	1,219	-	273,020
Transfers	-	1,978,427	71,573	-	-	(2,050,000)	-
Withdrawals/Checks	-	(1,892,481)	(69,886)	-	-	-	(1,962,367)
Balances as of 12/31/2005	\$ 500	\$ 493,387	\$ (25,393)	\$ 9,685	\$ 413,970	\$ 2,800,481	\$ 3,692,630
PERIOD INCREASE OR (DECREASE)	\$ -	\$ 357,734	\$ 1,687	\$ 13	\$ 1,219	\$ (2,050,000)	\$ (1,689,347)

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
DECEMBER 1 THROUGH DECEMBER 31, 2005**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
12/5/2005	Withdrawal	L.A.I.F.	\$ (500,000)				
12/8/2005	Withdrawal	L.A.I.F.	\$ (350,000)				
12/22/2005	Withdrawal	L.A.I.F.	(1,200,000)				
TOTAL INVESTMENT TRANSACTIONS			\$ (2,050,000)				

* The earnings rate for L.A.I.F. is a daily variable rate; 3.63% was the effective yield rate at the Quarter ended December 31, 2005

**INVESTMENT STATUS
December 31, 2005**

Financial Institution	Principal Amount	Number of Days	Interest Rate	Maturity Date
Local Agency Investment Fund	\$ 2,800,481			
TOTAL INVESTMENTS	\$ 2,800,481			

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, CPA
Chief Financial Officer & Assistant General Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through December 2005

	<u>Jul - Dec 05</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	19,879	132,000	-112,121	15.06%
4110 · Admin Asmnts-Approp Pool	4,781,347	4,804,121	-22,774	99.53%
4120 · Admin Asmnts-Non-Agri Pool	66,160	73,425	-7,265	90.11%
4700 · Non Operating Revenues	111,779	78,330	33,449	142.7%
Total Income	<u>4,979,166</u>	<u>5,087,876</u>	<u>-108,710</u>	<u>97.86%</u>
Gross Profit	4,979,166	5,087,876	-108,710	97.86%
Expense				
6010 · Salary Costs	225,436	404,153	-178,717	55.78%
6020 · Office Building Expense	42,696	97,850	-55,154	43.63%
6030 · Office Supplies & Equip.	12,183	47,500	-35,317	25.65%
6040 · Postage & Printing Costs	37,933	75,700	-37,767	50.11%
6050 · Information Services	65,930	103,500	-37,570	63.7%
6060 · Contract Services	1,939	130,500	-128,561	1.49%
6080 · Insurance	-691	24,210	-24,901	-2.86%
6110 · Dues and Subscriptions	2,502	14,000	-11,498	17.87%
6140 · WM Admin Expenses	794	6,500	-5,706	12.22%
6150 · Field Supplies	-1,832	4,050	-5,882	-45.23%
6170 · Travel & Transportation	44,240	45,200	-960	97.88%
6190 · Conferences & Seminars	5,632	17,500	-11,868	32.19%
6200 · Advisory Comm - WM Board	7,153	14,082	-6,929	50.8%
6300 · Watermaster Board Expenses	19,032	29,782	-10,750	63.9%
8300 · Appr PI-WM & Pool Admin	9,777	15,347	-5,570	63.71%
8400 · Agri Pool-WM & Pool Admin	10,223	18,756	-8,533	54.51%
8467 · Agri-Pool Legal Services	53,269	45,000	8,269	118.38%
8470 · Ag Meeting Attend -Special	6,150	10,000	-3,850	61.5%
8500 · Non-Ag PI-WM & Pool Admin	2,174	7,423	-5,249	29.29%
6500 · Education Funds Use Expens	375	375	0	100.0%
9500 · Allocated G&A Expenditures	<u>-186,018</u>	<u>-378,284</u>	<u>192,266</u>	<u>49.17%</u>
	358,900	733,144	-374,244	48.95%
6900 · Optimum Basin Mgmt Plan	585,756	996,767	-411,011	58.77%
6950 · Mutual Agency Projects	15,755	75,000	-59,245	21.01%
9501 · G&A Expenses Allocated-OBMP	64,502	109,541	-45,039	58.88%
	<u>666,013</u>	<u>1,181,308</u>	<u>-515,295</u>	<u>56.38%</u>
7101 · Production Monitoring	28,178	68,755	-40,577	40.98%
7102 · In-line Meter Installation	16,575	97,954	-81,379	16.92%
7103 · Grdwtr Quality Monitoring	35,097	66,503	-31,406	52.78%
7104 · Gdwtr Level Monitoring	51,866	184,812	-132,946	28.06%
7105 · Sur Wtr Qual Monitoring	6,449	90,223	-83,774	7.15%
7106 · Wtr Level Sensors Install	0	5,734	-5,734	0.0%
7107 · Ground Level Monitoring	75,679	554,825	-479,146	13.64%
7108 · Hydraulic Control Monitoring	132,589	495,368	-362,779	26.77%
7109 · Recharge & Well Monitoring Prog	81,442	133,061	-51,619	61.21%
7200 · PE2- Comp Recharge Pgm	146,305	759,105	-612,800	19.27%

CHINO BASIN WATERMASTER
 Profit & Loss Budget vs. Actual
 July through December 2005

	<u>Jul - Dec 05</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7300 · PE3&5-Water Supply/Desalte	339	12,548	-12,209	2.7%
7400 · PE4- Mgmt Plan	81,207	1,081,014	-999,807	7.51%
7500 · PE6&7-CoopEfforts/SaltMgmt	46,275	255,769	-209,494	18.09%
7600 · PE8&9-StorageMgmt/Conj Use	5,933	77,268	-71,335	7.68%
7690 · Recharge Improvement Debt Pymt	0	300,000	-300,000	0.0%
7700 · Inactive Well Protection Prgm	0	12,128	-12,128	0.0%
9502 · G&A Expenses Allocated-Projects	121,515	268,742	-147,227	45.22%
	<u>829,450</u>	<u>4,463,809</u>	<u>-3,634,359</u>	<u>18.58%</u>
Total Expense	<u>1,854,363</u>	<u>6,378,261</u>	<u>-4,523,898</u>	<u>29.07%</u>
Net Ordinary Income	3,124,803	-1,290,385	4,415,188	-242.16%
Other Income/Expense				
Other Income				
4231 · MZ1 Assigned Water Sales	0	600,000	-600,000	0.0%
4210 · Approp Pool-Replenishment	6,635,065	0	6,635,065	100.0%
Total Other Income	<u>6,635,065</u>	<u>600,000</u>	<u>6,035,065</u>	<u>1,105.84%</u>
Other Expense				
5010 · Groundwater Replenishment	4,007,547	699,000	3,308,547	573.33%
9999 · To/(From) Reserves	5,752,322	-1,389,385	7,141,707	-414.02%
Total Other Expense	<u>9,759,868</u>	<u>-690,385</u>	<u>10,450,253</u>	<u>-1,413.69%</u>
Net Other Income	<u>-3,124,803</u>	<u>1,290,385</u>	<u>-4,415,188</u>	<u>-242.16%</u>
Net Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

C. INDEPENDENT AUDITORS REPORT ON FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2005



CHINO BASIN WATERMASTER
Basic Financial Statements and Supplemental Data
Year ended June 30, 2005

CHINO BASIN WATERMASTER
Basic Financial Statements and Supplemental Data
Year ended June 30, 2005

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Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

Independent Auditors' Report

We have audited the accompanying basic financial statements of the Chino Basin Watermaster as of and for the year ended June 30, 2005, as listed in the accompanying table of contents. These basic financial statements are the responsibility of Chino Basin Watermaster's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Chino Basin Watermaster as of June 30, 2005 and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements that collectively comprise the Chino Basin Watermaster's basic financial statements. The supplementary information is presented for purposes of additional analysis of the basic financial statements and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Conrad and Associates, L.L.P.

August 19, 2005



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: 909.484.3888 Fax: 909.484.3890 www.cbwm.org

MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND

The Chino Basin Watermaster (Watermaster) was established under a Judgment entered in the Superior Court of the State of California for the County of San Bernardino, entitled "Chino Basin Municipal Water District v. City of Chino, et al.," (originally Case No. SCV 164327, the file was transferred in August 1989 and assigned a new Case No. RCV 51010). The judgment prescribes Watermaster's authorities and specifies classes of water production assessments to be used to fund certain activities. Those assessment categories are: administration, OBMP, special project and replenishment. Each class of assessment has a prescribed purpose and water production base. Assessment revenue is Watermaster's principal source of income.

Watermaster's operating revenues include not only funds for administrative, OBMP, special project and replenishment expenses collected in accordance with the annual budget, but also includes money collected by appropriators to help pay for improvements to recharge basins within our boundaries and contributions received on behalf of expenditures related to cooperative projects as approved through the budget process.

The Unrestricted Net Asset amount listed on the Statement of Net Assets includes assessments on production of water in excess of production rights. These funds will be used to purchase replenishment water to mitigate annual overdraft in the coming year.

BASIC FINANCIAL STATEMENTS

To comply with new government accounting standards, all of Watermaster's assessment funds have been compiled into a single set of comprehensive interrelated financial statements. The financial statements that accompany this report include Statement of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows. Also included are various notes providing additional explanation and detail relating to this financial information.

The Statement of Net Assets lists Watermaster's total assets, liabilities, and net assets, or the amount of assets free of debt, as of June 30, 2005. The Statements of Revenues, Expenses and Changes in Net Assets list Watermaster's income for the year compared to its expenses. Additionally, these statements identify the gain or loss in net assets for 2005. Finally, the Statements of Cash Flows indicate how cash was received and spent throughout the past year, highlighting the net change in cash and investments for 2005.

SUMMARY OF FINANCIAL INFORMATION

For the year ended June 30, 2005, Watermaster's Total Net Assets was \$8,843,808. This balance includes cash that will be required to purchase water to meet the replenishment obligation incurred during the previous fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005
(With comparative totals for June 30, 2004)

	<u>2005</u>	<u>2004</u>
Assets		
Current	\$ 9,770,452	\$ 8,967,186
Capital	<u>79,179</u>	<u>106,641</u>
Total Assets	9,849,631	9,073,827
Liabilities		
Current	940,226	535,428
Non current	<u>65,597</u>	<u>46,691</u>
Total Liabilities	1,005,823	582,119
Net Assets		
Invested in capital assets	79,179	106,641
Unrestricted	<u>8,764,629</u>	<u>8,385,067</u>
Total Net Assets	<u>\$ 8,843,808</u>	<u>\$ 8,491,708</u>

REVIEW OF REVENUES AND EXPENSES

Administrative assessment revenue increased from the prior year by 3.1%. There was a significant increase in mutual agency project revenues over the prior year attributable to contributions from other agencies relating to cost sharing and financial contributions related to Watermaster's monitoring programs. Replenishment assessment revenue also increased 96.6% due to a significant increase in production in excess of rights.

Although there was a slight decrease in administrative expenditures, overall operating expenses (excluding replenishment activities) increased over the prior year from \$4,389,120 to \$5,087,880. This increase in expenses relates to budgeted increases in monitoring costs, hydraulic control related costs and general OBMP related expenditures.

Non-operating revenue represented interest income of \$211,595 and \$91,863 for the years ending June 30, 2005 and June 30, 2004. This increase in income relates directly to the substantial increase in the deposits held to purchase replenishment water.

The financial condition of the Watermaster changed as indicated by the change in the Net Assets from the prior year in the amount of \$352,100.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005
(With comparative totals for June 30, 2004)

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Administrative assessments (note 1)	\$ 4,881,245	\$ 4,736,516
Mutual agency project revenue	895,836	301,209
Replenishment water	8,097,108	4,135,998
MZ1 supplemental water assessments	1,625,000	1,585,854
Miscellaneous revenue	<u>3,865</u>	<u>-</u>
Total Operating Revenues	<u>15,503,054</u>	<u>10,759,577</u>
Operating Expenses		
Watermaster administration	707,233	726,638
Depreciation	27,462	28,804
Pool, Advisory and Board administration	151,477	311,099
Educational	-	375
Optimum Basin Management Plan	4,144,077	3,240,788
Mutual agency project costs	57,631	81,416
Groundwater replenishment	10,125,526	984,671
MZ1 imported water	<u>149,143</u>	<u>870,623</u>
Total Operating Expenses	<u>15,362,549</u>	<u>6,244,414</u>
Income from operations	<u>140,505</u>	<u>4,515,163</u>
Non-Operating Revenues		
Interest	<u>211,595</u>	<u>91,863</u>
Total Nonoperating Revenues	<u>211,595</u>	<u>91,863</u>
Change in net assets	352,100	4,607,026
Net assets at beginning of year, as restated	<u>8,491,708</u>	<u>3,884,682</u>
Total net assets at end of year	<u>\$ 8,843,808</u>	<u>\$ 8,491,708</u>

COMPARISON OF FY 2004-2005 ADMINISTRATION BUDGET TO ACTUAL REVENUES/EXPENSE

The revenue exceeded budget primarily from assessments related to replenishment obligations incurred and because actual cash on hand at the end of the fiscal year which was used to offset assessments, was less than forecasted when the budget was prepared.

Actual operating expenses fell short of the budget while the replenishment water purchases exceeded the budgeted amount. This was due to a reduction in planned expenses related to certain management zones within the basin.

Administration recorded an increase in change in net assets for the year ending June 30, 2005, compared to a budgeted loss \$1,618,993 million. This planned operating deficit was the result of a budgeted usage of accumulated net assets.

CHINO BASIN WATERMASTER

Statement of Net Assets

June 30, 2005

(with comparative totals for June 30, 2004)

<u>Assets</u>	<u>Total</u>	<u>2004</u>
Current assets:		
Cash and investments (note 2)	\$ 8,795,321	8,763,233
Accounts receivable	941,025	167,905
Prepaid expenses	<u>34,106</u>	<u>36,048</u>
Total current assets	<u>9,770,452</u>	<u>8,967,186</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation (note 3)	<u>79,179</u>	<u>106,641</u>
Total noncurrent assets	<u>79,179</u>	<u>106,641</u>
Total assets	<u>9,849,631</u>	<u>9,073,827</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	904,450	527,307
Accrued salaries and benefits	<u>35,776</u>	<u>8,121</u>
Total current liabilities	<u>940,226</u>	<u>535,428</u>
Noncurrent liabilities:		
Compensated absences (note 4)	<u>65,597</u>	<u>46,691</u>
Total noncurrent liabilities	<u>65,597</u>	<u>46,691</u>
Total liabilities	<u>1,005,823</u>	<u>582,119</u>
<u>Net Assets</u>		
Net assets:		
Invested in capital assets	79,179	106,641
Unrestricted	<u>8,764,629</u>	<u>8,385,067</u>
Total net assets	<u>\$ 8,843,808</u>	<u>8,491,708</u>

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2005

(with comparative totals for June 30, 2004)

	<u>Total</u>	<u>2004</u>
Operating revenues:		
Administrative assessments (note 1)	\$ 4,881,245	4,736,516
Mutual agency project revenue	895,836	301,209
Replenishment water	8,097,108	4,135,998
MZ1 supplemental water assessments	1,625,000	1,585,854
Miscellaneous revenue	<u>3,865</u>	<u>-</u>
Total operating revenues	<u>15,503,054</u>	<u>10,759,577</u>
Operating expenses:		
Watermaster administration	707,233	726,638
Depreciation	27,462	28,804
Pool, advisory and Board administration	151,477	311,099
Educational	-	375
Optimum Basin Management Plan	4,144,077	3,240,788
Mutual agency project costs	57,631	81,416
Groundwater replenishment	10,125,526	984,671
MZ1 imported water	<u>149,143</u>	<u>870,623</u>
Total operating expenses	<u>15,362,549</u>	<u>6,244,414</u>
Income from operations	<u>140,505</u>	<u>4,515,163</u>
Nonoperating revenues:		
Interest income	<u>211,595</u>	<u>91,863</u>
Total nonoperating revenues	<u>211,595</u>	<u>91,863</u>
Change in net assets	352,100	4,607,026
Net assets at beginning of year	<u>8,491,708</u>	<u>3,884,682</u>
Total net assets at end of year	<u>\$ 8,843,808</u>	<u>8,491,708</u>

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER
Statement of Cash Flows
Year ended June 30, 2005
(with comparative totals for June 30, 2004)

	<u>Total</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from customers	\$ 4,108,125	4,603,399
Cash received from other agencies	899,702	301,209
Cash received from replenishment water	8,097,108	4,135,998
Cash received from MZ1 supplemental water assessments	1,625,000	1,585,854
Cash paid to employees for services	(884,016)	(923,670)
Cash paid to suppliers of goods and services	<u>(14,025,426)</u>	<u>(5,401,274)</u>
Net cash provided by (used for) operating activities	<u>(179,507)</u>	<u>4,301,516</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	<u>-</u>	<u>(90,177)</u>
Net cash provided by (used for) capital financing activities	<u>-</u>	<u>(90,177)</u>
Cash flows from investing activities:		
Interest received	<u>211,595</u>	<u>91,863</u>
Net cash provided by (used for) investing activities	<u>211,595</u>	<u>91,863</u>
Net increase (decrease) in cash	32,088	4,303,202
Cash and investments at the beginning of year	<u>8,763,233</u>	<u>4,460,031</u>
Cash and investments at the end of year	<u>\$ 8,795,321</u>	<u>8,763,233</u>
Reconciliation of operating income to net cash used for operating activities:		
Operating income	\$ 140,505	4,515,163
Adjustment to reconcile operating income (loss) to net cash used for operating activities:		
Depreciation	27,462	28,804
(Increase) decrease in accounts receivable	(773,120)	(133,117)
(Increase) decrease in prepaid expenses	1,942	(4,173)
Increase (decrease) in account payable	377,143	(77,796)
Increase (decrease) in accrued salaries and benefits	27,655	(14,595)
Increase (decrease) in compensated absences	<u>18,906</u>	<u>(12,770)</u>
Net cash used for operating activities	<u>\$ (179,507)</u>	<u>4,301,516</u>

Noncash investing, capital and financing activities:

There were no noncash investing, capital or financing activities during the fiscal years ended June 30, 2005 and June 30, 2004.

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements
Year Ended June 30, 2005

(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 member Board of Directors was initially appointed as "Watermaster". Their term of appointment as Watermaster was for five 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 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 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 2004-05 expenses are based on the 2003-04 production volume.

	<u>2003-04</u>	
	<u>Acre Feet</u>	<u>%</u>
Production Volume:		
Appropriative Pool	136,795	75.291
Agricultural Pool	41,978	23.105
Non-Agricultural Pool	<u>2,915</u>	<u>1.604</u>
Total Production Volume	<u>181,688</u>	<u>100.000</u>

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies. (Continued)

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.

Basis of Accounting

The Watermaster is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Watermaster utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

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 year.

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

Cash Equivalents

For the purposes of the Statements of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements
(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies. (Continued)

Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The Watermaster capitalizes all assets with a historical cost of at least \$5,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Computer equipment and software	5 years
Office furniture and fixtures	7 years
Leasehold improvements	10 years
Automotive equipment	7 years

Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Appropriative 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 2003-04 interest revenue was allocated to the Appropriative Pool, resulting in a reduction of the 2004-05 assessments. The amount of administrative assessment received for the year ended June 30, 2005 was \$4,881,245.

(2) Cash and Investments

Cash and investments as of June 30, 2005 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	<u>\$ 8,795,321</u>
Total cash and investments	<u>\$ 8,795,321</u>

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements
(Continued)

(2) Cash and Investments. (Continued)

Cash and investments as of June 30, 2005 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	522,554
Investments	<u>8,272,267</u>
 Total cash and investments	 <u>\$ 8,795,321</u>

Investments Authorized by the California Government Code and the Watermaster's Investment Policy

The table below identifies the investment types that are authorized for the Watermaster by the California Government Code and the Watermaster's investment policy. The table also identifies certain provisions of the California Government Code (or the Watermaster's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Investment Types</u> <u>Authorized by State Law</u>	<u>Authorized</u> <u>By</u> <u>Investment</u>	<u>*Maximum</u> <u>Maturity</u>	<u>*Maximum</u> <u>Percentage</u> <u>Of Portfolio</u>	<u>*Maximum</u> <u>Investment</u> <u>In One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	Yes	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements
(Continued)

(2) Cash and Investments. (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Watermaster manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Watermaster's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Watermaster's investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>Total Amount</u>	<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>
State investment pool	<u>\$8,272,267</u>	<u>8,272,267</u>	<u>-</u>	<u>-</u>
Total	<u>\$8,272,267</u>	<u>8,272,267</u>	<u>-</u>	<u>-</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Watermaster's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Total Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
State investment pool	<u>\$8,272,267</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>8,272,267</u>
Total	<u>\$8,272,267</u>	<u>N/A</u>	<u>-</u>	<u>-</u>	<u>8,272,267</u>

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Watermaster's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Watermaster deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The Watermaster is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Watermaster's investment in this pool is reported in the accompanying financial statements at amounts based upon the 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 accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements
(Continued)

(3) Capital Assets

Capital asset activity for the year ended June 30, 2005 is as follows:

	<u>Balances at</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at</u> <u>June 30, 2005</u>
Computer equipment and software	\$49,768	-	-	49,768
Office furniture and fixtures	36,371	-	-	36,371
Leasehold improvements	23,443	-	-	23,443
Automotive equipment	<u>79,173</u>	<u>-</u>	<u>(23,299)</u>	<u>55,874</u>
Total costs of depreciable assets	<u>188,755</u>	<u>-</u>	<u>(23,299)</u>	<u>165,456</u>
Less accumulated depreciation:				
Computer equipment and software	(26,418)	(9,954)	-	(36,372)
Office furniture and fixtures	(6,237)	(5,196)	-	(11,433)
Leasehold improvements	(2,344)	(2,344)	-	(4,688)
Automotive equipment	<u>(47,115)</u>	<u>(9,968)</u>	<u>23,299</u>	<u>(33,784)</u>
Total accumulated depreciation	<u>(82,114)</u>	<u>(27,462)</u>	<u>23,299</u>	<u>(86,277)</u>
Net capital assets	<u>\$106,641</u>	<u>(27,462)</u>	<u>-</u>	<u>79,179</u>

(4) Compensated Absences

Permanent Watermaster employees earn from 10 to 20 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 50% of their rate of pay at termination. Other employees are paid based upon length of employment and age at time of retirement or resignation. The amount of compensated absences outstanding as of June 30, 2005 was \$65,597.

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements
(Continued)

(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 \$12,000 or 33.33% of includible compensation, or 25% of gross compensation. Amounts withheld by Watermaster under this plan are deposited regularly with California Public Employees' Retirement System. The Watermaster makes no contribution under the plan. As of June 30, 2005, 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 Watermaster's reported assets.

(6) Operating Lease

The Watermaster entered into a new lease for rent of office space on September 1, 2003, expiring August 30, 2013. The amount paid under this lease was \$60,455 for the year ended June 30, 2005. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2006	\$ 58,800
2007	58,800
2008	58,800
2009	58,800
2010	58,800
2011	58,800
2012	58,800
2013	<u>58,800</u>
Total	<u>\$470,400</u>

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(7) Defined Benefit Pension Plan (PERS)

The Chino Basin 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, 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. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

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 11.146% of annual covered payroll. The contribution requirements of plan members and the Watermaster are established and may be amended by PERS.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2004 to June 30, 2005 has been determined by an actuarial valuation of the plan as of June 30, 2002. The contribution rate indicated for the period is 14.262% of payroll for the Retirement Program. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2005, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2004 to June 30, 2005.

A summary of principle assumptions and methods used to determine the ARC is shown below.

Valuation Date	June 30, 2002
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	9 Years as of the Valuation Date
Asset Valuation Method	3 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	8.25% (net of administrative expenses)
Projected Salary Increases	3.75% to 14.20% depending on Age, Service, and type of employment
Inflation	3.50%
Payroll Growth	3.75%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.5% and an annual production growth of 0.25%.

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements

(Continued)

(7) Defined Benefit Pension Plan (PERS). (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

Required Supplementary Information

Retirement Program

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	*UAAL As a % of Payroll
6/30/01	\$192,890	178,838	14,052	92.7%	291,502	4.8%
6/30/02	294,441	262,540	31,901	89.2%	517,200	6.2%
6/30/03	419,723	391,922	27,801	93.4%	476,486	5.8%

* UAAL refers to unfunded actuarial accrued liability.

Information for the June 30, 2004 valuation date was not available for inclusion in the financial statements.

(8) 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 supplemental water to the Chino Groundwater Basin. In addition, stormwater and recycled water recharge would be increased. Fixed project costs include construction costs, debt service on the related bond financing and reserves for repair, replacement, improvement and debt service.

SUPPLEMENTARY INFORMATION

CHINO BASIN WATERMASTER

Combining Schedule of Revenues, Expenses and Changes in Working Capital (by subfund)

For the Period July 1, 2004 through June 30, 2005

	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 2004-05
Administrative Revenues			4,807,004		74,241				4,881,245	\$3,984,888
Administrative Assessments			193,951	11,148	6,453			43	211,595	78,330
Interest Revenue									895,836	-
Mutual Agency Project Revenue		895,836							3,865	-
Miscellaneous Income	3,865							43	5,992,541	4,063,218
Total Revenues	3,865	895,836	5,000,955	11,148	80,694	-	-	43		
Administrative & Project Expenditures									734,695	621,784
Watermaster Administration	734,695								47,159	37,018
Watermaster Board-Advisory Committee	47,159								104,318	91,153
Pool Administration			13,459	87,794	3,065				1,265,673	1,019,183
Optimum Basin Mgmt Administration		1,265,673							2,878,404	3,733,694
OBMP Project Costs		2,878,404							-	375
Education Funds Use									57,631	80,004
Mutual Agency Project Costs	57,631								5,087,880	5,583,211
Total Administrative/OBMP Expenses	839,485	4,144,077	13,459	87,794	3,065					
Net Administrative/OBMP Income	(835,620)	(3,248,241)								
Allocate Net Admin Income To Pools	835,620		629,148	193,066	13,406					
Allocate Net OBMP Income To Pools		3,248,241	2,445,639	750,491	52,111					
Agricultural Expense Transfer			1,020,199	(1,020,199)						
Total Expenses			4,108,446	11,152	68,581	-	-	-	5,087,880	5,583,211
Net Administrative Income			892,509	(4)	12,113			43	904,661	(1,519,993)
Other Income/(Expense)										
Replenishment Water Purchases						8,097,108			8,097,108	-
MZ1 Supplemental Water Assessments						1,625,000			1,625,000	2,179,500
Water Purchases										-
MZ1 Imported Water Purchase										(2,278,500)
Groundwater Replenishment						(10,274,669)			(10,274,669)	-
Net Other Income						(552,561)			(552,561)	(99,000)
Net Transfers To/(From) Reserves			892,509	(4)	12,113	(552,561)		43	352,100	(1,618,993)
Working Capital, July 1, 2004			3,560,227	463,055	174,920	4,133,060	158,251	2,195	8,491,708	
Working Capital, End Of Period			4,452,736	463,051	187,033	3,580,499	158,251	2,238	8,843,808	
03/04 Production			136,795,139	41,978,182	2,914,774				181,688,095	100.000%
03/04 Production Percentages			75.291%	23.105%	1.604%					

CHINO BASIN WATERMASTER

Combining Schedule of Revenues, Expenses and Changes in Working Capital (by subfund)

For the Period July 1, 2003 through June 30, 2004

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATION AND SPECIAL PROJECTS			GROUNDWATER OPERATIONS		EDUCATION FUNDS	GRAND TOTALS	BUDGET 2003-04
			APPROPRIATIVE POOL	AGRICULTURAL POOL	NON-AGRIC. POOL	GROUNDWATER REPLENISHMENT	SB222 FUNDS			
Administrative Revenues									4,736,516	\$3,940,516
Administrative Assessments			4,614,056		122,460				91,863	112,025
Interest Revenue			81,090	7,111	3,624			38	301,209	-
Mutual Agency Project Revenue		301,209						38	5,129,588	4,052,541
Total Revenues	-	301,209	4,695,146	7,111	126,084	-	-	38		
Administrative & Project Expenditures									755,442	617,732
Watermaster Administration	755,442								47,569	43,442
Watermaster Board-Advisory Committee	47,569								263,530	255,148
Pool Administration			13,796	246,513	3,221				932,272	1,034,064
Optimum Basin Mgmt Administration		932,272							2,308,516	3,365,079
OBMP Project Costs		2,308,516						375	375	375
Education Funds Use									81,416	85,004
Mutual Agency Project Costs	81,416								4,389,120	5,400,844
Total Administrative/OBMP Expenses	884,427	3,240,788	13,796	246,513	3,221	-	-	375		
Net Administrative/OBMP Income	(884,427)	(2,939,579)							-	-
Allocate Net Admin Income To Pools	884,427		656,109	202,129	26,189				-	-
Allocate Net OBMP Income To Pools		2,939,579	2,180,717	671,817	87,046				-	-
Agricultural Expense Transfer			1,110,333	(1,110,333)				375	4,389,120	5,400,844
Total Expenses	-	-	3,960,955	10,125	116,456	-	-	375	4,389,120	(1,348,303)
Net Administrative Income			734,191	(3,014)	9,628			(337)	740,468	
Other Income/(Expense)									4,135,998	-
Replenishment Water Purchases						4,135,998			1,585,854	2,189,500
MZI Supplemental Water Assessments						1,585,854			-	-
Water Purchases									-	(2,273,500)
MZI Imported Water Purchase						(1,855,294)			(1,855,294)	-
Groundwater Replenishment						3,866,558			3,866,558	(84,000)
Net Other Income										
Net Transfers To/(From) Reserves			734,191	(3,014)	9,628	3,866,558		(337)	4,607,026	(1,432,303)
Working Capital, July 1, 2003, As Restated			2,826,036	466,069	165,292	266,502	158,251	2,532	3,884,682	
Working Capital, End Of Period			3,560,227	463,055	174,920	4,133,060	158,251	2,195	8,491,708	
02/03 Production			121,586,420	37,457,315	4,853,247				163,896,982	100.000%
02/03 Production Percentages			74.185%	22.854%	2.961%					



CHINO BASIN WATERMASTER

III. REPORTS/UPDATES

B. WATERMASTER ENGINEERING CONSULTANT REPORT

1. Evaluation of the Cumulative Effects of Transfers Pursuant to the Peace Agreement



5. EVALUATION OF THE CUMULATIVE EFFECTS OF TRANSFERS PURSUANT TO THE PEACE AGREEMENT

5.1 Background

Portions of Sections 5.1 and 5.3 of the Peace Agreement contain the basic Watermaster commitments to evaluate the transfers of water in storage or water rights that are used in place of the physical recharge of water to Chino Basin. The Peace Agreement and its Implementation Plan commit Watermaster to make an evaluation of transfers and the Watermaster Rules and Regulations further define the evaluation to include the “cumulative impacts of Transfers, if any.” This analysis focuses on Watermaster’s implementation of the following portions of these documents:

“5.1 (e) Watermaster shall exercise Best Efforts to (see Peace Agreement pages 20 - 21):

(iv) evaluate the potential or threat for any Material Physical Injury to any party to the Judgment or the Chino Basin, including, but not limited to, any Material Physical Injury that may result from any Transfer of water in storage or water rights which is proposed in place of physical Recharge of water to Chino Basin in accordance with the provisions of Section 5.3;”

(v) ensure a proper accounting of all sources of Recharge to the Chino Basin;

5.3 (b) (see Peace Agreement pages 32 and 33)

(iii) There shall be a rebuttable presumption that the Transfer and the Production by the transferee does not result in Material Physical Injury to a party to the Judgment or the Basin;

(iv) Watermaster shall base any decision to approve or disapprove any proposed Transfer upon the record after considering potential impacts associated with the individual Transfer alone and without regard to impacts attributable to any other Transfers;

5.3 (c) Watermaster shall allow Producers to lease water rights to make up for the lessee’s over-Production.”

Pursuant to the above and other Sections of the Peace Agreement, transfers of water have been occurring since the Peace Agreement was signed (and have occurred since the Judgment was signed). Some of these transfers have resulted in an avoidance of a replenishment obligation or the physical recharge of water, for the Producer undertaking to lease or purchase the water.

The *Implementation Plan* in Exhibit B to the Peace Agreement contains similar language to the Peace Agreement regarding 5.1 (e), but is mostly silent as to schedule for implementation of the specific commitments above (see Exhibit B, paragraph 11 on page 20 and the implementation schedule on pages 22 and 23). Paragraph 5 (iii) on page 19 of Exhibit B includes additional *guidelines* that Watermaster must consider:

“The need to continue physical recharge under this paragraph [6,500 af/yr of supplemental water in MZ1] shall be evaluated by Watermaster after the conclusion of fiscal year 2004-2005. In evaluating further physical recharge pursuant to this paragraph, Watermaster shall take into account the provisions of this Article, the Judgment and the OBMP among all other relevant factors. Except as to Watermaster’s determination of no material physical injury, the rights of each party to the Judgment to purchase or lease water to meet its over production obligation shall be unaffected by this provision;”



SECTION 5

EVALUATION OF THE CUMULATIVE EFFECTS OF TRANSFERS PURSUANT TO THE PEACE AGREEMENT

Page 21 of Exhibit B also commits Watermaster to:

- “(d) evaluate the potential or threat for any material physical injury to any party to the Judgment or the Chino Basin, including, but not limited to, any material physical injury that may result from any transfer of water in storage or water rights which is proposed in place of physical recharge of water to Chino Basin in accordance with the provisions of Section 5.3;
- (e) establish and periodically update criteria for the use of water from different sources for replenishment purposes;
- (f) ensure a proper accounting of all sources of recharge to the Chino Basin;”

Section 7 of the Watermaster Rules and Regulations repeats the commitments of the Peace Agreement and Implementation Plan and adds Section 9.2 (e) and 9.3 (see Rules and Regulations, page 55):

- “(e) Transfers which occur between the same parties in the same year shall be considered as a single Transfer for the purpose of determining Material Physical Injury.

9.3 Integrated Watermaster Review. In reviewing Transfers under these Rules and Regulations, Watermaster shall exercise reasonable discretion. Watermaster shall review each proposed Transfer based upon the record before it and considering the potential impacts of the proposed Transfer alone. However, Watermaster shall also consider the cumulative impacts of Transfers generally when carrying out its responsibilities to implement the OBMP and Recharge and monitoring programs authorized by these Rules and Regulations or the Judgment.

- (a) Watermaster will evaluate the cumulative physical impact of Transfers on the Basin, if any, by July 1, 2003, and a minimum of once every two years thereafter.
- (b) Watermaster will take the results of its evaluation into account when carrying out its obligations under section 7.1 of these Rules and Regulations.”

This technical memorandum, which is being prepared pursuant to the requirements of the Peace Agreement and the Watermaster Rules and Regulations cited above, contains Watermaster’s second evaluation of the “cumulative” impacts of transfers.

5.2 Analysis

The Peace Agreement defines Transfers as “the assignment, lease, or sale of a right to Produce water to another Producer within the Chino Basin or to another person or entity for use outside the Basin in conformance with the Judgment, whether the Transfer is of a temporary or permanent nature” (Peace Agreement 11-12). Replenishment water means “Supplemental Water used to Recharge the Basin pursuant to the physical solution, either directly by percolating or injecting the water into the Basin or indirectly by delivering the water for use in lieu of Production and use of Safe Yield or Operating Safe Yield” (Peace Agreement page 10). Based on the Peace Agreement definition (and in actuality), not all transfers that occur replace the physical recharge of water to the Chino Basin. This technical memorandum focuses on an evaluation of the cumulative physical impact of transfers that replaced the physical recharge of water.



SECTION 5

EVALUATION OF THE CUMULATIVE EFFECTS OF TRANSFERS PURSUANT TO THE PEACE AGREEMENT

5.2.1 Historic Assessment of Transfers and Replenishment

In order to determine the cumulative impacts of transfers, if any, the avoided physical recharge due to transfers must be determined. However, since not all transfers represented avoided physical recharge and since Watermaster does not specifically determine avoided physical recharge each year, the calculation of the actual avoided physical recharge during the study period had to be estimated from the historical operations of Watermaster. First, data regarding historic transfer and replenishment activities were assembled and disaggregated into “physically recharged” components and “in-lieu” or “exchanged” components. This was accomplished by reviewing and tabulating transfer, recharge, and replenishment information from the Watermaster Assessment Packages and Annual Reports for Watermaster fiscal years 2002-03 through 2003-04 (see Appendices B & C) and updating the prior tabulation to include these two years. This was done for the major producers historically participating in transfers (the Cucamonga Valley Water District, City of Chino, City of Chino Hills, Fontana Union Water Company, Fontana Water Company, Jurupa Community Services District, Marygold Mutual Water Company, Cities of Ontario and Pomona, San Antonio Water Company, Santa Ana River Water Company, Southern California Water Company, and the City of Upland). In addition, Metropolitan account activities and the ground water replenishment activities previously tabulated were updated.

To calculate the avoided replenishment or physical recharge of water that occurred, the following steps were taken:

- Update spreadsheets for the study period that duplicate the Watermaster Assessment Packages for each Producer listed above and check them against the Assessment Packages (Appendix C).
- Refine spreadsheets to break out water transfer activity, including known transfers from storage, Metropolitan exchanges, etc.
- Update transfer summaries from transfers shown in the Assessment Package based on where the transfers originated and went for the same period (Appendix C).
- Calculate each producer’s total replenishment obligation without transfers, both including and excluding any Metropolitan exchanges from production.
- Update spreadsheets summarizing the total replenishment obligation calculated for each producer by year for both including and excluding any Metropolitan exchanges for the study period. These tables represent what the total obligation would have been, by producer, had the producers not completed the transfers (Table 5-1A and 5-2A).
- Update spreadsheets summarizing net over-production from the Assessment Package for each producer (Table 5-1B and 5-2B).
- Update summary spreadsheets subtracting the net over-production from the Assessment Package from the total replenishment obligation by producer, both for including and excluding Metropolitan exchanges. These tables represent the avoided physical recharge or replenishment by producer (Table 5-1C and 5-2C).
- Update spreadsheets summarizing actual groundwater replenishment, including the total unmet replenishment obligation from the Assessment Packages, and indicating how Watermaster satisfied the obligation each year (i.e. sources of water) (Table 5-3).
- Update the spreadsheet summarizing Metropolitan cyclic account activity during the study period. Calculate the percentage of cyclic water used for replenishment that was delivered by exchange or physically recharged (Table 5-4).



SECTION 5

EVALUATION OF THE CUMULATIVE EFFECTS OF TRANSFERS PURSUANT TO THE PEACE AGREEMENT

- Evaluate the results both including and excluding Metropolitan exchange.

The tables in Appendix C show the historic water transfer activity and net replenishment obligation for each producer. These tables duplicate the results of the Watermaster Assessment Package. Because exchanges with Metropolitan are included in the assessment packages as part of production, the effect of exchanges that did not avoid the physical recharge of water had to be accounted for in the calculation (See Table 5-5, Calculation of Avoided Physical Recharge).

Based on the evaluation of the information above, approximately 262,000 acre-feet of avoided physical recharge occurred between July 1, 1989 and June 30, 2004. For the period 2003-04, this is an increase of approximately 37,000 acre-feet. The increase is due primarily to the outstanding replenishment obligation at the end of fiscal year 2004 as opposed to avoided physical recharge due to transfers.

5.2.2 Analysis of Material Physical Injury

Based on the analysis herein it is concluded that there has been no material physical injury to the basin or a Party to the Judgment due to transfers.

Had the transfers not occurred, Watermaster would have recharged as much as 262,000 acre-ft of supplemental water into the basin and the volume of water in storage would increase due to this recharge. With this recharge the following impacts would have occurred:

- Groundwater levels and storage would have increased
- Outflow to the Santa Ana River would have increased
- Safe yield of the Basin would have declined
- Nitrate concentrations would be lower in the immediate area of physical recharge

The cumulative impact of the transfers are the opposite of the above. For the most part, the cumulative impact of the transfers is positive. The 2003 Watermaster Model was not used to estimate the impact of the cumulative effect of transfers because it is not possible to predict how the Watermaster Parties water supply plans would have changed in the absence of transfers.

Table 5-6 shows the distribution of transfers that occurred between MZ1, MZ2, and MZ3. Some Watermaster Parties have expressed concerns that some transfers that result in reduced physical recharge could contribute to the subsidence problem in Management Zone 1. Review of Table 5-6 shows that historically there has been about 8,000 acre-ft of water transferred to producers in MZ1 from producers in MZ2 and MZ3. The table shows that about 137,000 acre-ft was transferred within MZ2 and about 20,000 acre-ft was transferred within MZ3. It also shows that about 20,000 acre-ft was transferred out of MZ2 to MZ3 and about 15,000 acre-ft was transferred from MZ3 to MZ2, for a net of about 5,000 acre-ft to MZ2. In contrast, about 143,000 acre-ft of production was transferred out of MZ1 or a net of about 135,000 acre-ft out of MZ1, which is beneficial to the management of subsidence in MZ1.



Table 5-1

A. Total Refinement Obligation Without Transfers & Including MWD Exchange in Production

FY	CCWD	China	China H&E	FUWC	FVC	JCSO	Marydell	MWD	Ontario	Panama	San Antonio	San Antonio	San Antonio	Socra V&V	Udland	Total Refinement
1988-89	11,270.8	2,822.7	0.0	2,330.5	0.0	9,824.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35,256.3
1989-90	0.0	2,753.0	0.0	7,245.6	1,458.9	7,705.3	0.0	0.0	6,155.2	0.0	0.0	0.0	0.0	0.0	0.0	25,374.8
1991-92	0.0	2,984.7	0.0	2,514.5	2,858.6	8,003.1	0.0	0.0	10,481.1	0.0	0.0	0.0	0.0	0.0	0.0	28,593.5
1992-93	0.0	304.6	0.0	730.0	6,277.2	8,128.6	0.0	0.0	2,254.6	0.0	0.0	0.0	0.0	0.0	0.0	15,868.6
1993-94	0.0	0.0	0.0	0.0	6,577.6	4,524.5	0.0	0.0	9,983.9	0.0	0.0	0.0	0.0	0.0	0.0	16,658.5
1994-95	0.0	1,368.0	0.0	0.0	6,528.4	5,284.4	0.0	0.0	12,071.0	0.0	0.0	0.0	0.0	0.0	0.0	23,954.2
1995-96	0.0	0.0	0.0	0.0	11,631.6	7,528.3	0.0	0.0	15,114.3	0.0	0.0	0.0	0.0	0.0	0.0	33,645.2
1996-97	0.0	1,368.9	0.0	0.0	10,671.7	5,075.1	0.0	0.0	14,659.7	0.0	0.0	0.0	0.0	0.0	0.0	30,779.2
1997-98	0.0	0.0	0.0	0.0	10,373.6	5,419.8	0.0	0.0	15,915.6	0.0	0.0	0.0	0.0	0.0	0.0	31,705.5
1998-99	0.0	1,683.6	0.0	0.0	20,945.8	5,419.8	0.0	0.0	10,839.2	0.0	0.0	0.0	0.0	0.0	0.0	28,536.6
2000-01	0.0	0.0	0.0	0.0	17,025.0	0.0	0.0	227.0	13,881.9	0.0	0.0	0.0	0.0	0.0	0.0	30,561.0
2001-02	0.0	0.0	0.0	0.0	18,585.7	0.0	0.0	5,464.2	14,864.3	0.0	0.0	0.0	0.0	0.0	0.0	39,354.3
2002-03	0.0	0.0	0.0	0.0	18,619.3	0.0	0.0	0.0	14,864.3	0.0	0.0	0.0	0.0	0.0	0.0	39,354.3
2003-04	0.0	0.0	0.0	0.0	24,952.0	1,693.3	0.0	0.0	15,521.4	0.0	0.0	0.0	0.0	0.0	0.0	51,168.2
TOTALS	11,270.8	13,373.4	0.0	12,934.5	160,538.4	78,677.9	0.0	20,264.7	156,192.7	1,230.6	0.0	0.0	0.0	0.0	0.0	452,214.9

53,973.7
79,122.0
78,788.5
210,984.2

B. Net Overproduction from Assessment Package by Producer

FY	CCWD	China	China H&E	FUWC	FVC	JCSO	Marydell	MWD	Ontario	Panama	San Antonio	San Antonio	San Antonio	Socra V&V	Udland	Total Refinement
1988-89	0.0	2,595.6	0.0	6,148.0	0.0	8,324.4	0.0	0.0	8,237.9	0.0	0.0	0.0	0.0	0.0	0.0	28,273.6
1989-90	0.0	2,389.2	0.0	13,728.3	0.0	5,919.3	0.0	0.0	6,452.2	0.0	0.0	0.0	0.0	0.0	0.0	28,200.9
1991-92	0.0	4,047.7	0.0	6,691.1	6,644.5	3,228.2	0.0	0.0	8,011.1	0.0	0.0	0.0	0.0	0.0	0.0	21,699.9
1992-93	0.0	0.0	0.0	2,580.1	2,697.0	1,870.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7,219.9
1993-94	0.0	0.0	0.0	0.0	0.0	2,797.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,797.6
1994-95	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11,745.4	0.0	0.0	0.0	0.0	0.0	0.0	11,745.4
1995-96	0.0	1,359.9	0.0	0.0	16,931.8	1,759.5	0.0	0.0	5,037.6	0.0	0.0	0.0	0.0	0.0	0.0	19,084.7
1997-98	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
1998-99	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2000-01	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2001-02	0.0	0.0	0.0	0.0	4,891.7	0.0	0.0	0.0	864.3	0.0	0.0	0.0	0.0	0.0	0.0	5,743.1
2002-03	0.0	0.0	0.0	0.0	8,112.2	0.0	0.0	0.0	1,754.2	0.0	0.0	0.0	0.0	0.0	0.0	15,741.3
2003-04	0.0	0.0	0.0	0.0	10,393.3	2,789.2	0.0	0.0	6,694.8	0.0	0.0	0.0	0.0	0.0	0.0	31,728.4
TOTALS	0.0	5,405.3	0.0	29,155.9	45,658.6	28,024.8	0.0	7,629.8	57,397.7	0.0	0.0	0.0	0.0	0.0	0.0	172,213.2

0.0
5,743.1
33,482.8
39,225.7

C. Avoided Physical Exchange - Including MWD Exchange in Production

FY	CCWD	China	China H&E	FUWC	FVC	JCSO	Marydell	MWD	Ontario	Panama	San Antonio	San Antonio	San Antonio	Socra V&V	Udland	Total Refinement
1988-89	11,270.8	257.1	0.0	-3,815.5	0.0	1,380.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8,912.5
1989-90	0.0	303.8	0.0	-6,386.7	1,406.9	1,690.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2,826.0
1991-92	0.0	1,680.0	0.0	-4,184.3	2,238.3	3,280.0	0.0	0.0	1,680.0	0.0	0.0	0.0	0.0	0.0	0.0	4,684.0
1992-93	0.0	324.6	0.0	-1,024.8	0.0	0.0	0.0	0.0	1,459.5	0.0	0.0	0.0	0.0	0.0	0.0	6,648.6
1993-94	0.0	0.0	0.0	0.0	6,217.2	6,138.0	0.0	0.0	2,294.6	0.0	0.0	0.0	0.0	0.0	0.0	16,668.5
1994-95	0.0	0.0	0.0	0.0	3,720.1	4,534.5	0.0	0.0	9,648.9	0.0	0.0	0.0	0.0	0.0	0.0	18,273.2
1995-96	0.0	1,356.0	0.0	0.0	6,528.4	5,284.4	0.0	0.0	14,770.7	0.0	0.0	0.0	0.0	0.0	0.0	15,780.4
1996-97	0.0	1,211.0	0.0	0.0	7,000.3	3,770.8	0.0	0.0	10,076.7	0.0	0.0	0.0	0.0	0.0	0.0	14,770.7
1997-98	0.0	0.0	0.0	0.0	10,971.7	5,075.9	0.0	0.0	14,658.7	0.0	0.0	0.0	0.0	0.0	0.0	30,779.2
1998-99	0.0	1,683.6	0.0	0.0	10,373.6	5,419.8	0.0	0.0	15,915.6	0.0	0.0	0.0	0.0	0.0	0.0	34,792.4
2000-01	0.0	0.0	0.0	0.0	17,025.0	0.0	0.0	227.0	13,881.9	0.0	0.0	0.0	0.0	0.0	0.0	37,205.5
2001-02	0.0	0.0	0.0	0.0	17,025.0	0.0	0.0	227.0	13,881.9	0.0	0.0	0.0	0.0	0.0	0.0	37,205.5
2002-03	0.0	0.0	0.0	0.0	14,704.0	0.0	0.0	5,464.2	13,131.1	0.0	0.0	0.0	0.0	0.0	0.0	33,817.8
2003-04	0.0	0.0	0.0	0.0	12,596.5	1,693.3	0.0	0.0	13,131.1	0.0	0.0	0.0	0.0	0.0	0.0	22,633.0
TOTALS	11,270.8	5,878.0	0.0	-16,221.4	115,469.8	50,365.1	0.0	13,832.9	98,794.9	1,230.6	0.0	0.0	0.0	0.0	0.0	280,001.8

36,536.8
13,817.5
22,633.0
83,007.7

Table 5-3
Groundwater Replenishment

FY	Total Unmet Replenishment Obligation From Assessment Package	Spreading					Total Spread	Net to be Met From Non-Wet Sources	Indirect		Balance Replenishment	Other Accounts			
		CB-13T San Sevaïne	CB-59T Monclair	Day	CB-14T Etiwanda	Deer Turner			In Lieu Exchange	Cyclic Purchase		Trust	Co Op	Mini Conj Use	Indv Stor MZ1 Suppl
1989-90	30,344.5	0.0	0.0	0.0	0.0	0.0	30,344.5	0.0	19,324.2	5,679.7	14,098.8	0.0	0.0	0.0	
1990-91	31,814.9	0.0	1,987.6	475.1	828.0	0.0	3,290.7	28,524.2	0.0	16,700.0	16,377.1	0.0	0.0	0.0	
1991-92	23,870.4	0.0	2,583.0	501.4	705.1	0.0	3,789.5	20,080.9	5,387.1	45,224.2	14,929.1	0.0	0.0	0.0	
1992-93	7,501.5	3,181.6	6,443.9	0.0	2,909.3	0.0	12,534.8	-5,033.3	8,794.7	42,192.0	-45,405.0	0.0	0.0	0.0	
1993-94	432.0	2,688.0	4,885.9	0.0	1,284.9	0.0	8,858.8	-8,426.8	21,883.5	6,480.5	0.0	0.0	4,806.1	0.0	
1994-95	3,060.9	0.0	0.0	0.0	0.0	0.0	0.0	3,060.9	432.1	-10,930.9	0.0	0.0	-61.1	0.0	
1995-96	12,903.7	82.4	0.0	0.0	0.0	0.0	82.4	12,821.3	4,701.0	-8,302.0	0.0	3,170.8	-1.5	0.0	
1996-97	20,578.2	0.0	0.0	0.0	0.0	0.0	0.0	20,578.2	0.0	-181.8	0.0	2,611.9	-0.4	0.0	
1997-98	770.9	0.0	8,322.6	0.0	0.0	0.0	8,322.6	-7,551.7	0.0	15,723.8	0.0	-4,672.7	-0.6	0.0	
1998-99	657.5	1,513.3	2,960.6	0.0	1,223.4	0.0	5,697.3	-5,039.8	0.0	8,172.1	0.0	0.0	-0.4	0.0	
1999-00	579.3	0.0	1,000.8	0.0	0.0	0.0	1,000.8	-421.5	1,473.9	1,658.4	0.0	0.0	-1.3	0.0	
2000-01	198.7	0.0	29.7	0.0	0.0	0.0	29.7	169.0	0.0	579.4	0.0	0.0	0.0	0.0	
2001-02	5,872.8	0.0	0.1	0.0	0.0	0.0	0.1	5,872.8	0.0	0.1	0.0	-1,110.0	-0.2	6,500.0	
2002-03	17,029.1	0.0	0.0	0.0	0.0	0.0	0.0	17,029.1	3,000.0	5,872.8	0.0	0.0	-1.1	6,500.0	
2003-04	32,388.4	1,211.0	0.0	0.0	2,813.0	0.0	4,024.0	28,364.4	4,098.3	16,018.7	4,738.3	0.0	-4,739.5	6,499.9	
TOTALS	188,002.8	8,676.3	28,214.2	976.5	9,763.7	0.0	47,630.7		40,070.4	65,696.6	19,201.8	0.0	0.0	23,057.9	

Table 5-4
Cyclic Activities¹

FY	Beginning Balance	Puts					Total Puts Spread	Balance Spread	Other Del by Exchange	Total Exchange	Balance Exchange	Total Puts Spread & Other	% Total Spread	% Total Exchange	Takes			Ending Balance	Bal in Ann Rept	Diff
		CB-13T San Sevaine	CB-59T Monclair	Spreading Day	CB-14T Eliwanda	Deer Turner									Pur for Repl	Total Spread at	Total Exchange at			
																	47,806.3			
1989-90	47,808.3	0.0	0.0	0.0	0.0	0.0	28,484.1	0.0	0.0	0.0	0.0	100.0%	0.0%	-19,324.2	-19,324.2	0.0	28,484.1	28,462.9	21.2	
1990-91	28,484.1	0.0	0.0	129.2	373.5	0.0	502.7	28,986.8	0.0	0.0	502.7	100.0%	0.0%	0.0	0.0	0.0	28,986.8	28,965.6	21.2	
1991-92	28,986.8	0.0	1,270.3	0.0	490.8	0.0	1,761.1	13,021.9	7,205.7	7,205.7	8,966.8	64.4%	35.6%	-17,726.0	-17,726.0	0.0	20,227.6	20,206.4	21.2	
1992-93	20,227.6	0.0	945.3	0.0	731.8	0.0	1,677.1	611.1	0.0	0.0	-589.9	1,677.1	2884.6%	-2784.6%	-21,683.5	-14,087.9	-7,795.6	21.2	0.0	
1993-94	21.2	516.6	5,466.8	0.0	1,650.8	0.0	7,634.2	8,245.3	11,210.2	11,210.2	10,620.3	43.7%	56.3%	0.0	0.0	0.0	18,865.6	18,844.5	21.1	
1994-95	18,865.6	6,942.7	716.1	0.0	2,641.2	0.0	10,300.0	18,545.3	1,051.1	1,051.1	11,671.4	61.4%	38.6%	0.0	0.0	0.0	30,216.7	30,193.8	22.9	
1995-96	30,216.7	0.0	0.0	0.0	0.0	0.0	0.0	18,545.3	3,555.3	3,555.3	15,226.7	54.9%	45.1%	0.0	0.0	0.0	33,772.0	33,749.1	22.9	
1996-97	33,772.0	0.0	16.5	0.0	0.0	0.0	16.5	18,561.8	0.0	0.0	15,226.7	54.9%	45.1%	0.0	0.0	0.0	33,788.5	33,765.6	22.9	
1997-98	33,788.5	0.0	0.0	0.0	0.0	0.0	0.0	18,561.8	4,491.9	4,491.9	19,718.6	48.5%	51.5%	0.0	0.0	0.0	38,280.4	38,257.5	22.9	
1998-99	38,280.4	0.0	0.0	0.0	0.0	0.0	0.0	17,847.1	0.0	0.0	18,959.4	48.5%	51.5%	-1,473.9	-714.7	-759.2	36,806.6	36,796.1	10.4	
1999-00	36,806.6	0.0	0.0	0.0	0.0	0.0	0.0	17,528.3	0.0	0.0	18,620.7	48.5%	51.5%	-657.5	-318.8	-338.7	36,149.0	36,125.1	22.9	
2000-01	36,149.0	0.0	0.0	0.0	0.0	0.0	0.0	17,165.4	0.0	0.0	18,235.2	48.5%	51.5%	-748.3	-362.8	-385.5	35,400.7	35,546.8	-146.1	
2001-02	35,400.7	0.0	0.1	0.0	0.0	0.0	169.0	17,334.4	0.0	0.0	18,235.2	48.7%	51.3%	0.0	0.0	0.0	35,569.7	35,543.6	-142.9	
2002-03 ²	35,569.7	0.0	0.0	0.0	0.0	0.0	0.0	15,442.0	0.0	0.0	16,244.4	48.7%	51.3%	-3,883.2	-1,892.4	-1,990.8	31,666.5			
2003-04	31,666.5	0.0	0.0	0.0	0.0	0.0	0.0	15,442.0	0.0	0.0	16,244.4	48.7%	51.3%	0.0	0.0	0.0	31,666.5			
TOTALS		7,459.3	8,415.1	129.2	5,888.1	0.0	22,060.6	27,514.2	27,514.2		49,574.8			-65,696.8	-54,425.8	-11,269.8				

¹ From Watermaster Annual Reports and Assessment Packages

Table 5-5

Calculation of Avoided Physical Recharge

	Including MWD Exchange	Excluding MWD Exchange	Average
Total Replenishment Obligation	452,214.9	415,252.3	
Less Net Obligation from Pkg.	<u>172,213.2</u>	<u>172,213.2</u>	
Gross Avoided Physical Recharge	280,001.8	243,039.1	
Plus Effect of Exchange/In Lieu*	<u>-18,815.4</u>	<u>18,815.4</u>	
Net Avoided Physical Recharge	<u><u>261,186.3</u></u>	<u><u>261,854.5</u></u>	261,520.4
* See Below			
Groundwater In Lieu for Replenishment	40,070.4		
Plus Cyclic In Lieu for Replenishment	<u>11,269.8</u>		
Total Exchange/In Lieu for Replenishment		51,340.2	
Net Groundwater Replenishment			
Required from Assessment Package	172,213.2		
Less Direct Spread for Repl	47,630.7		
Less Cyclic Spread for Repl	<u>54,426.8</u>		
Groundwater Replenishment by Exchange/In Lieu		<u>-70,155.6</u>	
Net Additional Avoided Physical Recharge due to Exchange/In Lieu		-18,815.4	

**Table 5-6
Water Transfers¹ by Zone (acre-ft)**

Transfers To	Transfers From			Total
	Zone 1	Zone 2	Zone 3	
Zone 1	35,462	1,883	6,155	43,500
Zone 2	119,182	152,415	17,808	289,405
Zone 3	23,616	20,866	23,100	67,582
Total	178,260	175,164	47,063	400,487

¹Not exhaustive - transfers involving only storage may not be included; does not include MWD related transfers



CHINO BASIN WATERMASTER

IV. REPORTS/UPDATES

D. INLAND EMPIRE UTILITIES AGENCY

4. Monthly Water Conservation Programs Report
5. Groundwater Operations Recharge Summary
6. Monthly Imported Water Deliveries Report
7. State and Federal Legislative Reports
8. Community Outreach/Public Relations Report



**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE
February 23, 2006**

AGENDA

INTER-AGENCY WATER MANAGERS' REP ORT

**Chino Basin Watermaster
9641 San Bernardino Rd.
Rancho Cucamonga, CA 91730**

20 – 30 Minutes

Discussion Items:

- MWD Status Report – Richard Atwater
- Recycled Water Implementation Schedule – Richard Atwater
- Water-Energy NEXUS “ CaLeep” Study – Martha Davis

Written Updates:

- Monthly Water Conservation Programs Report
- Groundwater Operations Recharge Summary
- Monthly Imported Water Deliveries Report
- State and Federal Legislative Reports
- Community Outreach/Public Relations Report

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Regional Conservation Programs

Monthly Report-February

MWD Activities

- **Azusa Pipeline Agreement**- On February 14, 2006, the MWD Board approved the agreement with Three Valleys Municipal Water District and IEUA to allow emergency interconnections with the Azusa Pipeline to the Cucamonga Valley Water District Lloyd Michaels and WFA filtration plants. This will enhance significantly supply reliability throughout the IEUA service area.
- **California Friendly Marketing Campaign**- The "California Friendly" campaign is an effort by MWD and its member agencies to get people to conserve resources by using water and energy efficient products along with changing to water efficient landscapes. Marketing materials are being developed to carry out the new California Friendly campaign and will kick off on April 15, 2006 with TV advertisements, public service announcements, newspaper advertisements, and other materials.
- **Regional Water Supplies**- Based on snow pack levels in the Sierras and the upper Colorado River watershed, MWD has indicated that "surplus" supplies of imported water will be available this year.

Landscape Programs

- **"SmarTimer of Inland Empire" Irrigation Controller Program**- The final application form, product description, advertisement and other materials for the irrigation controllers have been created and were distributed at the January Regional Conservation Partnership Workgroup meeting. All materials will be available on the IEUA web site in February, 2006.
- **Phase II Landscape Audit Program (05/06)** - The RFP for the 05/06 Audit Program will be released in March, 2006, and the program will commence in spring.
- **Ontario Cares**- City of Ontario will implement a pilot project to integrate "California Friendly" into the city's program to improve existing neighborhoods. MWD consultant presented "California Friendly" templates to Ontario Cares inspection staff and landscape contractors. MWD will test templates and marketing materials on 4-5 houses and report back with results. The group will finalize materials at the next meeting. Implementation of the "California Friendly" landscape will begin early spring, 2006.
- **Residential Landscape Classes**- The Regional PDA class scheduled for February 11, 2006 was cancelled due to low interest. Local PDA classes include the Upland PDA series every Saturday from March 4th-March 25th, MVWD on March 11th, and CVWD on April 8th.
- **Landscape Collaborative**- IEUA staff met with city officials to consider the formation of a landscape task force to coordinate water efficient landscaping throughout the regions programs and policy recommendations.

Commercial/Industrial/Institutional Program

- **CII SAVE-A-BUCK**- At the December meeting the Regional Conservation Workgroup agreed to add \$27,000 to the rebate incentives. The group plans to have Honeywell target our retail area in early 2006 with the increased rebates and test how long it takes to expend \$27,000. Honeywell will analyze which devices benefited from the rebate increase, and from those results the group will adjust the program to make it more effective in the future.
 - **High Efficiency Clothes Washers** - There were 15 clothes washer rebates for the month of November. To date 305 commercial high efficiency clothes washers have been installed in our service area since FY 00/01.
 - **Conductivity Controller Cooling Tower** - 1 controller was installed in FY 05/06 bringing the total to 15 conductivity controllers installed through the Save-a-Buck program since FY 00/01.
 - **ULF Toilets** - 234 ULFTs were rebated in January bringing the total to 445 ULFs in our service area since FY 00/01.
 - **Water Broom** - 114 water brooms were rebated in October bringing the total to 693 since FY 00/01.
- **Restaurant Spray Heads**- This program is being implemented by the CUWCC. Phase II was completed in December, 2005 with approximately 861 spray nozzles installed in our service area. To date approximately 1,192 spray heads have been installed. Phase III will begin in March and end in December, 2006.

Residential Programs

- **Single-Family ULF Toilet Exchange Programs**- The Regional Conservation Workgroup decided at their January meeting to discontinue the exchange events with the exception of one local Upland event. The group will re-

evaluate the program for FY 07/08. During this time IEUA staff will collect information on HETs and direct install programs to guide the group in exploring alternate single family toilet programs.

- **Multi-Family ULF Toilet Program**- Currently, through the direct install program approximately 4,724 toilets have been installed and 1,161 have been confirmed for installation. The remaining toilets are expected to be installed early 2006. The next round of the program will be funded by a DWR \$1.6 million grant for 22,000 toilets to begin in late spring, 2006.
- **High Efficiency Clothes Washer Rebate**- Approximately 151 rebates were issued during January, bringing the total for the current fiscal year to 775 rebates. This brings the total number of rebates to approximately 5,834 since the rebate program began in 2002.

School Education Programs

- **Garden in Every School**- The first meetings with the schools took place on January 13th and 20th. Irrigation is currently being put in at the schools. Planting will begin in March.
- **National Theatre for Children**- NTC is in the process of completing the spring schedule.
- **Groundwater Model**- Chino Hills' and IEUA staffs are now in the process of learning how to operate the Model. Once this is done meetings to see the model demonstrated will be set up with interested agencies.
- **Solar Cup (2006)** - MWD announced the schedule for the Solar Cup 2006 event. The event will occur May 19th through May 21st, 2006. IEUA (as the member agency) will be represented by three schools: Chino Hills High School and Ayala High School in Chino Hills, and Upland High School.

Outreach

- **Conservation Ads (monthly and special)** - Conservation tips are printed in the Daily Bulletin monthly (on Sundays at the end of each month).
- **Water Education Water Awareness Committee (WEWAC)** - WEWAC participated in the Home and Garden Fair at the Pomona Fairplex on Friday, January 27th-Sunday, January 29th by having a garden exhibit full of drought tolerant plants and water conserving landscaping resources.
- **BMP Support Grants**- No new action.

Water Conservation Budget/Actual (As of 12/31/05)

<u>Revenues (est.)</u>	<u>Annual Budget</u>	<u>Est. Actual to date (FY05/06)</u>
Imported \$4/AF Surcharge	\$380,000	\$206,568
Retail Meter Revenue	\$54,863	\$27,480
Property Tax	\$75,000	\$37,500
Regional Sewage Fund Transfer	\$50,000	\$25,000
Interest	\$25,800	\$12,900
Subtotal	\$583,663	\$309,448
<u>Other Agency Funding</u>		
MWD (est. CCP Credits & Rebates)	\$668,000	\$46,000
Subtotal	\$668,000	\$46,000
Total Budget	\$1,251,663	\$355,448
<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>
HECWs	\$110,000	\$70,071
ULFTs	\$830,700	\$603,534
Landscape Programs	\$148,000	\$11,054
CUWCC Dues	\$11,000	\$0
Education Programs	\$95,000	\$27,494
Agency Support	\$2,500	\$0
CII Marketing	\$27,000	\$0
BMP Partnership Funding	\$2,000	\$0
Public Information	\$56,000	\$9,000
Totals	\$1,282,200	\$721,153

Upcoming Events

CALENDAR

February 22, 2006	Leadership Breakfast (IEUA)
March 4, 2006	Landscape Design Basics PDA Class (4)(City of Upland)
March 8, 2006	CUWCC Plenary Session (San Francisco)
March 11, 2006	PDA "Water Wise" Gardening MiniClass (Monte Vista Water District)
March 11, 2006	California Friendly & Native Plants PDA Class (4)(City of Upland)
March 18, 2006	Landscape Sprinkler Systems PDA Class (4)(City of Upland)
March 22, 2006	Kids Water Awareness Day (Cucamonga Valley Water District)
March 25, 2006	Soils, Watering, & Fertilizers PDA Class (4) (City of Upland)
April 1, 2006	Local ULF Toilet Distribution (City of Upland)
April 22, 2006	Local ULF Toilet Return (City of Upland)
April 28 th -30 th , 2006	Lemon Festival (City of Upland)
May 13, 2006	Water Awareness Day (Cucamonga Valley Water District)
May 19 th -21 st , 2006	Solar Cup

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SUMMARY OF GROUNDWATER RECHARGE OPERATIONS

Drainage System	Recharge Volume (AF)								
	Basin	Jul 2005	Aug 2005	Sep 2005	Oct 2005	Nov 2005	Dec 2005	Jan 2006	Total
San Antonio Channel Drainage System									
College Heights East	-	-	-	228	141	206	182	757	
College Heights West	92	122	383	437	313	256	397	2,000	
Upland	-	-	454	607	630	391	555	2,637	
Montclair 1, 2, 3 & 4	848	-	-	78	489	856	624	2,895	
Brooks	33	175	684	127	390	365	257	2,032	
Non-replenishment* (MVWD)	(33)	-	-	-	(60)	(20)	-	(112)	
West Cucamonga Channel Drainage System									
8 th Street	-	-	60	73	60	60	66	319	
7th Street	-	-	-	60	-	-	50	110	
Ely	-	-	-	336	146	249	203	935	
Non-replenishment* (GE)	-	-	-	(106)	(131)	(107)	-	(344)	
Cucamonga and Deer Creek Channel Drainage Systems									
Turner 1 & 2	-	-	89	95	179	359	262	984	
Turner 3 & 4	-	-	-	-	-	124	75	199	
Day Creek Channel Drainage System									
Lower Day	159	511	545	310	277	265	357	2,424	
Etiwanda Channel Drainage System									
Etiwanda Spreading Grounds	102	127	102	108	248	208	214	1,109	
Victoria	-	-	-	49	-	6	22	77	
San Sevaine Channel Drainage System									
San Sevaine	469	213	558	575	1,142	986	968	4,911	
Banana	212	254	129	54	8	29	56	742	
Hickory	265	487	269	115	92	39	95	1,363	
Declez Channel Drainage System									
RP3	31	31	60	78	60	60	33	353	
Declez	11	11	30	114	30	30	35	261	
Subtotals	2,189	1,930	3,363	3,340	4,013	4,363	4,452	23,651	
Recharge Water by Type									
Storm Water (SW) w/ Local Runoff (LR)	647	137	299	876	344	665	751	3,719	
MWD Water (MW)	1,522	1,540	2,796	2,313	3,570	3,621	3,548	18,910	
Recycled Water (RW)	20	254	268	150	100	77	154	1,022	
Subtotals	2,189	1,930	3,363	3,340	4,013	4,363	4,452	23,651	

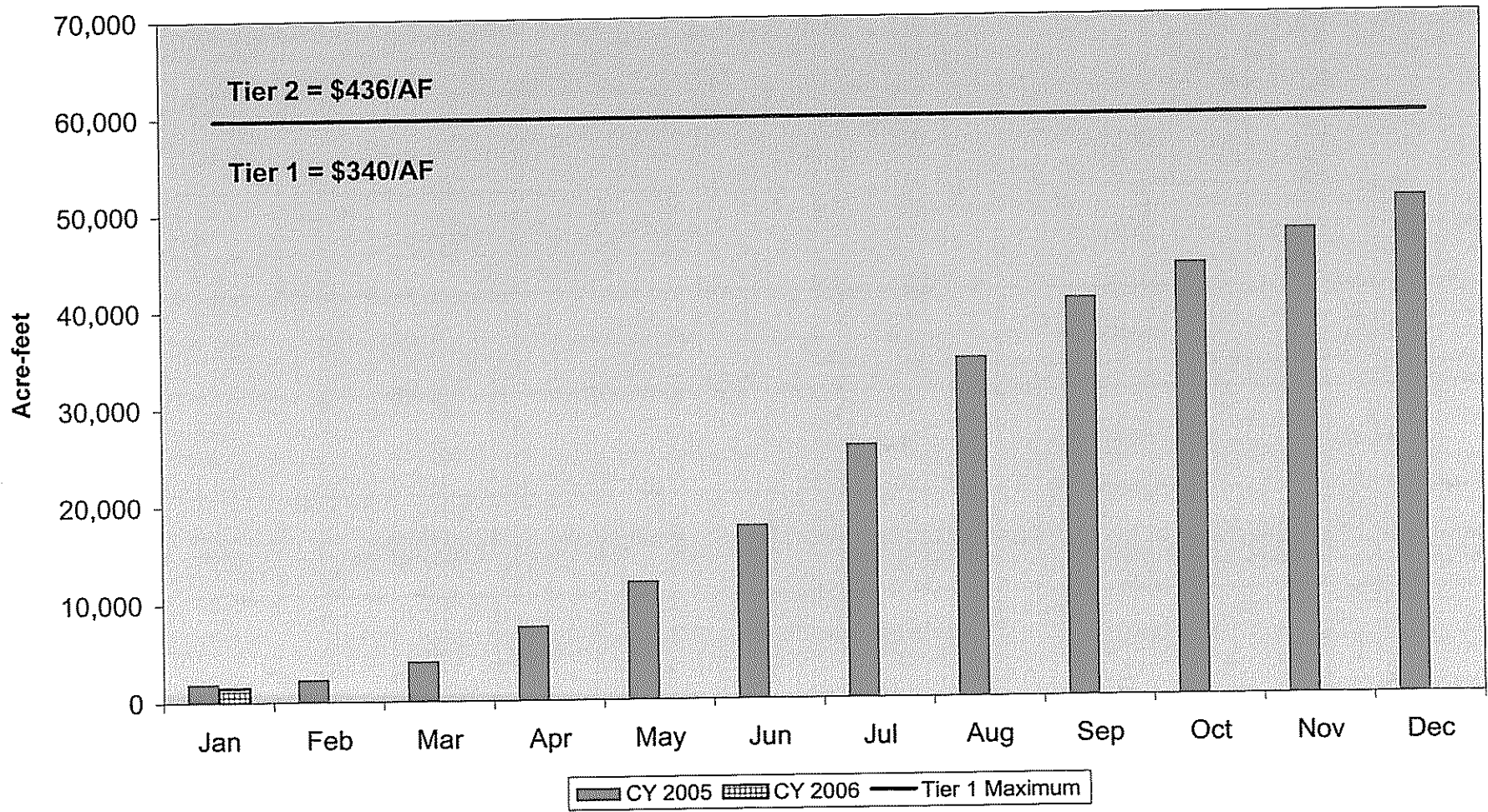
Notes

SW : Storm Water, LR : Local Runoff, MW: MWD Water, RW : Recycled Water
 - : No stormwater/local runoff, or basin not in use due to maintenance or testing.
 X : Turnouts not available - to be installed within future projects.
 N : Not Applicable or No turnout planned for installation.
 *Non-Replenishment (deduct) is groundwater pumped from Chino Basin and recharged back into the basin.
 Data are preliminary based on the data available at the time of this report preparation

Printed: Feb. 08, 06

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IEUA
Cumulative Monthly Full Service Imported Water Deliveries
Calendar Year 2005 and Calendar Year 2006



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Inland Empire
UTILITIES AGENCY

Date: February 15, 2006
To: Honorable Board of Directors
Through: Public, Legislative Affairs & Water Resources Committee (2/8/06)
From: Richard W. Atwater *RWA*
Chief Executive Officer/General Manager
Submitted by: Martha Davis *MD*
Executive Manager of Policy Development
Subject: January Legislative Report from Geyer and Associates

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

Bill Geyer and Jennifer West provide a monthly report on their state activities on behalf of IEUA.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:jbs
G:\board-rec\2006\06039 January Leg Report from Geyer

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BILL GEYER
JENNIFER WEST



CONSULTING AND ADVOCACY IN CALIFORNIA GOVERNMENT 1029 K ST., SUITE 33, SACRAMENTO, CA 95814, (916) 444-9346 FAX: (916) 444-7484. EMAIL: geyerw@pacbell.net

MEMORANDUM

TO: Rich Atwater and Martha Davis
FROM: Jennifer West
DATE: January 27, 2006
RE: January Legislative Report

Governor Introduces Comprehensive Water Infrastructure Proposal

As part of Gov. Arnold Schwarzenegger's overall Strategic Growth Plan, the Administration has introduced two identical bills, AB 1839 and SB 1166, which contain major water-related provisions. The proposal would enact the "Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts" of 2006 and 2010. Below is an overview of the major provisions in the Governor's water package. This overview *does not* reference potential federal matching funds or the local matching funding.

Program, Project or Bond Provisions	2006 Bond	2010 Bond	Water Resources Investment Fund
Levee System and Flood Protection (detailed below)	\$1 billion	\$1.5 billion	
Project Levee and Facilities Repair	\$210 million	\$300 million	
Flood Control and Levee System Improvements	\$200 million	\$200 million	
Delta Levees Subventions and Special Projects	\$210 million	\$700 million	
Flood Control Subventions	\$210 million	\$700 million	
Flood Mapping	\$90 million	\$0	
Floodway Corridor Program	\$40 million	\$100 Million	
Integrated Regional Water Management (detailed below)	\$2 billion	\$4.5 billion	\$5 billion (over ten years)
Regional Water Management Grants	\$1 billion	\$2 billion	
Water Quality Improvement	\$250 million	\$500 million	
New Surface Storage	\$250 million	\$1 billion	
Science and Technology/ Desalination	\$300 million	\$500 million	
Resource Stewardship/Environment	\$200 million	\$500 million	
Total	\$3 billion	\$6 billion	\$5 billion

This proposal demonstrates that the Governor and his Administration is committed to investing in California water projects and reflects a major commitment to regional water planning and local projects.

Bond Measures on Fast Track

The Democratic leadership has agreed that all the infrastructure bond measures should be put on a legislative fast track. The Governor and Senator Perata, who has his own infrastructure bond, have told the Legislature they would ideally like to place a measure on the June 2006 ballot. This means the Legislature would have to pass a bond measure no later than March 14. To accomplish this, all the existing legislative timelines have been waived. This week policy committees began to review the Governor's proposal and are making recommendations for amendments to a bond, which will be considered by the infrastructure bond conference committee that was appointed this month. Ultimately, it will be up to the infrastructure bond conference committee to decide what will be included in the bond measure. Conferees are Senators Chesbro, Hollingsworth and Murray and Assemblymembers Laird, Chu and Keene.

Water Surcharge Proposed to Fund the Water Resources Investment Fund

One of the major provisions contained in the Governor's water bond is a proposed capacity charge to fund the "Water Resources Investment Fund" or WRIF. This fee or tax would be levied on retail water agencies. This is expected to generate \$380 million a year, or \$5 billion over ten years. Under the proposal, once a year the retail water agencies would send the funds to the Board of Equalization, who would then deposit it into the WRIF. The retail agencies are expected to raise their rates to cover these costs. Retail agencies would assess the charge based on the actual number and types of water connections in its service areas in accordance with the following schedule:

- \$0 per month for each lifeline connection (very low income).
- \$3 per month for each single-family residence water connection.
- \$5 per month for each commercial water connection.
- \$10 per month for each multiple-family residence water connection.
- \$10 per month for each industrial site water connection.
- \$3 per month for each agricultural water connection that services an area not exceeding nine acres.
- \$6 per month for each agricultural water connection that services an area that exceeds nine acres but does not exceed 180 acres.
- \$10 per month for each agricultural water connection that services an area exceeding 180 acres.

The Governor's proposal calls for 50 percent of the WRIF funds to go directly back to a regional entity, like SAWPA, for grants for regional projects. Within the region, local entities would compete for the funding and the regional entity would award grants.

The state's share of the WRIF would be divided up in two ways. One-half of the state's share would be available to the regions for competitive grants, administered by DWR. The other half of the state's share would go towards water projects of "statewide importance".

Concerns Regarding the WRIF

The WRIF is a new source of water funding intended to provide an ongoing source of funding for local and statewide water projects. According to the Administration this proposal will 1) optimize the Regional Planning approach, 2) maximize efficiency, and 3) move water and flood financing off of the General Fund and the General Obligation Bond cycle.

However, as structured, the WRIF appears to disproportionately impact urban agencies. According to the proposal, some water agencies have calculated that the state retail surcharge on urban residential customers would equal approximately \$72 per acre-foot of water annually, while the state retail water surcharge on agricultural customers would calculate to a charge of approximately \$0.24 per acre foot of water annually.

Other problems that have been identified with the WRIF include:

- o Inadequate protection from unlimited increases by the California Water Commission (section 82156).
- o While the bill establishes a ten year financing plan there is no specific sunset provision for the WRIF.
- o It is unclear whether are sufficient protections in the bill to keep the Legislature from redirecting these funds for other purposes.
- o No direct nexus between the fee/tax and the benefit received.
- o Capacity charge may compete with local water supplier efforts to raise rates for local projects that they have in the pipeline.

Until these issues have been resolved the Board may want to consider a position of "Oppose unless Amended" on the WRIF portion of the Governor's Bond.

Inland Empire Utilities Agency

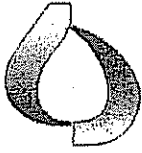
Positions List

January 27, 2006

	Summary	Status	Position
AB 371 (Goldberg) Recycled Water	Sponsored by WaterReuse. Makes a number of changes recommended by the Water Recycling Task Force. Some water agencies had concerns with the bill and it was stripped of numerous controversial provisions. WaterReuse continues to try to work out the remaining problems with the bill.	Senate Floor	Support
AB 1259 (Daucher) Special District Property Tax Shift	The bill has been changed to a different subject matter.	Missed Deadline	Oppose/ recommend neutral as amended
AB 1421 (Laird) Contamination	Sponsor said that they do not intend to pursue the bill in 2006. Would have given a RWQCB the authority to issue a cease and desist order for any degradation of water quality – even if it involved recycled water.	Senate E.Q.	Oppose unless amended
SB 153 (Chesbro) Resources Bond	2006 Park and Water bond measure. Contains \$200 million for the Integrated Regional Water Management Program and other coastal and water quality funding. This will be one of the bond measures under consideration for inclusion in the Governor's resources bond or in Senator Perata's infrastructure bond.	Conference Committee on the bonds	Support
SB 187 (Soto) OEHHA	Requires OEHHA to consider adopting the PHG for perchlorate when any other state in the US adopts a lower PHG than California.	Missed Deadline	Oppose
SB 393 (Ortiz) Special District Reforms	Require ethics training for special district officials, specify audit standards, and place limits on board members' compensation.	Missed Deadline	Oppose
Watch			
AB 1881 (Laird)	Spot bill on water conservation in		New

	landscaping. This will be the vehicle to implement the recommendations of the water conservation landscape advisory taskforce.		introduction
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Inland Empire
UTILITIES AGENCY

Date: February 15, 2006
To: Honorable Board of Directors
Through: Public, Legislative Affairs & Water Resources Committee (2/8/06)
From: Richard W. Atwater *RWA*
Chief Executive Officer/General Manager
Submitted by: Martha Davis *MD*
Executive Manager of Policy Development
Subject: January Legislative Report from Dolphin Group

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

Michael Boccodoro provides a monthly report on his activities on behalf of the Chino Basin/Optimum Basin Management Program Coalition.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

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Chino Basin / OBMP Coalition

Status Report – January 2006

ENERGY/REGULATORY

Southern California Edison General Rate Case

The California Public Utilities Commission has issued a draft decision in Phase I of Southern California Edison's General Rate Case (GRC), which determines the revenues SCE is permitted to collect for distribution and transmission services. The draft decision would award a total revenue increase of \$60 million, which equates to a 0.61% average rate increase. In their original application, Edison requested a revenue increase of \$370 million, or an average 3.6% increase. The presiding administrative law judge rejected most of Edison's specific revenue increases in the decision.

The CPUC is expected to rule on the draft decision in late February, and the rate increase would take effect shortly thereafter.

The CPUC is also considering Phase II of the GRC, which determines how revenues will be collected from various customer classes, as well as rate design issues. Parties submitted intervenor testimony on January 20th, and parties have begun to hold settlement conferences in hopes of avoiding full litigation of the case. If a settlement is not reached, a decision is expected by the Commission by the end of 2006.

Energy Efficiency Funding for Water Conservation Efforts

In response to the California Energy Commission's recently issued *Integrated Energy Policy Report*, as well as at the suggestion of the Association of California Water Agencies (ACWA) and other interested parties, the CPUC is beginning to explore the funding of water conservation measures through electric utility energy efficiency programs. The proposed change recognizes the significant energy savings associated with urban water conservation efforts. Nearly 20% of energy usage in California is associated with water supply treatment and delivery.

Beginning in February, the utilities and other interested parties, including The Dolphin Group (on behalf of CBC), will meet to formulate policy suggestions to facilitate this expansion of energy efficiency offerings. The group hopes to complete their recommendation by October 2006.

Utility energy efficiency programs are funded through a surcharge on all utility customers, and are designed to reduce demand on the system and mitigate capacity constraints through a variety of rebate and education programs. Under current practice only water heaters are eligible for funding.

BOND ACTIVITY

On January 5, Governor Schwarzenegger unveiled his \$222 billion Strategic Growth Plan to invest in California's infrastructure. The plan calls for two major bond initiatives in 2006 and 2010 to be considered for approval by the voters, and aims to invest in four specific areas:

- Transportation/Air Quality \$107 billion
- Education \$59.9 billion
- Public Safety/Court System \$20.7 billion
- Flood Control/Water Supply \$35 billion (\$9 billion in G.O. bonds)

The sources of funding include a mix of general obligation bonds (\$68 billion), bonds which have already been authorized (e.g. Proposition 42), federal assistance, local sources and new user fees. One of the more controversial components is the Water Resources Investment Fund (WRIF). The Administration seeks to implement the following fee schedule for all water consumers to raise \$5 billion for the WRIF:

Water User Type	Monthly Fee Per Connection
Lifetime Billing Customers	\$0
Single-Family Residence	\$3
Multiple Family Connection	\$10
Commercial	\$5
Industrial	\$10
Agricultural (<9 acres)	\$3
Agricultural (<180 acres)	\$6
Agricultural (>180 acres)	\$10

Roughly two-thirds of these funds would be earmarked to regional integrated watershed management programs and other local projects, with the remaining funds to be used for statewide projects.

The Governor's plan has been placed into four major pieces of legislation to be considered by the Assembly and the Senate. The various policy committees recently began considering the specifics of the measures. A conference committee of three Senators and three Assemblymembers has already been appointed to consider the policy recommendations of the various committees and formulate a proposal for final consideration by the Legislature.

Although the Governor and the Legislature are hopeful to have the plan considered by voters in the June Primary Election, deliberations may force consideration to all or part of the program to November.

Flood Protection and Water Supply Plan

The Administration plan targets two specific areas for investment: flood management and water management.

The \$6 billion flood management plan would be require \$2.5 billion in general obligation bonds, with \$0.5 billion coming from the local sources and \$3 billion from federal sources. Additionally, the administration's plans identifies \$29 billion in water management programs and facilities, with the monies raised from the following sources:

Source	Funds
State	\$6.5 billion
Federal	\$2 billion
Local	\$15.5 billion
WRIF	\$5 billion
TOTAL	\$29 billion

The state funds would be raised through two general obligation bonds, \$2 billion in 2006 and \$4.5 billion in 2010. The WRIF is intended to provide funds for ongoing operation and maintenance of projects completed under the plan.

The plan calls for investment in a variety of water supply projects, with a special emphasis on integrated watershed management projects. The current language of the plan calls for the following allocation of watershed management funds through 2010:

Region	Funds
North Coast	\$135 million
San Francisco Bay	\$441 million
Central Coast	\$183 million
LA/Ventura	\$660 million
Santa Ana River	\$363 million
San Diego	\$294 million
Sacramento River	\$243 million
San Joaquin River	\$198 million
Tulare Lake	\$204 million
Lahontan	\$145.5 million
Colorado River Basin	\$133.5 million
TOTAL	\$3 Billion

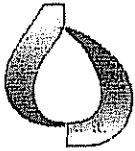
LEGISLATIVE ACTION

The Dolphin Group recently submitted two draft legislative proposals to legislative counsel for possible introduction in 2006. The draft proposals are related to additional biogas net metering program improvements and to remove barriers to the development of renewable energy resources by water and wastewater agencies.

INTER-AGENCY DIGESTER WORKING GROUP

The IDWG held its second meeting in late January to discuss developments and issues related to encouraging digester technology expansion in California. The group is facilitated by the California Air Resources Board (CARB) and the Dolphin Group and includes representatives of key state and federal environmental, energy and resource agencies as well as private industry groups. Martha Davis represents IEUA on the panel.

The working group discussed a number of key emerging issues including the recently released draft Climate Action Team report and the role digesters can play in reducing greenhouse gas emissions in California. The groups also discussed water quality permitting barriers and established a sub-group to formulate new energy incentives for biogas digesters.



Date: February 15, 2006
To: Honorable Board of Directors
Through: Public, Legislative Affairs & Water Resources Committee (2/8/06)
From: Richard W. Atwater *RWA*
Chief Executive Officer/General Manager
Submitted by: Martha Davis *MD*
Executive Manager of Policy Development
Subject: January Legislative Report from Agricultural Resources

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

Dave Weiman provides a monthly report on his federal activities on behalf of IEUA.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

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Agricultural Resources

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Washington, D.C. 20002-5811
(202) 546-5115
(202) 546-4472-fax
agresources@erols.com

January 26, 2006

Legislative Report

TO: Richard W. Atwater
General Manager, Inland Empire Utility Agency

FR: David M. Weiman
Agricultural Resources
LEGISLATIVE REPRESENTATIVE, IEUA

SU: Legislative Report, January 2006

Highlights:

- Second Session, 109th Congress
- Energy Committee, Recycling and Desalination Policy, Oversight Hearings Being Scheduled
- Colorado River, Shortage Allocation Negotiations
- Perchlorate – EPA and DOD Issue New Guidance
- IEUA Working Partners

Second Session, 109th Congress. The Senate reconvened on January 18, exclusively to hold hearings on the Supreme Court nomination. The House reconvenes on January 31. That evening, the President will present his "State of the Union" to a joint-session of the Congress. That speech represents the defacto "start" of every session. The following Monday, February 6, the Administration will send up its proposed budget for the next fiscal year. Every Department, agency and program will present its recommendations for each line item in the budget. Additionally, both the House and Senate will propose major changes in their institutional rules – and it may touch everything from Member ethics, restrictions on former members and senior staff, budgeting and lobby rules. The House GOP will select a new Majority Leader, the number two position in their caucus and "may" address and consider other changes in their leadership.

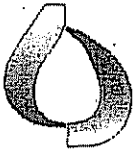
Energy Committee and Water Recycling, Desalination Policy – Policy Oversight Hearings. As previously reported, last year the Senate Energy Committee initiated a bi-partisan review of Title XVI, in large part because of program opposition by the Interior Department and the Bureau of Reclamation. The Committee, working with the Water Subcommittee in the House, asked the Congressional Research Service (CRS) to undertake a program review. It's final report is overdue and remains pending. Apparently, the Bureau of Reclamation has been less than forthcoming and cooperative and this is causing some of the delay, according to the Energy Committee staff. The Committee is now telling us that the comprehensive oversight hearing will occur on February 28, but the date has not been formally announced nor has the hearing been "noticed." IEUA and others are already preparing for those hearings, and providing various kinds of background and programmatic information to the committee.

Colorado River – Shortage Allocation Negotiations. Secretary Norton, Assistant Secretary Limbaugh, Commissioner Keys and the Interior Department and the Bureau of Reclamation continue to publicly challenge MWD, the State of California, Southern California water users and their Colorado River partners to adopt "shortage allocations" for the Colorado River. Meetings and discussions are on-going. As noted last month, Interior wants no mention or discussion of Title XVI as a means to stretch local supplies throughout the Basin.

Perchlorate. EPA announced a new "Guidance" policy in late January and DOD concurrently revised its perchlorate policies. EPA conformed its 4-18ppb Guidance to the National Academy of Sciences recommended 24.5ppb. Senators Boxer and Feinstein have both challenged the new policy. Senator Boxer called it "woefully inadequate." Feinstein announced that she would be asking EPA to "reconsider" its decision. Senator Feinstein has also revised her perchlorate cleanup bill and is getting ready to introduce it.

IEUA Continues to Work With Various Partners. On an on-going basis in Washington, IEUA continues to work with:

- a. Metropolitan Water District of Southern California (MWD)
- b. Milk Producer's Council (MPC)
- c. Santa Ana Watershed Project Authority (SAWPA)
- d. Water Environment Federation (WEF)
- e. Association of California Water Agencies (ACWA)
- f. WaterReuse Association
- g. CALStart
- h. Orange County Water District (OCWD)
- i. Cucamonga Valley Water District (CVWD)
- j. Western Municipal Water District
- k. Chino Basin Watermaster



Inland Empire
UTILITIES AGENCY

Date: February 15, 2006
To: Honorable Board of Directors
Through: Public, Legislative Affairs & Water Resources Committee (2/8/06)
From: Richard W. Atwater *RWA*
Chief Executive Officer/General Manager
Submitted by: Martha Davis *MD*
Executive Manager of Policy Development
Subject: January Legislative Report from Copeland and Associates

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

Letitia White provides a monthly report on their federal activities on behalf of IEUA.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD:jbs
G:\board-rec\2006\06037 January Leg Report from Copeland and Associates

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Copeland Lowery Jacquez Denton & White L.L.C.

Specializing in Government Relations

Memorandum

TO: Rich Atwater and Martha Davis

FROM: Letitia White and Heather McNatt
Copeland Lowery Jacquez Denton & White

DATE: January 27, 2006

RE: Monthly Legislative Report

CLJ is eager to kick off another year with IEUA. We are in the process of updating IEUA's materials for the Bureau of Reclamation appropriations request in the Energy and Water Appropriations bill and are hopeful that we will be able to craft a potential request in the Agriculture Appropriations bill. We continue to work with Dave Weiman to determine how IEUA may be able to benefit from the upcoming Farm Bill reauthorization.

Aside from the Alito hearings in the Senate, Capitol Hill has been very quiet this January. Everyone in Washington is eagerly anticipating the President's State of the Union Address on January 31st and the release of the White House's budget the first week of February. The President's budget officially kicks off the FY '07 Appropriations cycle.

FY07 Appropriations Preview

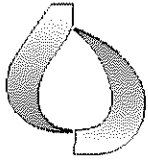
In the wake of the ethics scandals that have been in the news lately, there is a great deal of talk about reforming the appropriations process when Congress returns to work. It is too early to tell exactly what form the reforms, if enacted, would take. That having been said, it is our assumption that appropriations earmarks will undergo more scrutiny and become harder to obtain. We will continue to monitor the developments on appropriations reform and keep you posted.

Budget Reconciliation

One of the first items the House is expected to consider is final passage of the Deficit Reduction Act of 2005. The Senate changed several provisions before passing the package 51 to 50, with Vice President Cheney casting the tie-breaking vote, on December 21st. The final package will result in \$39.7 billion in savings in mandatory spending programs. The vote was very contentious in the House the first time it was passed, and we expect this to be another close call. If it passes the House again, it will go to the President for his signature.

Suite 800 • 525 Ninth Street, NW • Washington, DC 20004 • 202-347-5990 • Fax 202-347-5941

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Date: February 15, 2006

To: The Honorable Board of Directors

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

Submitted by: Sondra Elrod
Public Information Officer

Subject: Public Outreach and Communications

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

Outreach/Tours

- February 21, 2006, tour of HQ for LA City public works department
- February 22, 2006, tour of RP-5 and Renewable Energy Facility for National Corn Growers Association 9:30am
- February 22, 2006, tour of IERCF for LA County Sanitation District Board of Directors
-

Calendar of Upcoming Events

- February 22, Leadership Breakfast, Event Room, 7:30am
- March 7, 2006, Fontana Arbor Day 10am to 1pm Mary Vagel Nature Museum
- March 7, 2006, "Inland Empire Legislative Reception" in Sacramento, 5pm to 7pm
- March 18, 2006, Fontana Earth Day, 10am to 2pm Mary Vagel Nature Museum
- March 20, 2006, IEUA hosted Special District dinner at Panda Inn, Ontario, 6pm
- March 24, 2006, MWD Community Communication Breakfast with Senator Dutton and Assembly Member Emmerson, time and place TBD

OUTREACH/EDUCATIONAL INLAND VALLEY DAILY BULLETIN NEWSPAPER CAMPAIGN

- February 28, 2006, eight page piece to showcase IEUA, CBWM, CBWCD, 3 Valleys MWD, Western MWD and MPC.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.



CHINO BASIN WATERMASTER

V. INFORMATION

1. Newspaper Articles





Water board chief opposed to delaying a July hearing

PERCHLORATE: A firm that once operated a Rialto facility is accused of polluting area wells.

12:10 AM PST on Thursday, January 19, 2006

By JENNIFER BOWLES / The Press-Enterprise

LOMA LINDA - The region's chief water-quality regulator signaled Wednesday that she would refuse to delay a July hearing for a company accused of being a key contributor to perchlorate contamination that has closed 20 drinking-water wells in the San Bernardino Valley.

Carole Beswick, chairwoman of the Santa Ana Regional Water Quality Control Board, said she would decide Monday after Emhart Industries Inc. has a chance to refine its plan to determine the company's role in the pollution.

"It's sounding like it has no traction," Beswick said of a delay, after hearing board members and the public argue against it.

Attorneys and consultants for Emhart, a subsidiary of Black & Decker, sought a delay until October, saying they planned to conduct soil testing and install at least three groundwater wells around its former Rialto facility that operated in the 1950s.

"We're at a juncture where we believe that cooperation is the right course rather than confrontation," said Bob Wyatt, an attorney for Emhart, which had argued for the last few years that it is not tied to the perchlorate contamination.

Representatives for some of the cities affected by the pollution -- Rialto and Colton -- and the water agencies that serve them, along with the Center for Community Action and Environmental Justice, said Emhart's recently unveiled investigation plan lacked an aggressive strategy.

They urged the board to keep the hearing date. Such a hearing is similar to a court trial and would include evidence, testimony and board members acting as the judge and ruling on what the company must do.

Emhart has fought previous orders from the board in court. The company can appeal to the state water board if the regional panel rules against it.

"It is an environmental and financial crisis in Rialto," said Scott Sommer, an attorney for the city.

"I can't underscore the importance of this to Rialto to keep this process moving."

In the 1950s, Emhart's predecessor company, West Coast Loading, made explosive cartridges, photoflash cartridges, flares and other incendiary devices containing perchlorate.

The underground plume of perchlorate has since stretched several miles from the 160-acre industrial site where Emhart and others later operated.

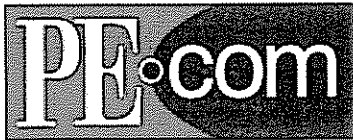
Studies have shown that perchlorate can impair the thyroid, which regulates metabolism and produces hormones essential for brain and bone development in fetuses and newborns.

Goodrich Corp., the other company accused of being a major pollution contributor, gave \$4 million to the water agencies to treat contaminated wells and reached a settlement with the board in November to drill up to nine test wells.

Reach Jennifer Bowles at 951-368-9548 or jbowles@pe.com

Online at:

http://www.pe.com/digitalextra/environment/perchlorate/vt_stories/PE_News_Local_P_perch19.182e21db.html



Feinstein demands military perform studies on perchlorate

DISPUTE: The Pentagon says there is no need for more research on the rocket-fuel chemical.

11:29 PM PST on Tuesday, January 10, 2006

By **DAVID DANIELSKI / The Press-Enterprise**

A California senator demanded Tuesday that the military make good on a congressional directive to conduct a major health study on a rocket-fuel chemical found in water and food consumed by millions of Americans.

Congress, in a 2003 defense authorization bill, required an independent study on how perchlorate contamination has affected large numbers of people. The study has not been done.

Defense officials say the study is no longer needed because others have completed or are pursuing similar research.

Sen. Dianne Feinstein, a Democrat, disagrees.

"By shirking responsibility for performing thorough and exhaustive studies on the impact of perchlorate, the Defense Department is putting the health of thousands of Americans at risk," Feinstein wrote Tuesday in letter to Defense Secretary Donald Rumsfeld.

A Defense Department spokeswoman said she had no immediate comment because Rumsfeld had not reviewed the letter.

Perchlorate is a chemical used in rocket fuel and munitions. Industrial spills and leaks have contaminated water supplies across the nation, including the Colorado River and several Inland groundwater basins. It also has been found in lettuce, milk and other produce.

In sufficient amounts, it can disrupt the thyroid gland's ability to make hormones that fetuses and infants need for brain and nerve development.

In September, Kenneth Krieg, an undersecretary of defense, argued in letters to Senate and House armed services committees that Congress' intent had been satisfied.

Since the 2003 authorization bill, which gave the Defense Department directives for the 2004 fiscal year, perchlorate science has been reviewed by the National Academy of Sciences.

The academy's review included two large, population-based studies in California, Krieg wrote. One focused

on Redlands-area residents, and the other compared health information statewide. The federal Centers for Disease Control and Prevention is pursuing additional research, Krieg wrote.

Lockheed Martin Corp., sponsored the studies in California. The company is embroiled in a lawsuit filed by several Redlands-area residents who contend that perchlorate from a former Lockheed rocket factory in Mentone contributed to their illnesses. The research found no link between perchlorate and the residents' ailments.

Gary Praglin, an attorney for the residents, said the studies cannot be seen as independent because of the company's financial stake in the lawsuit's outcome.

In her letter, Feinstein noted that the National Academy of Sciences committee called for more research to determine how perchlorate affects the most vulnerable groups, such as low-birth-weight babies.

"The Department of Defense still must fulfill its obligations and complete thorough and exhaustive studies on the true health impact of perchlorate," she wrote.

Reach David Danelski at (951) 368-9471 or ddanelski@pe.com

Online at:

http://www.pe.com/digitalextra/environment/perchlorate/vt_stories/PE_News_Local_D_perch11.13030a23.html

Article Last Updated: 1/13/2006 08:55 PM

Recycled water an idea to plug prices

By Kelly Rayburn, Staff Writer
Inland Valley Daily Bulletin

FONTANA - This city of roughly 160,000 generates more than 11.5 million gallons of recycled water every day.

None of it is used.

Not locally, anyway. It flows into the Santa Ana River in Orange County.

Using the recycled water for such things as park irrigation, city officials say, could mean less need for the privately owned Fontana Water Company to build new water-treatment infrastructure - and it could mean a lower water rate for customers.

The city made that case Thursday, the fourth day of hearings over whether the company will be allowed a major rate increase.

The judge wouldn't have any of it. Not now, anyway.

In what water company consultant Rick Ruiz characterized as the most dramatic portion of the hearings thus far, Administrative Law Judge Robert Barnett said testimony from the city's public works director Curtis Aaron was not relevant to the current rate case.

Customers of the Fontana Water Company - a division of the San Gabriel Valley Water Company - pay \$1.54 per 100 cubic feet of water, which is among the region's highest.

The company is asking for an increase of more than 25 percent over three years.

The case will ultimately be decided by the California Public Utilities Commission.

Thursday, with Curtis under oath, Barnett questioned why testimony on recycled water was relevant.

"We've got a rate case. I've got to have a decision out by July. And here we have something ... that is three years down the road, if it comes" to fruition at all, Barnett said. Barnett said there was little he could do at present to push the company and the city toward a deal on using recycled water.

"If you're saying you want a statement that it would be nice to do," he said, "I'll put a statement in the (decision). . . that it would be nice to do."

The water company serves most of the city of Fontana and some areas surrounding it, including the city's unincorporated sphere of influence and small portions of Rancho Cucamonga and Rialto.

The city is a member of the Inland Empire Utility Agency's Regional Sewage program and the city, not the company, has first right to use the treated water.

At issue, however, are state public utilities guidelines restricting what is known as service duplication: If the city were to build the infrastructure to use the recycled water, the company could take legal action against it.

City officials say the Fontana Water Company has stalled, but General Manager Michael McGraw said the onus is on the city to come up with a plan for recycled water.

"It's their water," he said.

The city is developing a Recycled Water Master Plan with the help of Ontario-based consultant Camp Dresser & McKee Inc. That plan should be finished in the next month or so.

Mayor Mark Nuaimi said he had hoped it would be done in advance of the hearings.

"We're pretty frustrated that it wasn't," said Nuaimi, "because that would have been our testimony."

Nonetheless, Aaron and Ken MacVey, an attorney representing the city, both downplayed the judge's comments Thursday.

MacVey said Aaron's testimony was entered largely "to put the issue on the radar screen."

He said once the city completes the plan for recycled water, it's likely that it will ask the PUC for help in ensuring the recycled water can be used.

Hearings on the rate case, meantime, continue next week in San Francisco.

Article Last Updated: 1/14/2006 12:15 AM

Lake Arrowhead water dispute settled

Lake Arrowhead use restricted

Andrew Silva, Staff Writer
San Bernardino County Sun

LAKE ARROWHEAD -- The water-rights dispute that could have made lake water off limits for drinking and landscaping was settled by the state water board Friday, provided no one appeals.

Use of the lake water will be strictly limited in future years, but the Lake Arrowhead Community Services District doesn't have to worry that it will have to go out and find budget-busting alternatives to meet all its customers' needs.

The State Water Resources Control Board approved an order on a 3-0 vote requiring the district to cut its water use to 1,566 acre-feet a year starting in 2008, pay a \$112,000 fine for diversions deemed illegal and come up with a plan in 60 days for meeting the reduction target.

"This was just so much better than what we feared we might get," said Mary Ann Dickinson, a recently elected board member of the Lake Arrowhead district, which serves about 7,500 homes and businesses. "We're delighted the state board did say we had water rights."

State board member Gerald Secundy recused himself because he's a part-time resident of Lake Arrowhead.

A moratorium on issuing new connections also is imposed until the district meets its target.

"I'm ecstatic over it," said Theodore Heyck, a district board member who brought the original complaint that challenged the district's water rights.

The state originally found that the district has no rights to any water in the lake for domestic uses.

In the order adopted Friday, the state agreed that the original developers of Lake Arrowhead did intend the water to be used for domestic consumption.

State officials took the population envisioned by those developers, figured out how much water that population of 8,000 would use and came up with the 1,566 acre-feet as the district's proper water right.

An acre-foot is about 326,000 gallons or roughly the amount used by two typical urban families in a year.

To meet the goal, water use will have to be cut by about a quarter compared to its draw from the lake of 2,119 acre-feet last year and 1,922 in 2004.

The district board will meet next week to discuss the order.

Approval of the order means residents won't have to worry about astronomical water bills that would have resulted from a prohibition on using lake water for domestic consumption.

That doesn't mean costs won't increase because the district is already relying partly on expensive imported water to meet any shortfall. The district pays \$2,750 per acre-foot, the most expensive in the state, and those costs could go higher, Dickinson said.

The district has been working to reduce its reliance on lake water in recent years by drilling wells, working out a deal to get water imported from Northern California and imposing strict conservation measures, including higher water rates for residents who use too much water.

The district plans to target outdoor irrigation in the summer months as a way to cut demand, Dickinson said.

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Tempting fate: Anti-flood funding awash in politics



South state's unity has aided safety projects while capital region struggles.

By Deb Kollars -- Bee Staff Writer

Published 2:15 am PST Sunday, February 12, 2006 Photos Bryan Patrick

For many years, the Santa Ana River running through Southern California was known as the most dangerous watershed west of the Mississippi. Its flash floods were legendary and brutal, threatening a rich band of real estate running through the heart of Orange County.

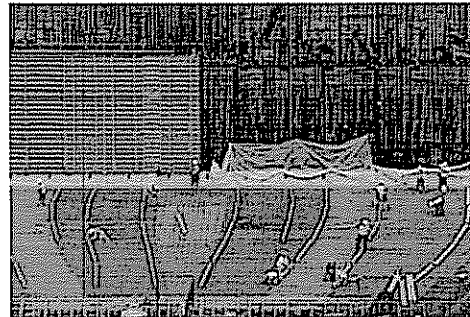
Today, this land of citrus and subdivisions is becoming far safer, thanks to a \$1.4 billion package of flood control fixes on the Santa Ana, including a new dam in the San Bernardino Mountains. When the job is finished, it will leave a sharp imbalance in the state:

Disneyland will have twice the flood protection of the Capitol of California.

Crews work on improvements to the 65-year-old Prado Dam near Corona. The height of the dam is being raised to increase flood protection along the Santa Ana River.

The Santa Ana project, paid mostly with federal dollars, will be done within five years. It will provide cities from Anaheim to Huntington Beach protection against rare but dangerous storms that have about a one-in-200 chance of occurring every year.

Meanwhile, Sacramento will continue to carry the distinction of having the greatest flood risk of any major city in the nation. Some neighborhoods don't even have 100-year protection. Solid plans are in motion to reach the 200-year threshold by making changes at Folsom Dam and strengthening levees. But hurdles as wide as rivers remain, including securing the \$1 billion, or more, it will cost. It will be 15 years, by most accounts, before Sacramento has a safety cushion on the Sacramento and American rivers akin to that on the Santa Ana.



"There is a tremendous amount of more work that needs to be done," said Jason Fanselau, chief of public affairs for the U.S. Army Corps of Engineers Sacramento district. "We're still right at that bare minimum of flood protection." Members of Sacramento's congressional delegation, amid numerous inquiries, were defensive when asked about north-south safety comparisons. You're talking about different rivers, different landscapes, different times, different players, their representatives insisted. The staff members, instead, wanted to talk about how hard their bosses have worked to get flood protection dollars during difficult times in Washington.

Adriana Surfas, for example, who spoke to The Bee on behalf of Democratic Rep. Doris Matsui, pointed out that in California, Sacramento received the third highest water-related allocation from Congress in 2006 at \$29.96 million. (The Santa Ana River project was first in line at \$61.65 million. The Oakland Harbor was second at \$48 million.)

On its face, the \$29.96 million sounds like a lot. And things would seem to look even better for next year: Last week, President Bush earmarked \$46.8 million in his proposed 2007 federal budget for flood improvements on the American River. But it is a long way from covering the \$1 billion or more needed to get Sacramento to the 200-year goal, said Fanselau and others.

According to Bill Edgar, retired city manager of Sacramento and a longtime leader in flood control efforts, the Santa Ana River has long eclipsed Sacramento in gaining federal funding, thanks to a history of cooperation across three Southern California counties and a unified congressional delegation.

"The Santa Ana project has always been the competition to Sacramento," Edgar said. "There's only so much money back in Congress, and we were always trying to get our fair share of the pie." Vic Fazio, who represented Sacramento in the House when the Santa Ana project rolled through in 1986, gave it his support. "There was consensus around it," said Fazio, now a Democratic lobbyist in Washington, D.C. "It made sense."

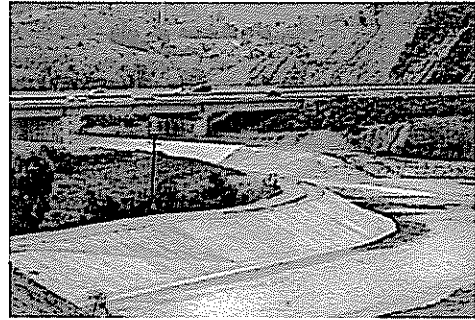
The same year the Santa Ana River Mainstem Project was approved, Sacramento was hit with severe flooding. It was a major wake-up call that the capital needed more protection. For the next 13 years, while the Santa Ana project was being funded and built, Sacramentans were at war over how to defend against floods here. The biggest obstacle, according to local leaders, was the fight over whether to build a dam on the American River near Auburn.

The dam was championed by Republican Rep. John Doolittle. Many supported it, some for the water storage and recreational potential, others for its flood control capacity. Others couldn't bear the thought of a dam on a river known for its beauty and whitewater. A compromise proposal - to build a "dry" dam that would only fill with water during a flood event and provide up to 500-year protection - was another slice of the paralyzing debate.

Doolittle refused to support anything but an Auburn dam with water storage. Environmentalists fought it hard. The result: Nothing happened. "Auburn dam got in the way of everything," Mayor Heather Fargo said, recalling how she and other Sacramento leaders went to Washington twice during the 1990s asking for different versions of a dam at Auburn. "We were told no, and then we went back a few years later and we were told hell no," Fargo said. Stein Buer, the executive director of the Sacramento Area Flood Control Agency, recalled those days with regret. The city was growing fast. The flooding risks were grave. "Until you have agreement on what you want to build," Buer said, "you can't get construction dollars from Congress."

On the bright side, Buer noted that about \$350 million has been spent in recent years on levees and other fixes, pushing most of the community to a 100-year level of protection. But moving beyond that point has been elusive. In 1999, the year Seven Oaks Dam was completed on the Santa Ana, the fighting finally ceased when Doolittle and Democratic Rep. Robert Matsui (who died last year and whose wife, Doris, later won election to his seat) made a deal. They would set aside the debate over an Auburn dam, and push for more modest steps toward safety: levee improvements and upgrades at Folsom Dam.

Their détente broke the logjam in Washington. That year, two projects on Folsom Dam totalling more than a half billion dollars were approved in Congress: one to raise the dam to hold more water, and one to modify its gates to better handle releases during times of high water. The work on Folsom Dam has been stymied by design problems and is scheduled to be done by 2021, assuming the big checks get written at the federal, state and local levels, Fanselau said. The dam work, along with \$263 million worth of approved levee improvements, should bring Sacramento 200-year protection.



While Sacramento is just starting on the fixes, Southern California is wrapping up the massive flood safety package on the Santa Ana River. At \$1.4 billion and climbing, the project has three main parts:

- * The new Seven Oaks Dam, finished seven years ago. Built as a "dry" dam, the walled-off space in the canyon is filled only when the river gets dangerous. Last winter, Seven Oaks got its first test run when it captured heavy rains and helped prevent serious flooding.
- * Channel Improvements - many of them involving lining the river in concrete and rock - to stop the water from escaping the banks.
- * A 30-foot height increase on the 65-year-old Prado Dam near Corona. When done within the next five years, it will increase space in the reservoir and provide 190-year protection to communities downstream.

If you're used to Northern California's wide deep rivers, a visit to the Santa Ana can be something of a letdown. Like other rivers in the desert-like environment of interior Southern California, the Santa Ana is but a trickle many months of the year. But when heavy rains come, the Santa Ana can become a torrent raging down out of the mountains.

The river makes its way across three counties - San Bernardino, Riverside and Orange - on its journey to the Pacific. After severe flooding in 1938, the Prado Dam was built to protect the growing urban region. In 1969, another big flood came, raising awareness that even more protection was needed. The three affected counties banded together to find a solution, led by Orange County, home to most of the threatened people and properties. It took years to work out the environmental, seismic and financial controversies.

In an unusual alliance, water interests in the thirsty region joined with those worried about flooding to design a project with water supply benefits, said Daniel Cozad, general manager of the Santa Ana Watershed Project Authority, a consortium of water agencies. In the end, the sizeable Southern California delegation came together behind the project, Cozad said. "To get federal dollars, it takes everybody," he said. Back on the East Coast, it was a hard sell, and the coalition of supporters pulled out all the stops.

They stressed that 2 million people and 500,000 homes were at risk. Damages from a flood could reach \$9 billion. Some areas would be under 6 feet of water if flooded; Disneyland was looking, on average, at 3-foot depths. "We told them, 'We don't think you want Minnie Mouse and Mickey Mouse to go under,'" recalled Herbert Nakasone, director and chief engineer for public works and flood control in Orange County. "We had to use whatever we thought was effective."

They also had an impressive chip in their pocket: Orange County, which was picking up most of the local share, had \$150 million saved for the project. Brian Moore, who until recently was the deputy district engineer for project management in the Corps of Engineers' Los Angeles district, said the tri-county support was remarkable.

"This was the first time the corps signed on with multiple counties," Moore said. "It showed the broad support and worked tremendously in its favor." Moore has an extra job now. He is also stepping in as deputy district engineer for project management for the Corps of Engineers in Sacramento until the slot is permanently filled. He was brought north to help speed along Sacramento's flood projects, given his Santa Ana experience. He sees great parallels between the two situations: "It was very political, just like it is here."

Moore is encouraged by what he has found in Sacramento: projects approved and moving along and a spirit of cooperation as local, state and federal officials figure out how to get the work done and paid for. In the meantime, local flood control experts quietly hope the monster storm that could be in our future doesn't hit.

About the writer:

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Milk Producers Council

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DATE: February 10, 2006

TO: DIRECTORS & MEMBERS

NO. OF PAGES 2

FROM: Nathan

MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

40 lb. Block -- (-\$.0075) -- \$1.2325

500 lb. Barrel -- (-\$.0075) -- \$1.2025

Weekly Average

40 lb. Block --- (\$1.2385)

500 lb. Barrel -- (\$1.2100)

CHICAGO BUTTER

AA - (-\$.0475)- \$1.2100

Weekly Average

AA Butter \$1.2145

GRADE A NON-FAT POWDER

Calif. Weekly Average Price

Week Ending: Price Volume

January 27 \$.8883 19,663,635

February 3 \$.9123 13,263,029

CHEESE PRICES REMAIN WEAK...At the Chicago Mercantile Exchange (CME) this week, 40 lb. block prices decreased \$.0075 with no sales. Overall demand remains light though spot interest has increased. It is reported that inventories continue to accumulate except in the West, where supplies are in better balance. Cheese production remains seasonally heavy.

BUTTER PRICES SPIRAL DOWNWARD...At the CME, Grade AA butter prices decreased \$.0475 in light trading. The cash butter market remains weak. The CME cash butter price has declined more than \$0.20 since the first of the year and is the lowest since November 2003. Cream supplies remain plentiful from coast to coast. It is reported that in most instances, butter production is surpassing demand, thus surplus butter is clearing inventory programs. Overall butter demand is slower and fair at best.

FRED DOUMA'S PRICE PROJECTIONS...

Feb. 10: Quota cwt. \$12.97 Overbase cwt. \$11.27 Cls. 4a cwt. \$10.85 Cls. 4b cwt. \$11.37

DAIRY INSTITUTE PETITIONS TO SLASH PRODUCER PRICES...(By *Geoffrey Vanden Heuvel*) Acting primarily on behalf of its cheesemaker members, the Dairy Institute of California (DI) submitted a petition this week to the California Department of Food and Agriculture (CDFA) for a hearing to consider a major reduction in the 4b cheese milk price. DI claims that California producers are continuing to increase production and therefore it is the state's responsibility to encourage the construction of more cheese plants by returning to the cheap milk policies of the past. **Milk Producers Council strongly opposes this approach.** For one thing, the California 4b cheese milk price is already consistently lower than the Federal Order Class III price. For the last 13 months, California cheesemakers have enjoyed a regulated price that has averaged \$0.38 per cwt. lower than their regulated competition in Federal Orders. As for the California cheesemakers' unregulated competition in Idaho and New Mexico, they will simply lower their producer price to match whatever reductions the DI could convince CDFA to give them.

The cheap milk policies of the past simply will not work. The increase in production in California and the entire West has been fueled by favorable general milk prices over the past couple of years. High prices are the market signals to increase production. Those prices are now dropping quite significantly. Dairymen are not missing those signals. Furthermore, it has become very clear that the dairy industry is no longer viewed by the California public, even the agriculture friendly public of the Central Valley, as a benign environmental presence in the community. Consequently, stiff environmental regulations on new and expanded production facilities are being enforced, this in addition to higher costs for just about everything else, is making California a very expensive place for producers to do business. Now is no time to return to the cheap milk policies of the past. Secretary A.G. Kawamura will be making a decision on whether to call a hearing during this next week or two. You can contact the Department with your thoughts by sending e-mail to dairy@cdfa.ca.gov.

NATHAN DEBOOM LEAVES MPC...After 7 years as Assistant Manager, and a short time as General Manager, Nathan De Boom is off to greener pastures. An excellent job opportunity involving environmental

issues and permitting activities for various businesses and entities came Nathan's way. Nathan decided that this was a better opportunity for him in the long term. His last day at MPC will be Wednesday, February 15, 2006. The MPC Board extends its best wishes and good luck to Nathan as he pursues these new challenges. Nathan has performed his job as General Manager well, and we will certainly miss him as we transition to another Manager.

WELCOME BILL VAN DAM... Welcome Bill Van Dam from Idaho as interim Manager of Milk Producers Council effective Monday, February 13th. Bill is an "old shoe" to the dairy industry, having vast experience at many different jobs and positions in our industry. Bill and the Board of MPC have come to terms on an interim manager position and we look forward to an excellent and fruitful relationship together.

BUSH PROPOSES MILK TAX?... Earlier this week, President Bush released his Fiscal Year 2007 budget proposal for the United States Department of Agriculture (USDA). While he does call for increased spending for biosecurity projects, most farm programs take a hit. In addition, dairy producers and sugar processors are being asked to pay an assessment. For dairy it amounts to a \$0.03 per cwt. tax on all milk produced. For a 1000 cow dairy facility that translates into a cost of about \$6000 per year or about \$6 per cow, for an estimated savings of \$578 million over ten years. The proposal also calls for a 5% reduction spending on all farm payment programs including dairy and requires the dairy-price program to minimize expenditures.

DECISIVE™ SEMEN TO BE MARKETED BY ALTA GENETICS... Monsanto announced that Alta Genetics, a leader in supplying high-quality dairy cattle semen backed by reliable genetic and performance testing, has been selected to market Decisive™ semen for Advanced Gender Selection. "Decisive™ improves the probability from 50% to 85% that a cow will have a heifer calf, and Alta's Advantage™ progeny testing program offers producers top-tier genetics and accurate sire proof information," said Kevin Holloway of Monsanto Dairy. "The combination will allow producers to increase the rate of genetic improvement in their herds."

CALIFORNIA CHEESE PRODUCTION SETS NEW RECORD... California's growing cheese production passed the two billion-lb mark, reaching a record 2.14 billion lbs in 2005, according to a preliminary report by the California Department of Food and Agriculture (CDFA). The state's cheese production grew by 7.1% last year, nearly three times the rate of cheese production growth reported nationally (2.6%) by the USDA. Cheese production in California has more than doubled over the past decade, from 1.04 billion lbs in 1996, as the state rapidly approaches the leadership position for cheese production nationwide. California milk production also reached a record high in 2005, totaling 37.5 billion lbs, a 3% increase over 2004, according to CDFA. California is the nation's leading milk producer and nearly half of California's milk supply goes to cheese production.

BRAZILIAN VETERINARIAN NAMED TULARE CO. DAIRY ADVISOR... Debora Bacon, a native of Brazil and veterinarian who holds a master's degree in dairy science, has been named the UC Cooperative Extension dairy farm advisor for Tulare County. Bacon's appointment comes at a time when environmental rules covering air and water are being tightened and when large animal operations are coming under increasing scrutiny in an area where the human population is swelling as well. Bacon said she intends to spend time becoming familiar with regulations related to air and water quality. "Regulations are changing quickly," she said. "Understanding the impact of these regulations can be challenging and one of my priorities will be ensuring that local farmers have the necessary information to comply with these regulations."

45 JAPAN COWS SUSPECTED OF HAVING MAD COW... Forty-five cows at a farm in northern Japan are suspected of having mad cow disease and will be destroyed, officials said. The cows are from a farm on the northern island of Hokkaido where a cow died last month of the disease - Japan's 22nd mad cow case. The announcement came a month after Japan halted all imports of U.S. beef following the discovery of backbones in a shipment of American veal. The bones are deemed to be at risk of mad cow disease and are banned under a deal that reopened the Japanese market to U.S. beef in December. The recent import halt was a harsh turnaround for the U.S. beef business in Japan.