

CHINO BASIN WATERMASTER

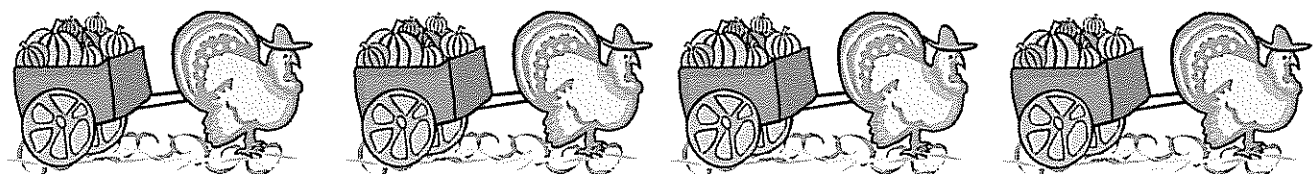
November 9, 2006

10:00 a.m. - Joint Appropriative & Non-Agricultural
Pool Meeting

November 15, 2006

1:00 p.m. - Agricultural Pool Meeting

AGENDA PACKAGE



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

10:00 a.m. – November 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 Joint Appropriative and Non-Agricultural Pool Meeting held October 12, 2006
(Page 1)

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2006 (Page 13)
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through September 30, 2006 (Page 17)
3. Treasurer's Report of Financial Affairs for the Period September 1, 2006 through September 30, 2006 (Page 19)
4. Profit & Loss Budget vs. Actual July 2006 through September 2006 (Page 21)

II. BUSINESS ITEMS

A. NEW YIELD ALLOWANCES FOR FY 05-06 ASSESSMENT PACKAGE

Consider Approval for the New Yield Allowances for the FY 06-07 Assessment Package at 30% of Desalter Production (Page 23)

B. FY 06-07 ASSESSMENT PACKAGE

Consider Approval of the Fiscal Year 2006-2007 Watermaster Assessment Package (Page 29)

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Application
2. Peace II Term Sheet
3. Waste Discharge Requirements re Santa Ana River

B. WATERMASTER ENGINEERING REPORT

1. Progress on the Western Desalter Well Field

C. CEO/STAFF REPORT

1. Storm Water/Recharge Report
2. Legislative/Bond Update
3. Strategic Planning
4. RAND Workshop Review
5. Invitation from French Government

IV. INFORMATION

1. Newspaper Articles (*Page 48*)

V. POOL MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

| | | |
|-------------------|------------|---|
| November 9, 2006 | 10:00 a.m. | Joint Appropriative & Non-Agricultural Pool Meeting |
| November 15, 2006 | 1:00 p.m. | Agricultural Pool Meeting @ IEUA |
| November 16, 2006 | 8:00 a.m. | MZ1 Technical Committee Meeting |
| November 16, 2006 | 9:00 a.m. | Advisory Committee Meeting |
| November 16, 2006 | 11:00 a.m. | Watermaster Board Meeting |
| November 20, 2006 | 1:00 p.m. | AGWA Meeting @ CBWM |

Meeting Adjourn

**CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING**

1:00 p.m. – November 15, 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 Agricultural Pool Meeting held October 17, 2006 *(Page 7)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2006 *(Page 13)*
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through September 30, 2006 *(Page 17)*
3. Treasurer's Report of Financial Affairs for the Period September 1, 2006 through September 30, 2006 *(Page 19)*
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II. BUSINESS ITEMS

A. NEW YIELD ALLOWANCES FOR FY 05-06 ASSESSMENT PACKAGE

Consider Approval for the New Yield Allowances for the FY 06-07 Assessment Package at 30% of Desalter Production *(Page 23)*

B. FY 06-07 ASSESSMENT PACKAGE

Consider Approval of the Fiscal Year 2006-2007 Watermaster Assessment Package *(Page 29)*

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1. Santa Ana River Application
2. Peace II Term Sheet
3. Waste Discharge Requirements re Santa Ana River

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1. Progress on the Western Desalter Well Field

C. CEO/STAFF REPORT

1. Storm Water/Recharge Report
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IV. INFORMATION

1. Newspaper Articles (*Page 48*)

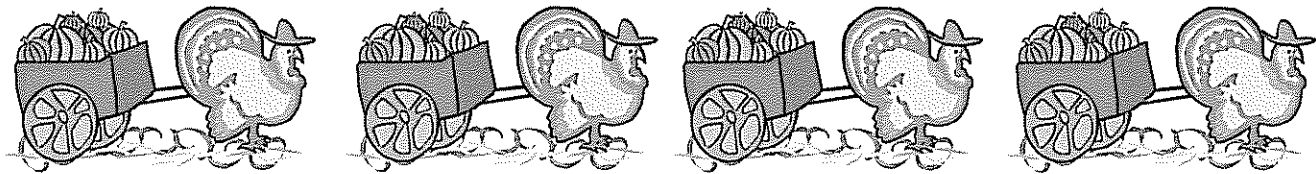
V. POOL MEMBER COMMENTS

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Meeting Adjourn

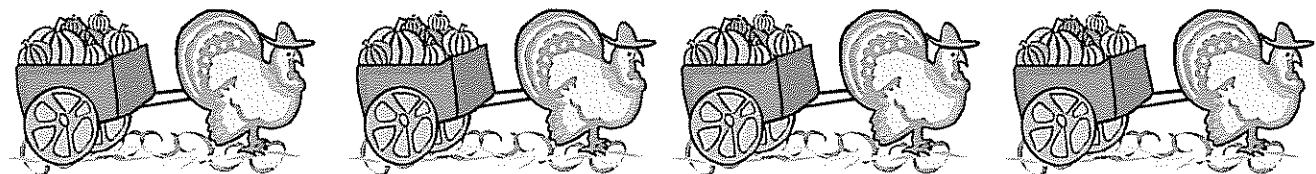


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Joint Appropriative & Non-Agricultural Pool Meeting – October 12, 2006



Draft Minutes
CHINO BASIN WATERMASTER
JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
October 12, 2006

The Joint Appropriative and Non-Agricultural Pool Meeting were held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on October 12, 2006 at 10:00 a.m.

APPROPRIATIVE POOL MEMBERS PRESENT

| | |
|---------------------|---------------------------------|
| Mark Kinsey, Chair | Monte Vista Water District |
| Marty Zvirbulis | Cucamonga Valley Water District |
| Charles Moorrees | San Antonio Water Company |
| Ken Jeske | City of Ontario |
| Jim Taylor | City of Pomona |
| Chris Diggs | Fontana Union Water Company |
| Rosemary Hoerning | City of Upland |
| Dave Crosley | City of Chino |
| Mike Maestas | City of Chino Hills |
| J. Arnold Rodriguez | Santa Ana River Water Company |

NON-AGRICULTURAL POOL MEMBERS PRESENT

| | |
|------------------|--|
| Justin Scott-Coe | Vulcan Materials Company (Calmat Division) |
|------------------|--|

Watermaster Board Members Present

| | |
|-------------|----------------------------|
| Sandra Rose | Monte Vista Water District |
|-------------|----------------------------|

Watermaster Staff Present

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

Watermaster Consultants Present

| | |
|-----------------|-------------------------------|
| Michael Fife | Hatch & Parent |
| Mark Wildermuth | Wildermuth Environmental Inc. |

Others Present

| | |
|----------------|--|
| David De Jesus | Three Valleys Municipal Water District |
| Rick Hansen | Three Valleys Municipal Water District |

Chair Kinsey called the meeting to order at 10:10 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Joint Appropriative and Non-Agricultural Pool Meeting held September 14, 2006

It was noted the minutes that were in the package were out of numerical order.

B. FINANCIAL REPORTS

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

C. GOVERNMENTAL SAVINGS ACCOUNT

1. Transfer from Bank of America Governmental Savings Account to the Bank of America Chino Basin Watermaster Governmental Checking Account

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

II. BUSINESS ITEMS**A. NEW YIELD ALLOWANCES FOR FY 05-06**

1. New Yield Allowances for the FY 05-06 Assessment Package at 50% of Desalter Production

Mr. Manning stated this item was introduced last month under CEO Reports. On October 25, 2001 the board took action to allow a 50% inflow from the river as New Yield attributed to operation of the desalters. That decision was based upon a technical analysis performed by Wildermuth Environmental. This analysis was consistent with a number of reports that had been done. As reported last month, what has happened since then is that Watermaster has used the 50% on an on going basis because we had no basis to think the prior analysis was wrong or had changed. Since then there are new reports out such as the April 6, 2006 report that was done by Wildermuth Environmental for Watermaster. That report has new information in it, and based on that report and the Rules and Regulations, Watermaster is compelled to use the best evidence that it has available and the way to do that currently is based on the results given through modeling. The staff report outlines what our recommendation is: to change the 50% to 30% and use that number within the assessment package currently being prepared. The staff report is also followed with a technical memo from Wildermuth Environmental that explains the 30% number and how it is derived. Staff is making the recommendation that the Appropriative Pool approves and passes on to the Advisory Committee the recommendation to use the 30% number based on the technical memo. Mr. Jeske stated that not only this topic but other hydrologic issues the Appropriative pool uses technically based information to make our decisions. Mr. Jeske stated it is worth noting that the technical information can increase amounts of water available or decrease amounts of water available. But when the technical information showed the best thing to do for the basin was to increase the amount of water available, we spent almost a year debating that information. Now that the report shows potentially a decrease in the amount of water available we receive a memo dated days before the meeting asking to change the percentage numbers. Mr. Jeske inquired whether we will debate this issue for a year, or whether we only do that for decisions that show an increased amount of water. A discussion ensued with regard to this issue. A discussion ensued with regard to Kaiser water and other water in storage and the affect the new number has to the upcoming assessment package. Mr. Manning stated Watermaster currently has about 12,400+ acre-feet of water left in the Watermaster/Desalter Storage account. Using 30% does not use all of the water in storage; it leaves approximately 400 acre-feet. The financial impact is still zero this year; it would have been zero under 50% and it would still be zero to the parties using 30%. In terms of the assessment package, it would not change anything in the assessment package numbers. Either % used would

have a financial impact next year, it just means the financial impact next year would be greater if Peace II is not implemented by end of the fiscal year June 30th or at least that portion of the program regarding Hydraulic Control. A brief discussion ensued with regard to concepts. Mr. Wildermuth stated we are constrained by the Rules and Regulations to work on our best knowledge of what actually is coming into the basin or captured before it leaves the basin, as opposed as to what is best management. From a management perspective it remains staff's opinion that 50% is the better number. Counsel Fife stated the rules that pertain to new yield say that new yield needs proven increases of water in the basin; it is what we can prove. In 2001, we approved a determination based on technical work, which was the best technical information we had at the time, that said 50% was the number. Through the years technical work progressed. Watermaster's current technical work that it has in front of it doesn't justify 50% any longer; it clearly reflects the 30% number. Chair Kinsey stated he appreciates the level of scrutiny given to this issue; however, the fact of the matter is parties have not been given ample time to review the technical report or the staff report and this pool wants to table this item until next month. A discussion ensued with regard to this matter.

*Motion by Jeske, second by Crosley, and by unanimous vote – Non-Ag concurred
Moved to table this item until next month after further review*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Storage and Recovery Negotiations

Counsel Fife stated another meeting took place with the San Diego County Water Authority yesterday. Since the last time these committees met we have had another meeting Castaic Lake Water Agency and Metropolitan Water District. There was discussion at the last Appropriative Pool meeting that it was premature of staff to move forward discussing terms with any of these entities about a Storage & Recovery Program before getting feedback from the Appropriative Pool on what kind of terms the Appropriators would like to see in such agreements. There has been discussion over the past few weeks regarding this committee and it is counsels understanding that the Appropriative Pool is going to convene an ad-hoc committee for that purpose. A discussion ensued with regard to the formation of the Storage & Recovery Ad-Hoc committee. It was decided the first meeting would be held directly after the next Appropriative Pool meeting on November 9, 2006. All parties are invited to attend this meeting. It was noted Robert DeLoach will be the chair for this ad-hoc committee.

2. Desalter Negotiations

Counsel Fife stated we are continuing to talk with Western Municipal Water District about the desalter proposal that has been on the table for about a year now. Western is very anxious to move forward with some sort of agreement because they have some grant funds that will expire in the not too distant future and they would like to spend those monies. One proposal Western has put forth was that there does need to be more technical and feasibility analysis done and they would be willing to move forward with those studies if we could come with an agreement that if one of the other agencies took the desalter option away from Western, there would be some level of reimbursement to them for having done all the technical work supporting the desalter project. Staff and counsel will be discussing this proposal with them in order to move this project forward. If and when any agreement does materialize that agreement would be sent through the Watermaster process for review and approval.

3. Peace II Term Sheet

Counsel Fife stated we have continued to have conversations with the special referee regarding the workshop and its outcome. It appears that the best process for moving forward may be to come to the court, on our own initiative, to ask for preliminary approval the Hydraulic Control and Basin Re-Operation Plan. Staff felt this was going to be the plan

prior to the workshop, that Watermaster was going to come to the court and ask for something and on the basis of the workshop the referee would then be able to advise the court. The special referee suggested at the workshop that a report come forward from the workshop; although, it appears the best way to move this forward is to have Watermaster go to the court first asking for a paragraph 31 review of the Hydraulic Control Basin Re-Operation project. Counsel is going to be moving forward with the preparation of that motion; however there is not a time frame for that work. The motion would be brought through the Watermaster process prior to its filing with the court.

4. Hanson Aggregates

Counsel Fife stated there as a meeting scheduled for yesterday to discuss the Lower Day Basin however that meeting was cancelled by Hanson because they were not ready to meet. This meeting has been pushed out a few weeks and we are anticipating that meeting to take place prior to the next Appropriative Pool meeting so that a full report can be given at the next meeting. The problem which occurred at the Lower Day Basin has been fixed and the basin is back in operation. The discussion which will take place with Hanson will be solely for cost recovery.

5. Goodrich Subpoena

Counsel Fife noted there is paper work on the back table regarding this item. Goodrich a few months back served Watermaster with a subpoena and asked for every document in Watermaster's possession. Counsel had a discussion with Goodrich and finally was able to convince them that it would be much more expeditious if they would submit their request as a document request through the normal Watermaster channels and then if they would also narrow it to something specific instead of every document in our possession. Goodrich has now given us a list of the type of documents they want and then a map on which they drew a circle around a specific area in which they are looking for information. In looking at the map they provided, about 75% of the information they are looking for is outside the Chino Basin and we tried to explain to them that this particular area in which they were seeking information is not something Watermaster collected. With regard to information being needed for the Fontana area, they will be advised that under our policy Watermaster does not give out this kind of information without specific written approval from the entity it would affect. Currently Mr. Wildermuth is working up a cost estimate for how much staff time it will take for Wildermuth to provide all this information. Once we have that cost estimate we will give that to Goodrich and will ask for some sort of deposit.

B. WATERMASTER FINANCIAL REPORT

1. Water Activity Report (WAR)

Ms. Rojo stated staff has been working on the water activity reports; we are still missing about eleven reports.

2. Assessment Package

Ms. Rojo stated the Assessment Package Workshop is scheduled for Monday, October 30, 2006 at 9:00 a.m. here at the Chino Basin Watermaster office.

C. CEO/STAFF REPORT

1. Storm Water/Recharge Report

Mr. Treweek stated on the back table is the spreadsheet for the first quarter of this fiscal year. We have caught up to our goal of achieving 60,000 acre-feet of recharge water. This is a good sign because we are now approaching our storm season so we will have to cut back on the levels of imported water that we store in the basins so that if we do get some rainfall we will have the needed capacity. This month we will start cutting back on the levels in the basin and will hopefully start getting storm water.

An issue over the past couple years has been silt that the storm water brings into our basins. IEUA is responsible for the daily operation and what they developed to help us out

in this area this year are some test vials that their technicians will take out in the field and they can compare the turbidity of the storm water with the turbidity that we have recorded in these vials. The turbidity essentially gives a reading of silt levels. Mr. Treweek handed the sample vials out for examination by the committee members. For those basins where we have a controlling sluice gate, we can install a turbidity meter and instead of having a technician have to physically go to these sites the turbidity meter can give us a reading and that information can automatically be transferred down to the control station. Once the operator at the control stations receives the information they can make the determination to keep the sluice gate open or to close it.

Mr. Treweek stated the second item regarding silt in the basins which is now being referred to by Watermaster staff as (SERT) Silt Extraction and Removal Train and has a short presentation in order to update the committee members on what staff has been working on. Mr. Treweek gave his presentation on SERT and noted the objective will be to remove a thin layer of silt from the bottoms of our operating recharge basins. A lengthy discussion ensued with regard to the SERT presentation. Mr. Manning offered comment on our investigations to better remove silt from the basins and to keep them wet 365 days a year.

2. Legislative/Bond Update

Mr. Manning stated there is an election coming up very shortly and in looking at some of the preliminary polling for the bonds really will depend on voter turn out. The lower the voter turn out, the less chance there is going to be for any of the bonds to pass. A complete report on all the legislative issues will be given at the Advisory Committee meeting later this month.

3. Water Fair Reminder

Mr. Manning stated the Water Fair will be held this Saturday at the Montclair Plaza from 10:00 a.m. to 2:00 p.m. A number of agencies have been working together to put on this first time event on and hopefully it will be a great success and an on going event from now on.

4. Strategic Planning Conference Recap

Mr. Manning stated on the back table is a copy of the analysis on the evaluations. The trend on the evaluations was that people were very pleased with the format and with the conference in general. On a rating of 1 to 10 (10 being best) the average score for this conference was 9.62. There was a lot of information gathered from the conference and we are hopeful that by the time the Advisory Committee and the Watermaster Board meet there will be a breakdown done from the actual breakout sessions to create a matrix of all actions and discussions from the conference.

5. Treatment of Desalter Forgiveness

Mr. Manning stated this is the action item which was acted on earlier under Business Items.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

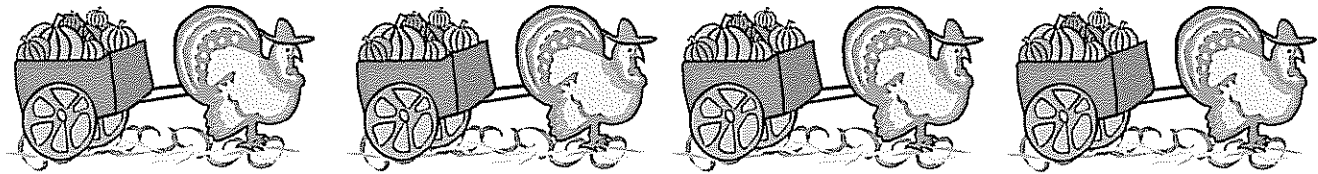
VII. FUTURE MEETINGS

| | | |
|------------------|------------|---|
| October 12, 2006 | 10:00 a.m. | Joint Appropriative & Non-Agricultural Pool Meeting |
| October 17, 2006 | 9:00 a.m. | Agricultural Pool Meeting @ IEUA |
| October 24, 2006 | 9:00 a.m. | GRCC Meeting |
| October 26, 2006 | 9:00 a.m. | Advisory Committee Meeting |
| October 26, 2006 | 11:00 a.m. | Watermaster Board Meeting |

The Joint Appropriative & Non-Agricultural Pool Meeting Adjourned at 11:29 a.m.

Secretary: _____

Minutes Approved: _____

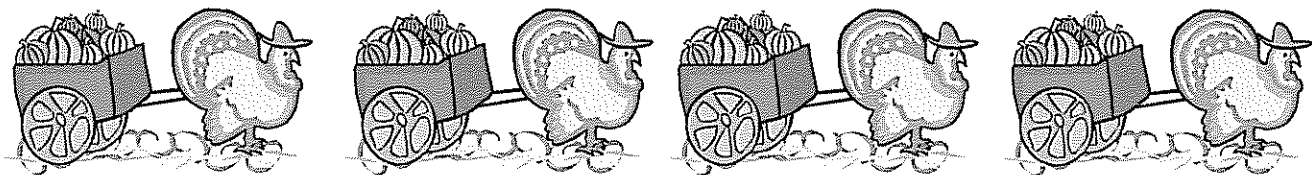


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Agricultural Pool Meeting – October 17, 2006



Draft Minutes
CHINO BASIN WATERMASTER
AGRICULTURAL POOL MEETING
October 17, 2006

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

Agricultural Pool Members Present

| | |
|----------------------|------------------------|
| Nathan deBoom, Chair | Dairy |
| Gene Koopman | Milk Producers Council |
| Jeff Pierson | Crops |
| Glen Durrington | Crops |
| John Huitsing | Dairy |
| Bob Feenstra | Dairy |

Watermaster Board Member Present

| | |
|------------------------|----------------------------|
| Sandra Rose | Monte Vista Water District |
| Geoffrey Vanden Heuvel | Crops |

Watermaster Staff Present

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

Watermaster Consultants Present

| | |
|--------------|-------------------------------|
| Michael Fife | Hatch & Parent |
| Andy Malone | Wildermuth Environmental Inc. |

Others Present

| | |
|-----------------------|----------------------|
| Jennifer Novak | State of California |
| Steve Lee | Reid & Hellyer |
| Frank Brommenschenkel | Frank B & Associates |

Chair deBoom called the meeting to order at 9:09 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Agricultural Pool Meeting held September 19, 2006

B. FINANCIAL REPORTS

1. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through July 31, 2006
2. Treasurer's Report of Financial Affairs for the Period July 1, 2006 through July 31, 2006
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7. Profit & Loss Budget vs. Actual July 2006 through August 2006

C. GOVERNMENTAL SAVINGS ACCOUNT

1. Transfer from Bank of America Governmental Savings Account to the Bank of America Chino Basin Watermaster Governmental Checking Account

Motion by Koopman, second by Pierson, and by unanimous vote

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

II. BUSINESS ITEMS

A. NEW YIELD ALLOWANCES FOR FY 05-06

1. New Yield Allowances for the FY 05-06 Assessment Package at 50% of Desalter Production

Mr. Manning stated the staff report was not put into the package when the package was sent out due to staff was working with its consultants to make sure this item was represented correctly. The staff report along with the technical report reflects the determination of whether or not the desalter production created an amount of new yield at 50% or at 30%. 50% has been used the past. This year staff is making a different recommendation based on the technical information received. Wildermuth Environmental and Watermaster staff is recommending that 30% of the desalter production or 4,950 acre-feet be used in this year's assessment package. The 30% number represents work that was done in the April report by Wildermuth Environmental. The Appropriative and Non-Agricultural Pools motioned to delay taking action on this item for one month in order to allow more time to review the information. A discussion ensued with regard to the 30% vs. 50% numbers. A subsequent meeting to review this information appears to be needed and Watermaster staff will let the parties know the date that meeting is scheduled. Mr. Vanden Heuvel offered comment on desalter production and future pumping needs. A lengthy discussion ensued with regards to modeling and future adjustments to numbers. It was decided the Agricultural Pool would adopt the same motion that the Appropriative and Non-Agricultural Pool made last week regarding this item.

Motion by Pierson, second by Feenstra, and by unanimous vote

Moved to table this item until next month after further review

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Storage and Recovery Negotiations

Counsel Fife stated another meeting took place with the San Diego County Water Authority. Since the last time these committees met we have also had another meeting Castaic Lake Water Agency and Metropolitan Water District. There was discussion at the last Appropriative Pool meeting that it was premature of staff to move forward discussing terms with any of these entities about a Storage & Recovery Program before getting feedback from the Appropriative Pool on what kind of terms the Appropriators would like to see in such agreements. There has been discussion over the past few weeks regarding this committee and it is counsels understanding that the Appropriative Pool is going to convene an ad-hoc committee for that purpose.

2. Desalter Negotiations

Counsel Fife stated we are continuing to talk with Western Municipal Water District about the desalter proposal that has been on the table for about a year now. Western is very anxious to move forward with some sort of agreement because they have some grant funds that will expire in the not too distant future and they would like to spend those monies. One proposal Western has put forth was that there does need to be more technical and feasibility analysis done and they would be willing to move forward with those studies if we

could come with an agreement that if one of the other agencies took the desalter option away from Western, there would be some level of reimbursement to them for having done all the technical work supporting the desalter project. Staff and counsel will be discussing this proposal with them in order to move this project forward. If and when any agreement does materialize that agreement would be sent through the Watermaster process for review and approval.

3. Peace II Term Sheet

Counsel Fife stated we have continued to have conversations with the special referee regarding the workshop and its outcome. It appears the best process for moving forward may be coming to the court, on our own initiative, to ask for preliminary approval the Hydraulic Control and Basin Re-Operation Plan. Staff felt this was going to be the plan prior to the workshop, that Watermaster was going to come to the court and ask for something and on the basis of the workshop the referee would then be able to advise the court. The special referee suggested at the workshop that a report come forward from the workshop; although, it appears the best way to move this forward is to have Watermaster go to the court first asking for a paragraph 31 review of the Hydraulic Control Basin Re-Operation project. Counsel is going to be moving forward with the preparation of that motion; however there is not a time frame for that work. The motion would be brought through the Watermaster process prior to its filing with the court.

4. Hanson Aggregates

Counsel Fife stated there as a meeting scheduled for yesterday to discuss the Lower Day Basin however that meeting was cancelled by Hanson because they were not ready to meet. This meeting has been pushed out a few weeks and we are anticipating that meeting to take place prior to the next Appropriative Pool meeting so that a full report can be given at the next meeting. The problem which occurred at the Lower Day Basin has been fixed and the basin is back in operation. The discussion which will take place with Hanson will be solely for cost recovery.

5. Goodrich Subpoena

Counsel Fife noted there is paper work on the back table regarding this item. Goodrich a few months back served Watermaster with a subpoena and asked for every document in Watermaster's possession. Counsel had a discussion with Goodrich and finally was able to come convince them that it would be much more expeditious if they would submit their request as a document request through the normal Watermaster channels and then if they would also narrow it to something specific instead of every document in our possession. Goodrich has now given us a list of the type of documents they want and then a map on which they drew a circle around a specific area in which they are looking for information. In looking at the map they provided, about 75% of the information they are looking for is outside the Chino Basin and we tried to explain to them that this particular area in which they were seeking information is not something Watermaster collected. With regard to information being needed for the Fontana area, they will be advised that under our policy Watermaster does not give out this kind of information without specific written approval from the entity it would affect. Currently Mr. Wildermuth is working up a cost estimate for how much staff time it will take for Wildermuth to provide all this information. Once we have that cost estimate we will give that to Goodrich and reveal to them how much we will be able to give them and the costs associated with that and ask for some sort of deposit.

B. WATERMASTER FINANCIAL REPORT

1. Water Activity Report (WAR)

Ms. Rojo stated staff has been working on the water activity reports; we are still missing about eleven reports.

2. Assessment Package

Ms. Rojo stated the Assessment Package Workshop is scheduled for Monday, October 30, 2006 at 9:00 a.m. here at the Chino Basin Watermaster office.

C. **CEO/STAFF REPORT**

1. Storm Water/Recharge Report

Mr. Treweek stated on the back table is the spreadsheet for the first quarter of this fiscal year. We have caught up to our goal of achieving 60,000 acre-feet of recharge water. This is a good sign because we are now approaching our storm season so we will have to cut back on the levels of imported water that we store in the basins so that if we do get some rainfall we will have the needed capacity. This month we will start cutting back on the levels in the basin and will hopefully start getting storm water.

An issue over the past couple years has been silt that the storm water brings into our basins. IEUA is responsible for the daily operation and what they developed to help us out in this area this year are some test vials that their technicians will take out in the field and they can compare the turbidity of the storm water with the turbidity that we have recorded in these vials. The turbidity essentially gives a reading of silt levels. Mr. Treweek handed the sample vials out for examination by the committee members. For those basins where we have a controlling sluice gate, we can install a turbidity meter and instead of having a technician have to physically go to these sites the turbidity meter can give us a reading and that information can automatically be transferred down to the control station. Once the operator at the control stations receives the information they can make the determination to keep the sluice gate open or to close it.

Mr. Treweek stated the second item regarding silt in the basins which is now being referred to by Watermaster staff as (SERT) Silt Extraction and Removal Train and has a short presentation in order to update the committee members on what staff has been working on. Mr. Treweek gave his presentation on SERT and noted the objective will be to remove a thin layer of silt from the bottoms of our operating recharge basins. A lengthy discussion ensued with regard to the SERT presentation. Mr. Manning offered comment on our investigations to better remove silt from the basins and to keep them wet 365 days a year.

2. Legislative/Bond Update

Mr. Manning stated there is an election coming up very shortly and in looking at some of the preliminary polling for the bonds really will depend on voter turn out. The lower the voter turn out, the less chance there is going to be for any of the bonds to pass. A complete report on all the legislative issues will be given at the Advisory Committee meeting later this month.

3. Water Fair

Mr. Manning stated the Water Fair took place last weekend and seemed to be a tremendous success. There were approximately 1,000 people who passed through during the four hour event. The message was terrific and with such a positive outcome we will continue to try and make this an annual event. Mr. Manning thanked all the parties who made this event so successful.

4. Strategic Planning Conference Recap

Mr. Manning stated on the back table is a copy of the analysis on the evaluations. The trend on the evaluations was that people were very pleased with the format and with the conference in general. On a rating of 1 to 10 (10 being best) the average score for this conference was 9.62. There was a lot of information gathered from the conference and we are hopeful that by the time the Advisory Committee and the Watermaster Board meet there will be a breakdown done from the actual breakout sessions to create a matrix of all actions and discussions from the conference.

5. Treatment of Desalter Forgiveness

Mr. Manning stated this is the action item which was acted on earlier under Business Items.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. POOL MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

Mr. Manning stated the next Agricultural Pool meeting is scheduled for the week of Thanksgiving and inquired if there was a better date for this committee to hold that meeting. After a discussion it was decided to move the Agricultural pool to November 15, 2006 at 1:00 p.m. and will still be held at IEUA.

VII. FUTURE MEETINGS

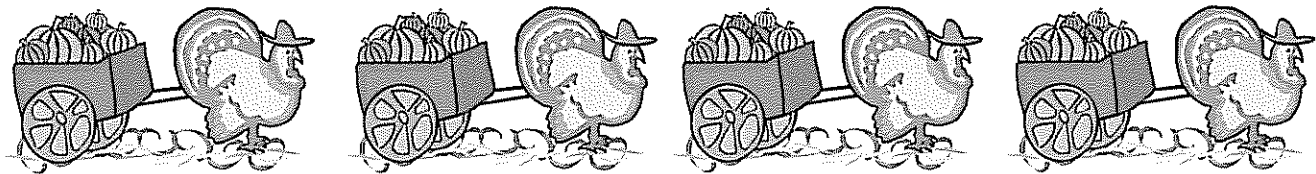
| | | |
|------------------|------------|---|
| October 12, 2006 | 10:00 a.m. | Joint Appropriative & Non-Agricultural Pool Meeting |
| October 17, 2006 | 9:00 a.m. | Agricultural Pool Meeting @ IEUA |
| October 24, 2006 | 9:00 a.m. | GRCC Meeting |
| October 26, 2006 | 9:00 a.m. | Advisory Committee Meeting |
| October 26, 2006 | 11:00 a.m. | Watermaster Board Meeting |

The Agricultural Pool Meeting Adjourned at 11:05 a.m.

Secretary: _____

Minutes Approved: _____

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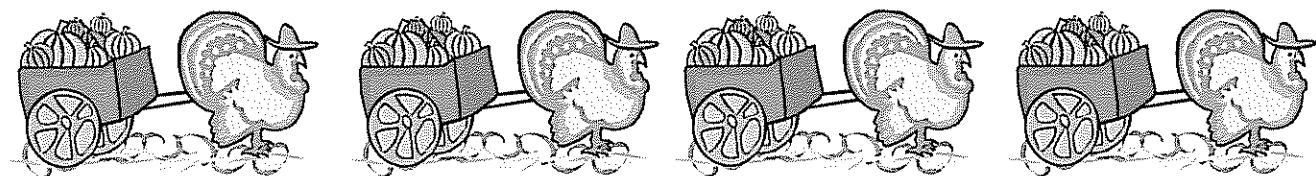


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of October 2006
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through September 30, 2006
3. Treasurer's Report of Financial Affairs for the Period September 1, 2006 through September 30, 2006
4. Profit & Loss Budget vs. Actual July 2006 through September 2006





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: November 9, 2006
November 15, 2006
November 16, 2006

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report – October 2006

SUMMARY

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

Recommendation – Staff recommends the Cash Disbursements for October 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 October 2006 were \$1,578,510.05. The most significant expenditures during the month were Inland Empire Utilities Agency in the amount of \$1,109,824.41, Wildermuth Environmental Inc. in the amount of \$182,823.40 and Hatch and Parent in the amount of \$73,541.75.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
October 2006

| Type | Date | Num | Name | Amount |
|-----------------|------------|---------|--|---------------|
| Oct 06 | | | | |
| Bill Pmt -Check | 10/5/2006 | 10844 | MEDIA JIM | -900.00 |
| Bill Pmt -Check | 10/11/2006 | 10845 | EL TORITO | -146.44 |
| Bill Pmt -Check | 10/11/2006 | 10846 | ANDERSON, JOHN | -125.00 |
| Bill Pmt -Check | 10/11/2006 | 10847 | APPLIED COMPUTER TECHNOLOGIES | -1,685.35 |
| Bill Pmt -Check | 10/11/2006 | 10848 | BOWCOCK, ROBERT | -125.00 |
| Bill Pmt -Check | 10/11/2006 | 10849 | CUCAMONGA VALLEY WATER DISTRICT | -5,340.00 |
| Bill Pmt -Check | 10/11/2006 | 10850 | DE BOOM, NATHAN | -750.00 |
| Bill Pmt -Check | 10/11/2006 | 10851 | DIRECTV | -74.98 |
| Bill Pmt -Check | 10/11/2006 | 10852 | DURRINGTON, GLEN | -375.00 |
| Bill Pmt -Check | 10/11/2006 | 10853 | FEENSTRA, BOB | -375.00 |
| Bill Pmt -Check | 10/11/2006 | 10854 | HAMRICK, PAUL | -125.00 |
| Bill Pmt -Check | 10/11/2006 | 10855 | Hettinga, Peter | -500.00 |
| Bill Pmt -Check | 10/11/2006 | 10856 | HOSTETLER, DAN | -125.00 |
| Bill Pmt -Check | 10/11/2006 | 10857 | HUITSING, JOHN | -500.00 |
| Bill Pmt -Check | 10/11/2006 | 10858 | INLAND COUNTIES INSURANCE SERVICES, INC. | -238.57 |
| Bill Pmt -Check | 10/11/2006 | 10859 | KOOPMAN, GENE | -125.00 |
| Bill Pmt -Check | 10/11/2006 | 10860 | MATHIS & ASSOCIATES | -1,335.00 |
| Bill Pmt -Check | 10/11/2006 | 10861 | MONTE VISTA WATER DIST | -500.00 |
| Bill Pmt -Check | 10/11/2006 | 10862 | NORDBAK'S PROMOTIONAL PRODUCTS | -41.03 |
| Bill Pmt -Check | 10/11/2006 | 10863 | OFFICE DEPOT | -915.93 |
| Bill Pmt -Check | 10/11/2006 | 10864 | PAYCHEX | -182.52 |
| Bill Pmt -Check | 10/11/2006 | 10865 | PIERSON, JEFFREY | -625.00 |
| Bill Pmt -Check | 10/11/2006 | 10866 | PURCHASE POWER | -135.33 |
| Bill Pmt -Check | 10/11/2006 | 10867 | R&D PEST SERVICES | -85.00 |
| Bill Pmt -Check | 10/11/2006 | 10868 | REID & HELLYER | -2,928.96 |
| Bill Pmt -Check | 10/11/2006 | 10869 | SOUTHERN CALIFORNIA WATER COMMITTEE | -850.00 |
| Bill Pmt -Check | 10/11/2006 | 10870 | SPRINT | -389.53 |
| Bill Pmt -Check | 10/11/2006 | 10871 | UNION 76 | -147.08 |
| Bill Pmt -Check | 10/11/2006 | 10872 | VANDEN HEUVEL, GEOFFREY | -125.00 |
| Bill Pmt -Check | 10/11/2006 | 10873 | VELASQUEZ JANITORIAL | -1,200.00 |
| Bill Pmt -Check | 10/11/2006 | 10874 | VERIZON | -374.01 |
| Bill Pmt -Check | 10/11/2006 | 10875 | WILLIS, KENNETH | -375.00 |
| Bill Pmt -Check | 10/11/2006 | 10876 | YUKON DISPOSAL SERVICE | -134.72 |
| Bill Pmt -Check | 10/12/2006 | 10877 | ADVANCED ORNAMENTAL IRON | -2,375.00 |
| Bill Pmt -Check | 10/12/2006 | 10878 | ADVANCED ORNAMENTAL IRON | -2,375.00 |
| Bill Pmt -Check | 10/13/2006 | 10879 | PETTY CASH | -593.32 |
| General Journal | 10/15/2006 | 06/10/3 | PAYROLL | -6,400.63 |
| General Journal | 10/15/2006 | 06/10/3 | PAYROLL | -22,174.52 |
| Bill Pmt -Check | 10/17/2006 | 10880 | ACWA SERVICES CORPORATION | -221.50 |
| Bill Pmt -Check | 10/17/2006 | 10881 | BANK OF AMERICA | -2,908.67 |
| Bill Pmt -Check | 10/17/2006 | 10882 | BLACK & VEATCH CORPORATION | -3,612.50 |
| Bill Pmt -Check | 10/17/2006 | 10883 | CALPERS | -2,427.95 |
| Bill Pmt -Check | 10/17/2006 | 10884 | COMPUSA, INC. | -4,090.14 |
| Bill Pmt -Check | 10/17/2006 | 10885 | Diehl, Evans & Co, LLP | -225.00 |
| Bill Pmt -Check | 10/17/2006 | 10886 | ELLISON, SCHNEIDER & HARRIS, LLP | -39,361.41 |
| Bill Pmt -Check | 10/17/2006 | 10887 | FIRST AMERICAN REAL ESTATE SOLUTIONS | -125.00 |
| Bill Pmt -Check | 10/17/2006 | 10888 | HATCH AND PARENT | -73,541.75 |
| Bill Pmt -Check | 10/17/2006 | 10889 | HSBC BUSINESS SOLUTIONS | -754.69 |
| Bill Pmt -Check | 10/17/2006 | 10890 | IMPRESSIONS GOURMET CATERING | -309.20 |
| Bill Pmt -Check | 10/17/2006 | 10891 | LOS ANGELES TIMES | -42.40 |
| Bill Pmt -Check | 10/17/2006 | 10892 | MATHIS & ASSOCIATES | -7,463.33 |
| Bill Pmt -Check | 10/17/2006 | 10893 | MCI | -907.73 |
| Bill Pmt -Check | 10/17/2006 | 10894 | OFFICE DEPOT | -682.84 |
| Bill Pmt -Check | 10/17/2006 | 10895 | PRE-PAID LEGAL SERVICES, INC. | -103.60 |
| Bill Pmt -Check | 10/17/2006 | 10896 | RICOH BUSINESS SYSTEMS-Lease | -4,480.25 |
| Bill Pmt -Check | 10/17/2006 | 10897 | STANTEC CONSULTING, INC. | -4,000.00 |
| Bill Pmt -Check | 10/17/2006 | 10898 | STATE COMPENSATION INSURANCE FUND | -1,342.65 |
| Bill Pmt -Check | 10/17/2006 | 10899 | STAULA, MARY L | -136.61 |
| Bill Pmt -Check | 10/17/2006 | 10900 | CITISTREET | -2,632.30 |
| Bill Pmt -Check | 10/17/2006 | 10901 | RICOH BUSINESS SYSTEMS-Maintenance | -1,612.21 |
| Bill Pmt -Check | 10/17/2006 | 10902 | THE FURMAN GROUP, INC. | -2,655.00 |
| Bill Pmt -Check | 10/17/2006 | 10903 | UNITED PARCEL SERVICE | -510.35 |
| Bill Pmt -Check | 10/17/2006 | 10904 | VERIZON | -42.50 |
| Bill Pmt -Check | 10/17/2006 | 10905 | CITISTREET | -2,632.30 |
| Bill Pmt -Check | 10/17/2006 | 10906 | INLAND EMPIRE UTILITIES AGENCY | -1,109,824.41 |
| Bill Pmt -Check | 10/17/2006 | 10907 | INLAND EMPIRE UTILITIES AGENCY | -40.00 |
| Bill Pmt -Check | 10/17/2006 | 10908 | PUBLIC EMPLOYEES' RETIREMENT SYSTEM | -7,104.95 |
| Bill Pmt -Check | 10/17/2006 | 10909 | PUBLIC EMPLOYEES' RETIREMENT SYSTEM | -7,098.62 |

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
October 2006

| Type | Date | Num | Name | Amount |
|-----------------|------------|---------|--|----------------------|
| Bill Pmt -Check | 10/25/2006 | 10910 | WILDERMUTH ENVIRONMENTAL INC | -182,823.40 |
| Bill Pmt -Check | 10/25/2006 | 10911 | CREATIVE BENEFITS, INC. | -162.00 |
| Bill Pmt -Check | 10/25/2006 | 10912 | GLOBAL PRESENTER.COM | -9,987.90 |
| Bill Pmt -Check | 10/25/2006 | 10913 | HYATT GRAND CHAMPIONS RESORT AND SPA | -13,687.08 |
| Bill Pmt -Check | 10/25/2006 | 10914 | CREATIVE BENEFITS, INC. | -400.00 |
| Bill Pmt -Check | 10/25/2006 | 10915 | ARROWHEAD MOUNTAIN SPRING WATER | -44.39 |
| Bill Pmt -Check | 10/25/2006 | 10916 | COLBURN INSURANCE SERVICE, INC. | -1,200.00 |
| Bill Pmt -Check | 10/25/2006 | 10917 | CUCAMONGA VALLEY WATER DISTRICT | -5,340.00 |
| Bill Pmt -Check | 10/25/2006 | 10918 | INLAND COUNTIES INSURANCE SERVICES, INC. | -238.57 |
| Bill Pmt -Check | 10/25/2006 | 10919 | PITNEY BOWES CREDIT CORPORATION | -39.17 |
| Bill Pmt -Check | 10/25/2006 | 10920 | POWERS ELECTRIC PRODUCTS CO. | -391.46 |
| Bill Pmt -Check | 10/25/2006 | 10921 | SPRINT | -388.90 |
| Bill Pmt -Check | 10/25/2006 | 10922 | STANDARD INSURANCE CO. | -555.18 |
| Bill Pmt -Check | 10/25/2006 | 10923 | THREE VALLEYS MUNICIPAL WATER DIST | -15.00 |
| Bill Pmt -Check | 10/25/2006 | 10924 | PARK PLACE COMPUTER SOLUTIONS, INC. | -4,565.00 |
| General Journal | 10/25/2006 | 06/10/5 | PAYROLL | 6,612.98 |
| General Journal | 10/25/2006 | 06/10/5 | PAYROLL | -23,164.14 |
| Bill Pmt -Check | 10/27/2006 | 10925 | CAFE CALATO | -102.36 |
| Bill Pmt -Check | 10/27/2006 | 10926 | DIRECTV | -74.98 |
| Bill Pmt -Check | 10/27/2006 | 10927 | OFFICE FURNITURE.COM | -2,822.40 |
| Bill Pmt -Check | 10/27/2006 | 10928 | VIP AUTO DETAILING | -793.60 |
| Bill Pmt -Check | 10/27/2006 | 10929 | WEST VALLEY ELECTRIC | -1,530.00 |
| Bill Pmt -Check | 10/27/2006 | 10930 | YUKON DISPOSAL SERVICE | -134.72 |
| | | | | -1,578,510.05 |

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CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006

| | 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 2006-2007 |
|---------------------------------------|-------------------------------|--------------------------------|---|----------------------|--------------------|--|----------------|--------------------|-----------------|---------------------|
| Administrative Revenues | | | | | | | | | | |
| Administrative Assessments | | | - | | - | | | | - | \$7,308,205 |
| Interest Revenue | | | 59,855 | 4,718 | 2,573 | | | 24 | 67,170 | 136,500 |
| Mutual Agency Project Revenue | | - | | | | | | | - | 138,000 |
| Grant Income | | - | | | | | | | - | 0 |
| Miscellaneous Income | | | | | | | | | - | 0 |
| Total Revenues | - | - | 59,855 | 4,718 | 2,573 | - | - | 24 | 67,170 | 7,582,705 |
| Administrative & Project Expenditures | | | | | | | | | | |
| Watermaster Administration | 231,346 | | | | | | | | 231,346 | 601,598 |
| Watermaster Board-Advisory Committee | 10,733 | | | | | | | | 10,733 | 52,123 |
| Pool Administration | | | 5,600 | 18,631 | 2,027 | | | | 26,258 | 118,245 |
| Optimum Basin Mgmt Administration | | 466,840 | | | | | | | 466,840 | 1,855,795 |
| OBMP Project Costs | | 1,608,206 | | | | | | | 1,608,206 | 5,904,269 |
| Education Funds Use | | | | | | | | | - | 375 |
| Mutual Agency Project Costs | 7,871 | | | | | | | | 7,871 | 5,000 |
| Total Administrative/OBMP Expenses | 249,950 | 2,075,046 | 5,600 | 18,631 | 2,027 | | | - | 2,351,254 | 8,537,405 |
| Net Administrative/OBMP Income | (249,950) | (2,075,046) | | | | | | | | |
| Allocate Net Admin Income To Pools | 249,950 | | 192,364 | 52,210 | 5,376 | | | | - | 0 |
| Allocate Net OBMP Income To Pools | | 2,075,046 | 1,596,972 | 433,443 | 44,630 | | | | - | 0 |
| Agricultural Expense Transfer | | | 501,460 | (501,460) | | | | | - | 0 |
| Total Expenses | | | 2,296,396 | 2,825 | 52,033 | - | - | - | 2,351,254 | 8,537,405 |
| Net Administrative Income | | | (2,236,541) | 1,893 | (49,460) | | | 24 | (2,284,084) | (954,700) |
| Other Income/(Expense) | | | | | | | | | | |
| Replenishment Water Purchases | | | | | | 1,346,904 | | | 1,346,904 | 0 |
| MZ1 Supplemental Water Assessments | | | | | | | | | - | 0 |
| Water Purchases | | | | | | | | | - | 0 |
| MZ1 Imported Water Purchase | | | | | | | | | - | 0 |
| Groundwater Replenishment | | | | | | (237,207) | | | (237,207) | 0 |
| Net Other Income | | | | | | 1,109,697 | | | 1,109,697 | 0 |
| Net Transfers To/(From) Reserves | | | (2,236,541) | 1,893 | (49,460) | 1,109,697 | | 24 | (1,174,387) | (954,700) |
| Working Capital, July 1, 2006 | | | 4,439,157 | 470,561 | 186,984 | 1,139,615 | 158,251 | 1,942 | 6,396,510 | |
| Working Capital, End Of Period | | | 2,202,616 | 472,454 | 137,524 | 2,249,312 | 158,251 | 1,966 | 5,222,123 | |
| 05/06 Assessable Production | | | 124,900.575 | 33,899.960 | 3,490.589 | | | | 162,291.124 | |
| 05/06 Production Percentages | | | 76.961% | 20.888% | 2.151% | | | | 100.000% | |

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
SEPTEMBER 1 THROUGH SEPTEMBER 30, 2006**

DEPOSITORIES:

| | | |
|---|------------|----------------------------|
| Cash on Hand - Petty Cash | | \$ 500 |
| Bank of America | | |
| Governmental Checking-Demand Deposits | \$ 711,467 | |
| Savings Deposits | 9,722 | |
| Zero Balance Account - Payroll | - | 721,189 |
| Vineyard Bank CD - Agricultural Pool | | 425,955 |
| Local Agency Investment Fund - Sacramento | | 3,510,200 |
| TOTAL CASH IN BANKS AND ON HAND | 9/30/2006 | \$ 4,657,844 |
| TOTAL CASH IN BANKS AND ON HAND | 8/31/2006 | 5,158,156 |
| PERIOD INCREASE (DECREASE) | | <u>\$ (500,312)</u> |

CHANGE IN CASH POSITION DUE TO:

| | | |
|--|--|----------------------------|
| Decrease/(Increase) in Assets: Accounts Receivable | | \$ 420,824 |
| Assessments Receivable | | - |
| Prepaid Expenses, Deposits & Other Current Assets | | 3,051 |
| (Decrease)/Increase in Liabilities: Accounts Payable | | 861,802 |
| Accrued Payroll, Payroll Taxes & Other Current Liabilities | | 27,698 |
| Transfer to/(from) Reserves | | (1,813,687) |
| PERIOD INCREASE (DECREASE) | | <u>\$ (500,312)</u> |

| <u>SUMMARY OF FINANCIAL TRANSACTIONS:</u> | Petty Cash | Govt'l Checking Demand | Zero Balance Account Payroll | Savings | Vineyard Bank | Local Agency Investment Funds | Totals |
|---|---------------|---------------------------|------------------------------------|-----------------|-------------------|----------------------------------|---------------------|
| Balances as of 8/31/2006 | \$ 500 | \$ 213,175 | \$ - | \$ 9,709 | \$ 424,572 | \$ 4,510,200 | \$ 5,158,156 |
| Deposits | - | 549,029 | - | 13 | 1,383 | - | 550,425 |
| Transfers | - | 910,751 | 89,249 | - | - | (1,000,000) | - |
| Withdrawals/Checks | - | (961,488) | (89,249) | - | - | - | (1,050,737) |
| Balances as of 9/30/2006 | \$ 500 | \$ 711,467 | \$ - | \$ 9,722 | \$ 425,955 | \$ 3,510,200 | \$ 4,657,844 |
| PERIOD INCREASE OR (DECREASE) | \$ - | \$ 498,292 | \$ - | \$ 13 | \$ 1,383 | \$ (1,000,000) | \$ (500,312) |

CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
SEPTEMBER 1 THROUGH SEPTEMBER 30, 2006

INVESTMENT TRANSACTIONS

| Effective Date | Transaction | Depository | Activity | Redeemed | Days to Maturity | Interest Rate(*) | Maturity Yield |
|--------------------------------------|-------------|------------|---------------------|----------|------------------|------------------|----------------|
| 9/18/2006 | Withdrawal | | \$ 1,000,000 | | | | |
| TOTAL INVESTMENT TRANSACTIONS | | | \$ 1,000,000 | - | | | |

* The earnings rate for L.A.I.F. is a daily variable rate; 4.93% was the effective yield rate at the Quarter ended September 30, 2006

INVESTMENT STATUS
September 30, 2006

| <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 | \$ 3,510,200 | | | |
| TOTAL INVESTMENTS | \$ 3,510,200 | | | |

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,



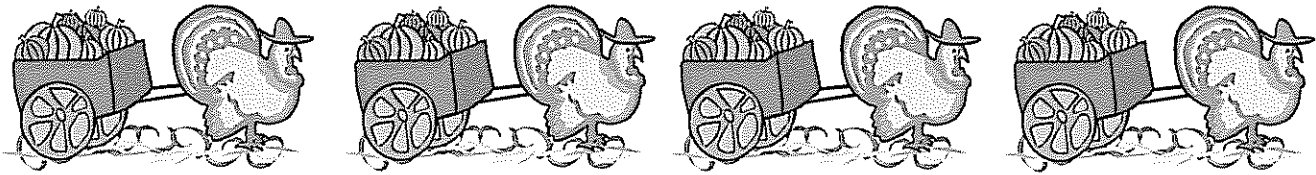
Sheri M. Rojo, CPA
Chief Financial Officer & Assistant General Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through September 2006

| | <u>Jul - Sep 06</u> | <u>Budget</u> | <u>\$ Over Budget</u> | <u>% of Budget</u> |
|--|---------------------|------------------|-----------------------|--------------------|
| Ordinary Income/Expense | | | | |
| Income | | | | |
| 4010 · Local Agency Subsidies | 0 | 138,000 | -138,000 | 0.0% |
| 4110 · Admin Asmnts-Approp Pool | 0 | 7,227,619 | -7,227,619 | 0.0% |
| 4120 · Admin Asmnts-Non-Agri Pool | 0 | 80,586 | -80,586 | 0.0% |
| 4700 · Non Operating Revenues | 67,170 | 136,500 | -69,330 | 49.21% |
| Total Income | <u>67,170</u> | <u>7,582,705</u> | <u>-7,515,535</u> | <u>0.89%</u> |
| Gross Profit | 67,170 | 7,582,705 | -7,515,535 | 0.89% |
| Expense | | | | |
| 6010 · Salary Costs | 193,299 | 447,037 | -253,738 | 43.24% |
| 6020 · Office Building Expense | 20,793 | 102,000 | -81,207 | 20.39% |
| 6030 · Office Supplies & Equip. | 10,836 | 45,000 | -34,164 | 24.08% |
| 6040 · Postage & Printing Costs | 26,434 | 78,500 | -52,066 | 33.67% |
| 6050 · Information Services | 40,645 | 112,500 | -71,855 | 36.13% |
| 6060 · Contract Services | 20,128 | 131,000 | -110,872 | 15.37% |
| 6080 · Insurance | 0 | 25,210 | -25,210 | 0.0% |
| 6110 · Dues and Subscriptions | 1,491 | 16,750 | -15,259 | 8.9% |
| 6140 · WM Admin Expenses | 937 | 6,500 | -5,563 | 14.41% |
| 6150 · Field Supplies | 795 | 4,000 | -3,205 | 19.88% |
| 6170 · Travel & Transportation | 5,115 | 19,350 | -14,235 | 26.43% |
| 6190 · Conferences & Seminars | 8,759 | 22,500 | -13,741 | 38.93% |
| 6200 · Advisory Comm - WM Board | 2,342 | 15,168 | -12,826 | 15.44% |
| 6300 · Watermaster Board Expenses | 8,391 | 36,955 | -28,564 | 22.71% |
| 8300 · Appr PI-WM & Pool Admin | 5,600 | 15,918 | -10,318 | 35.18% |
| 8400 · Agri Pool-WM & Pool Admin | 4,570 | 18,633 | -14,063 | 24.52% |
| 8467 · Agri-Pool Legal Services | 11,237 | 65,000 | -53,763 | 17.29% |
| 8470 · Ag Meeting Attend -Special | 2,825 | 12,000 | -9,175 | 23.54% |
| 8500 · Non-Ag PI-WM & Pool Admin | 2,027 | 6,694 | -4,667 | 30.28% |
| 6500 · Education Funds Use Expens | 0 | 375 | -375 | 0.0% |
| 9500 · Allocated G&A Expenditures | -97,885 | -408,749 | 310,864 | 23.95% |
| Subtotal G&A Expenditures | <u>268,337</u> | <u>772,341</u> | <u>-504,004</u> | <u>34.74%</u> |
| 6900 · Optimum Basin Mgmt Plan | 433,826 | 1,713,780 | -1,279,954 | 25.31% |
| 6950 · Mutual Agency Projects | 7,871 | 5,000 | 2,871 | 157.42% |
| 9501 · G&A Expenses Allocated-OBMP | 33,014 | 142,015 | -109,001 | 23.25% |
| Subtotal OBMP Expenses | <u>474,711</u> | <u>1,860,795</u> | <u>-1,386,084</u> | <u>25.51%</u> |
| 7101 · Production Monitoring | 27,183 | 61,565 | -34,382 | 44.15% |
| 7102 · In-line Meter Installation | 4,820 | 64,904 | -60,084 | 7.43% |
| 7103 · Grdwtr Quality Monitoring | 19,635 | 149,713 | -130,078 | 13.12% |
| 7104 · Gdwtr Level Monitoring | 41,834 | 191,953 | -150,119 | 21.79% |
| 7105 · Sur Wtr Quali Monitoring | 1,678 | 32,247 | -30,569 | 5.2% |
| 7107 · Ground Level Monitoring | 13,471 | 160,984 | -147,513 | 8.37% |
| 7108 · Hydraulic Control Monitoring | 68,080 | 483,258 | -415,178 | 14.09% |
| 7109 · Recharge & Well Monitoring Prog | 10,986 | 146,350 | -135,364 | 7.51% |
| 7200 · PE2- Comp Recharge Pgm | 673,070 | 1,822,997 | -1,149,927 | 36.92% |
| 7300 · PE3&5-Water Supply/Desalte | 0 | 4,676 | -4,676 | 0.0% |
| 7400 · PE4- Mgmt Plan | 38,053 | 578,762 | -540,709 | 6.58% |

**CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July through September 2006**

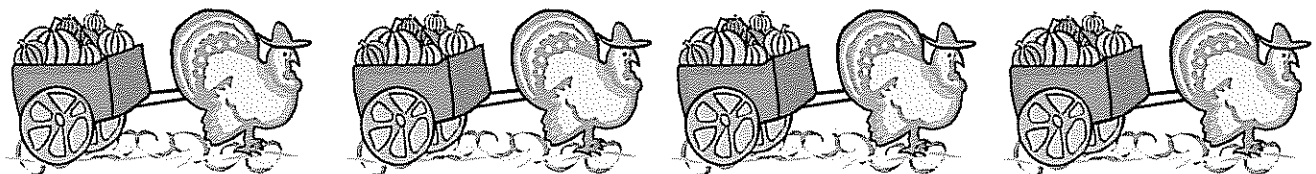
| | <u>Jul - Sep 06</u> | <u>Budget</u> | <u>\$ Over Budget</u> | <u>% of Budget</u> |
|--|---------------------|------------------|-----------------------|--------------------|
| 7500 · PE6&7-CoopEfforts/SaltMgmt | 28,117 | 310,507 | -282,390 | 9.06% |
| 7600 · PE8&9-StorageMgmt/Conj Use | 7,993 | 6,698 | 1,295 | 119.34% |
| 7690 · Recharge Improvement Debt Pymt | 608,415 | 1,608,000 | -999,586 | 37.84% |
| 7700 · Inactive Well Protection Prgm | 0 | 14,921 | -14,921 | 0.0% |
| 9502 · G&A Expenses Allocated-Projects | 64,871 | 266,734 | -201,863 | 24.32% |
| Subtotal Special Project Expenses | <u>1,608,206</u> | <u>5,904,269</u> | <u>-4,296,063</u> | <u>27.24%</u> |
| Total Expense | <u>2,351,253</u> | <u>8,537,405</u> | <u>-6,186,152</u> | <u>27.54%</u> |
| Net Ordinary Income | <u>-2,284,083</u> | <u>-954,700</u> | <u>-1,329,383</u> | <u>239.25%</u> |
| Other Income/Expense | | | | |
| Other Income | | | | |
| 4210 · Approp Pool-Replenishment | 369,248 | 0 | 369,248 | 100.0% |
| Total Other Income | <u>369,248</u> | <u>0</u> | <u>369,248</u> | <u>100.0%</u> |
| Other Expense | | | | |
| 5010 · Groundwater Replenishment | 1,346,904 | 0 | 1,346,904 | 100.0% |
| 9999 · To/(From) Reserves | -3,261,739 | -954,700 | -2,307,039 | 341.65% |
| Total Other Expense | <u>-1,914,835</u> | <u>-954,700</u> | <u>-960,135</u> | <u>200.57%</u> |
| Net Other Income | <u>2,284,083</u> | <u>954,700</u> | <u>1,329,383</u> | <u>239.25%</u> |
| Net Income | <u>0</u> | <u>0</u> | <u>0</u> | <u>0.0%</u> |



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

A. NEW YIELD ALLOWANCES





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: November 9, 2006
November 15, 2006
November 16, 2006

TO: Committee Members
Watermaster Board Members

SUBJECT: New Yield Allowance for the FY 09-07 Assessment Package at 30% of Desalter Production

SUMMARY

Issue Adopt a finding for New Yield based upon "proven increases" and authorize its use in FY 06-07 assessment package?

Recommendations –

- A. Based upon a technical assessment prepared by Wildermuth Environmental and Watermaster Staff, New Yield attributable to the 05-06 Desalter production is equal to 30% of Desalter production or about 4,950 acre feet.
- B. Incorporate the identified New Yield into the assessment package and further describe the conditions in the Annual Report.
- C. Approve the proposed findings and support the Watermaster determination.

BACKGROUND

A. Legal Framework

The initial Safe Yield for the Basin was established in the Judgment at 140,000 acre feet per year ("afy"). (Judgment § 6.) Paragraph 15 of the Judgment provides that the Court retains jurisdiction to modify the Safe Yield at any time after 1988 (10 years following the entry of the Judgment). The Judgment requires that all production of groundwater in excess of a party's respective share of Operating Safe Yield is subject to a Replenishment Assessment. (Judgment § 45.)

Any subsequent change in the Safe Yield shall be debited or credited to the Appropriative Pool. (Judgment § 44.) This means that the Appropriative Pool is the beneficiary of any water that is made available by increasing the Safe Yield of the Basin by any amount greater than 140,000 afy.

In 2000 the Court ordered Watermaster to proceed in accordance with the Peace Agreement and the OBMP Implementation Plan which is an Exhibit to the Peace Agreement. Program Element 8 of the OBMP Implementation Plan requires Watermaster to evaluate the condition of the Basin, storage and loss rate determinations that may lead to a revision in Safe Yield. A ten year period between 2000/2001 and 2010/2011 will be used to examine the conditions that may suggest that the Safe Yield be changed in accordance with best available information and prevailing conditions. (OBMP Implementation Plan, Program Element 8(f).)

Watermaster also recognizes the need to continuously manage the Basin during the periods in which a more complete technical record can be created in connection with a 2010/2011 review of Safe Yield. Specifically, the Peace Agreement created a new term "New Yield" which serves as the legal basis for Watermaster to temporarily account for proven increases in yield on an interim basis and to allocate this supply to the Appropriative Pool without triggering the more formal calculation of Safe Yield.

The complete definition for New Yield is set forth in Peace Agreement Section I (aa) as follows:

"New Yield" means proven increases in yield in quantities greater than historical amounts from sources of supply including but not limited to, capture of rising water, capture of available storm flow, operation of the Desalters (including the Chino I Desalter), induced Recharge and other management activities implemented and operational after June 1, 2000."

Consequently, New Yield can be construed to encompass increases in yield in excess of conditions that existed on June 1, 2000. Conversely, to the extent that there may be cultural conditions contributing to an increased supply that occurred prior to June 1, 2000, they may qualify for consideration in a recalculation of Safe Yield but do not constitute New Yield.

Except for Stormwater, all New Yield must be first be assigned to offsetting Desalter Replenishment Obligations in the immediately following year. (Peace Agreement § 7.5(b); Rules and Regulations § 6.2(d).) This means that to the extent Watermaster makes a determination that New Yield exists as result of capturing rising water or inducing inflow from the Santa Ana River, that water must be dedicated as Desalter replenishment.

B. Timing and Methodology of Watermaster Determination

The Rules and Regulations require that as a part of Watermaster's determination of assessments and for inclusion in its annual report, Watermaster will provide a summary of whether there is a change in condition that will support a determination of New Yield. (Watermaster Rules and Regulations § 6.2(c).) Accordingly, Watermaster is providing this Staff Report and the accompanying Technical memorandum prepared under the direction of Mark Wildermuth estimating the New Yield attributable to the Desalters under present physical conditions.

C. Prior Watermaster Actions

On October 25, 2001 the Watermaster Board previously addressed the subject of New Yield in connection with its approval of the assessment package and approved a motion finding that 50% of desalter production for FY 2001-02 was New Yield. The evidentiary support for this finding was largely a technical memorandum prepared by Mark Wildermuth that was submitted to the Pools, Advisory Committee and the Board. The report referenced the benefits of securing hydraulic control in the lower Chino Basin, potential draw down and flow inducement caused by the then existing and proposed Desalters.

The 2001 investigation also included an analysis of the interaction of the Santa Ana River and it's tributaries with groundwater levels in the lower Chino Basin. Based on these investigations, Mr.

Wildermuth opined that it was reasonable to *assume* that the desalter production will capture rising water and induce recharge from the Santa Ana River by at least half of the Desalter production. It was reported at the time that these technical findings are entirely consistent with those reported in the Chino Basin Water Resources Management Study and the first TIN/TDS Study.

In the years following this initial approval, staff and consultants continued to act in accordance with the 50% of desalter production determination as if New Yield from a combination of induced recharge and interception of outflow remained applicable as an appropriate and beneficial Basin management approach. As required by § 6.2(c) of the Rules and Regulations the quantity of New Yield has been accounted for in the annual assessment package. The Advisory Committee and the Board have approved the assessment packages in each year 2001-02 and there has been no objection to the inclusion of the New Yield as a form of Desalter Replenishment.

D. Summary of Present Substantial Evidence

It is Mr. Wildermuth's opinion that 30 percent of the water produced from the Desalters under present conditions should be attributable to the Santa Ana River. Attached to this Staff Report is a letter report prepared by Mark Wildermuth that explains the basis for his technical opinion. In brief summary, Mr. Wildermuth reviewed the desalter and replenishment model scenarios that match the existing desalter configuration and historical pumping schedule as previously published in his April 2006 Report. Specifically, his review of Tables B-2-3 a-e and in particular B-2-3-e lead him to revise his earlier estimate of New Yield that is attributable to the operations of the Desalters.

In his opinion, groundwater models are customarily used to evaluate hydrologic conditions including River inflow. His model and the most recent modeling results represent the best available information to estimate actual hydrologic conditions related to evaluating inflow from the Santa Ana River and that portion of which is attributable to the Desalters.

E. Proposed Findings

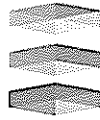
1. Wildermuth Environmental has compiled and maintained the most complete and comprehensive model of groundwater conditions within the Chino Basin.
2. Reliance upon a model to interpret present hydrologic conditions, including Santa Ana River inflow is a widely accepted, customary and prudent scientific methodology.
3. In April of 2006, Wildermuth Environmental caused an evaluation of inflow from the Santa Ana River as a result of Desalter production under conditions that closely approximate the present circumstances.
4. The results of the simulation that most closely resembles present conditions is represented in Tables B-2-3 a-e from which it can be derived that new Santa Ana River inflow occurred in 2005/06 in an amount equivalent to approximately 30 percent of Desalter production.
5. Thirty percent of 16,500 is equal to 4,950 acre-feet in Fiscal Year 2005-2006.

F. Impact of Earlier Determinations

Watermaster is empowered to levy assessments, approve assessment packages and file annual reports with the Court. Any party seeking to review earlier determinations of Watermaster is bound to seek review of a Watermaster action in accordance with the times set forth in § 31 of the Judgment. Pursuant to § 31(c) a party that wishes to object to the Watermaster determination of New Yield would be required to seek review within 90 days of the Watermaster action. Thereafter, in the event there is an erroneous reporting in the assessments the only process to seek review of a Watermaster action or modify an assessment determination is by Watermaster electing to take action in accordance with § 4.4 of the Rules and Regulations.

In this case, there has been no identified error. Since 2001/2002 Watermaster has continue to improve its understanding of hydrologic conditions in the Basin and the extent to which the operation of the Desalters are creating New Yield. Watermaster has requested a current evaluation of New Yield attributable to the operation of the Desalters so that a fresh determination can be included in the assessment package and in the annual report in accordance with §6.2(d) of the Rules and Regulations.

To the extent that the 2001/2002 determination may have overestimated the quantity of New Yield available in some the years when viewed from the presently best available information, the impact on the Basin and the parties is de minimus. Therefore, Watermaster is not recommending any further adjustments to the earlier determinations or to the prior assessment packages.



October 10, 2006

Chino Basin Watermaster
Attention: Mr. Kenneth R. Manning, Chief Executive Officer
9641 San Bernardino Road
Rancho Cucamonga, CA 91730

Subject: Replenishment for Desalters I & II for Watermaster Production Year 2005/06

Dear Mr. Manning:

Per your direction, Wildermuth Environmental, Inc. (WEI) prepared an estimate of the new recharge from the Santa Ana River to the Chino Basin caused by pumping at the Chino I and II Desalters. This information is to be considered by the Watermaster in determining new yield, pursuant to the Peace Agreement and Watermaster's Rules and Regulations. Pursuant to the Peace Agreement, desalter induced recharge of the Santa Ana River and desalter induced decreases in groundwater discharge from the Chino Basin to the Santa Ana River are both considered new yield and are to be used to offset an equal volume of the replenishment obligation of the desalters.

Background

The Watermaster Rules and Regulations anticipate that new yield would result from a variety of conditions, including but not limited to enhanced Basin Management, increased stormwater recharge, induced Recharge from operation of the Desalters as well as other sources. (Rules and Regulations §6.2(e).) According to the Watermaster Rules and Regulations, "Pursuant to the Peace Agreement, any new yield shall first be assigned to offsetting Desalter Replenishment Obligations in the immediately following year and as reasonably required to satisfy expected future Replenishment Obligations arising from the Desalter." (Rules and Regulations § 6.2(d).) An amendment to the Peace Agreement exempted the commitment of new yield resulting from increased stormwater recharge from this requirement.

Consistent with the Peace Agreement and the Watermaster Rules and Regulations, on October 25, 2001 the Watermaster Board approved a motion allowing 50% of desalter production for FY 2001-02 on the basis the new yield would be created. The technical basis for this finding was an investigation by WEI that was submitted to the Pools, Advisory Committee and the Board. The investigation included an analysis of the interaction of the Santa Ana River and its tributaries with groundwater levels in the lower Chino Basin. Based on this investigation, WEI concluded that Watermaster should assume that the desalter production will capture rising water and induce recharge from the Santa Ana River by at least half of the Desalter production. It was reported at that time that these technical finding are entirely consistent with those reported in the Chino Basin Water Resources Management Study and the first TIN/TDS Study.

2005/06 Estimate of the Capture Rising Water and Induced Recharge from the Santa Ana River

Subsequent to the earlier estimates of the capture rising water and induced recharge from the Santa Ana River, Watermaster and the Inland Empire Utilities Agency retained WEI to develop a high resolution groundwater model of the Chino Basin. The initial use of this model was to evaluate the impacts to surface and ground water from the 100,000 acre-ft Dry Year Yield Program. A report entitled the *Chino*

Basin Dry-Year Yield Modeling Report (WEI, 2002) was prepared to document the development of this model and the use of the model for the Dry-Year Yield Program. Starting in 2004 this model has been used to evaluate the impacts to surface and ground water from various desalter and replenishment scenarios. This later work was documented in a report entitled *Analysis of Future Replenishment and Desalter Plans Pursuant to the Peace Agreement and the Peace II Process* (WEI, 2006), hereafter the April 2006 Report. Additional simulations were recently completed to optimize the location of future desalter well fields and these results will be documented in an addendum to the April 2006 report.

The April 2006 Report contains several desalter and associated replenishment scenarios one of which is similar to the historical condition through 2005/06. This scenario uses only the existing desalters and wells with the Desalter I expansion and the new Desalter II coming on line during 2005/06. This alternative is described in Section 4 and is referred to as the baseline desalter plan. Each desalter plan has three alternative replenishment plans – full, half and no replenishment. The combination of the baseline desalter plan and the no desalter replenishment plan represents fairly closely what has happened through 2005/06. For reference you should consult Section 4 of the April 2006 Report and Tables B-2-3a through e. Our professional opinion, based on our analysis of the above referenced model simulation results, is that the groundwater pumping at Desalter I and II created new yield from the capture rising groundwater and induced recharge from the Santa Ana River totaling about 30 percent of the total desalter pumping for 2005/06. Currently Watermaster staff estimates that the total groundwater pumping from Desalters I and II for 2005/06 was about 16,500 acre-ft. This means that about 4,950 acre-ft (30 percent of 16,500 acre-ft) of new yield was derived from the River and the remainder of about 11,550 acre-ft (70 percent of 16,500 acre-ft) was drawn from storage – in this case the Kaiser settlement account.

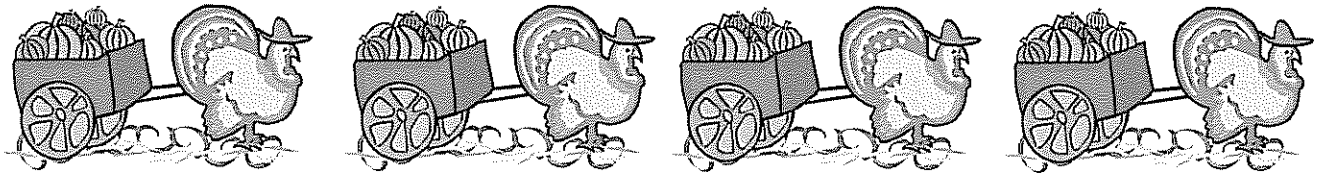
We appreciate the opportunity to serve the Watermaster and the Parties to the Judgment. Please call me if you have any questions or need additional information.

Very truly yours,

Wildermuth Environmental, Inc.



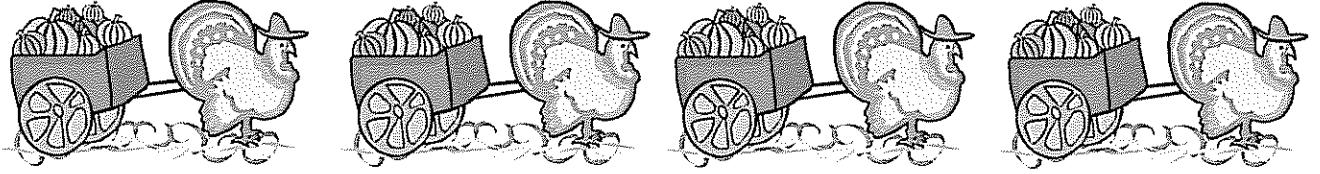
Mark J. Wildermuth, PE
President



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

B. FY 06-07 ASSESSMENT PACKAGE





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: November 9, 2006
November 15, 2006
November 16, 2006

TO: Committee Members
Watermaster Board Members

SUBJECT: FY 2006-2007 Assessment Package

SUMMARY

Issue – FY 2006-2007 Assessment Package

Recommendation – Staff recommends approval:

- Of the assessments and adoption of the resolution levying the assessments as presented.
- Of a reduction in the 2006/2007 adopted budget by \$565,000 as referenced in this report.
- To renegotiate the cost sharing agreement with Inland Empire Utilities Agency regarding the DWR grant repayment terms as referenced in this report.

BACKGROUND

The members of the Overlying Non-Agricultural Pool and the Appropriative Pool were sent a copy of their Water Activity Report that summarized their water activity for the previous year – including production, land use conversions, transfers and assignments – and each party was asked to verify the data gathered and summarized by Watermaster. The Water Activity Reports were received and discrepancies in the reports addressed and resolved.

Watermaster held an Assessment Package Workshop on October 30, 2006. The purpose of the workshop was to review the current year cash requirements pursuant to the adopted budget and the resulting impact on assessments. Discussed at the workshop was a breakdown of how assessments are calculated, which include adding administrative and OBMP budgeted costs, a small reserve balance and offsetting that number with cash on hand at the end of the previous fiscal year to determine the “funds required to be assessed”. This number is divided by the previous year’s production to result in a per acre-foot assessment.

Discussed at the workshop was the fact that Watermaster presents its budget for approval each March/April yet the money to fund the budget is not received until six months into the year, following approval of the assessment package. In past years, this has not been an issue as each year was under-expended according to the adopted

budget. The previous year was under-expended as well, but the amount under-expended was substantially less than in previous years, resulting in less cash on hand to sustain operations during the first few months of the fiscal year. This reduction of cash on hand has necessitated Watermaster to review the amount of operating reserves assessed annually. Previously through the assessment process, Watermaster included a reserve balance of 33% of administrative costs and 15% of OBMP costs to its annual "funds required to be assessed".

If all budgeted funds were expensed, Watermaster would need to consider alternative funding options to sustain operations during the first few months of a new fiscal year. Other options would include shortening the timeframe following the end of the fiscal year and when assessments are invoiced to the parties.

Many variables exist in determining the rate of assessment for a given year, the amount budgeted for costs, the amount of cash on hand and the amount of assessable production. For the 2006/2007 fiscal year, budgeted costs increased approximately \$750,000 for both administrative and OBMP costs, which by itself would necessitate an increase in costs. The cash on hand used to offset the rate decreased substantially. Another factor contributing to an overall increase in rates was the fact that production has actually declined over the previous fiscal year. These variables combined with staffs recommendation to increase the reserves generated large increases in all assessment categories.

Following discussions at the workshop, some options to mitigate the increases have been considered and are incorporated into the presented assessment package.

- The reserve balances for both Administrative and OBMP expenses are both set at 30%.
- Following a review of the adopted budget, costs for OBMP expenses have been reduced by \$565,000
 - Account 7108, Hydraulic Control Monitoring Program will be reduced by \$215,000. Staff recommends that the drilling, installation, surveying and monitoring of these wells be delayed until FY 2007/2008.
 - Account 7202, Recharge will be reduced by \$350,000. As part of Program Element 2, Watermaster had proposed two optional tasks (i) Develop FORTRAN Program to estimate recharge using SCADA Data and (ii) Estimate recharge and load into DataX. The parties have decided not to implement these two optional tasks at this time. In addition, the engineering tasks relating to the Vulcan Pit have been completed – staff does not anticipate further engineering activity on this task for this fiscal year. Staff further recommends postponing portions of the Recharge Master Plan until FY 2007/2008.
- The terms of the debt repayment by Watermaster to IEUA will be paid at the rate of \$750,000 for three years with the balance owed to IEUA paid in full during the fourth year.

The financial impact of these recommendations result in a per acre-foot administrative assessment of \$6.19 and an OBMP assessment of \$34.26. The amount assessed for debt service will decrease from \$1,608,000 as presented at the workshop to \$1,358,000 which will be invoiced based on each parties share of OSY.



DRAFT

ASSESSMENT PACKAGE

FY 2006-2007

**CHINO BASIN WATERMASTER
ASSESSMENT CALCULATION
FISCAL YEAR 2006-2007
RESERVES @ 30/30%**

| | ASSESSMENT | APPROPRIATIVE POOL | | AGRICULTURAL POOL | | NON-AGRICULTURAL POOL | | |
|--|-----------------------|-----------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|----------------------------------|---------|
| | TOTALS (Acre-Feet) | Amount (Acre-Feet) | Ratios & Rates (\$/Acre-Feet) | Amount (Acre-Feet) | Ratios & Rates (\$/Acre-Feet) | Amount (Acre-Feet) | Ratios & Rates (\$/Acre-Feet) | |
| PRODUCTION BASIS | | | | | | | | |
| 2004-2005 Production & Exchanges in Acre-Feet | 164,588.252 | 127,810.967 | 77.655% | 34,450.449 | 20.931% | 2,326.836 | 1.414% | |
| 2005-2006 Production & Exchanges in Acre-Feet | 162,291.124 | 124,900.575 | 76.961% | 33,899.960 | 20.888% | 3,490.589 | 2.151% | |
| BUDGET | | | | | | | | |
| | | General | | General | | General | | |
| | | Administration | OBMP | Administration | OBMP | Administration | OBMP | |
| Administration, Advisory Committee & Watermaster Board (1) | \$772,341 | \$594,400 | | \$161,329 | | \$16,612 | | |
| OBMP & Special Projects | 5,592,064 | | \$4,303,698 | | \$1,168,091 | | \$120,275 | |
| Expenses funded by General Admin & OBMP Assessments | 6,364,405 | 594,400 | 4,303,698 | 161,329 | 1,168,091 | 16,612 | 120,275 | |
| TOTAL BUDGET | 6,364,405 | 594,400 | 4,303,698 | 161,329 | 1,168,091 | 16,612 | 120,275 | |
| Contributions from Outside Agencies | (138,000) | | (106,206) | | (28,826) | | (2,968) | |
| CASH DEMAND for FY 2006/2007 | 6,226,405 | 594,400 | 4,197,492 | 161,329 | 1,139,265 | 16,612 | 117,307 | |
| OPERATING RESERVE | | | | | | | | |
| Administrative | 30% | \$231,702 | \$178,320 | | \$48,399 | | \$4,983 | |
| OBMP | 30% | 1,677,619 | | \$1,291,109 | | \$350,427 | \$36,083 | |
| Replenishment | 0% | 0 | | 0 | | 0 | 0 | |
| Less: Funds On Hand Utilized for Assessments (2) | (1,571,249) | | (1,209,246) | | (328,208) | | (33,795) | |
| FUNDS REQUIRED TO BE ASSESSED | \$6,564,477 | \$772,720 | \$4,279,355 | \$209,728 | \$1,161,484 | \$21,595 | \$119,595 | |
| 2006-07 Proposed Assessments | | | | | | | | |
| General Administration Assessments | | Per Acre-Foot | \$6.19 | \$34.26 | \$6.19 | \$34.26 | \$6.19 | \$34.26 |
| Minimum Assessments | | Per Producer | \$5.00 | | | \$5.00 | | |
| Prior Year Assessments (For Information Only) | | Per Acre-Foot | \$5.92 | \$22.02 | \$5.92 | \$22.02 | \$5.92 | \$22.02 |

(1) Total costs are allocated to Pools by actual production percentages. Does not include Recharge Debt Payment or Replenishment water purchases.
 (2) Cash on Hand is June 30 fund balances less funds required for carryover replenishment obligations, SB 22 funds, Education funds, & Agricultural Pool Reserves.



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 3 Water Production Summary

DRAFT

| | Percent of Safe Operating Yield | Assigned Share of Operating Safe Yield | Carryover Beginning Balance | Prior Year Adjustments | 2% Carryover Storage Loss | Net Ag Pool Reallocation | Water Transaction Activity | New Yield | Annual Production Right | Actual Fiscal Year Production | Storage and Recovery Program(s) | Total Production and Exchanges | Net Over-Production | | Under Production Balances | | |
|-------------------------------------|---------------------------------|--|-----------------------------|------------------------|---------------------------|--------------------------|----------------------------|------------|-------------------------|-------------------------------|---------------------------------|--------------------------------|---------------------|------------|---------------------------|--------------------------------|-----------------------------|
| | | | | | | | | | | | | | 85/15% | 100% | Total Under-Produced | Carryover: Next Year Begin Bal | To Excess Carryover Account |
| Arrowhead Mtn Spring Water Co | 0.00% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 259.794 | 0.000 | 259.794 | 0.000 | 259.794 | 0.000 | 0.000 | 0.000 |
| Chino Hills, City Of | 3.85% | 2,111.422 | 1,994.699 | 0.000 | (39.893) | 2,086.031 | 110.500 | 462.120 | 6,724.879 | 458.263 | 3,550.000 | 4,008.263 | 0.000 | 0.000 | 2,716.616 | 2,111.422 | 605.194 |
| Chino, City Of | 7.36% | 4,033.857 | 4,033.857 | 0.000 | (80.677) | 7,982.063 | (5,227.600) | 882.839 | 11,624.339 | 3,261.913 | 1,500.000 | 4,761.913 | 0.000 | 0.000 | 6,862.425 | 4,033.857 | 2,828.568 |
| Cucamonga Valley Water District | 6.60% | 3,619.454 | 3,619.454 | 0.000 | (72.389) | 2,481.622 | 19,740.104 | 792.120 | 30,180.364 | 14,458.036 | 0.000 | 14,458.036 | 0.000 | 0.000 | 15,722.328 | 3,619.454 | 12,102.874 |
| Desalter Authority | 0.00% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 16,541.611 | 0.000 | 16,541.611 | 0.000 | 16,541.611 | 0.000 | 0.000 | 0.000 |
| Fontana Union Water Company | 11.66% | 6,391.736 | 0.000 | 0.000 | 0.000 | 3,325.728 | (11,116.304) | 1,398.840 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Fontana Water Company | 0.00% | 1.000 | 0.000 | 0.000 | 0.000 | 834.571 | 9,508.623 | 0.240 | 10,344.433 | 15,137.240 | 0.000 | 15,137.240 | 4,792.806 | 0.000 | 0.000 | 0.000 | 0.000 |
| Golden State Water Company | 0.75% | 411.476 | 411.476 | 0.000 | (8.229) | 213.974 | 0.000 | 90.000 | 1,118.697 | 438.343 | 0.000 | 438.343 | 0.000 | 0.000 | 680.354 | 411.476 | 268.878 |
| Inland Empire Utilities Agency | 0.00% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.675 | 0.000 | 0.675 | 0.675 | 0.000 | 0.000 | 0.000 | 0.000 |
| Jurupa Community Services District | 3.76% | 2,061.118 | 0.000 | 0.000 | 0.000 | 11,941.834 | 2,000.000 | 451.080 | 16,454.032 | 17,093.124 | 0.000 | 17,093.124 | 639.091 | 0.000 | 0.000 | 0.000 | 0.000 |
| Los Serranos Country Club | 0.00% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Marygold Mutual Water Company | 1.20% | 655.317 | 655.317 | 0.000 | (13.106) | 340.932 | 0.000 | 143.400 | 1,781.860 | 136.390 | 0.000 | 136.390 | 0.000 | 0.000 | 1,645.469 | 655.317 | 990.152 |
| Metropolitan Water District | 0.00% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.000 | 0.000 | 1.000 | 0.000 | 1.000 | 0.000 | 0.000 | 0.000 |
| Monte Vista Irrigation Company | 1.23% | 676.759 | 232.195 | 0.000 | (4.643) | 352.059 | (1,050.000) | 148.080 | 354.449 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 354.449 | 354.449 | 0.000 |
| Monte Vista Water District | 8.80% | 4,823.954 | 0.000 | 0.000 | 0.000 | 2,564.849 | 6,104.600 | 1,055.640 | 14,549.042 | 8,337.713 | 8,500.000 | 16,837.713 | 2,288.671 | 0.000 | 0.000 | 0.000 | 0.000 |
| Niagara Water Company | 0.00% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 762.584 | 0.000 | 762.584 | 0.000 | 762.584 | 0.000 | 0.000 | 0.000 |
| Nicholson Trust | 0.01% | 4.000 | 4.000 | 0.000 | (0.080) | 1.997 | (8.623) | 0.840 | 2.134 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.134 | 2.134 | 0.000 |
| Norco, City Of | 0.37% | 201.545 | 201.545 | 0.000 | (4.030) | 104.990 | 0.000 | 44.160 | 548.209 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 548.209 | 201.545 | 346.664 |
| Ontario, City Of | 20.74% | 11,373.816 | 65.706 | 0.000 | (1.314) | 7,060.525 | 16,499.100 | 2,489.040 | 37,486.873 | 28,419.444 | 1,208.000 | 29,627.444 | 0.000 | 0.000 | 7,859.429 | 7,859.429 | 0.000 |
| Pomona, City Of | 20.45% | 11,215.852 | 3,338.032 | 0.000 | (66.760) | 5,835.502 | (2,500.000) | 2,454.480 | 20,277.106 | 9,826.408 | 4,083.820 | 13,910.228 | 0.000 | 0.000 | 6,366.878 | 6,366.878 | 0.000 |
| San Antonio Water Company | 2.75% | 1,506.888 | 1,506.888 | 0.000 | (30.137) | 784.001 | 0.000 | 329.760 | 4,097.400 | 1,837.317 | 0.000 | 1,837.317 | 0.000 | 0.000 | 2,260.083 | 1,506.888 | 753.195 |
| San Bernardino County Shtg Prk | 0.00% | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 12.640 | 0.000 | 12.640 | 12.640 | 0.000 | 0.000 | 0.000 | 0.000 |
| Santa Ana River Water Company | 2.37% | 1,301.374 | 781.166 | 0.000 | (15.623) | 677.014 | (2,000.000) | 284.760 | 1,028.691 | 415.129 | 0.000 | 415.129 | 0.000 | 0.000 | 613.562 | 613.562 | 0.000 |
| Upland, City Of | 5.20% | 2,852.401 | 2,852.401 | 0.000 | (57.048) | 1,484.124 | 14,549.000 | 624.240 | 22,305.118 | 2,201.744 | 3,001.000 | 5,202.744 | 0.000 | 0.000 | 17,102.374 | 2,852.401 | 14,249.973 |
| West End Consolidated Water Company | 1.73% | 947.714 | 947.714 | 0.000 | (18.954) | 492.996 | 0.000 | 207.360 | 2,576.830 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2,576.830 | 947.714 | 1,629.116 |
| West Valley Water District | 1.18% | 644.317 | 644.317 | 0.000 | (12.886) | 335.226 | 0.000 | 141.000 | 1,751.974 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1,751.974 | 644.317 | 1,107.657 |
| | 100% | 54,834.000 | 21,288.767 | 0.000 | (425.769) | 48,900.039 | 46,609.400 | 11,999.999 | 183,206.430 | 119,599.366 | 21,842.820 | 141,442.186 | 7,733.883 | 17,564.989 | 67,063.114 | 32,180.843 | 34,882.271 |
| Less Desalter Production | | | | | | | | | | | | 16,541.611 | | | | | |
| Total Assessable Production | | | | | | | | | | | | 124,900.575 | | | | | |
| | 1A | 1B | 1C | 1D | 1E | 1F | 1G | 1H | 1I | 1J | 1K | 1L | 1M | 1N | 1O | 1P | 1Q |



Assessment Year 2006-2007 (Production Year 2005-2006)

DRAFT

Pool 3 Storage Account Transactions

| | Storage and Recovery Program(s) | | | | Excess Carry Over Account (ECO) | | | | | | Local Supplemental Storage Account | | | | | Combined | |
|-------------------------------------|---------------------------------|---------------------------|-------------------|----------------|---------------------------------|---------------------------|---------------------|---------------------------------|-----------------------|----------------|------------------------------------|---------------------------|--------------------|--------------------------------|------------------------------|----------------|----------------------------------|
| | Carryover Beginning Balance | 2% Carryover Storage Loss | Storage Exchanges | Ending Balance | Carryover Beginning Balance | 2% Carryover Storage Loss | Transfers to / from | From Local Supplemental Storage | From Under Production | Ending Balance | Carryover Beginning Balance | 2% Carryover Storage Loss | Tranfers to / from | MZI 6,500 Eligible for Storage | Transfer to Excess Carryover | Ending Balance | Combined Storage Account Balance |
| Arrowhead Mtn Spring Water Co | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Chino Hills, City Of | 0.000 | 0.000 | 0.000 | 0.000 | 784.764 | (15.695) | (5,000.000) | 3,665.630 | 605.194 | 39.893 | 8,395.070 | (167.901) | 0.000 | 59.860 | (3,665.630) | 4,621.399 | 4,661.292 |
| Chino, City Of | 0.000 | 0.000 | 0.000 | 0.000 | 6,122.281 | (122.445) | 0.000 | 0.000 | 2,828.568 | 8,828.404 | 3,583.108 | (71.662) | 0.000 | 114.357 | 0.000 | 3,625.803 | 12,454.207 |
| Cucamonga Valley Water District | 0.000 | 0.000 | 0.000 | 0.000 | 5,212.539 | (104.250) | (2,500.000) | 0.000 | 12,102.874 | 14,711.163 | 13,804.149 | (276.082) | 0.000 | 102.606 | 0.000 | 13,630.673 | 28,341.836 |
| Desalter Authority | 0.000 | 0.000 | 0.000 | 0.000 | 12,448.973 | (248.979) | (11,579.128) | 0.000 | 0.000 | 620.866 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 620.866 |
| Fontana Union Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2,091.803 | (41.836) | 0.000 | 181.196 | 0.000 | 2,231.164 | 2,231.164 |
| Fontana Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.031 | 0.031 |
| Golden State Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 595.377 | (11.907) | 0.000 | 0.000 | 268.878 | 852.348 | 1,784.584 | (35.691) | 0.000 | 11.658 | 0.000 | 1,760.551 | 2,612.899 |
| Inland Empire Utilities Agency | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Jurupa Community Services District | 0.000 | 0.000 | 0.000 | 0.000 | 5,847.112 | (116.942) | 0.000 | 0.000 | 0.000 | 5,730.170 | 1,163.208 | (23.264) | 0.000 | 58.430 | 0.000 | 1,198.374 | 6,928.544 |
| Los Serranos Country Club | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Marygold Mutual Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 2,528.587 | (50.571) | 0.000 | 0.000 | 990.152 | 3,468.168 | 2,266.309 | (45.326) | 0.000 | 18.575 | 0.000 | 2,239.558 | 5,707.726 |
| Metropolitan Water District | 29,721.492 | (594.429) | 21,842.820 | 50,969.883 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 50,969.883 |
| Monte Vista Irrigation Company | 0.000 | 0.000 | 0.000 | 0.000 | 220.810 | (4.416) | 0.000 | 0.000 | 0.000 | 216.394 | 7,397.170 | (147.943) | 0.000 | 19.181 | 0.000 | 7,268.408 | 7,484.802 |
| Monte Vista Water District | 0.000 | 0.000 | 0.000 | 0.000 | 1,300.000 | (26.000) | 0.000 | 0.000 | 0.000 | 1,274.000 | 6,689.557 | (133.791) | 0.000 | 136.741 | 0.000 | 6,692.506 | 7,966.506 |
| Niagara Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Nicholson Trust | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.623 | (0.012) | 0.000 | 0.109 | 0.000 | 0.720 | 0.720 |
| Norco, City Of | 0.000 | 0.000 | 0.000 | 0.000 | 387.752 | (7.755) | 0.000 | 0.000 | 346.664 | 726.661 | 113.876 | (2.277) | 0.000 | 5.720 | 0.000 | 117.319 | 843.980 |
| Ontario, City Of | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 15,642.390 | (312.847) | 0.000 | 322.414 | 0.000 | 15,651.957 | 15,651.957 |
| Pomona, City Of | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 15,168.426 | (303.368) | 0.000 | 317.937 | 0.000 | 15,182.995 | 15,182.995 |
| San Antonio Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 11,598.448 | (231.968) | (5,000.000) | 0.000 | 753.195 | 7,119.675 | 850.358 | (17.007) | 0.000 | 42.715 | 0.000 | 876.066 | 7,995.741 |
| San Bernardino County Shtg Prk | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Santa Ana River Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 559.956 | (11.199) | 0.000 | 36.886 | 0.000 | 585.643 | 585.643 |
| Upland, City Of | 0.000 | 0.000 | 0.000 | 0.000 | 6,512.994 | (130.259) | (16,000.000) | 0.000 | 14,249.973 | 4,632.708 | 8,440.091 | (168.801) | 0.000 | 80.860 | 0.000 | 8,352.150 | 12,984.858 |
| West End Consolidated Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 18,071.764 | (361.435) | (14,425.000) | 0.000 | 1,629.116 | 4,914.445 | 534.723 | (10.694) | 0.000 | 26.860 | 0.000 | 550.889 | 5,465.334 |
| West Valley Water District | 0.000 | 0.000 | 0.000 | 0.000 | 4,448.975 | (88.979) | (2,500.000) | 0.000 | 1,107.657 | 2,967.653 | 363.599 | (7.271) | 0.000 | 18.264 | 0.000 | 374.592 | 3,342.245 |
| | 29,721.492 | (594.429) | 21,842.820 | 50,969.883 | 76,080.376 | (1,521.601) | (57,004.128) | 3,665.630 | 34,882.271 | 56,102.548 | 88,848.999 | (1,776.972) | 0.000 | 1,554.400 | (3,665.630) | 84,960.797 | 192,033.228 |
| | 2A | 2B | 2C | 2D | 2E | 2F | 2G | 2H | 2I | 2J | 2K | 2L | 2M | 2N | 2O | 2P | 2Q |



DRAFT

Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 3 Assessment Fee Summary

| | Appropriative Pool | | | Ag Pool SY Reallocation | | Replenishment Assessments | | | 85/15 Water Transaction Activity | | | ASSESSMENTS DUE | | | | | |
|-------------------------------------|--------------------|-----------------|-----------------|-------------------------|------------------------------|--------------------------------|----------------|-----------------|----------------------------------|----------------------|----------------------|-----------------|-------------------|------------------------|------------------------|-----------------------|--------------|
| | AF Production | \$6.19 AF/Admin | \$34.26 AF/OBMP | AF Total Reallocation | \$209,728.00 \$4.29 AF/Admin | \$1,161,484.00 \$23.75 AF/OBMP | \$37.65 AF/15% | \$213.35 AF/85% | \$251.00 AF/100% | 15% Producer Credits | 15% Pro-rated Debits | Pomona Credit | Previous Year Adj | Total Production Based | MZ1 Supplemental Water | Recharge Debt Payment | Total Due |
| Arrowhead Mtn Spring Water Co | 259,794 | 1,608.13 | 8,900.54 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 65,208.29 | 0.00 | 0.00 | 0.00 | 0.00 | 75,716.96 | 0.00 | 0.00 | 75,716.96 |
| Chino Hills, City Of | 4,008,263 | 24,811.15 | 137,323.08 | 2,086.031 | 8,946.80 | 49,547.84 | 10,626.63 | 0.00 | 0.00 | (160,650.00) | 40,718.95 | 2,567.35 | 0.00 | 113,891.79 | 0.00 | 52,296.58 | 166,188.37 |
| Chino, City Of | 4,761,913 | 29,476.24 | 163,143.14 | 7,982.063 | 34,234.37 | 189,591.65 | 12,624.69 | 0.00 | 0.00 | 0.00 | 48,375.10 | 4,904.69 | 0.00 | 482,349.89 | 0.00 | 99,908.06 | 582,257.95 |
| Cucamonga Valley Water District | 14,458,036 | 89,495.24 | 495,332.31 | 2,481.622 | 10,643.46 | 58,944.00 | 38,330.87 | 0.00 | 0.00 | (81,675.00) | 146,875.61 | 4,400.69 | 0.00 | 762,347.18 | 0.00 | 89,641.58 | 851,988.76 |
| Fontana Union Water Company | 0.000 | 5.00 | 0.00 | 3,325.728 | 14,263.76 | 78,993.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 7,771.37 | 0.00 | 101,033.53 | 0.00 | 158,302.06 | 259,335.59 |
| Fontana Water Company | 15,137,240 | 93,699.51 | 518,601.83 | 834.571 | 3,579.40 | 19,822.90 | 40,131.56 | 1,022,545.16 | 0.00 | (63,281.71) | 153,775.48 | 1.33 | 0.00 | 1,788,875.46 | 0.00 | 27.16 | 1,788,902.62 |
| Golden State Water Company | 438,343 | 2,713.34 | 15,017.61 | 213.974 | 917.72 | 5,082.36 | 1,162.13 | 0.00 | 0.00 | 0.00 | 4,453.01 | 500.00 | 0.00 | 29,846.17 | 0.00 | 10,185.00 | 40,031.17 |
| Inland Empire Utilities Agency | 0.675 | 5.00 | 23.13 | 0.000 | 0.00 | 0.00 | 1.79 | 144.01 | 0.00 | 0.00 | 6.86 | 0.00 | 0.00 | 180.78 | 0.00 | 0.00 | 180.78 |
| Jurupa Community Services District | 17,093,124 | 105,806.44 | 585,610.42 | 11,941.834 | 51,217.48 | 283,644.96 | 45,316.96 | 136,350.28 | 0.00 | 0.00 | 173,644.82 | 2,506.01 | 0.00 | 1,384,097.38 | 0.00 | 51,047.22 | 1,435,144.60 |
| Los Serranos Country Club | 0.000 | 5.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5.00 | 0.00 | 0.00 | 5.00 |
| Marygold Mutual Water Company | 136,390 | 844.25 | 4,672.72 | 340.932 | 1,462.23 | 8,097.89 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 796.67 | 0.00 | 15,873.76 | 0.00 | 16,228.10 | 32,101.86 |
| Metropolitan Water District | 1,000 | 6.19 | 34.26 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 251.00 | 0.00 | 0.00 | 0.00 | 0.00 | 291.45 | 0.00 | 0.00 | 291.45 |
| Monte Vista Irrigation Company | 0.000 | 5.00 | 0.00 | 352.059 | 1,509.95 | 8,362.17 | 0.00 | 0.00 | 0.00 | (37,485.00) | 0.00 | 822.67 | 0.00 | (26,785.21) | 0.00 | 16,757.72 | (10,027.49) |
| Monte Vista Water District | 16,837,713 | 104,225.45 | 576,860.06 | 2,564.849 | 11,000.41 | 60,920.83 | 44,639.82 | 488,287.96 | 0.00 | 0.00 | 171,050.17 | 5,864.70 | 0.00 | 1,462,849.39 | 0.00 | 119,463.26 | 1,582,312.65 |
| Niagara Water Company | 762,584 | 4,720.40 | 26,126.13 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | 191,408.58 | 0.00 | 0.00 | 0.00 | 0.00 | 222,255.11 | 0.00 | 0.00 | 222,255.11 |
| Nicholson Trust | 0.000 | 5.00 | 0.00 | 1.997 | 8.57 | 47.44 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4.67 | 0.00 | 65.67 | 0.00 | 95.06 | 160.73 |
| Norco, City Of | 0.000 | 5.00 | 0.00 | 104.990 | 450.29 | 2,493.74 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 245.33 | 0.00 | 3,194.37 | 0.00 | 4,997.44 | 8,191.81 |
| Ontario, City Of | 29,627,444 | 183,393.88 | 1,015,036.21 | 7,060.525 | 30,281.98 | 167,703.08 | 78,547.71 | 0.00 | 0.00 | 0.00 | 300,977.88 | 13,828.07 | 0.00 | 1,789,768.80 | 0.00 | 281,676.36 | 2,071,445.16 |
| Pomona, City Of | 13,910,228 | 86,104.31 | 476,564.40 | 5,835.502 | 25,027.96 | 138,606.07 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (53,030.93) | 0.00 | 673,271.81 | 0.00 | 277,765.32 | 951,037.13 |
| San Antonio Water Company | 1,837,317 | 11,372.99 | 62,946.48 | 784.001 | 3,362.51 | 18,621.76 | 4,871.06 | 0.00 | 0.00 | (168,750.00) | 18,664.85 | 1,832.01 | 0.00 | (47,078.34) | 0.00 | 37,317.84 | (9,760.50) |
| San Bernardino County Shtg Prk | 12,640 | 78.24 | 433.06 | 0.000 | 0.00 | 0.00 | 33.51 | 2,696.74 | 0.00 | 0.00 | 128.41 | 0.00 | 0.00 | 3,369.98 | 0.00 | 0.00 | 3,369.98 |
| Santa Ana River Water Company | 415,129 | 2,569.65 | 14,222.30 | 677.014 | 2,903.65 | 16,080.58 | 1,100.58 | 0.00 | 0.00 | (69,900.00) | 4,217.19 | 1,582.01 | 0.00 | (27,224.04) | 0.00 | 32,225.34 | 5,001.30 |
| Upland, City Of | 5,202,744 | 32,204.98 | 178,246.00 | 1,484.124 | 6,365.28 | 35,251.24 | 13,793.41 | 0.00 | 0.00 | (534,000.00) | 52,853.39 | 3,468.02 | 0.00 | (211,817.68) | 0.00 | 70,643.16 | (141,174.52) |
| West End Consolidated Water Company | 0.000 | 5.00 | 0.00 | 492.996 | 2,114.42 | 11,709.75 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,152.01 | 0.00 | 14,981.18 | 0.00 | 23,466.24 | 38,447.42 |
| West Valley Water District | 0.000 | 5.00 | 0.00 | 335.226 | 1,437.76 | 7,962.36 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 783.34 | 0.00 | 10,188.45 | 0.00 | 15,956.50 | 26,144.95 |
| | 124,900.575 | 773,170.38 | 4,279,093.70 | 48,900.039 | 209,728.00 | 1,161,484.00 | 291,180.73 | 1,650,024.15 | 256,867.88 | (1,115,741.71) | 1,115,741.71 | 0.00 | 0.00 | 8,621,548.85 | 0.00 | 1,358,000.00 | 9,979,548.85 |
| | 3A | 3B | 3C | 3D | 3E | 3F | 3G | 3H | 3I | 3J | 3K | 3L | 3M | 3N | 3O | 3P | 3Q |



Assessment Year 2006-2007 (Production Year 2005-2006)

DRAFT

Watermaster Replenishment Calculation

Cost of Replenishment Water per acre foot:

| | |
|---|-----------------|
| MWD Replenishment Rate | \$238.00 |
| Projected Spreading - IEUA Surcharge | \$9.00 |
| Projected Spreading - OCWD Connection Fee | \$2.00 |
| Projected Spreading - Watermaster Maintenance | \$2.00 |
| Total Replenishment Cost per acre foot | \$251.00 |

Replenishment Obligation:

| | AF | @ \$251.00 |
|------------------------|-----------------|-----------------------|
| Appropriative - 100 | 1,023.38 | \$256,867.88 |
| Appropriative - 15/85 | 7,733.88 | \$1,941,204.63 |
| Non-Agricultural - 100 | 584.19 | \$146,631.69 |
| | 9,341.45 | \$2,344,704.20 |

| Company | AF Production and Exchanges | 85/15 Producers | Fee Assessment |
|--------------------------------|-----------------------------|-------------------|------------------------|
| Arrowhead Mtn Spring Water | 259.79 | | - |
| Chino Hills, City Of | 4,008.26 | 4,008.26 | \$10,626.63 |
| Chino, City Of | 4,761.91 | 4,761.91 | \$12,624.69 |
| Cucamonga Valley Water Dist | 14,458.04 | 14,458.04 | \$38,330.87 |
| Desalter Authority | 16,541.61 | | - |
| Fontana Water Company | 15,137.24 | 15,137.24 | \$40,131.56 |
| Golden State Water Company | 438.34 | 438.34 | \$1,162.13 |
| Inland Empire Utilities Agency | 0.68 | 0.68 | \$1.79 |
| Jurupa Community Services D | 17,093.12 | 17,093.12 | \$45,316.96 |
| Marygold Mutual Water Comp | 136.39 | | - |
| Metropolitan Water District | 1.00 | | - |
| Monte Vista Irrigation Compan | 0.00 | 0.00 | - |
| Monte Vista Water District | 16,837.71 | 16,837.71 | \$44,639.82 |
| Niagara Water Company | 762.58 | | - |
| Norco, City Of | 0.00 | 0.00 | - |
| Ontario, City Of | 29,627.44 | 29,627.44 | \$78,547.71 |
| Pomona, City Of | 13,910.23 | | - |
| San Antonio Water Company | 1,837.32 | 1,837.32 | \$4,871.06 |
| San Bernardino County Shtg | 12.64 | 12.64 | \$33.51 |
| Santa Ana River Water Comp | 415.13 | 415.13 | \$1,100.58 |
| Upland, City Of | 5,202.74 | 5,202.74 | \$13,793.41 |
| West End Consolidated Water | 0.00 | 0.00 | - |
| West Valley Water District | 0.00 | 0.00 | - |
| | 141,442.19 | 109,830.58 | ** \$291,180.73 |

** Fee assessment total is 15% of Appropriate 15/85 replenishment obligation



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 3 Water Transactions

| Water Transactions | | | | | |
|-------------------------------------|-----------------|------------------|---------------------------|--------------------------|--------------------------|
| | Assigned Rights | General Transfer | Transfer from ECO Account | Recharged Recycled Water | Total Water Transactions |
| Arrowhead Mtn Spring Water Co | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Chino Hills, City Of | 0.000 | (5,000.000) | 5,000.000 | 110.500 | 110.500 |
| Chino, City Of | 0.000 | (5,350.000) | 0.000 | 122.400 | (5,227.600) |
| Cucamonga Valley Water District | 11,116.304 | 5,850.000 | 2,500.000 | 273.800 | 19,740.104 |
| Desalter Authority | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Fontana Union Water Company | (11,116.304) | 0.000 | 0.000 | 0.000 | (11,116.304) |
| Fontana Water Company | 0.000 | 9,508.623 | 0.000 | 0.000 | 9,508.623 |
| Golden State Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Inland Empire Utilities Agency | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Jurupa Community Services District | 0.000 | 2,000.000 | 0.000 | 0.000 | 2,000.000 |
| Los Serranos Country Club | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Marygold Mutual Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Metropolitan Water District | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Monte Vista Irrigation Company | 0.000 | (1,050.000) | 0.000 | 0.000 | (1,050.000) |
| Monte Vista Water District | 0.000 | 6,050.000 | 0.000 | 54.600 | 6,104.600 |
| Niagara Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Nicholson Trust | 0.000 | (8.623) | 0.000 | 0.000 | (8.623) |
| Norco, City Of | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Ontario, City Of | 0.000 | 16,000.000 | 0.000 | 499.100 | 16,499.100 |
| Pomona, City Of | 0.000 | (2,500.000) | 0.000 | 0.000 | (2,500.000) |
| San Antonio Water Company | 0.000 | (5,000.000) | 5,000.000 | 0.000 | 0.000 |
| San Bernardino County Shtg Prk | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Santa Ana River Water Company | 0.000 | (2,000.000) | 0.000 | 0.000 | (2,000.000) |
| Upland, City Of | 0.000 | (1,575.000) | 16,000.000 | 124.000 | 14,549.000 |
| West End Consolidated Water Company | 0.000 | (14,425.000) | 14,425.000 | 0.000 | 0.000 |
| West Valley Water District | 0.000 | (2,500.000) | 2,500.000 | 0.000 | 0.000 |
| | 0.000 | 0.000 | 45,425.000 | 1,184.400 | 46,609.400 |
| | 4A | 4B | 4C | 4D | 4E |



Chino Basin Watermaster Assessment Breakdown 2006-2007 Water Transactions

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Assessment Year 2006-2007 (Production Year 2005-2006)

| To: | From: | Date of Submittal | Quantity | \$ / Acre Feet | Total \$ | 85% | 15% | WM Pays |
|------------------------------------|-------------------------------------|-------------------|------------|----------------|----------------|----------------|----------------|---|
| Cucamonga Valley Water District | Chino, City Of | 5/10/2006 | 5,350.000 | 220.00 | 1,177,000.00 | 0.00 | 0.00 | |
| | Pomona, City Of | 5/30/2006 | 2,500.000 | 226.90 | 567,250.00 | 0.00 | 0.00 | |
| | West Valley Water District | 1/10/2006 | 500.000 | 210.00 | 105,000.00 | 0.00 | 0.00 | |
| Fontana Water Company | Cucamonga Valley Water District | 5/11/2006 | 2,500.000 | 217.80 | 544,500.00 | 462,825.00 | 81,675.00 | Cucamonga Valley Water District |
| | Nicholson Trust | 4/14/2006 | 8.623 | 217.80 | 1,878.09 | 1,596.38 | 281.71 | Fontana Water Company |
| | San Antonio Water Company | 6/26/2006 | 5,000.000 | 225.00 | 1,125,000.00 | 956,250.00 | 168,750.00 | San Antonio Water Company |
| | West Valley Water District | 4/7/2006 | 2,000.000 | 210.00 | 420,000.00 | 357,000.00 | 63,000.00 | Fontana Water Company |
| Jurupa Community Services District | Santa Ana River Water Company | 6/30/2006 | 2,000.000 | 233.00 | 466,000.00 | 396,100.00 | 69,900.00 | Santa Ana River Water Company |
| Monte Vista Water District | Chino Hills, City Of | 10/18/2005 | 5,000.000 | 214.20 | 1,071,000.00 | 910,350.00 | 160,650.00 | Chino Hills, City Of |
| | Monte Vista Irrigation Company | 7/20/2005 | 1,050.000 | 238.00 | 249,900.00 | 212,415.00 | 37,485.00 | Monte Vista Irrigation Company |
| Ontario, City Of | Upland, City Of | 8/1/2005 | 16,000.000 | 222.50 | 3,560,000.00 | 3,026,000.00 | 534,000.00 | Upland, City Of |
| Pomona, City Of | Upland, City Of | 10/5/2005 | 0.000 | 0.00 | 0.00 | 0.00 | 0.00 | <i>This transaction was approved for 1,000 AF, but never occurred.</i> |
| Upland, City Of | West End Consolidated Water Company | 8/1/2005 | 14,425.000 | 49.00 | 706,825.00 | 0.00 | 0.00 | <i>The 85/15 Rule does not apply because the water was immediately re-sold.</i> |
| | | | | 56,333.623 | \$9,994,353.09 | \$6,322,536.38 | \$1,115,741.71 | |

Total Credits \$1,115,741.71



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 3 Agricultural Pool Reallocation Summary

| | Assigned Share of Operating Safe Yield (AF) | Reallocation of Agricultural Pool Safe Yield | | | | Net Ag Pool Reallocation |
|-------------------------------------|---|--|----------------------|---------------------------------|-------------------------------|--------------------------|
| | | 32,800 AF Early Transfer | Land Use Conversions | Potential for Reallocation (AF) | Difference: Potential vs. Net | |
| Arrowhead Mtn Spring Water Co | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Chino Hills, City Of | 2,111.422 | 1,263.128 | 987.346 | 2,250.473 | (164.442) | 2,086.031 |
| Chino, City Of | 4,033.857 | 2,413.096 | 5,883.120 | 8,296.216 | (314.153) | 7,982.063 |
| Cucamonga Valley Water District | 3,619.454 | 2,165.128 | 598.364 | 2,763.492 | (281.870) | 2,481.622 |
| Desalter Authority | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Fontana Union Water Company | 6,391.736 | 3,823.496 | 0.000 | 3,823.496 | (497.768) | 3,325.728 |
| Fontana Water Company | 1.000 | 0.656 | 834.000 | 834.656 | (0.085) | 834.571 |
| Golden State Water Company | 411.476 | 246.000 | 0.000 | 246.000 | (32.026) | 213.974 |
| Inland Empire Utilities Agency | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Jurupa Community Services District | 2,061.118 | 1,232.952 | 10,869.396 | 12,102.348 | (160.514) | 11,941.834 |
| Los Serranos Country Club | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Marygold Mutual Water Company | 655.317 | 391.960 | 0.000 | 391.960 | (51.028) | 340.932 |
| Metropolitan Water District | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Monte Vista Irrigation Company | 676.759 | 404.752 | 0.000 | 404.752 | (52.693) | 352.059 |
| Monte Vista Water District | 4,823.954 | 2,885.416 | 55.075 | 2,940.491 | (375.642) | 2,564.849 |
| Niagara Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Nicholson Trust | 4.000 | 2.296 | 0.000 | 2.296 | (0.299) | 1.997 |
| Norco, City Of | 201.545 | 120.704 | 0.000 | 120.704 | (15.714) | 104.990 |
| Ontario, City Of | 11,373.816 | 6,803.376 | 1,142.857 | 7,946.233 | (885.708) | 7,060.525 |
| Pomona, City Of | 11,215.852 | 6,708.912 | 0.000 | 6,708.912 | (873.410) | 5,835.502 |
| San Antonio Water Company | 1,506.888 | 901.344 | 0.000 | 901.344 | (117.343) | 784.001 |
| San Bernardino County Shtg Prk | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Santa Ana River Water Company | 1,301.374 | 778.344 | 0.000 | 778.344 | (101.330) | 677.014 |
| Upland, City Of | 2,852.401 | 1,706.256 | 0.000 | 1,706.256 | (222.132) | 1,484.124 |
| West End Consolidated Water Company | 947.714 | 566.784 | 0.000 | 566.784 | (73.788) | 492.996 |
| West Valley Water District | 644.317 | 385.400 | 0.000 | 385.400 | (50.174) | 335.226 |
| | 54,834.000 | 32,800.000 | 20,370.158 | 53,170.157 | (4,270.118) | 48,900.039 |

5A

5B

5C

5D

5E

5F



Chino Basin Watermaster Assessment Breakdown 2006-2007 Land Use Conversion Summary

Assessment Year 2006-2007 (Production Year 2005-2006)

AGRICULTURAL POOL SUMMARY IN ACRE FEET

| | |
|------------------------------------|-------------|
| Agricultural Pool Safe Yield | 82,800.00 |
| Agricultural Total Pool Production | (33,899.96) |
| Early Transfer | (32,800.00) |
| Total Land Use Conversions | (20,370.16) |
| Under(Over) Production: | (4,270.12) |

| | Prior Converted | Acres Converted @ 1.3 af/ac | | Total Prior to Peace Agrmt Converted AF | Acres Converted @ 2.0 af/ac | | Total Land Use Conversations Acre-Feet |
|--------------------------------|-----------------|-----------------------------|------------------|---|-----------------------------|-------------------|--|
| | | Acres | Acre Feet | | Acres | Acre Feet | |
| Chino Hills, City Of | 0.000 | 670.266 | 871.346 | 871.346 | 58.000 | 116.000 | 987.346 |
| Chino, City Of | 196.235 | 1,454.750 | 1,891.175 | 2,087.410 | 1,897.855 | 3,795.710 | 5,883.120 |
| Cucamonga Valley Water Distric | 0.000 | 460.280 | 598.364 | 598.364 | 0.000 | 0.000 | 598.364 |
| Fontana Water Company | 0.000 | 0.000 | 0.000 | 0.000 | 417.000 | 834.000 | 834.000 |
| Jurupa Community Services Dist | 0.000 | 2,756.920 | 3,583.996 | 3,583.996 | 3,642.700 | 7,285.400 | 10,869.396 |
| Monte Vista Water District | 0.000 | 28.150 | 36.595 | 36.595 | 9.240 | 18.480 | 55.075 |
| Ontario, City Of | 209.400 | 527.044 | 685.157 | 894.557 | 124.150 | 248.300 | 1,142.857 |
| | 405.635 | 5,897.410 | 7,666.600 | 8,072.200 | 6,148.945 | 12,297.890 | 20,370.158 |

Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|--|---|
| 1A | Percent of Safe Operating Yield | The Party's yearly percentage of operating safe yield as delineated in the judgment. |
| 1B | Assigned Share of Operating Safe Yield (AF) | The Party's yearly volume of operating safe yield as delineated in the judgment. |
| 1C | Carryover Beginning Balance | The beginning balance in each Annual Account. This number carries forward from the ending balance in the previous period Assessment Package. |
| 1D | Prior Year Adjustments | This number reflects the adjusted production rights from a previous Assessment Package, in the event that corrections are needed. |
| 1E | 2% Carryover Storage Loss | Carryover beginning balance [1C] <times> 0.02. |
| 1F | Net Ag Pool Reallocation | Reallocation of Ag Pool Safe Yield. Copied from [5F]. The calculations that lead to this are made on Page 5. |
| 1G | Water Transaction Activity | Water transactions. Copied from [4E]. The calculations that lead to this are made on Page 4. |
| 1H | New Yield | New yield <times> percent share of operating safe yield [1A]. |
| 1I | Annual Production Right | Current Year Production Rights. [1B] + [1C] + [1D] + [1E] + [1F] + [1G] + [1H]. |
| 1J | Actual Fiscal Year Production | Actual production from CBWM's production system (as verified by each party on their Water Activity Report). |
| 1K | Storage and Recovery Program(s) | Total exchanges for the period including MZ1 forbearance and DYY deliveries (as reported to CBWM by IEUA and TVMWD and as verified by each party on their Water Activity Report). |
| 1L | Total Production and Exchanges | Actual production [1J] <plus> Storage and Recovery exchanges [1K]. Includes a sub note subtracting Desalter production. |
| 1M | Net Over-Production—85/15% | For 85/15 rule participants: Production rights [1I] <minus> total production and exchanges [1L], equaling less than zero. |
| 1N | Net Over-Production—100% | For non-85/15 rule participants: Production rights [1I] <minus> total production and exchanges [1L], equaling less than zero. |
| 1O | Under Production Balances—Total Under-Produced | Production rights [1I] <minus> total production and exchanges [1L], equaling more than zero. |
| 1P | Under Production Balances—Carryover: Next Year Begin Bal | Either total under-produced [1O] or share of operating safe yield [1B], whichever is less. |
| 1Q | Under Production Balances—To Excess Carryover Account | Total under produced [1O] <minus> carryover to next year [1P]. |

Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|---|---|
| 2A | Storage and Recovery Program(s)—Carryover Beginning Balance | The beginning balance in each S&R partner's account. This number carries forward from the ending balance in the previous period Assessment Package. |
| 2B | Storage and Recovery Program(s)—2% Carryover Storage Loss | Carryover beginning balance [2A] \times 0.02. |
| 2C | Storage and Recovery Program(s)—Storage Exchanges | Total exchanges with each S&R partner for the period, including MZ1 forbearance and DYY deliveries. |
| 2D | Storage and Recovery Program(s)—Ending Balance | The current balance in each S&R partner's account. [2A] + [2B] + [2C]. |
| 2E | Excess Carryover Account (ECO)—Carryover Beginning Balance | The beginning balance in the ECO account. This carries forward from the ending balance in the previous period Assessment Package. |
| 2F | Excess Carryover Account (ECO)—2% Carryover Storage Loss | ECO beginning balance [2E] \times 0.02. |
| 2G | Excess Carryover Account (ECO)—Transfers to / from | Total of water transferred to the Annual Account. |
| 2H | Excess Carryover Account (ECO)—From Local Supplemental Storage | Total of water transfers from Local Supplemental Storage. |
| 2I | Excess Carryover Account (ECO)—From Under Production | Total of water transferred from the Annual Account due to under production. |
| 2J | Excess Carryover Account (ECO)—Ending Balance | The current balance in each ECO account. [2E] + [2F] + [2G] + [2H] + [2I]. |
| 2K | Local Supplemental Storage Account—Carryover Beginning Balance | The beginning balance in the Local Supplemental Storage account. This number carries forward from the ending balance in previous period Assessment Package. |
| 2L | Local Supplemental Storage Account—2% Carryover Storage Loss | Local Supplemental Storage account beginning balance [2K] \times 0.02. |
| 2M | Local Supplemental Storage Account—Transfers to / from | General transfers to the Local Supplemental Storage account. |
| 2N | Local Supplemental Storage Account—MZI 6,500 Eligible for Storage | Total MZI amount eligible for storage \times percent share of safe yield [1A]. |
| 2O | Local Supplemental Storage Account—Transfer to Excess Carryover | Local Supplemental Storage water transferred to the ECO account. |
| 2P | Local Supplemental Storage Account—Ending Balance | The current balance in each Local Supplemental Storage account. [2K] + [2L] + [2M] + [2N] + [2O]. |
| 2Q | Combined—Combined Storage Account Balance | The combined amount in all storage accounts [2J] + [2P]. |

Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|---|---|
| 3A | AF Production | Total production and exchanges, excluding Desalter production. Copied from [1L]. |
| 3B | Appropriative Pool—AF/Admin | Production [3A] <times> per acre foot Admin fee. |
| 3C | Appropriative Pool—AF/OBMP | Production [3A] <times> per acre foot OBMP fee. |
| 3D | Ag Pool SY Reallocation—AF Total Reallocation | Reallocation of Ag Pool Safe Yield. Copied from [1F] and [5F]. |
| 3E | Ag Pool SY Reallocation—AF/Admin | Party Ag Pool reallocation [3D] <divided by> Total Ag Pool Reallocation [3D Total] <times> total dollar amount needed for Ag Pool administration. |
| 3F | Ag Pool SY Reallocation—AF/OBMP | Party Ag Pool reallocation [3D] <divided by> Total Ag Pool Reallocation [3D Total] <times> total dollar amount needed for Ag Pool OBMP. |
| 3G | Replenishment Assessments—AF/15% | For parties participating in the 85/15 Rule: Percentage of total 85/15 participant production <times> required credit amount. |
| 3H | Replenishment Assessments—AF/85% Assessments | For parties participating in the 85/15 Rule: Total overproduced [1M] <times> 85% of the replenishment rate. |
| 3I | Replenishment Assessments—AF/100% | For parties not participating in the 85/15 Rule: Total overproduced [1M] <times> 100% of the replenishment rate. |
| 3J | 85/15 Water Transaction Activity—15% Producer Credits | For parties participating in the 85/15 Rule: Credit amount equals 15% of the cost of the water purchased. |
| 3K | 85/15 Water Transaction Activity—15% Pro-rated Debits | For parties participating in the 85/15 Rule: Percentage of total 85/15 participant production <times> required credit amount. |
| 3L | Pomona Credit | Debit amount to Pomona <times> -1 <times> percent share of operating safe yield [1A]. |
| 3M | Previous Year Adj | This number reflects the difference between the assessment amount reported in the last period Assessment Package and the adjusted assessment amount from a revised package, if necessary. |
| 3N | ASSESSMENTS DUE—Total Production Based | Total fees assessed based on party production. [3B] + [3C] + [3E] + [3F] + [3G] + [3H] + [3I] + [3J] + [3K] + [3L] + [3M]. |
| 3O | ASSESSMENTS DUE—MZ1 Supplemental Water | Total AF required to purchase <times> AF price <times> percent share of operating safe yield [1A]. |
| 3P | ASSESSMENTS DUE—Recharge Debt Payment | Total recharge debt payment <times> percent share of operating safe yield [1A]. |
| 3Q | ASSESSMENTS DUE—Total Due | Total production based assessments [3N] + MZ1 Supplemental Water [3O] + Recharge Debt Payment [3P]. |

Assessment Package References and Definitions

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|--|---|
| 4A | Water Transactions—Assigned Rights | Total of assignment transactions for this period. |
| 4B | Water Transactions—General Transfer | Total of water transfers between parties for this period. |
| 4C | Water Transactions—Transfer from ECO Account | Water transferred from ECO Account [2G], excluding Desalter transfer. |
| 4D | Water Transactions—Recharged Recycled Water | Recycled water recharged during the period, as allocated to IEUA parties based on EDUs. |
| 4E | Water Transactions—Total Water Transactions | Total water transactions. [4A]+ [4B] + [4C] + [4D]. |

| REPORT REFERENCE | NAME | DESCRIPTION |
|------------------|--|---|
| 5A | Assigned Share of Operating Safe Yield (AF) | The Party's yearly volume of operating safe yield as delineated in the judgment. Copied from [1B]. |
| 5B | Reallocation of Agricultural Pool Safe Yield—32,800 AF Early Transfer | The Party's percent share of operating safe yield [1A] multiplied by 32,800. |
| 5C | Reallocation of Agricultural Pool Safe Yield—Land Use Conversions | Total land use conversions claimed (as verified by each party on their Water Activity Report). |
| 5D | Reallocation of Agricultural Pool Safe Yield—Potential for Reallocation (AF) | Ag Pool early transfer [5B] <plus> land use conversions [5C]. |
| 5E | Reallocation of Agricultural Pool Safe Yield—Difference: Potential vs. Net | (Total Ag Pool Safe Yield <minus> total Ag Pool production <minus> Ag Pool early transfer [5A] <minus> land use conversions [5C]) <times> party's percent share of operating safe yield [1A]. |
| 5F | Reallocation of Agricultural Pool Safe Yield—Net Ag Pool Reallocation | Net Ag Pool reallocation to each party. [5D] + [5E]. |



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 2 Water Production Summary

| | Carryover Beginning Balance | Prior Year Adjustments | 2% Carryover Storage Loss | Assigned Share of Operating Safe Yield (AF) | Water Transaction Activity | Annual Production Right | Actual Fiscal Year Production | Net Over Production | Under Production Balances | | |
|------------------------------------|-----------------------------|------------------------|---------------------------|---|----------------------------|-------------------------|-------------------------------|---------------------|---------------------------|--------------------------------|--------------------------|
| | | | | | | | | | Total Under-Produced | Carryover: Next Year Begin Bal | To Local Storage Account |
| Ameron Inc | 97.858 | 0.000 | (1.957) | 97.858 | 0.000 | 193.759 | 0.000 | 0.000 | 193.759 | 97.858 | 95.901 |
| Angelica Textile Service | 0.000 | 0.000 | 0.000 | 18.789 | 0.000 | 18.789 | 27.759 | 8.970 | 0.000 | 0.000 | 0.000 |
| California Speedway | 1,000.000 | 0.000 | (20.000) | 1,000.000 | 0.000 | 1,980.000 | 506.377 | 0.000 | 1,473.622 | 1,000.000 | 473.622 |
| California Steel Industries Inc | 1,300.000 | 0.000 | (26.000) | 1,300.000 | 0.000 | 2,574.000 | 595.700 | 0.000 | 1,978.300 | 1,300.000 | 678.300 |
| CCG Ontario, Llc | 630.274 | 0.000 | (12.605) | 630.274 | 0.000 | 1,247.943 | 0.000 | 0.000 | 1,247.943 | 630.274 | 617.669 |
| General Electric Company | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 17.090 | 17.089 | 0.000 | 0.000 | 0.000 |
| Praxair Inc | 427.446 | 0.000 | (8.548) | 427.446 | 0.000 | 846.344 | 146.431 | 0.000 | 699.913 | 427.446 | 272.467 |
| Reliant Energy Etiwanda | 954.540 | 0.000 | (19.090) | 954.540 | 0.000 | 1,889.990 | 769.096 | 0.000 | 1,120.893 | 954.540 | 166.353 |
| San Bernardino Cty (Chino Airport) | 133.870 | 0.000 | (2.677) | 133.870 | 0.000 | 265.063 | 65.073 | 0.000 | 199.989 | 133.870 | 66.119 |
| Southern California Edison Company | 27.959 | 0.000 | (0.559) | 27.959 | 0.000 | 55.359 | 0.000 | 0.000 | 55.359 | 27.959 | 27.400 |
| Space Center Mira Loma Inc. | 0.000 | 0.000 | 0.000 | 104.121 | 0.000 | 104.121 | 662.252 | 558.131 | 0.000 | 0.000 | 0.000 |
| Sunkist Growers Inc | 1,873.402 | 0.000 | (37.468) | 1,873.402 | 0.000 | 3,709.336 | 435.929 | 0.000 | 3,273.406 | 1,873.402 | 1,400.004 |
| Swan Lake Mobile Home Park | 464.240 | 0.000 | (9.284) | 464.240 | 0.000 | 919.196 | 260.762 | 0.000 | 658.433 | 464.240 | 194.193 |
| Vulcan Materials Company | 317.844 | 0.000 | (6.356) | 317.844 | 0.000 | 629.332 | 4.119 | 0.000 | 625.213 | 317.844 | 307.369 |
| West Venture Development | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | 7,227.434 | 0.000 | (144.544) | 7,350.343 | 0.000 | 14,433.232 | 3,490.589 | 584.190 | 11,526.830 | 7,227.433 | 4,299.397 |



Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 2 Water / Storage Account Transactions

| | Local Storage Account | | | |
|------------------------------------|-----------------------------|---------------------------|----------------------------|-------------------|
| | Carryover Beginning Balance | 2% Carryover Storage Loss | Transfers to / from Annual | Ending Balance |
| Ameron Inc | 1,853.853 | (37.077) | 95.901 | 1,912.677 |
| Angelica Textile Service | 0.000 | 0.000 | 0.000 | 0.000 |
| California Speedway | 715.389 | (14.307) | 473.622 | 1,174.704 |
| California Steel Industries Inc | 2,600.000 | (52.000) | 678.300 | 3,226.300 |
| CCG Ontario, Llc | 8,223.414 | (164.468) | 617.669 | 8,676.615 |
| General Electric Company | 0.000 | 0.000 | 0.000 | 0.000 |
| Kaiser Ventures Inc | 0.000 | 0.000 | 0.000 | 0.000 |
| Loving Savior Of The Hills | 0.000 | 0.000 | 0.000 | 0.000 |
| Praxair Inc | 4,114.936 | (82.298) | 272.467 | 4,305.105 |
| Reliant Energy Etiwanda | 5,954.138 | (119.082) | 166.353 | 6,001.409 |
| San Bernardino Cty (Chino Airport) | 124.132 | (2.482) | 66.119 | 187.769 |
| Southern California Edison Company | 167.754 | (3.355) | 27.400 | 191.799 |
| Space Center Mira Loma Inc. | 93.379 | (1.867) | 0.000 | 91.512 |
| Sunkist Growers Inc | 11,362.358 | (227.247) | 1,400.004 | 12,535.115 |
| Swan Lake Mobile Home Park | 2,172.520 | (43.450) | 194.193 | 2,323.263 |
| Vulcan Materials Company | 8,506.323 | (170.126) | 307.369 | 8,643.566 |
| West Venture Development | 0.000 | 0.000 | 0.000 | 0.000 |
| | 45,888.196 | (917.759) | 4,299.397 | 49,269.834 |

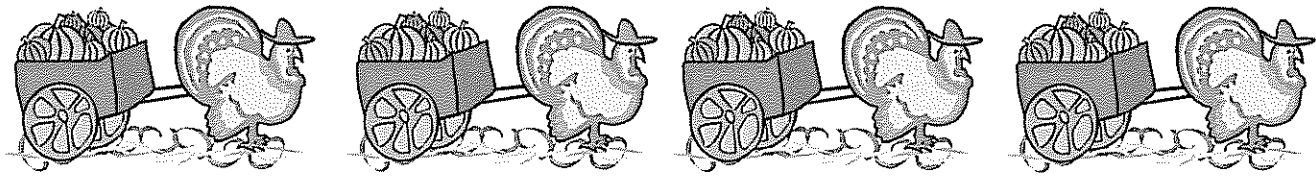


Assessment Year 2006-2007 (Production Year 2005-2006)

Pool 2 Assessment Fee Summary

| | AF Production | Non-Agricultural Pool | | Replenishment Assessments | | Previous Year Adj | Total Assessments Due |
|------------------------------------|------------------|---------------------------|---------------------------|-------------------------------|--------------------|----------------------|--------------------------|
| | | \$6.19 Per AF Admin | \$34.26 Per AF OBMP | AF Exceeding Safe Yield | \$251.00 Per AF | | |
| Ameron Inc | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 |
| Angelica Textile Service | 27.759 | 171.83 | 951.04 | 8.970 | 2,251.47 | 0.00 | 3,374.34 |
| California Speedway | 506.377 | 3,134.47 | 17,348.48 | 0.000 | 0.00 | 0.00 | 20,482.96 |
| California Steel Industries Inc | 595.700 | 3,687.38 | 20,408.68 | 0.000 | 0.00 | 0.00 | 24,096.07 |
| CCG Ontario, Llc | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 |
| General Electric Company | 17.090 | 105.79 | 585.50 | 17.089 | 4,289.59 | 0.00 | 4,980.87 |
| Kaiser Ventures Inc | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 |
| Loving Savior Of The Hills | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 |
| Praxair Inc | 146.431 | 906.41 | 5,016.73 | 0.000 | 0.00 | 0.00 | 5,923.13 |
| Reliant Energy Etiwanda | 769.096 | 4,760.71 | 26,349.24 | 0.000 | 0.00 | 0.00 | 31,109.94 |
| San Bernardino Cty (Chino Airport) | 65.073 | 402.80 | 2,229.42 | 0.000 | 0.00 | 0.00 | 2,632.22 |
| Southern California Edison Company | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 |
| Space Center Mira Loma Inc. | 662.252 | 4,099.34 | 22,688.76 | 558.131 | 140,090.88 | 0.00 | 166,878.98 |
| Sunkist Growers Inc | 435.929 | 2,698.40 | 14,934.93 | 0.000 | 0.00 | 0.00 | 17,633.33 |
| Swan Lake Mobile Home Park | 260.762 | 1,614.12 | 8,933.71 | 0.000 | 0.00 | 0.00 | 10,547.83 |
| Vulcan Materials Company | 4.119 | 25.49 | 141.10 | 0.000 | 0.00 | 0.00 | 166.59 |
| West Venture Development | 0.000 | 0.00 | 0.00 | 0.000 | 0.00 | 0.00 | 0.00 |
| | 3,490.589 | 21,606.74 | 119,587.57 | 584.190 | 146,631.94 | 0.00 | 287,826.26 |

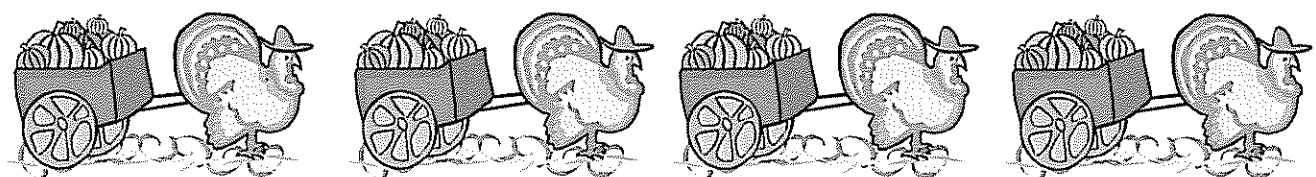
47



CHINO BASIN WATERMASTER

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HEALTH

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Colonies, county fail to settle 'Progress' cited; further talks scheduled for Nov. 1

By Jeff Horwitz, Staff Writer

Article Launched: 10/20/2006 12:00:00 AM PDT

ONTARIO - After more than eight hours of negotiations Thursday, San Bernardino County's Board of Supervisors and an Upland developer failed to settle a four-year, potentially \$100 million-plus flood-control lawsuit.

Although they came up short of a settlement in their first meeting since April, both county supervisors and the Colonies Partners LP claimed to have found common ground in a jointly approved note.

"We are pleased to report we made great progress today under the guiding hands of retired California Supreme Court Judge Edward Panelli," Panelli read after the day's mediation concluded. "We have scheduled additional talks Nov. 1 and hope to resolve this matter to the satisfaction of all parties at that time."

Neither the county supervisors who were present nor the Colonies Partners offered any further comment.

"Justice Panelli invoked the gag rule," said Jeff Burum, one of two managing co-partners for the Colonies.

But Supervisor Dennis Hansberger, who left the meeting shortly after 12:30 p.m. for another appointment, said earlier that there had been grounds for cautious optimism during the first half of the talks.

"I came into this worrying it would be a total waste of time," he said, describing the meetings

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as "more productive" than any in the past. But there is far more work to be done "before we put a capstone on this," he said.

During the negotiations, held at a professional mediation company's offices in Ontario, the two sides never bargained face to face. The county supervisors, along with county administrators and the county's legal team, remained in one room, the Colonies partners and their attorneys in another.

Justice Panelli, who has mediated between the two sides in the past, shuttled between the two rooms, making proposals on how to apportion responsibility - and liability - for flood control on the

Colonies' property.

Flood protections are the basis of the dispute, with the developer alleging that the county violated its property rights by building a massive outlet for floodwaters on its land - but not the 67-acre retention basin needed to contain a deluge. Consequently, the developer has said, the county owes it as much as \$300 million for the basin, the land it's built on, and lost revenue and construction delays caused by the dispute.




The case has been through three court trials with the most recent tentative decision, issued by county Superior Court Judge Christopher J. Warner, finding that the county acted in bad faith and had no right to any use of the Colonies' property.

In the wake of Warner's tentative ruling, supervisors Bill Postmus and Gary Ovitt called for a settlement, while Hansberger found fault with the ruling and suggested that the developers were owed little, if anything at all.

Following the last trial, the developer and the county swapped written settlement offers but rejected them. The developer proposed \$150 million, a sum it said was half-price, while the county offered \$77 million.

A prior round of talks on Sept. 11 was called off at the last minute with the county stating that top officials were sick.

Jeff Horwitz can be reached by e-mail at jhorwitz@sbsun.com or at (909) 386-3856.

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EDITORIAL: STATE BONDS**Transportation bonds necessary, rest unaffordable*****OUR VIEW: Faced with tough spending choices, voters will have to narrow it down to best one****Article Launched: 10/19/2006 12:00:00 AM PDT*

A couple of years ago, we advised voters to turn down every bond measure on the ballot, because state government was already in hock up to its eyeballs and was running a large structural deficit in its operating budget.

Now that the state's economy and tax revenues have improved, large debt remains, but at least the structural deficit has been reduced significantly under Gov. Arnold Schwarzenegger.

The Nov. 7 ballot is chock-full of bond measures agreed on by the governor and Legislature to attend to the state's badly neglected infrastructure. The state can afford to take on some additional debt now, but certainly not all of the \$42.7 billion in general obligation bonds appearing on the ballot - even though each individual bond proposition aims to address a very real need.

Accordingly, we advise a yes vote on only one of five bond measures: Proposition 1B, which would authorize the state to sell \$19.9 billion in bonds to finance spending on highway safety, traffic reduction, port security and air quality.

This is the biggest of the five bond measures and the area most crucial to the long-term economic vitality of the Golden State.

Anyone who has driven California's urban and suburban

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freeways and streets knows the roads have not kept up with the state's population and automotive growth. Traffic congestion threatens to bring the most vital parts of the state to a standstill, if our transportation system is not updated.

A huge part of Southern California's economy is goods movement, involving foreign products that are unloaded at the twin ports of Los Angeles and Long Beach, and then trucked or trained through the Inland Empire. To keep things humming without trashing our quality of life, issues of truck traffic, grade separations for rails, air pollution and port security must be addressed - and Proposition 1B would help in those crucial regards.



And yet, that \$19.9 billion would be just enough to get our transportation system up to where it should be right now - not even taking future growth into account. But if we don't make this investment now, we'll fall hopelessly behind, threatening our economy and lifestyles.

We suggest voting no on the other four bond measures:

- **Proposition 1C:** \$2.85 billion for housing and development programs. These expenditures should come from the operating budget, not bonded indebtedness.
- **Proposition 1D:** \$10.4 billion for kindergarten through university education facilities. We like aspects of this measure, like building facilities for vocational training at community colleges, and don't like other parts, like financing over 30 years school buses that will not last nearly that long.
- **Proposition 1E:** \$4.1 billion for flood-control projects, primarily repair of levees in Northern California. The state would be better off to spend this money building a "peripheral canal," which would safeguard our water supply from possible damage to the Sacramento-San Joaquin Delta because of levee failure.
- **Proposition 84:** \$5.4 billion for a variety of water- and resource-related projects. There are some good projects here, but only \$380 million would go toward safe drinking water. We just can't afford this now.

Why can't we take on all of this debt? Because our annual debt-service costs on previously approved bonds will reach \$8.4 billion in 2009-10 - more than twice what we spend on the University of California system. If voters pass all of the current measures, \$2 billion annually will be added to that figure, and debt-service would reach 6 percent of annual revenues - making it difficult to borrow for anything else, even emergencies.

Vote yes on Proposition 1B, no on the rest.

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SPORTS

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OPINIONS

ENTERTAINMENT

HEALTH

TRAVEL

INFO

Proposal aims to clean up perchlorate

Jason Pesick, Staff Writer

Article Launched: 10/18/2006 12:00:00 AM PDT

A draft of a proposed order from the Santa Ana Regional Water Quality Control Board would force three corporations to clean up drinking water contamination in Rialto and Colton.

The report, scheduled for release today by the staff of the board, would force Goodrich Corp., Pyro Spectaculars Inc. and Black & Decker Inc. to take action to clean up contamination of perchlorate and trichloroethylene, both of which can be harmful to people.

"This is what we have asked for," Rialto City Attorney Bob Owen said.

He said he is pleased with the proposed order because it would require the corporations to assess the extent of the contamination, design a system to clean the contamination and provide replacement water in the meantime.

The order would also require the corporations to reimburse Rialto, Colton and the West Valley Water District for costs incurred because of the contamination.

After complaints from Black & Decker that the regional board is biased, the board delegated its authority to issue cleanup orders to Walt Pettit, a retired state water official.

He will hold hearings on the perchlorate contamination and decide whether to issue the proposed order, a modified order or

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follow a different course of action.

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SPORTS

BUSINESS

OPINIONS

ENTERTAINMENT

HEALTH

TRAVEL

INFO

Water fees prod action from farmers

Robin Hindery, Associated Press

Article Launched: 10/18/2006 12:00:00 AM PDT

CHICO -- In a state where water disputes often have played out like old Sunday morning Westerns, Kevin Taylor is one of those who tries to keep the peace.

Taylor, a government "water cop," enforces court-decreed water rights under the state watermaster program.

But his job and the program itself may be in for big changes as farmers and ranchers faced with the prospect of soaring water-use fees fight to wrest control from the state and put it in the hands of individual counties.

"I'm not against people looking to save money, but I'm not sure if they realize how complicated this can be," said Taylor, a watermaster in Northern California. "When you regulate water, you are taking food off a man's table and clothes off his kids' backs."

The effort is a response to one of several recent attempts by the state Department of Water Resources to create revenue through consumer-financed programs.

Agency officials said public investment is necessary to secure the future of California's water supply. But those who object to the fees said they are the government's way of trying to fund their own projects without dipping into the state budget.

Amid escalating disputes over water rights,

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California in 1924 established the watermaster program, overseen by the Department of Water Resources. The program affects about 1,600 owners of water rights in Northern California most of them farmers from Napa to Siskiyou counties.

Watermasters measure stream flow and diversions to make sure water is allocated to users according to priorities and assigned rights. The service normally runs from April through September, during the peak irrigation season.

Until recently, the program's cost was split evenly between the department and the water users, who paid their annual fees through property taxes.

But a 2004 state Senate bill placed the financial burden solely on the water users. That year, the Department of Water Resources

reevaluated its estimate of the eight-person program's cost, doubling it from about \$800,000 to \$1.6 million.

In 2005, the estimate increased again, to \$2.2 million.

Jack Hanson, who runs a cattle and hay ranch near Susanville in Lassen County, said the proposed increases would have raised his annual water fees from about \$876 to about \$4,000.

"I don't know if it would have put me out of business, but it's another straw that goes on my back," he said. "Each and every incremental cost squeezes us pretty hard."

Bill Eiler, president of the Siskiyou County Farm Bureau, said the soaring costs for the watermaster program would be unbearable for some farmers and ranchers.

"Many of them can barely afford what they've got laid on them already," he said.

Various provisions in the state budget over the past two years have prevented the department from collecting on its proposed fees, temporarily aiding the farmers. The total program cost has remained steady at \$780,000 for the past two fiscal years.

But officials in many counties don't want to wait until they have to bear the full cost. They have been working to transfer control of the program from the state to a local entity such as a resource conservation district.

County officials and farmers said the locally controlled programs would be less expensive.

Current fees pay the watermasters' salaries, as well as transportation costs, supplies and some of the operating costs of Department of Water Resources offices in Sacramento and Red Bluff.

Many area farmers and farm organizations question the need for higher watermaster fees and wonder if they are the department's way of trying to make up for recent budget cuts.

"We want to know how the DWR is coming up with these numbers," said Tony Francois, director of water resources for the California Farm Bureau Federation. "After all, this is a six-month-a-year job and a relatively simple program."

The DWR says the fees are legitimate and that the transfer of financial responsibilities was a necessary way of dealing with the larger challenge of meeting California's long-term water needs.

"We're trying to diversify how we invest in water resources in California," said Jerry Johns, the department's deputy director of water planning and management. "Shouldn't beneficiaries of the water supply help pay for it?"

He said the department supports the idea of local control of the watermaster program, as long as it is funded by the users.

"We don't have a problem with that concept of a shift in control as long as (the counties) take control of everything," Johns said. "We're either in it or we're not no responsibilities, no liabilities."

Johns acknowledged local agencies likely could operate on a smaller budget than the state can, due to the department's high overhead costs.

But Taylor whose service area encompasses Napa, Butte, Tehama and Shasta counties said he worries about the ability to maintain the program's quality under local or private control.

"This isn't a job just anybody could do," he said.

Looking for someone to blame when water is in short supply, irate landowners have even tried to assault him, Taylor said. He also worries putting locals in charge of the program could lead to biased allocation of water, he said.

"No one can get to me out here, and I'm not beholden to anybody," Taylor said while making his rounds at Butte Creek in Chico in late September. "But I can see how with someone else, there could be temptation."

Under state law, water users in areas that are designated to be served by a state watermaster must participate in the program. County courts must approve any transfer in authority.

That process will be helped by a bill signed in September by Gov. Arnold Schwarzenegger, which makes it easier to transfer the watermaster program from the state to a local agency.

Such a change would be welcome to farmers such as Eiler, the county farm bureau president who also grows grain and hay on his land just south of the Oregon border.

"Right now, it feels like we're playing Russian roulette with the government, trying to figure out if they're going to protect us from these fees for another year," he said.

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Educational wetlands park groundbreaking today

By Joanna Parsons Staff Writer

Article Launched: 10/12/2006 12:00:00 AM PDT

CHINO - A wetlands park is being constructed in an effort to educate people on conserving water and the benefits of recycled water.

The Inland Empire Utilities Agency will hold a groundbreaking ceremony today to commemorate the building of the Chino Creek Wetlands and Educational Park, expected to be completed in March.

The 22-acre park, on Kimball Avenue and El Prado Road, will act as an outdoor classroom, providing a natural setting with exhibits that teach park visitors about water conservation.

"Visitors will come and experience what a wetlands is and how it cleans the water and what kind of birds will be in the wetlands area," said Sondra Elrod, spokeswoman for the agency.

The property doesn't look like much now, save a huge area that has been graded. But by next year, the park will be decorated with sycamore oak trees, a wetlands marsh and ponds that are replenished with recycled water from IEUA's treatment plant nearby.

The wetlands park is partially funded by the State Water Resources Control Board, which contributed \$1.2 million to the \$2 million project. The rest of the money will come through donations, Elrod said.

Local cities and the Chino Basin Water Conservation District are also chipping in, with

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Chino Basin providing an exhibit of pipes that will tell visitors how much water they use doing simple tasks such as brushing teeth or washing cars.

"We're all a bit spoiled. We turn on the water and it's there, and we don't think about it," said Eunice Ulloa, Chino Basin general manager and Chino city councilwoman. "Conservation should be a way of life."

The Inland Empire receives a portion of its water from outside sources, while most of it comes from the Chino Basin, said Kenneth Manning, chief executive officer for Chino Basin

Watermaster.

Water conservation is a concern due to projected population growth. While the area has plenty of water now, Manning said 1.25 million people are projected to move into the western part of San Bernardino County in the next 20 to 30 years. As demand for water goes up, resources will be strained.

"The amount of water we get today on average will be the same that we'll get in the future," Manning said.

Ben Back, IEUA water resources engineer, said his agency delivered 9,000 acre-feet of recycled water to Chino, Chino Hills, Ontario, Upland and Rancho Cucamonga last fiscal year. That amount will double next year when the city begins serving other communities.

Manning and Ulloa said 60 percent to 80 percent of residential water usage in the Inland Empire is for outdoor use alone, such as landscaping or washing a car.

"We sit on one of the biggest water basins in California, but even so, it's a precious commodity," Ulloa said. "It should be cared for and protected."

John Anderson, IEUA board president, said the park will have a walkway around the site with stations of different displays. He is also donating 24 baby oak trees that are 4 to 5 feet tall that he grew himself.

"There's not too many oak trees left in Chino," he said.

Elrod said such park displays will include a timeline of Chino Valley history and old IEUA treatment equipment.

Even its parking lot is recycled, with concrete coming from recently demolished buildings, Elrod said.

The groundbreaking ceremony will be held at 10 a.m. today at the IEUA headquarter office, 6075 Kimball Ave. For more information, call the agency at (909) 993-1600.

Joanna Parsons can be reached at (909) 483-8555 or by e-mail at joanna.parsons@dailybulletin.com.

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Governor kills Soto water bill

Perchlorate cleanup funding approved

Jason Pesick, Staff Writer

Action was taken late this week on three measures in Sacramento and Washington that could affect the quality of water in Southern California.

A bill to change the way the state determines standards for drinking water died on the governor's desk, and two funding plans to clean up perchlorate contamination moved a step forward.

On Thursday, Gov. Arnold Schwarzenegger vetoed the drinking-water standards bill sponsored by state Sen. Nell Soto, D-Ontario.

"We're disappointed that the governor has sided with polluters over public health," said Sujatha Jahagirdar of Environment California.

The legislation would have made the process of determining a drinking-water standard more transparent and would have allowed the state to look more closely at a standard's potential impact on public health and compare its standard with those of other states.

Soto's chief of staff, Paul Van Dyke, said the legislation had bipartisan support, passing the state Senate by a vote of 29-11 and the Assembly by a vote of 46-31.

Van Dyke said Soto sponsored the bill because of perchlorate contamination in the region. Perchlorate is a chemical used in the production of explosives and can cause thyroid

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problems in humans. Rialto and Colton have both sued a number of parties they say are responsible for the contamination.

California is likely to adopt a maximum perchlorate standard of six parts per billion, although Massachusetts adopted a standard of two parts per billion.

Schwarzenegger said in a statement that he vetoed the bill because it ignores the importance of considering economic factors and technological feasibility in determining a drinking-water standard, a claim Soto called "nonsense" in a statement.

"We didn't do anything to that," Van Dyke said of the existing economic and technological considerations that are already part of the process.

One of the only organizations to lobby against the legislation was

the Whittaker Corp., a defendant in Rialto's lawsuit. Whittaker hired the lobbying firm California Strategies & Advocacy LLC in the days leading up to the votes in the Legislature.



On Friday, the U.S. Senate followed the House in approving the National Heritage Areas Act, which includes a provision authorizing the secretary of the interior to distribute \$25 million obtained by Sen. Dianne Feinstein, D-Calif., for perchlorate cleanup in California.

If the president signs the legislation, further legislation would be needed to appropriate the funds.

Rialto City Attorney Bob Owen said every dollar helps the city's perchlorate problem. He also said every dollar the city receives from the federal government is a dollar the city can't claim from the defendants in its lawsuit, which include the Department of Defense, San Bernardino County and a number of corporations. The city contends the polluters, not the taxpayers, should pay for the cleanup.

On Friday, the U.S. Senate also passed the Defense Appropriations Conference Report, which includes \$1.1 million obtained by Rep. Joe Baca, D-Rialto, for the Inland Empire Perchlorate Task Force, made up of local government entities and water suppliers, to clean up perchlorate contamination. The president is expected to sign the legislation.

Contact writer Jason Pesick at (909) 386-3861 or via e-mail at jason.pesick@sbsun.com.

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Rialto, county square off again *Lawsuit focuses on perchlorates*

Jason Pesick, Staff Writer

The city of Rialto plans to file another lawsuit against San Bernardino County in connection with the city's perchlorate contamination problem.

The latest lawsuit, which the city plans to file today in state court, claims the county is violating a 1998 agreement made when the county was expanding the Mid-Valley Sanitary Landfill. The landfill is leaking perchlorate, according to City Attorney Bob Owen.

Owen said that when the county sought to expand the landfill, it agreed that the city would not be responsible for costs associated with the environmental impact of the landfill expansion, including potential lawsuits.

In 2004, the city sued the county and 41 other entities, including the U.S. Department of Defense and a number of corporations, in an effort to force them to pay to clean up the contamination the city says was caused during landfill operations in the city's north end.

Bob Page, Supervisor Josie Gonzales' chief of staff, said the agreement requires the county to protect the city only if it is sued. In addition, he said, the city is not incurring financial damage.

"We haven't financially damaged the city in any way," he said.

Scott Sommer, Rialto's

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external counsel in its perchlorate lawsuits, said the 1998 agreement is broader than merely forcing the county to protect Rialto against lawsuits. He contends the agreement covers the city's expenses for clean-up efforts.

He said the city paid for perchlorate cleanup for years before the county began its cleanup effort. City residents have a surcharge on their water bills to fund the cleanup effort.

Perchlorate is a chemical used in the production of explosives, rocket fuels and fireworks and can cause thyroid problems in humans.

The new lawsuit is narrower than the 2004 federal suit because it is filed only against the county and focuses on the county's alleged violation of the 1998 agreement.

The Santa Ana Regional Water Quality Control Board issued an order compelling the county to investigate and clean up perchlorate contamination flowing from its property in 2003.




Last year, city and county officials agreed to a tentative settlement deal to the overall federal lawsuit in which the county would have paid the city \$2.5 million, but the settlement was never implemented. City and county officials met again on the issue in late August, but the meeting devolved into a shouting match.

Page said the county is protecting the city's residents because it is providing them with clean water. He charged that Gonzales is focused on cleanup not lawsuits.

Owen said the City Council voted to file the suit during the closed session of last week's meeting. He said the council voted to proceed because Gonzales has refused to negotiate with the city.

Reached at home Monday, Rialto Mayor Grace Vargas, one of Gonzales' political allies, said she did not want to comment on the lawsuit or whether she voted in favor of filing the suit. She said she prefers to work with the county. "We get more done, I believe, if we work together," she said.

Councilman Ed Scott said he does not recall Vargas raising serious concerns against the lawsuit. "There was no opposition to it," he said.

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EDITORIAL: PERCHLORATE SOLUTION**Rialto needs to try new tack with the county
OUR VIEW: City more likely to get county's
help using sugar instead of salt**

Rialto may have a case against the county in expecting it to help resolve the issue of perchlorate contamination polluting city wells. But it is going about the process of seeking compensation for its efforts entirely the wrong way.

Rather than suing the county once again, as it did this week, Rialto needs to gain the county's cooperation in going after the real culprits - the companies that actually leaked the pollutant into the groundwater. And it's hard to see how filing another lawsuit will achieve that salutary effect.

Having failed to get satisfactory results from a lawsuit it filed in 2004 against the county and 41 other entities, Rialto now has veered off on a sidetrack to go after the county alone in a lawsuit filed in state court. The city claims the county is in violation of a 1998 agreement to hold the city harmless in the county's expansion of the Mid-Valley Sanitary Landfill in the north end of town.

What that means exactly is up to legal conjecture, what with the county insisting it is providing clean water to residents, and the city insisting the county owes it for perchlorate-related costs so far.

But let's remember, though the county bought the landfill, it

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isn't the one that did the dumping. And it's beyond us why Rialto would want the county to take the fall, when the real bandits are getting away.

Whatever the case, it is city residents, whose water bills include a surcharge to fund the cleanup effort, who are paying the costs of the city's inability to get the true polluters to pay the damages.

More to the point, perhaps, is the Santa Ana Regional Water Quality Control Board's 2003 order to the county to investigate and clean up perchlorate contamination flowing from its property.

That is what Rialto should be pressing with the county - not some new lawsuit, which remains a sideshow to the ongoing federal litigation.

The city's initial lawsuit targets not only the county, but the U.S. Department of Defense and 40 corporations suspected of dumping the chemical used in the manufacture of fireworks and explosives

into the groundwater decades ago.

It is those companies that should be in Rialto's, and the county's, sights. It is those companies that should be paying the estimated \$200 million to \$300 million worth of cleanup and treatment costs, without leaving it to ratepayers to pony it up over the next 50 years.

We'd bet Rialto would have a lot better luck in pursuing that outcome, if it were to bring the county on board in seeking reimbursement from the companies at fault. Cooperation tends to work better than holding a stick over someone's head.

But neither is the county innocent. It needs to fulfill its obligations and stop playing an adversary role. Most important, it must step up to the plate to help Rialto recoup its losses. Let's just say it's for the sake of ratepayers more than it is Rialto's.

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Educational wetlands park groundbreaking today

By Joanna Parsons Staff Writer
Inland Valley Daily Bulletin

Article Launched: 10/12/2006 12:00:00 AM PDT

CHINO - A wetlands park is being constructed in an effort to educate people on conserving water and the benefits of recycled water.

The Inland Empire Utilities Agency will hold a groundbreaking ceremony today to commemorate the building of the Chino Creek Wetlands and Educational Park, expected to be completed in March.

The 22-acre park, on Kimball Avenue and El Prado Road, will act as an outdoor classroom, providing a natural setting with exhibits that teach park visitors about water conservation.

"Visitors will come and experience what a wetlands is and how it cleans the water and what kind of birds will be in the wetlands area," said Sondra Elrod, spokeswoman for the agency.

The property doesn't look like much now, save a huge area that has been graded. But by next year, the park will be decorated with sycamore oak trees, a wetlands marsh and ponds that are replenished with recycled water from IEUA's treatment plant nearby.

The wetlands park is partially funded by the State Water Resources Control Board, which contributed \$1.2 million to the \$2 million project. The rest of the money will come through donations, Elrod said.

Local cities and the Chino Basin Water Conservation District are also chipping in, with Chino Basin providing an exhibit of pipes that will tell visitors how much water they use doing simple tasks such as brushing teeth or washing cars.

"We're all a bit spoiled. We turn on the water and it's there, and we don't think about it," said Eunice Ulloa, Chino Basin general manager and Chino city councilwoman. "Conservation should be a way of life."

The Inland Empire receives a portion of its water from outside sources, while most of it comes from the Chino Basin, said Kenneth Manning, chief executive officer for Chino Basin Watermaster.

Water conservation is a concern due to projected population growth. While the area has plenty of water now, Manning said 1.25 million people are projected to move into the western part of San Bernardino County in the next 20 to 30 years. As demand for water goes up, resources will be strained.

"The amount of water we get today on average will be the same that we'll get in the future," Manning said.

Ben Back, IEUA water resources engineer, said his agency delivered 9,000 acre-feet of recycled water to Chino, Chino Hills, Ontario, Upland and Rancho Cucamonga last fiscal year. That amount will double next year when the city begins serving other communities.

Manning and Ulloa said 60 percent to 80 percent of residential water usage in the Inland Empire is for outdoor use alone, such as landscaping or washing a car.

"We sit on one of the biggest water basins in California, but even so, it's a precious commodity," Ulloa said. "It should be cared for and protected."

John Anderson, IEUA board president, said the park will have a walkway around the site with stations of different displays. He is also donating 24 baby oak trees that are 4 to 5 feet tall that he grew himself.

"There's not too many oak trees left in Chino," he said.


Elrod said such park displays will include a timeline of Chino Valley history and old IEUA treatment equipment.


Even its parking lot is recycled, with concrete coming from recently demolished buildings, Elrod said.


The groundbreaking ceremony will be held at 10 a.m. today at the IEUA headquarter office, 6075 Kimball Ave. For more information, call the agency at (909) 993-1600.


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Colonies legal spat continues

By Jeff Horwitz, Staff Writer

Article Launched: 10/26/2006 12:00:00 AM PDT

Whatever San Bernardino County officials said during last week's mediation of the Colonies Partners dispute, it wasn't this.

During a Wednesday hearing, the county's legal team strenuously argued that a judge's tentative ruling in favor of the Upland developer's potentially nine-figure lawsuit was legally indefensible and in stark defiance of a higher court's ruling.

Only six days prior, however, the county and the Colonies announced that they were making "great progress" toward settling the Colonies' flood control suit.

The judge in the case, Christopher J. Warner, left little doubt about which approach he felt stood a better chance of success.

"I continue to believe that resolution is preferred over continued litigation in this matter," Warner said, urging that the county settle before he issues an official ruling that becomes case law.

"The dynamic will change and it will impact what you do at the bargaining table," the judge said.

The judge gave little indication during the course of the hearing that his thoughts on the case might have changed, stating on two occasions that assumptions the county made about his ruling were wrong. But the judge also said he will not release that final ruling for a month, in part

to give the two parties a chance to bring their settlement talks to fruition.

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The case, which has been through three courts in four years, revolves around the Colonies Partners' contention that San Bernardino

County's Flood Control District channeled floodwaters onto the Colonies' property without the developer's consent - and without building the 67-acre basin needed to contain the deluge that the drain would release during a massive flood.

The county's attorneys have argued that it had both the right to use the land and the Colonies' consent for the project, given in a 1999 agreement.

Wednesday's hearing began with remarks by Warner, who suggested that even if the county's attorneys disagreed with his decision, he had given all parties' arguments careful consideration.

"I have read and annotated, Post-it-Noted, red-lined, green-lined, blue-lined the documents," Warner said, holding up a stack of case files in front of him.

Yet, following an early admonition by the judge that neither legal team should "throw gasoline on the fire," the county's attorneys argued that Warner's decision massively overreached the boundaries laid out in the previous decision by the 4th District Appellate Court.

"There are a number of inconsistencies" within Warner's own decision, said Mark Kemple, an attorney for the county. "But more importantly, there are contradictions with the court of appeal."

Under the county's reading of the higher court's ruling, the appeals court had entirely reversed a previous judge's findings for the Colonies and remanded to Warner only the very narrow question of whether the county had used more of the Colonies land than it was entitled.

In ruling that the county's legal claim to the Colonies land had been so abused as to be "fully and permanently extinguished," Kemple said, the judge had disregarded the higher court's ruling that "the relevant easements still exist," and that the county's rights "have not been abandoned or extinguished."

For the Colonies' rebuttal, attorney Scott Sommer challenged the county's broad reading of the appellate court's ruling, asserting that Warner had been correct to review how the county had used its easements.

And as for the county's argument that the Colonies had failed to object to the burden of the storm waters when it had the chance, Sommer argued that the developer had made its opposition known.

"The Colonies did object, and object strenuously, throughout the water summits," he said. "There were several years of objections."

The county had failed to bring up any reasons for Warner to reconsider his tentative ruling, Sommer said.

"In short, we are doing nothing more than elaborating the same arguments," he said. "We feel that, frankly, that (the case) has been argued, briefed, and argued again."

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The bitter basin battle

Flood-control disputes as much a part of the Colonies as the houses

By Mark Petix, Mason Stockstill and Jeff Horwitz, Staff Writers

Article Launched: 10/22/2006 12:00:00 AM PDT

It was a hole in the earth -- an old gravel pit, a final destination for stormwater runoff, discarded asphalt, oil, concrete and tires.

Around it was 448 acres of barren scrub land. Attempts at development had failed. One prospective builder had gone bankrupt.

But where others saw wasteland, Jeff Burum and Dan Richards saw what would become the Colonies, a master-planned community of upscale homes. Restaurants and a shopping center just a stroll away.

For cash-strapped Upland, it looked like financial salvation. But now, nearly a decade later, that old gravel pit looks increasingly like a nine-figure liability for San Bernardino County.

In 1997, the Colonies project seemed a winning proposition for all parties.

The development's partners would create a community of 1,150 homes and a 1.1-million-square-foot retail center.

Upland would reap the benefits of increased sales and property taxes.

Burum, an Upland developer with regional renown for his nonprofit affordable housing work, met the demands of the land's owner, the San Antonio Water Co. Along with at least 28 other investors, Burum bought the land for \$16 million.

And while it couldn't be developed without city approval, Upland was more than eager, facing bankruptcy and already having been forced to lay off public safety and parks personnel. The Colonies' project would generate as much as \$3.5 million in sales tax for the city of 70,000, said Upland's then city manager, G. Michael Milhiser.

"We had desperately -- and I mean desperately -- tried to get seven other developers to purchase that property," Milhiser said.

By 2002, however, the Colonies project had become the center of a bitter dispute between the developers and the county about who would pay for flood-control improvements necessitated by the Interstate 210 extension.

The developers demanded \$25 million to turn the old gravel pit into a state-of-the-art flood basin. But the necessary work, the county said, could be done for as little as \$3 million.

Five years and three trials later, the Colonies still wants the county to pay for the basin. But after making significant gains in court, the developer wants a lot more, as much as \$300 million in costs, delays, and damages.

Attempts to negotiate a settlement have not only failed but also have fueled conflict among members of the county Board of Supervisors.

"The Colonies issue has been an incredible distraction to the board," said Supervisor Dennis Hansberger, who has opposed settling for anything near what the Colonies is demanding. "It has created a real schism between board members."

ROOTS OF DISPUTE

At the center of the Colonies' land, and at the center of the dispute, is the gravel pit -- now a 67-acre flood-control basin.

Homes would be built around the basin, which would be landscaped into a grassy valley with trails, benches and bridges over a winding stream.

A nearby commercial area would provide high-end retail and restaurants, and 20 acres of the development would be set aside for a school, park and fire station.

"We wanted to up the bar," Burum told the Upland Planning Commission in 1998. "We wanted to make this a little more of a community development than had been originally proposed."

The I-210 extension would be a boon to the community, bolstering sales in the commercial center and giving residents easy access to other major freeways.

It also brought complications.

Upland residents successfully petitioned to have the freeway built below ground level through much of the city, forcing state, county and local officials to come up with a plan for rerouting stormwater runoff from the San Gabriel Mountains and from the freeway itself.

The Colonies property had historically served as a buffer against floodwaters. After a series of devastating floods in the 1930s, the county received easements on the property, granting the county Flood Control District limited rights to build and maintain drainage facilities there.

In a Dec. 7, 1999, agreement, the Colonies consented to the placement of the 20th Street Storm Drain on its property in exchange for the county's abdication of its flood-control rights on the development's first phase of about 305 homes.

The county's easements on the project's second phase would be lifted, the agreement stated, as soon as the Flood Control District and Upland signed off on the developer's flood-protection plan and all parties involved "entered into mutually acceptable agreements" about "the disposition of flood waters."

No such agreements were reached. But the idea that the county should have to pay for anything related to the drain is farfetched, Hansberger said.

"That was built to accommodate Upland, Caltrans and Sanbag (San Bernardino Associated Governments, the county's transportation authority)," Hansberger said in a recent interview. "The district was simply acting to aid other agencies. If there was a need to ask permission, it would have been Caltrans' duty to do that."

The developers, however, say they expected the county to foot the bill.

"It was definitely understood that the county Flood Control District and the county would have to pay for it," Burum said in a deposition.

OVER BEFORE IT BEGAN'

Despite the vagaries of the agreement, the respective projects moved forward.

By 2002, the Flood Control District's 20th Street storm drain -- a concrete pipe capable of delivering more than 23,000 gallons a second -- was complete. Construction on the basin improvements, however, had not even begun.

The Colonies demanded \$25 million from the county to cover basin upgrades that included landscaping and aesthetic improvements.

County officials refused, countering that the flood-control facilities could be built for far less, possibly as little as \$3 million.

The Colonies developers stood fast, threatening to sue the county for as much as \$200 million.

Then-County Supervisor Jon Mikels said at the time that the Colonies' demands were a scam against taxpayers.

Milhiser blames Mikels and his hot temper for the breakdown between the Colonies and the county.

"You can lay this whole thing in Jon Mikels' lap," Milhiser said.

Hansberger disagreed.

"Mr. Mikels never believed it was a public entity's job to subsidize development," he said. "I think it's curious to want to blame the guy who's not here anymore."

In a January 2002 meeting, Burum brandished a book on easements in arguing that the county's rights to Colonies land hinged on the county's willingness to pay for improvements.

Mikels was not impressed, Burum recalls.

"Now you can take that book and shove it. Get it out from in front of my face now," Mikels said, according to Burum.

"I stood up and I said, I think the meeting's over," Burum recalled. "He said, It was over before it began."

Two months later, in March 2002, the Colonies sued to have the Flood Control District's easements invalidated.

POLITICAL INFLUENCE

During the course of the next year, the developers took their battle to the voters, pouring hundreds of thousands of dollars into local elections.

They contributed more than \$75,000 to the campaign of Rancho Cucamonga Councilman Paul Biane, who was running against Mikels for his seat on the Board of Supervisors.

"We play pretty heavily in politics," Burum said in a recent interview. "It wasn't that Mikels was rude to me. It was that he was a bad politician."

The developers also gave \$255,000 to the San Bernardino County Safety Employees Association, which contributed \$144,750 to the election campaigns of Biane and supervisors Gary Ovitt and Bill Postmus.

In addition, the Colonies also invested heavily in City Council races in Upland, giving Mayor John "JP" Pomierski more than \$33,000 and three other council members \$2,500 each.

After unseating Mikels in November, Biane pushed for a settlement with the Colonies.

His relationship with the developer, however, would eventually sour as attempts at settling the Colonies' lawsuit continued to stall.

"I've always been interested in settling the case based on the merits," Biane said in a recent interview. But not, he added, for "numbers that are out of the stratosphere."

Mikels, who has since moved out of state, declined to comment for this report, although he said he was interested to hear that Biane was now at odds with the Colonies.

"Both those parties are going to learn something," he said before ending the phone call.

DAYS IN COURT

As hopes for an amicable agreement faded, the Colonies turned to the courts.

The developer had already filed a lawsuit against Caltrans seeking to be reimbursed for land used for the I-210 extension and costs associated with additional runoff directed onto Colonies land because of the freeway.

State attorneys turned down the Colonies' pretrial settlement offer of \$12 million, arguing that "just compensation" for 38 acres of the Colonies' property was only about \$1.25 million.

After several unfriendly preliminary decisions by Superior Court Judge Peter H. Norell, who presided over the case, Caltrans eventually agreed to an \$18 million settlement.

Caltrans officials, Burum said, "stepped in and said, 'There's no way the land's worth that kind of money.' And they ended up paying for it."

In pursuing their case against Caltrans, Colonies attorneys argued that the state should pay for the basin improvements necessitated by construction of the freeway and the 20th Street storm drain. Included in the bill, the Colonies attorneys argued, should be the costs of containing the flood waters - the flood-control basin and the extra 40 acres of land needed to build it.

"Caltrans required that the drain be built and must pay for damages caused by diverting storm flows onto the Colonies property," attorney George Speir argued in a trial brief.

The settlement holds Caltrans responsible for damage "to the remainder" of the Colonies' property, but does not definitively state whether the floodwaters the project produced should be considered a Caltrans liability.

In a separate letter submitted to the court, Speir asked that the judgment be rewritten to state that San Bernardino County could still be found liable for the storm drain.

Burum claims the \$18 million Caltrans paid for the land needed for the freeway and devaluation caused by the freeway's presence, not for the basin improvements.

In its case against the county, Colonies lawyers attacked the county's land rights, arguing that the easements granted in the 1930s were obsolete and that the current project did not fall within their scope.

County officials didn't budge, and on the day the lawsuit went to trial, the Colonies took its original offer - that the county simply pay \$25 million for the basin improvements - off the table.

"Because no one stepped up to make any settlement offers, we filed our lawsuits contesting the validity of the easements," Burum said in an early deposition in the case. "And if we win that, you will have to pay us for the land."

In response to the suit, the county challenged the Colonies' grading permits in 2002, effectively halting construction on the development's next phase.

A judge ultimately allowed the Colonies to proceed with construction, but the time spent haggling with the county and its ultimately unsuccessful efforts to stop the development cost the Colonies three years of commercial income and tens of millions of dollars in construction delays, Burum said.

The county should pay for that too, he said.

"They were not acting in a good business sense, a good political sense, or a good Christian sense," he said.

JUDGES WEIGH IN

As the matter progressed through the county's courts, the Colonies built the flood-control improvements needed to accommodate the completed 20th Street storm drain.

In August 2003, the same judge who presided over the Colonies-Caltrans case ruled that the county's easements had been abandoned and that along with the construction of the flood-control basin, the county was liable for the cost of the land upon which the basin had been built.

While the decision did not include a monetary award for the Colonies, it did bolster the developers' case in a second lawsuit against the county in which the developers are seeking unspecified damages that could exceed \$300 million.

It also marked a point of no return in the dispute, Burum said.

"I will never settle with you now without getting compensation for our land," Burum told county lawyers in a deposition.

The county appealed Norell's ruling, and an appellate court overturned his decision, finding that the county's easements had not been erased. The appellate judges sent the case back to trial court to determine to what extent the easements covered the current improvements.

County spirits were buoyed, but only briefly.

Superior Court Judge Christopher J. Warner, appointed to the case by Norell when Norell retired, ruled in July that the county had far overreached its easements, to the point of rendering them moot.

In a scathing tentative decision issued in July, Warner blasted the county's handling of the entire matter.

"Defendant has continuously violated and repudiated its obligations to maintain, repair, operate, insure, properly permit, or take ownership of any of the facilities," he wrote of the county.

Because it had shirked its obligations, he wrote, the county had lost all right to the Colonies' land. Citing different reasons than Norell, Warner arrived at a virtually identical result.

The county "constructed and turned on' the 20th Street drain, and then attempted to walk away,' from the consequences of those actions," Warner wrote.

Response from county officials ranged from dismay to incredulity.

"Why didn't Judge Warner impose his own thought process on this?" Hansberger said of Warner's ruling. "Why are we hearing what Mr. Burum had to say, which the court of appeal said was entirely incorrect?"

Others faulted the county and their own colleagues.

In a statement released the day after the verdict, Postmus, chairman of the Board of Supervisors, blasted the county Counsel's Office, the county's outside attorneys and the media.

Supervisor Ovitt was more succinct: "We have been spanked pretty badly."

DEAL OR NO DEAL

Between the appellate court's ruling and Warner's decision, county officials came close to settling the case.

In March 2005, Postmus and Biane sat down with Burum and managing co-partner Dan Richards. At the meeting were lawyers from both sides and Jim Brulte, a former state senator who had done consulting work for both sides but said he represented neither in the negotiation.

"I saw my role as trying to help mediate," Brulte said.

According to a memo by county attorneys, the talks were supposed to be preliminary, and for a few hours, the conversation remained general.

But at 3:45 p.m., Postmus and Biane asked the attorneys to leave the room.

Three attorneys waited outside for more than an hour. When they were called back in, Biane informed them that a tentative settlement had been reached.

The county would pay more than \$77.5 million for 37 acres of the flood-control basin it valued at \$1.5 million an acre. Part of the settlement might include a swap of surplus county land, such as a portion of a 1,137-acre parcel below Deer Canyon north of Rancho Cucamonga.

Brulte later said he thought the deal would work out to both sides' advantage.

"I clearly was wrong," he said. "I thought a great deal of progress had been made, and I expected we were in the end game."

But the supervisors' negotiating methods, the timing of the agreement and its proposed compensation -- virtually everything about the deal -- had been ill-advised, the attorneys believed.

"We have serious concerns about whether it is in the Flood Control District's best interests," they wrote in a confidential memo.

A judge might later deem the settlement unreasonable, the attorneys suggested, preventing the county from recovering some of the costs from other potentially liable parties, including the city of Upland, Caltrans and Sanbag.

The attorneys also pointed out that the Colonies land in question was worth only "perhaps \$1 million."

The deal collapsed.

Within a few months, the county attorneys who wrote the memo were off the case. County officials offered no explanation for their departure.

INTERNAL CONFLICT

While the negotiations went nowhere, the legacy of the confidential attorneys' memo lingered.

County officials ordered an investigation to determine how the memo was leaked to the public. Several board members suspected Hansberger, who had consistently opposed settling with the Colonies.

In a June 2005 Board of Supervisors meeting, Biane challenged his colleagues to take a polygraph test, the results of which he thought he knew.

"Dennis Hansberger broke the law," Biane said. "He should be in jail and shouldn't be a supervisor anymore."

Hansberger denied it, saying, "I have never violated the privilege of closed session, would never violate it."

Within a month, the District Attorney's Office closed its investigation.

"There was no significant chance of solving it," said Deputy District Attorney Frank Vanella.

Relations among the county supervisors remained heated and have only recently begun to cool.

That tension has dissipated, said Biane, who is expected to become chairman of the board next year.

"Every board member needs to be included in this discussion," he said. "Looking back, it might have been a problem on my part to think I could solve (the Colonies dispute) on my own."

STILL BUILDING

Even as the litigation has dragged on, the Colonies have been building.

The Colonies Crossroads shopping center is 60 percent complete and growing, with a supermarket and bank on the way. Ninety percent of the development's 1,100 homes are complete, Burum said.

The developers have not disclosed the financial status of the project, but it appears lucrative:

The Colonies' settlement with Caltrans exceeded the price paid for the land by \$2 million.

Taylor-Woodrow homes, one of five builders working with the Colonies, paid \$75 million for a 102-acre chunk of the land.

Burum said Upland was hoping for homes in the \$300,000 to \$400,000 range. But in the heady housing market of recent years, Colonies homes have sold in the \$600,000 to \$800,000 range.

"Nothing like a hot housing market to make a developer look smart," he said, adding that the Colonies partners haven't made as much money as some have suggested.

Besides, he said, the focus should be on the county's actions, not the Colonies' profits.

"If they had done this to somebody's house, you'd be up in arms about it," Burum said.

BACK TO THE TABLE

The county has filed a response to Warner's ruling, attacking a decision "with rare exception, taken verbatim" from Colonies legal briefs.

But the county has also returned to the bargaining table. After an eight-hour session of negotiations last week, county officials and the Colonies released a joint statement citing "great progress" and promising to return to the table on Nov. 1.

Still, a wide gap remains between the county's last public settlement offer and the Colonies' demands.

After Warner's decision, the Colonies offered to settle for \$150 million - and said the number would continue to rise if the county didn't immediately accept.

The county countered with an offer of \$77 million, contingent on Upland and Sanbag repaying the county a "significant" portion of the money.

Both the offer and the conditions were unacceptable, Burum said.

Observers in and out of county government say that four years of botched settlements, personal rancor and political intrigue has likely muddied the water to such an extent that a settlement would be impossible.

"I think the county wants to end it, but the cost of ending it now outweighs the price of keeping it going," Brulte said. "They're in a bad relationship, and I don't think they know how to get out."

Yet some county officials have publicly suggested that a settlement might be appropriate on limited grounds. During settlement talks last spring, Postmus said the county should have paid for the basin from the start.

And in a recent interview, Biane said the county's challenges to the Colonies' grading permits had been a mistake the county may have to pay for.

"There are different ways you can get to why you should be settling," he said, noting that he was unconvinced by the Colonies argument that the county's easements aren't valid. "My sense for why we should be engaged in settlement is more the delay and the impediments that the district staff caused."

With retired California Supreme Court Justice Edward Panelli, who mediated last week's negotiations, requiring confidentiality on the Colonies case at least until the next round of talks, there are no indications of whether either side's position has changed.

But before last week's settlement talks, Burum said he expected the county to fight the court until the end.

Though he remained open to a county offer, "I don't have confidence the county is going to settle this," Burum said.

Unless the developers accept far less money than they've asked for, that's for the best, Hansberger said in a recent interview.

Settling the case with the Colonies would set a precedent for similar payouts to other developers, he said.

"It deserves a decision by the appellate court or the state Supreme Court because of the long-term impact," Hansberger said.

And county attorneys, both in an outside of the county Counsel's Office, have consistently maintained that the Colonies' suit is trumped up.

"They're not playing their hand like a winner," Hansberger said. "They hire a PR firm to spin the story and hope that political pressure, public opinion, press and so forth will win the day because they don't have the confidence to see it in court."

The Colonies would see the case as far as the county wishes to take it, Burum said.

"When dealing with political issues, there is resentment there," he said. "But you know? We've gone through it."

BIG MONEY

The Colonies developers say they are owed as much as \$301 million by San Bernardino County. Their claim is hotly disputed by county officials, and even the developers don't seem to think they'll get that much (they've offered to settle for half). Nevertheless, they contend, it's justified:

- \$108 million for property taken for flood control purposes. That's 72 acres at \$1.5 million each.
- \$75 million to create a nonprofit organization to maintain and operate the flood-control facilities.
- \$43 million in devaluation of land while the county impeded the developer's ability to sell 457 lots.
- \$36 million lost due to a three-year delay in opening the Colonies Crossroads shopping center.
- \$28 million for for construction of the flood-control basin and other facilities.
- \$11 million in higher infrastructure costs.

Source: *The Colonies*

AT A GLANCE

COLONIES CONFLICT

A dispute between the developers of the Colonies in Upland and San Bernardino County could cost taxpayers hundreds of millions of dollars.

At issue is responsibility for a 67-acre flood-control basin at the heart of the Colonies development in northeast Upland. The basin is needed to handle runoff from the San Gabriel Mountains and was expanded with the construction of the 210 Freeway.

Colonies Partners LP, which built the facility, says the county is liable for as much as \$301 million for the basin's cost and the partnership's losses due to consistent bungling by the county officials.

The county, however, says that total is absurd. County officials contend their rights to the land allowed them to require that the flood-control facilities be built, and that the Colonies' original plan for the basin was too extravagant.

On the issue of land rights, a Superior Court judge has tentatively ruled in favor of the developers, meaning the taxpayers could be on the hook for millions. However, settlement talks are under way, and the issue is far from resolved.

TIMELINE

1930s - San Bernardino County acquires easements on San Antonio Water Co. property in Upland, allowing the county to use a portion of the land for flood control.

1997 - The Colonies developers, then called the San Antonio Lakes Partners, purchase more than 400 acres of the the San Antonio Water Co. property with plans to build a major commercial-residential development.

1999 - The Colonies developers, along with the county, city of Upland, San Bernardino Associated Governments and Caltrans, agree to work together on a regional flood-control project to accommodate runoff from the mountains and the impending 210 Freeway extension.

2002 - San Bernardino County rejects the Colonies' request for \$25 million to pay for flood-control facilities on its property. The Colonies sues the county.

The 20th Street storm drain is completed, redirecting runoff to the Colonies property, where new flood-control facilities have not yet been built.

2003 - A Superior Court judge rules against the county in the Colonies lawsuit. The county appeals the decision.

The county attempts to halt construction on the Colonies project, but a judge allows work on the flood-control basin to continue, finding that a lack of appropriate facilities is a threat to public safety.

Caltrans pays the Colonies nearly \$18 million for taking 38 acres of land for development of the 210 Freeway extension.

2004 - The developers file a complaint against the county, seeking construction costs, reimbursement for land and other damages. The county sues Upland, Caltrans and San Bernardino Associated Governments, arguing they are also responsible for the cost of the basin.




2005 - An appellate court panel reverses the previous ruling on the Colonies' first lawsuit, finding that the county's easements remain valid. The case is sent back to trial court.

2006 - A Superior Court judge rules that while the county's easements are valid, they do not cover recent flood-control improvements. Both sides go back and forth over settlement talks, with the Colonies threatening to ask a

jury for as much as \$301 million if no settlement is reached.

Source: The Colonies, court documents, staff reports

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Helping students be water wise

Canan Tasci, Staff Writer

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As a means to increase water conservation and awareness, the Cucamonga Water District is providing learning tools to help students educate themselves through hands-on activities at the water district's Environmental Learning Center.

The Cucamonga Water District has been a supporter of education by providing schools the opportunity to visit its facility and tour the treatment plant. However, the concern was that its message wasn't getting across.

"During our treatment plant tours, we're always concerned about the kids and if they're really getting to know and understand the value of water resource," said Jo Lynne Russo-Pereyra, assistant general manager for external affairs at the Cucamonga Water District. "But if we can break it down and simplify it, then you have a winner."

The Environmental Learning Center provides students in kindergarten through high school with work stations covering topics such as Earth science, life science, language arts, reading and math.

The hands-on activities include learning about community water uses and groundwater contamination, an owl pellet investigation, tap water testing and a Shakespearean lab where students look at micro-organisms under a microscope

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and rename them using a list of Shakespearean compliments or insults or characters, such as fish monger.

"All activities have been developed around the California State Curriculum standards to help ensure teachers are meeting their curriculum goals," said Shelley A. Cirrito, public affairs specialist and teacher/adviser at the Environmental Learning Center.

Amy Culler's fifth- grade students of Alta Loma Elementary School were the first to visit the Environmental Learning Center on Oct. 18.

"I can stand up in front of my class and talk and lecture and read, read, read, but until they can touch it, smell it, see it and experience it first hand then that's the best way they're going to learn," Culler said. "If they can come away with one or two ideas that they would like to investigate further, then it as been a valuable field trip."

Culler is one of the Cucamonga Valley Water District Environmental Learning Center's focus group teachers. Cirrito said that the teacher focus group was designed with every grade in mind.

"We went though each activity and grade level and made sure that it was aligned with the state standards and that particular grade," Cirrito said.

Culler said that the Cucamonga Water District has the students' educational interest at heart.

"They are student-centered. They want to teach children at a young age to be good water stewards," Culler said. "The water district has had a long history of generosity to students, learning and the community. It is a visionary organization where they want to train the students to be better adults."

Culler's class of 29 students was separated into groups and engaged themselves in the different work stations.

The students picked at bones, detected micro-organisms and created an urban runoff -- all to help educate the students about Earth science and water conservation.

"I don't like science very much, but seeing something in 3D, visually and getting to participate and getting to inspect it was fun," said 10-year-old Brittany Besnyl. "In a science book there are words in there that adults use and kids don't know about. Here it explains it better than just in a book, you get to understand it and people are here to help you -- you can't ask the book and expect it to tell you what it means."

Jamie Alvares worked at the urban runoff station with Brittany, where they polluted different areas, such as a forest, construction area, farm, roads and lake shores.

Culler and Cirrito assisted by reading the directions to the pupils then explaining how their actions can cause pollution.

"I think this is a great exercise because it extends the freedom to the children to discover and gives them the opportunity to explore how water works in the grounds and in the runoff," Culler said. "It gives them the support they need to discover on their own, and that is one of the best ways of learning."

The girls along with their other classmates used power and liquid materials to represent fertilizer, sludge and pesticides. In the end the girls used water bottles to spray the land area as if it were raining and watched how water was used as a transportation to create pollution into other parts of the land.

"It's important that we see visually over time what happens to the land when we pollute it," Jamie said. "To understand everything and to see it visually, instead of a book where you see pictures, it's more important to do it, because if you see it in a book you just don't get it."

Many of the pupils learned the basics when it came to the urban runoff.

"It is really nasty when everything goes into the lakes," said Miranda Ford, 10. "I now know what happens when I don't clean up my dog's poop and how when it rains it will go into the ground and water and runoff into the ocean."

In another group, Connor Ross deemed himself a paleontologist while dissecting owl pellets.

"The goal here is to find all the bones," Connor said while sifting through the pellets. "Bones can tell you that maybe they once belonged to an animal, and they're valuable because they tell what the parts were."

Students let out echoes of "eww" and "that's gross" over discovering the micro-organisms in the water or viewing for the first time the fertilizer they created.

"It is important for you to learn about water because you have to know what you are drinking before it goes into your body and how to keep it clean," said Taylor Coffee.

Russo-Pereyra said that the education they provide is timeless.

"The community should know that we are doing our part in reaching out to our youth in that we take it seriously that we are stewards to them in doing everything in our powers with education to teach about the importance of water resource, conservation, recycling and what they can do to prevent polluting from now and into the future," Russo-Pereyra said.

Culler hopes that her students learned that water is a precious resource rather than something to be taken for granted.

"When I was a little girl I used to think that you could turn the faucet and water would come out forever, but that is not the case," Culler said. "If we used it up or pollute it then when we need water to drink there won't be enough to go around. If we don't care for what you got -- you're not going to have it."

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GUEST COLUMN**Water supply is critical for area's growth**

Richard Atwater, Guest Columnist

Article Launched: 10/29/2006 01:00:00 AM PDT

As the general manager of the Inland Empire Utilities Agency, I would like to update you on our ongoing efforts to increase water conservation, develop new local supplies and our ongoing efforts to continue to keep water and sewer rates in the Inland Empire the lowest in Southern California.

Adequate water supply is a critical issue facing the Inland Empire region because of our rapid urban growth. The strategy of the Board of Directors at the Inland Empire Utilities Agency is to work closely with the cities, community groups, schools and other water agencies to meet their long-term needs. In recent years we have developed new regional partnerships to conserve water and invest in local water supply facilities. This is essential to drought-proofing our area from potential shortages from the Colorado River and Northern California and to improve the quality and quantity of our precious groundwater.

The agency's efforts have not gone unnoticed. We have received top awards from Gov. Schwarzenegger, the U.S. Environmental Protection Agency, the American Society of Civil Engineers, the South Coast Air Quality Management District, the Santa Ana Regional Water Quality Control Board, and the U.S. Department of Agriculture,

to name a few.

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One key example of the regional partnerships is our success with the Chino Basin Watermaster to preserve and enhance our local groundwater basin drinking water

supplies. A comprehensive water quality plan developed by IEUA and adopted by the state in 2000 provides for the use of over \$200 million from the state water bonds (and federal matching grants) approved in March 2000 and March 2002 for new water and wastewater infrastructure to clean up the Chino groundwater basin, capture and store additional storm water runoff and imported water locally to further protect against future droughts.

In addition, our award-winning and internationally acclaimed office complex in Chino - located at 6075 Kimball Ave. - represents a state-of-the-art, environmentally friendly facility through the use of renewable energy, California-friendly landscapes, the use of cost-effective recyclable building materials, and of course maximum conservation of water. At all of IEUA's facilities we are "leading the way" to fight global warming through the maximum use of renewable energy.

A little known fact is that using water in California represents about 20 percent of all the electrical use in the state. Therefore, conserving water not only saves you money on your water bill but it also saves on our electrical consumption, which as a result helps to reduce global warming emissions.

Today IEUA is recognized as the premier water agency in watershed management in California. Over 3,000 jobs have been created by our construction projects through building state-of-the-art water treatment facilities and other water infrastructure to enhance our local water supplies.

As for the future, the Inland Empire Utilities Agency has implemented a 20-year plan to keep water and sewer rates low. This is being done through innovative and cooperative infrastructure investments with utilities and cities within the Santa Ana River watershed. This will eliminate future water pollution and preserve our local water resources for our children through the end of the 21st Century. That is why we call it "Water Smart Planning."

- Richard W. Atwater is CEO/general manager of Inland Empire Utilities Agency (formerly known as the Chino Basin Municipal Water District).

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