



CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

Thursday, February 9, 2006

9:00 a.m. – Joint Appropriative and Non-Agricultural Pool Meeting

AT THE CHINO BASIN WATERMASTER OFFICES

*9641 San Bernardino Road
Rancho Cucamonga, CA 91730
(909) 484-3888*

Tuesday, February 21, 2006

9:00 a.m. – Agricultural Pool Meeting

AT THE INLAND EMPIRE UTILITIES AGENCY OFFICES

*6075 Kimball Ave. Bldg. A Board Room
Chino, CA 91710
(909) 993-1600*



CHINO BASIN WATERMASTER

February 9, 2006

9:00 a.m. - Joint Appropriative & Non-Agricultural
Pool Meeting

February 21, 2006

9:00 a.m. - Agricultural Pool Meeting

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING
9:00 a.m. – February 21, 2006
At The Offices Of
Inland Empire Utilities Agency
6075 Kimball Ave., Bldg. A, Board Room
Chino, CA 91710**

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 Agricultural Pool Meeting held January 17, 2006

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, 2006

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.

D. WATER TRANSACTION

Consider Approval for Transaction of Notice of Sale or Transfer – Cucamonga Valley Water District has agreed to purchase from West Valley Water District water in storage in the amount of 500 acre-feet. Date of application: January 10, 2006.

II. BUSINESS ITEMS

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

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

B. WATERMASTER ENGINEERING CONSULTANT REPORT

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

IV. INFORMATION

- 1. Newspaper Articles

V. POOL MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

February 9, 2006	9:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
February 9, 2006	11:00 a.m.	Attorney Manager Meeting
February 21, 2005	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

Meeting Adjourn

**CHINO BASIN WATERMASTER
JOINT MEETING APPROPRIATIVE
& NON-AGRICULTURAL POOLS**

9:00 a.m. – February 9, 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 Appropriative Pool Meeting held January 12, 2006
2. Minutes of the Annual Non-Agricultural Pool Meeting held January 12, 2006

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
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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

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.

D. WATER TRANSACTION

Consider Approval for Transaction of Notice of Sale or Transfer – Cucamonga Valley Water District has agreed to purchase from West Valley Water District water in storage in the amount of 500 acre-feet. Date of application: January 10, 2006.

II. BUSINESS ITEMS

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

B. WATERMASTER ENGINEERING CONSULTANT REPORT

- 1. Evaluation of the Cumulative Effects of Transfers Pursuant to the Peace Agreement
- 2. Hydraulic Control Update

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- 1. 85/15 Update
- 2. Volume Vote Update
- 3. Department of Water Resources Grant Financing Update
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IV. INFORMATION

- 1. Newspaper Articles

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VII. FUTURE MEETINGS

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February 9, 2006	11:00 a.m.	Attorney Manager Meeting
February 21, 2005	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

Meeting Adjourn



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Annual Appropriative Pool Meeting –
January 12, 2006
2. Annual Non-Ag Pool Meeting –
January 12, 2006



Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL APPROPRIATIVE POOL MEETING
January 12, 2006

The Annual Appropriative Pool Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on January 12, 2006 at 9:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Dave Crosley, 2005 Chair	City of Chino
Robert DeLoach, 2006 Chair	Cucamonga Valley Water District
Raul Garibay	City of Pomona
Ken Jeske	City of Ontario
J. Arnold Rodriguez	Santa Ana River Water Company
Bill Stafford	Marygold Mutual Water Company
Charles Moorrees	San Antonio Water Company
Mike Maestas	City of Chino Hills
Mark Kinsey	Monte Vista Water District

NON-AGRICULTURAL POOL MEMBERS PRESENT

Robert Bowcock	Vulcan Materials Company (Calmat Division)
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WATERMASTER BOARD MEMBERS PRESENT

Bill Kruger	City of Chino Hills
Ken Willis	West End Consolidated Water Company
Al Lopez	Western Municipal Water District

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Danielle Maurizio	Senior Engineer
Gordon Treweek	Project Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Justin Scott-Coe	Vulcan Materials Company (Calmat Division)
Justin Brokaw	Marygold Mutual Water Company
Rosemary Hoerning	City of Upland
Jerry Thibeault	Regional Water Quality Control Board

Chair Crosley called the meeting to order at 9:06 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

II. ANNUAL ELECTIONS - ACTION

A. Calendar Year 2006 Appropriative Pool Officers

Nominations will be heard for the Appropriative Pool Chair to serve during calendar year 2006.

- Chair Mr. Robert DeLoach, Cucamonga Valley Water District
Motion by Maestas, second by Kinsey
- Vice-Chair Mr. Mark Kinsey, Monte Vista Water District
Motion by Garibay, second by Hoerning
- Secretary/Treasurer Watermaster Chief Executive Officer

Mr. Crosley turned over the meeting to the new 2006 Chair Mr. DeLoach.

B. Calendar Year 2006 Advisory Committee Members & Officers

According to the rotation sequence established among the pools, the appropriators will be asked to appoint a designated representative to serve on the Advisory Committee during calendar year 2006.

- Chair Agricultural Pool _____
- Vice-Chair Appropriative Pool Mr. Ken Jeske, City of Ontario
- 2nd Vice-Chair Non-Agricultural Pool _____

Motion by Rodriguez, second by Garibay

C. Calendar Year 2006 Pool Representation on the Watermaster Board

Based on the Court-adopted Rotation Schedule for Representatives to the Watermaster, during calendar year 2006, the following will represent the Appropriative Pool on the Watermaster Board.

- Monte Vista Water District – New Member: Ms. Sandra Rose
- West End Consolidated Water Company – New Member: Mr. Ken Willis

II. CONSENT CALENDAR

A. MINUTES

- 1. Minutes of the Joint Appropriative and Non-Agricultural Pool Meeting held December 8, 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 Jeske, second by Garibay, 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 in a discussion a few months ago the need to bring on additional engineering support services to assist staff on the resolution of a few items pertaining to the recharge improvements. It was noted there were a few shortcomings in the improvements that were performed within the basins; one has to do with the berms within the basins and how they were constructed, the second having to do with the requirement to empty basins within a short timeframe following a storm event. Mr. Treweek gave background on Stantec and their experience in working with the release of water immediately after storm events pursuant to the requirements of Flood Control District. In speaking with the design engineer at Stantec, he indicated there may be an opportunity to hold up to 50% more water and release the remainder over a seven day period. This will entail doing an engineering study and reviewing those studies with the County Flood Control District and the Department of Safety of Dams (DSOD) to achieve this modification to our operating procedures. A scope of work has been laid out with a federal grant which is set forth in the meeting package. Staff would like to proceed on a time and material basis for \$10,000. An inquiry into Mr. Manning's signature authority was presented. Mr. Manning stated his authority was up to \$10,000 and because this agreement was at \$10,000, this meant this item was over his limit. A discussion ensued with regard to the work that might be performed and the level of confidence in Stantec.

Motion by Rodriguez, second by Crosley, 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 in working with the County Flood Control District it was noted that Flood Control desired to have in place two items before they would feel comfortable to turn over operations to Inland Empire Utilities Agency and the Watermaster. The first item required was the completion of the SCADA system, which is essentially complete for those critical areas that Flood Control was concerned with, and the second item was the approval of a Basin Operations Manual which outlined how those facilities were going to be operated under a variety of conditions. The author of the Operations Manual is Wildermuth Environmental Inc. and Mark Wildermuth is here to talk about what is included in the manual and how it will be used in the future. Mr. Wildermuth stated several months ago when this process began, a presentation was given at the Watermaster meetings that described what fundamental principals would be recommended. Wildermuth did prepare the first draft of this manual, however, after the first draft was released Inland Empire Utilities Agency, Watermaster, and San Bernardino County Flood Control District took over ownership leaving Wildermuth as the scribe only. A lot of work has been done on this Operations Manual and it has gone through three complete drafts over the last year. There is a final draft which is basically unchanged from the third draft. The administrative draft number three was made available on the Watermaster ftp site along with the Wildermuth web site for review. Mr. Wildermuth reviewed the history of the approval process to get to the final draft. A discussion ensued with regard to the manual, recharge operations, and the College Heights Basins. It was noted Inland Empire Utilities Agency will essentially be the operator with direction by Watermaster; Watermaster is going to develop a Supplemental Recharge Plan and then IEUA is going to execute that plan. Staff is looking for an approval of the Basin Operations Manual at this time.

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

Moved to approve 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 material physical injury 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 to accomplish that recharge by injection. 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 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 permitting procedure which is the reason that permits expire and also have monitoring/check in requirements. Mr. Kinsey noted he has no problem with some sort of monitoring programs and that will be part of the permit and/or agreement. A discussion ensued with regard to the monitoring of these wells and also the rate of injection.

Motion by Jeske, second by Hoerning, 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 Fife 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 that is being filed today available on the back table. The hearing for this motion is going to be on February 9, 2006 at 2:00 p.m.

2. Peace II Process

Counsel Fife stated workshops have been held regarding the Peace II Process, one in November and one in December. Those workshops generated items and questions to be answered by staff and counsel. Mr. Wildermuth will be preparing the technical answers in a report form and, based on the feedback we get from the technical and other questions which needed answers, we will decide where we need to go from there.

B. CEO/STAFF REPORT

1. 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 in February for approval.

2. 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 very 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 this pollution. Much of that data was in our agricultural well area which required special notification; authorization from the Agricultural Pool was given 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.

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 that in prior years from 2000 to 2004 Watermaster recharged approximately 13,000 acre-feet annually. Last year was the first year that we had most CBFIP facilities in place which recharged 18,000 acre-feet of storm water and 12,000 acre-feet of imported water for a total of 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 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. A discussion ensued with regard to the condition of some of the basins.

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.

VI. POOL MEMBER COMMENTS

Mr. Crosley inquired to the status of the report from staff regarding the application of some 85/15 rule. Mr. Manning stated that report will be brought to this committee next month.

VII. OTHER BUSINESS

No comment was made regarding this item.

VIII. FUTURE MEETINGS

January 12, 2006	9:00 a.m.	Annual Appropriative Pool Meeting
January 12, 2006	11:00 a.m.	Annual Non-Agricultural Pool Meeting
January 12, 2006	1:00 p.m.	MZ1 Technical Committee Meeting
January 16, 2006	1:00 p.m.	Water Quality Committee Meeting
January 17, 2006	9:00 a.m.	Annual Agricultural Pool Meeting @ IEUA
January 26, 2006	9:00 a.m.	Annual Advisory Committee Meeting
January 26, 2006	11:00 a.m.	Annual Watermaster Board Meeting

The Annual Appropriative Pool Meeting Adjourned at 10:00 a.m.

Secretary: _____

Minutes Approved: _____

Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL NON-AGRICULTURAL POOL MEETING
January 12, 2006

The Annual Non-Agricultural Pool Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on January 12, 2006 at 11:00 a.m.

NON-AGRICULTURAL POOL MEMBERS PRESENT

Robert Bowcock, Chair	Vulcan Materials Company (Calmat Division)
Steve Arbelbide	California Steel Industries, Inc.

WATERMASTER BOARD MEMBERS PRESENT

Al Lopez	Western Municipal Water District
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Watermaster Staff Present

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

Watermaster Consultants Present

Michael Fife	Hatch & Parent
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Justin Scott-Coe	Vulcan Materials Company (Calmat Division)
Mark Kinsey	Monte Vista Water District

Chair Bowcock called the meeting to order at 11:02 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. ANNUAL ELECTIONS – Action

A. Calendar-Year 2006 Non-Agricultural Pool Officers

Nominations will be heard for Pool Chair, followed by nominations for Pool Vice-Chair, to serve during Calendar-Year 2006.

Chair	<u>Mr. Robert Bowcock, Vulcan Materials Company</u> <i>Motion by Arbelbide, second by Bowcock</i>
Vice-Chair	<u>Mr. Steve Arbelbide, California Steel Industries, Inc.</u> <i>Motion by Bowcock, second by Arbelbide</i>
Secretary/Treasurer	<u>Watermaster Chief Executive Officer</u>

B. Calendar-Year 2006 Advisory Committee Members

Pool member(s) will be asked to elect representatives and alternates to serve on the Advisory Committee during Calendar-Year 2006.

Member: Mr. Robert Bowcock Alternate: Mr. Justin Scott-Coe

Motion by Arbelbide, second by Bowcock

C. Calendar-Year 2006 Advisory Committee Officers

Based on the rotation sequence established among the pools, the members of the Non-Agricultural Pool will be asked to appoint a designated representative, 2nd Vice-Chair of the Advisory Committee during Calendar-Year 2006. If the appointed representative is unable to attend an Advisory Committee meeting, a remaining pool officer may serve as his/her alternate.

Agricultural Pool	Chair _____
Appropriative Pool	Vice-Chair _____
Non-Agricultural Pool	2nd Vice-Chair <u>Mr. Robert Bowcock</u>

Motion by Arbelbide, second by Bowcock

D. Calendar-Year 2005 Pool Representation on Watermaster Board

The Pool members will be asked to select one representative to serve on the Watermaster Board during Calendar-Year 2005 and one alternate representative.

Member: Mr. Robert Bowcock Alternate: Mr. Justin Scott- Coe

Motion by Arbelbide, second by Bowcock

II. CONSENT CALENDAR

A. MINUTES

1. Minutes of the of the Non-Agricultural held December 8, 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 Arbelbide, second by Bowcock, 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 would like to have a consultant on board to assist staff on the resolution of a few items. In a discussion a few months ago it was noted there were a few shortcomings in the improvements that were performed within the basins; one has to do with the berms and the second pertains to the emptying of the basins prematurely. Stantec will provide the additional efforts to shore up the basins to a better performing level. Staff would like to proceed on time and material basis for \$10,000.00. Mr. Manning stated his authority was up to \$9,999.99, meaning this is over his signatory limit and needs committee approval.

Motion by Arbelbide, second by Bowcock, 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 in working with the County Flood Control District it was noted that Flood Control desired to have two items in place before they would feel comfortable in being able to turn over operations to Inland Empire Utilities Agency and the Watermaster. The first item needed was the completion of the SCADA system, which is essentially complete for those critical areas that Flood Control was concerned with and the second item was the approval of a Basin Operations Manual which outlined how those facilities were going to be operated under a variety of conditions. The author of the Operations Manual is Wildermuth Environmental Inc. It was noted Inland Empire Utilities Agency will essentially be the operator with direction by Watermaster; Watermaster is going to develop a Supplemental Recharge Plan and then IEUA is going to execute that plan. Staff is looking for an approval of the Basin Operations Manual at this time.

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

Moved to approve 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 material physical injury analysis. In Wildermuth's analysis of this application it was concluded there is no material physical injury caused by this application and it is in support of the OBMP. Staff's recommendation is based upon Wildermuth's findings.

Motion by Arbelbide, second by Bowcock, 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 Fife 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 that is being filed today available on the back table. The hearing for this motion is going to be on February 9, 2006 at 2:00 p.m.

2. Peace II Process

Counsel Fife stated workshops have been held, one in November and one in December and out of those workshops work items and questions to be answered were left for staff and counsel. Mr. Wildermuth will be preparing the technical answers in a report form for those sorts of questions. Based on the feedback we get from the technical and other questions which needed answers, we will decide where we need to go from there.

B. CEO/STAFF REPORT

1. 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 in February for approval.

2. 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 very 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 this pollution. Much of that data was in our agricultural well area which required special notification; authorization from the Agricultural Pool was given 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.

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 that in prior years from 2000 to 2004 Watermaster recharged approximately 13,000 acre-feet annually. Last year was the first year that we had most CBFIP facilities in place which recharged 18,000 acre-feet of storm water and 12,000 acre-feet of imported water for a total of 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 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.

VI. POOL MEMBER COMMENTS

No comment was made regarding this item.

VII. OTHER BUSINESS

No comment was made regarding this item.

VIII. FUTURE MEETINGS

January 12, 2006	9:00 a.m.	Annual Appropriative Pool Meeting
January 12, 2006	11:00 a.m.	Annual Non-Agricultural Pool Meeting
January 12, 2006	1:00 p.m.	MZ1 Technical Committee Meeting
January 16, 2006	1:00 p.m.	Water Quality Committee Meeting
January 17, 2006	9:00 a.m.	Annual Agricultural Pool Meeting @ IEUA
January 26, 2006	9:00 a.m.	Annual Advisory Committee Meeting
January 26, 2006	11:00 a.m.	Annual Watermaster Board Meeting

The Annual Non-Agricultural Pool Meeting Adjourned at 11:20 a.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Annual Agricultural Pool Meeting –
January 17, 2006



Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL AGRICULTURAL POOL MEETING
January 17, 2006

The Annual Agricultural Pool Meeting was held at the offices of the Inland Empire Utilities Agency, 6075 Kimball Avenue, Chino, CA, on January 17, 2006 at 9:00 a.m.

Agricultural Pool Members Present

Nathan deBoom, Chair	Milk Producers Council
Gene Koopman	Milk Producers Council
Glen Durrington	Crops
Jeff Pierson	Crops
John Huitsing	Dairy
Pete Hettinga	Dairy
Robert Feenstra	Dairy
Dan Hostetler	Cal Poly Pomona
Nate Mackamul	State of California CIW
Robert Nobles	State of California CIW

Watermaster Board Member Present

Geoffrey Vanden Heuvel	Crops
Paul Hofer	Crops

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

Michael Fife	Hatch & Parent
Andy Malone	Wildermuth Environmental Inc.

Others Present

Steve Lee	Reid & Hellyer
Sandra Rose	Monte Vista Water District
Rick Rees	Geomatrix for CIM

Chair deBoom called the meeting to order at 9:07 a.m.

I. ANNUAL ELECTIONS - ACTION

A. Calendar-Year 2006 Agricultural Pool Members

The Agricultural Pool membership shall consist of not less than ten representatives selected at large by members of the pool. Pool members will be asked to make any necessary changes to the following list in order to establish pool membership and alternates during calendar year 2006:

Current Agricultural Pool Members

Crops:	Glen Durrington
	Jeff Pierson
Dairy:	Robert Feenstra
	Gene Koopman
	Peter Hettinga
	Nathan deBoom

Current Alternates:

Crops:	Dan Hostetler
Dairy:	Syp Vander Dussen

State: John Huitsing
Pete Hall
Edward Gonsman
Robert Nobles
Nate Mackamul

State: Gary Lord

Aboyomi Sunomi

B. Calendar Year 2006 Agricultural Pool Officers

Nominations will be heard for Pool Chair, followed by nominations for Pool Vice-Chair.

Chair Mr. Nathan deBoom
Motion by Koopman, second by Hettinga
Vice-Chair Mr. Glen Durrington
Motion by Pierson, second by Koopman
Secretary/Treasurer Watermaster Chief Executive Officer

C. Calendar Year 2006 Advisory Committee Members & Officers

The pool members will be asked to determine the ten agricultural representatives to serve on the Advisory Committee and, according to the rotation sequence established among the pools, appoint a representative to serve as Chair of the Advisory Committee during calendar year 2006

Chair	<u>Agricultural Pool</u>	<u>Mr. Nathan deBoom</u>
Vice-Chair	<u>Non-Agricultural Pool</u>	_____
2 nd Vice-Chair	<u>Appropriative Pool</u>	_____

Motion by Koopman, second by Feenstra

D. Calendar-Year 2006 Pool Representation on Watermaster Board

The Pool members will be asked to consider selecting two representatives to serve on the Watermaster Board during Calendar-Year 2006 and one or two alternate representatives.

Member: Geoffrey Vanden Heuvel Alternate: John Huitsing
Member: Paul Hofer Alternate: Jeff Pierson
Motion by Feenstra, second by Hettinga

II. CONSENT CALENDAR

A. MINUTES

- 1. Minutes of the Agricultural Pool Meeting held December 6, 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

*Motion by Pierson, second by Koopman, and by unanimous vote
Moved to approve Consent Calendar Items A through D, as presented*

Pulled for Discussion:

E. NOTICE OF INTENT

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

It was noted the word operating was left out of the staff letter and it was to be inserted in the correct places.

*Motion by Koopman, second by Feenstra, and by unanimous vote
Moved to approve Consent Calendar Item E, as noted and as presented*

III. BUSINESS ITEMS

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

Mr. Manning stated in the past, staff has provided this pool with updates on improvement projects that have been constructed around the basin to help us recharge water. In the past couple of months Watermaster has had some discussions about a couple areas where staff feels there are some shortcomings and staff is asking for the approval of a consultant. Staff does have the authorization to approve contracts up to \$9,999.99 but from \$10,000.00 on we need board approval; this is a \$10,000 dollar contract. This contract is not to exceed \$10,000 for labor and expenses for the analysis of two different areas. The first area is regarding berms and the second area is the issue of emptying basins; the consultant will do an analysis and provide staff with information to present to Flood Control. It was asked if Watermaster had ever used this particular consultant before and Mr. Manning noted that we have used them and their work has been good. Mr. Treweek noted this company had previously done the original basin designs. Staff is seeking an approval of this proposal at this time.

*Motion by Pierson, second by Feenstra, 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 in working with the County Flood Control District it was noted that Flood Control desired to have in two items in place before they would feel comfortable in being able to turn over operations to Inland Empire Utilities Agency and the Watermaster. The first item required was the completion of the SCADA system, which is essentially complete for those critical areas that Flood Control was concerned with, and the second item was the approval of a Basin Operations Manual which outlined how those facilities were going to be operated under a variety of conditions. The Basin Operations Manual was constructed by Wildermuth Environmental and has been sent to the County Flood Control which was not only reviewed by them but also by the Conservation District, the City of Upland, Chino Basin Watermaster, and Inland Empire Utilities Agency. There might still be some minor changes made to the manual; the document as it stands meets all the requirements the county has asked for. It was asked if the manual will go to the Board of Supervisors and Mr. Manning stated that was unknown at this time. Staff is looking for approval to take this item to the Watermaster Board as an Operational Manual for the basins.

*Motion by Koopman, second by Pierson, and by unanimous vote
Moved to approve the Basin Operations Manual, as presented*

C. MONTE VISTA WATER DISTRICT APPLICATION TO RECHARGE

Mr. Manning stated article 10 of Watermaster Rules & Regulations requires that Watermaster prepare a written summary of analysis of potential material and physical injury for applications for recharge within the basin. On November 1, 2005 Monte Vista Water District (MVWD) sent to Watermaster an application for injection recharge 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 material physical injury 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. The permit for this operation will be brought back through the Watermaster process for approval. It was noted that based on Wildermuth's findings and other criteria that there are no subsidence issues or water quality issues and this project does assist in the implementation of the Optimum Basin Management Plan (OBMP) and has some positive features. The conclusion is, there is no material physical injury and this project does support the OBMP. Chair deBoom inquired as to what could happen to not make this project a success or how it will be measured. Mr. Manning stated that within the permitting process there is going to be monitoring involved because of water quality impacts. Mr. Manning stated that staff is pleased that this approach is going to be tested at MVWD well field and the application of injection wells within the basin in the future is a nice alternative that could be utilized elsewhere in the basin. This opportunity to run this test case at MVWD actually is very much a benefit to us learning a lot about how that could be assisting 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 discussion ensued with regard to the water costs for this project and water quality issues.

Motion by Feenstra, second by Pierson, 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 Fife stated the motion to reappoint the nine member board was filed with the court, a copy of that motion is available on the back table; the hearing for that motion has been set for February 9, 2006 at 2:00 p.m. As originally presented to the pools there was a motion that asked the court to reappoint the nine member board, it recited all the conditions of reappointment that the court set for us in 2000 when it appointed the board for years 2000 through 2005 and then explained how all those conditions were met. There has been controversy over reappointment of the nine member board and discussion concerning what that reappointment should look like. When the motion went to the Appropriative Pool after it was approved at this pool there was some discomfort expressed by some of the Appropriative Pool members to have this motion go through prior to the completion of the Peace II process. The Appropriative Pool's solution to that problem was to have a special

meeting off site and at that meeting a compromise was developed. The compromise was that the members would support the motion going through as written if there was a commitment from Watermaster to convene a committee. In the motion, the committee is called the Watermaster Governance Committee. Counsel Fife stated that it is a very broad request by the Appropriative Pool to the Watermaster Board that a committee be convened of unknown size, composition, etc. that will have the task of studying and making recommendations concerning Watermaster governance. Counsel Fife stated that as a part of the compromise the committee has to commit to providing recommendations by the end of calendar year 2007. The Appropriative Pool asked that the motion be amended to include a recitation of that commitment by the Board. This revised motion went to the Advisory Committee and was unanimously approved and ultimately went to the Watermaster Board and the Board supported the creation of that committee. Counsel Fife stated the purpose of the proposed committee is to study and make recommendations and there was explicit acknowledgement that at the end of two years the committee could say they recommend no changes be made. It was asked who is going to appoint the committee. Counsel Fife and Mr. Manning stated that was not discussed. A lengthy discussion ensued with regard to this new committee and who should be on the committee. Mr. Vanden Heuvel offered comment regarding the suggestion for this committee and noted he was in support of the motion at the Watermaster Board meeting.

2. Peace II Process

Counsel Fife stated workshops have been held, one in November and one in December and out of those workshops work items and questions to be answered were left for staff and counsel. Mr. Wildermuth will be preparing technical answers in a report form for those questions. Based on the feedback we get from the technical report and other answers given on gathered questions, we will decide where we need to go from there. A brief discussion ensued with regard to where we are at and it was noted there was a separate meeting scheduled with Mr. Vanden Heuvel right after this pool meeting that will address several pool member questions.

B. CEO/STAFF REPORT

1. 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; however, there is no report formulated for today's meeting.

2. 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 very 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 this pollution. Much of that data was in our agricultural well area which required special notification. Mr. Manning reminded the pool members that authorization was granted from this 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. Chair deBoom stated there has been a lot of interest generated from the letter that went out requesting the release of data. Mr. Manning stated the news letter that the Milk Producers Counsel distributes also contained information about this issue and was very helpful. There was also an article in the Daily Bulletin along with one or possibly more radio stations that picked up the

information; that entire media has helped the people/parties see the need to cooperate in this important endeavor. It was noted the newspaper article is in the meeting package on page 131 and Mr. Koopman offered comment on that particular article and its misconceptions and nonsensical notions. A detailed discussion ensued with regard to the quality of water in the wells and the communication that has taken place to the well owners regarding water quality. Mr. Manning noted that the potential responsible parties were made aware at the last meeting that a representative from the Agricultural Pool will be attending all future meetings; Chair deBoom will be that representative.

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 that in prior years from 2000 to 2004 Watermaster recharged approximately 13,000 acre-feet annually. Last year was the first year that we had most CBFIP facilities in place which recharged 18,000 acre-feet of storm water and 12,000 acre-feet of imported water for a total of 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 recharged within the first six months of this year. We are looking to capture over the remaining six months about 30,000 acre-feet which, 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. A question regarding banking of water was presented. Mr. Treweek noted that historically we are able to achieve 6,000 acre-feet, and then we went through the Facilities Improvement Project thinking we could get an additional 12,000 acre-feet; we did accomplish that the first year because of all the rain. The goal is to continue to achieve at least 18,000 acre-feet of storm water and then the 12,000 acre-feet of new. Mr. Manning stated that at the end of the five year period there will be a look back on the accomplishments of being able to meet that 18,000 acre-feet. The 12,000 acre-feet that was noted by Mr. Treweek is considered new water and is considered into the calculations – at the end of that five year period if we do not meet that requirement then the number will be adjusted from 12,000 in order to make up for the lower numbers which will then make this a rolling five year average that represents the actual rather than the anticipated. A discussion ensued with regard to the future costs of imported water and basin recharge limitations.

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.

VI. POOL MEMBER COMMENTS

Mr. Feenstra pointed out an article on the cover of the Orange County Register regarding Orange County having more water than they know what to do with. It was noted in this article that all their basins are full and the water is actually seeping out of the ground. Mr. Feenstra inquired as to what that means sort term-long term to us. Mr. Manning stated he will pull that article up once he returns to the office and provide comment at a later time.

VII. OTHER BUSINESS

No comment was made regarding this item.

VIII. FUTURE MEETINGS

January 12, 2006	9:00 a.m.	Annual Appropriative Pool Meeting
January 12, 2006	11:00 a.m.	Annual Non-Agricultural Pool Meeting
January 12, 2006	1:00 p.m.	MZ1 Technical Committee Meeting
January 16, 2006	1:00 p.m.	Water Quality Committee Meeting
January 17, 2006	9:00 a.m.	Annual Agricultural Pool Meeting @ IEUA
January 26, 2006	9:00 a.m.	Annual Advisory Committee Meeting
January 26, 2006	11:00 a.m.	Annual Watermaster Board Meeting

The Annual Agricultural Pool Meeting Adjourned at 10:28 a.m.

Secretary: _____

Minutes Approved: _____

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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

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									-	\$3,984,888
Administrative Assessments									-	
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)							-	0
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	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%	

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

DEPOSITORIES:		\$	500
Cash on Hand - Petty Cash			
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>

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 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

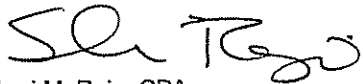
**INVESTMENT STATUS
November 30, 2005**

<u>Financial Institution</u>	<u>Principal Amount</u>	<u>Number of Days</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
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/Desalite	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	 <u>-1,861,424</u>	 <u>-1,290,385</u>	 <u>-571,039</u>	 <u>144.25%</u>
 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

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

<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
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 APPROPRIATIVE POOL	AGRICULTURAL POOL	NON-AGRIC. POOL	GROUNDWATER OPERATIONS GROUNDWATER REPLENISHMENT	SB222 FUNDS	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2004-05
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
Education Funds Use								375	15,755	80,004
Mutual Agency Project Costs	15,755								375	1,854,362
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)					-	0
Total Expenses	-	-	1,801,008	6,150	26,950	-	-	375	1,854,362	5,583,211
Net Administrative Income	-	-	3,080,853	1,801	42,488	-	-	(338)	3,124,804	(1,519,993)
Other Income/(Expense)										
Replenishment Water Purchases						6,635,065			6,635,065	0
MZ1 Supplemental Water Assessments									-	2,179,500
Water Purchases									-	0
MZ1 Imported Water Purchase									-	(2,278,500)
Groundwater Replenishment						(4,007,547)			(4,007,547)	0
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>

	Petty Cash	Govt'l Checking Demand	Zero Balance Account Payroll	Savings	Vineyard Bank	Local Agency Investment Funds	Totals
<u>SUMMARY OF FINANCIAL TRANSACTIONS:</u>							
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**

<u>Financial Institution</u>	<u>Principal Amount</u>	<u>Number of Days</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
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	-186,018	-378,284	192,266	49.17%
	<u>358,900</u>	<u>733,144</u>	<u>-374,244</u>	<u>48.95%</u>
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	<u>3,124,803</u>	<u>-1,290,385</u>	<u>4,415,188</u>	<u>-242.16%</u>
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, LLP

August 19, 2005



CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
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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	-	(90,177)
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.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage Of Portfolio	*Maximum Investment In One Issuer
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

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>*UAAL As a % of Payroll</u>
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			GROUNDWATER OPERATIONS		EDUCATION FUNDS	GRAND TOTALS	BUDGET 2004-05
			APPROPRIATE POOL	AGRICULTURAL POOL	NON-AGRIC. POOL	GROUNDWATER REPLENISHMENT	SB222 FUNDS			
Administrative Revenues										
Administrative Assessments			4,807,004		74,241				4,881,245	\$3,984,888
Interest Revenue			193,951	11,148	6,453			43	211,595	78,330
Mutual Agency Project Revenue		895,836							895,836	-
Miscellaneous Income	3,865								3,865	-
Total Revenues	3,865	895,836	5,000,955	11,148	80,694	-	-	43	5,992,541	4,063,218
Administrative & Project Expenditures										
Watermaster Administration	734,695								734,695	621,784
Watermaster Board-Advisory Committee	47,159								47,159	37,018
Pool Administration			13,459	87,794	3,065				104,318	91,153
Optimum Basin Mgmt Administration		1,265,673							1,265,673	1,019,183
OBMP Project Costs		2,878,404							2,878,404	3,733,694
Education Funds Use								-	-	375
Mutual Agency Project Costs	57,631								57,631	80,004
Total Administrative/OBMP Expenses	839,485	4,144,077	13,459	87,794	3,065			-	5,087,880	5,583,211
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	-
MZI Supplemental Water Assessments						1,625,000			1,625,000	2,179,500
Water Purchases									-	-
MZI 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	
03/04 Production Percentages			75.291%	23.105%	1.604%				100.000%	

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										
Administrative Assessments			4,614,056		122,460				4,736,516	\$3,940,516
Interest Revenue			81,090	7,111	3,624			38	91,863	112,025
Mutual Agency Project Revenue		301,209							301,209	-
Total Revenues	-	301,209	4,695,146	7,111	126,084	-	-	38	5,129,588	4,052,541
Administrative & Project Expenditures										
Watermaster Administration	755,442								755,442	617,732
Watermaster Board-Advisory Committee	47,569								47,569	43,442
Pool Administration			13,796	246,513	3,221				263,530	255,148
Optimum Basin Mgmt Administration		932,272							932,272	1,034,064
OBMP Project Costs		2,308,516							2,308,516	3,365,079
Education Funds Use								375	375	375
Mutual Agency Project Costs	81,416								81,416	85,004
Total Administrative/OBMP Expenses	884,427	3,240,788	13,796	246,513	3,221			375	4,389,120	5,400,844
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)					-	-
Total Expenses			3,960,955	10,125	116,456	-	-	375	4,389,120	5,400,844
Net Administrative Income			734,191	(3,014)	9,628			(337)	740,468	(1,348,303)
Other Income/(Expense)										
Replenishment Water Purchases						4,135,998			4,135,998	-
MZ1 Supplemental Water Assessments						1,585,854			1,585,854	2,189,500
Water Purchases									-	-
MZ1 Imported Water Purchase									-	(2,273,500)
Groundwater Replenishment						(1,855,294)			(1,855,294)	-
Net Other Income						3,866,558			3,866,558	(84,000)
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	
02/03 Production Percentages			74.185%	22.854%	2.961%				100.000%	



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

D. WATER TRANSACTION

Notice of Sale or Transfer – Cucamonga Valley Water District has agreed to purchase from West Valley Water District water in storage in the amount of 500 acre-feet.



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

February 1, 2006

This notice is to advise interested persons that the attached application(s) will come before the Watermaster Board on or after 30 days from the date of this notice.

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **January 10, 2006** Date of this notice: **February 1, 2006**

Please take notice that the following Application has been received by Watermaster:

- A. Notice of Sale or Transfer – Cucamonga Valley Water District has agreed to purchase from West Valley Water District water in storage in the amount of 500 acre-feet.

This *Application* will first be considered by each of the respective pool committees on the following dates:

Appropriative Pool:	February 9, 2006
Non-Agricultural Pool:	February 9, 2006
Agricultural Pool:	February 21, 2006

This *Application* will be scheduled for consideration by the Advisory Committee *no earlier than thirty days from the date of this notice and a minimum of twenty-one calendar days* after the last pool committee reviews it.

After consideration by the Advisory Committee, the *Application* will be considered by the Board.

Unless the *Application* is amended, parties to the Judgment may file *Contests* to the *Application* with Watermaster *within seven calendar days* of when the last pool committee considers it. Any *Contest* must be in writing and state the basis of the *Contest*.

Watermaster address:

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

Tel: (909) 484-3888
Fax: (909) 484-3890

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: February 1, 2006

A party to the Judgment has submitted a proposed transfer of water for Watermaster approval. Unless contrary evidence is presented to Watermaster that overcomes the rebuttable presumption provided in Section 5.3(b)(iii) of the Peace Agreement, Watermaster must find that there is "no material physical injury" and approve the transfer. Watermaster staff is not aware of any evidence to suggest that this transfer would cause material physical injury and hereby provides this notice to advise interested persons that this transfer will come before the Watermaster Board on or after 30 days from the date of this notice. The attached staff report will be included in the meeting package at the time the transfer begins the Watermaster process (comes before Watermaster).

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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

DATE: February 1, 2006
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

Summary -

There does not appear to be a potential material physical injury to a party or to the basin from the proposed transaction as presented.

Issue -

- Notice of Sale or Transfer – Cucamonga Valley Water District has agreed to purchase from West Valley Water District water in storage in the amount of 500 acre -feet.

Recommendation –

1. Continue monitoring as planned in the Optimum Basin Management Program.
2. Use all new or revised information when analyzing the hydrologic balance and report to Watermaster if a potential for material physical injury is discovered, and
3. Approve the transaction as presented.

Fiscal Impact –

- None
- Reduces assessments under the 85/15 rule
- Reduce desalter replenishment costs

Background

The Court approved the Peace Agreement, the Implementation Plan and the goals and objectives identified in the OBMP Phase I Report on July 13, 2000, and ordered Watermaster to proceed in a manner consistent with the Peace Agreement. Under the Peace Agreement, Watermaster approval is required for applications to store, recapture, recharge or transfer water, as well as for applications for credits or reimbursements and storage and recovery programs.

Where there is no material physical injury, Watermaster must approve the transaction. Where the request for Watermaster approval is submitted by a party to the Judgment, there is a rebuttable presumption that most of the transactions do not result in Material Physical Injury to a party to the Judgment or the Basin (Storage and Recovery Programs do not have this presumption).

The following application for water transaction is attached with the notice of application.

- Notice of Sale or Transfer – Cucamonga Valley Water District has agreed to purchase from West Valley Water District water in storage in the amount of 500 acre -feet.

Notice of the water transaction identified above was mailed on February 1, 2006 along with the materials submitted by the requestors.

DISCUSSION

Water transactions occur each year and are included as production by the respective entity (if produced) in any relevant analyses conducted by Wildermuth Environmental pursuant to the Peace Agreement and the Rules & Regulations. There is no indication additional analysis regarding this transaction is necessary at this time. As part of the OBMP Implementation Plan, continued measurement of water levels and the installation of extensometers are planned. Based on no real change in the available data, we cannot conclude that the proposed water transaction will cause material physical injury to a party or to the Basin.

DM JW



CUCAMONGA VALLEY WATER DISTRICT

10440 Ashford Street
Rancho Cucamonga, CA 91709
(909) 987-2591 Fax (909) 476-8052

RECEIVED

JAN 29 2006

ROBERT A. DeLOACH
Secretary / General Manager/CEO

January 10, 2006

CHINO BASIN WATERMASTER

Mr. Ken Manning
Chief Executive Officer
CHINO BASIN WATERMASTER
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

Dear Mr. Manning:

Please be advised that Cucamonga Valley Water District ("CVWD") has an agreement with West San Bernardino County Water District ("WSBCWD") whereby CVWD will purchase 500 acre feet of WSBCWD's stored Chino Basin groundwater. Please credit the 500 acre feet to CVWD's local storage account.

Enclosed please find:

- Form 3 – Application for Sale or Transfer of Right to Produce Water from Storage
- Form 4 – Application or Amendment to Application to Recapture Water in Storage
- Form 5 – Application to Transfer Annual Production Right or Safe Yield
- Map of CVWD's Chino Basin Wells

CVWD requests that this transfer be agendized for the next available Appropriative Pool meeting.

Should you have any questions, please contact me. Thank you.

Respectfully,

Robert A. DeLoach
General Manager

Enclosures

APPLICATION FOR SALE OR TRANSFER OF RIGHT TO PRODUCE WATER FROM STORAGE

TRANSFER FROM LOCAL STORAGE AGREEMENT # _____

West San Bernardino County Water District
Name of Party

January 4, 2006
Date Requested

Date Approved

855 W. Baseline Road
Street Address

500 Acre-feet
Amount Requested

Acre-feet
Amount Approved

Rialto CA 92376
City State Zip Code

Telephone: (909) 875-1804

Facsimile: (909) 875-7284

Anthony W. Araiza
Applicant

TRANSFER TO:

Cucamonga Valley Water District
Name of Party
10440 Ashford Street
Street Address

Attach Recapture Form 4

Rancho Cucamonga CA 91730
City State Zip Code

Telephone: (909) 987-2591

Facsimile: (909) 476-8032

Have any other transfers been approved by Watermaster between these parties covering the same fiscal year? Yes [] No [X]

WATER QUALITY AND WATER LEVELS

What is the existing water quality and what are the existing water levels in the areas that are likely to be affected?

Static water levels vary from 418' to 503'. Of the wells routinely pumped, nitrate levels vary from a low of 3.5 ppm to a high of 38 ppm.

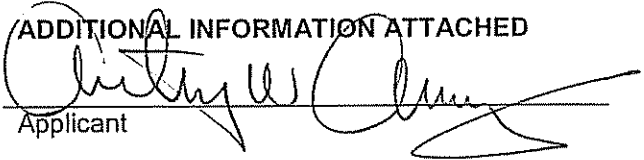
MATERIAL PHYSICAL INJURY

Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [] No [X]

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in Material Physical Injury to a party to the Judgment or the Basin?
N/A

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]


Applicant

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

APPLICATION OR AMENDMENT TO APPLICATION
TO
RECAPTURE WATER IN STORAGE

APPLICANT

<u>Cucamonga Valley Water District</u> Name of Party	<u>January 4, 2006</u> Date Requested	_____ Date Approved
<u>10440 Ashford Street</u> Street Address	<u>500</u> Acre-feet Amount Requested	_____ Acre-feet Amount Approved
<u>Rancho Cucamonga</u> City	<u>CA</u> State	<u>91730</u> Zip Code
	<u>Varies</u> Projected Rate of Recapture	<u>July 1, 2005 – June 30, 2006</u> Projected Duration of Recapture
Telephone: <u>(909) 987-2591</u>	Facsimile: <u>(909) 476-8032</u>	

IS THIS AN AMENDMENT TO A PREVIOUSLY APPROVED APPLICATION? YES NO
IF YES, ATTACH APPLICATION TO BE AMENDED

IDENTITY OF PERSON THAT STORED THE WATER: West San Bernardino County Water District

PURPOSE OF RECAPTURE

- Pump when other sources of supply are curtailed
- Pump to meet current or future demand over and above production right
- Pump as necessary to stabilize future assessment amounts
- Other, explain _____

METHOD OF RECAPTURE (if by other than pumping) (e.g. exchange)

N/A

PLACE OF USE OF WATER TO BE RECAPTURED

Within Cucamonga County Water District's service area (see attached map) Management Zone 2

LOCATION OF RECAPTURE FACILITIES (IF
DIFFERENT FROM REGULAR PRODUCTION
FACILITIES).

N/A

WATER QUALITY AND WATER LEVELS

What is the existing water quality and what are the existing water levels in the areas that are likely to be affected?

Static water levels vary from 418' to 503. Of the wells routinely pumped, nitrate levels vary from a

Low of 3.5 ppm to a high of 38 ppm.

MATERIAL PHYSICAL INJURY

Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [] No [X]

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in Material Physical Injury to a party to the Judgment or the Basin?

N/A

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

[Handwritten Signature]

Applicant

TO BE COMPLETED BY WATERMASTER

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

APPLICATION
TO
TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Fiscal Year 2005 - 2006

Commencing on July 1, 2005 and terminating on June 30, 2006, West San Bernardino County Water District ("Transferor") hereby transfers to Cucamonga Valley Water District ("Transferee") the quantity of 500 acre-feet of corresponding Annual Production Right (Appropriative Pool) or Safe Yield (Non-Agricultural Pool) adjudicated to Transferor or its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al.," RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

- (1) Transferee shall exercise said right on behalf of Transferor under the terms of the Judgment and the Peace Agreement and for the period described above. The first water produced in any year shall be that produced pursuant to carry-over rights defined in the Judgment. After production of its carry-over rights, if any, the next (or first if no carry-over rights) water produced by Transferee from the Chino Basin shall be that produced hereunder.
- (2) Transferee shall put all waters utilized pursuant to said Transfer to reasonable beneficial use.
- (3) Transferee shall pay all Watermaster assessments on account of the water production hereby Transferred.
- (4) Any Transferee not already a party must intervene and become a party to the Judgment.

TO BE EXECUTED by both Transferor and Transferee, and to be accompanied by a general description of the area where the Transferred water was to be Produced and used prior to the Transfer, and where it will be Produced and used after the Transfer. This general description can be in the form of a map.

WATER QUALITY AND WATER LEVELS

What is the existing water quality and what are the existing water levels in the areas that are likely to be affected?

Static water levels vary from 418' to 503'. Of the wells routinely pumped, nitrate levels vary from a low of 3.5 ppm to a high of 38 ppm.

MATERIAL PHYSICAL INJURY

Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [] No [X]

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in Material Physical Injury to a party to the Judgment or the Basin?

N/A

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Transferor

[Handwritten signature]

Transferee

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

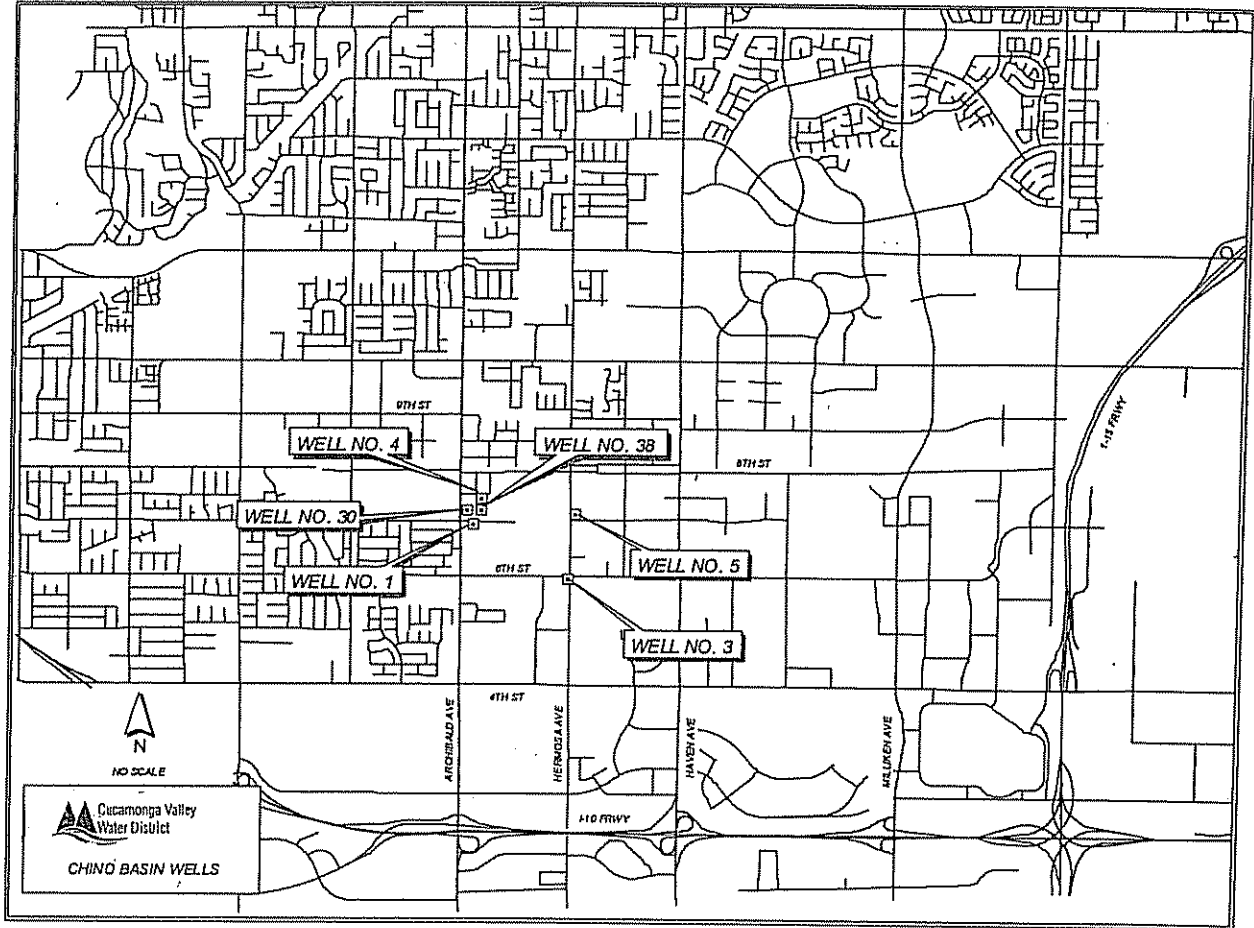
DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____





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 5-3
Groundwater Replenishment

FY	Total Unmet Replenishment Obligation From Assessment Package	Spreading				Net to be Met From Non-Well Sources	Indirect		Balance Replenishment	Other Accounts				
		CB-13T San Savaine	CB-59T Montclair	Day	CB-14T Etowanda		Deer Turner	Total Spread		In Lieu Exchange	Cyclic Purchase	Trust	Co Op	Mini Con Use
1989-90	30,344.5	0.0	0.0	0.0	0.0	0.0	0.0	19,324.2	5,679.7	14,098.8	0.0	0.0	0.0	0.0
1990-91	31,814.9	0.0	1,987.6	475.1	828.0	0.0	0.0	3,290.7	16,700.0	16,377.1	0.0	0.0	0.0	0.0
1991-92	23,870.4	0.0	2,583.0	501.4	705.1	0.0	0.0	3,789.5	45,224.2	14,929.1	0.0	0.0	0.0	0.0
1992-93	7,501.5	3,181.6	6,443.9	0.0	2,908.3	0.0	0.0	12,534.8	42,192.0	-45,405.0	0.0	0.0	4,806.1	0.0
1993-94	432.0	2,688.0	4,885.9	0.0	1,284.9	0.0	0.0	8,858.8	6,480.5	0.0	0.0	0.0	-61.1	0.0
1994-95	3,060.9	0.0	0.0	0.0	0.0	0.0	0.0	824	-10,930.9	0.0	0.0	0.0	3,170.8	0.0
1995-96	12,903.7	82.4	0.0	0.0	0.0	0.0	0.0	824	-8,302.0	0.0	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	4,701.0	-181.8	0.0	0.0	2,611.9	-0.4	0.0
1997-98	770.9	0.0	8,322.6	0.0	0.0	0.0	0.0	4,672.7	15,723.8	0.0	0.0	-4,672.7	-0.5	0.0
1998-99	657.5	1,513.3	2,960.6	0.0	1,223.4	0.0	0.0	0.0	8,172.1	0.0	0.0	0.0	-0.4	0.0
1999-00	579.3	0.0	1,000.8	0.0	0.0	0.0	0.0	0.0	1,658.4	0.0	0.0	0.0	-1.3	0.0
2000-01	198.7	0.0	29.7	0.0	0.0	0.0	0.0	0.0	579.4	0.0	0.0	0.0	0.0	0.0
2001-02	5,872.9	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	-1,110.0	-0.2	6,500.0	0.0
2002-03	17,029.1	0.0	0.0	0.0	0.0	0.0	0.0	3,000.0	5,872.8	0.0	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	0.0	4,098.3	16,018.7	4,738.3	0.0	-4,739.5	6,499.9	0.0
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	0.0



Table 5-4
Cyclic Activities¹

FY	Beginning Balance	Spreading					Puts				Takes				Ending Balance	Bal in Annt Rept	Diff		
		CB-13T San Sevaline	CB-59T Montclair	Day	CB-14T Elhwanda	Deer Turner	Total Puts Spread	Balance Spread	Other Def by Exchange	Total Exchange	Balance Exchange	Total Puts Spread & Other	% Total Spread	% Total Exchange				Pur for Repl	Total Spread af
1989-90	47,608.3	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	47,608.3	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	0.0	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	7,205.7	64.4%	35.6%	-17,726.0	-17,726.0	0.0	20,227.6	20,205.4	21.2
1992-93	20,227.6	0.0	945.3	0.0	731.8	0.0	1,677.1	811.1	0.0	0.0	-589.9	2884.6%	-2784.6%	-21,883.5	-14,087.9	-7,795.6	21.2	0.0	21.2
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	33,765.5	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	36,806.5	36,795.1	10.4
1999-00	36,806.5	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%	-557.5	-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	31,686.5		
2003-04	31,686.5	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	31,686.5		
TOTALS		7,459.3	8,415.1	129.2	5,888.1	0.0	22,060.6		27,514.2	27,514.2				-65,696.6	-54,426.8	-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	<u>280,001.8</u>	<u>243,039.1</u>	
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

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.

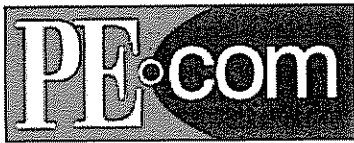
Studies have shown that perchlorate can impair the thyroid, which regulates metabolism and produces hormones essential for brain and bone development in fetuses and newborns.

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.

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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.

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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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