

CHINO BASIN WATERMASTER



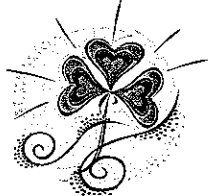
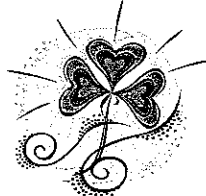
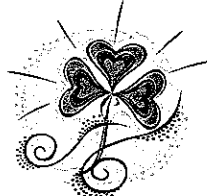
NOTICE OF MEETINGS

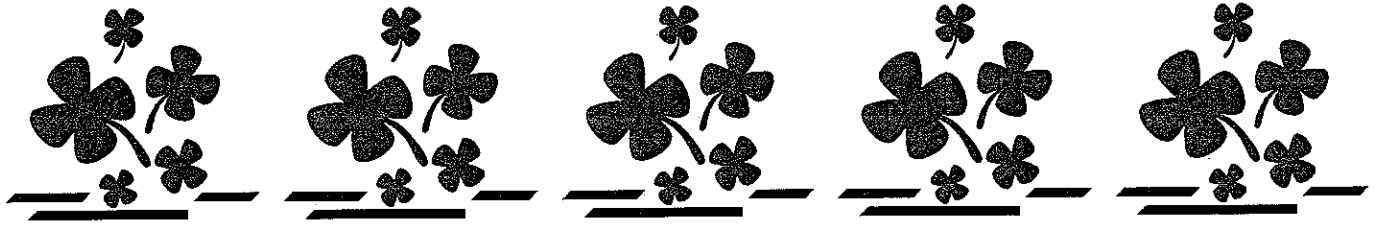
Thursday, March 22, 2007

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

(Lunch will be served)

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





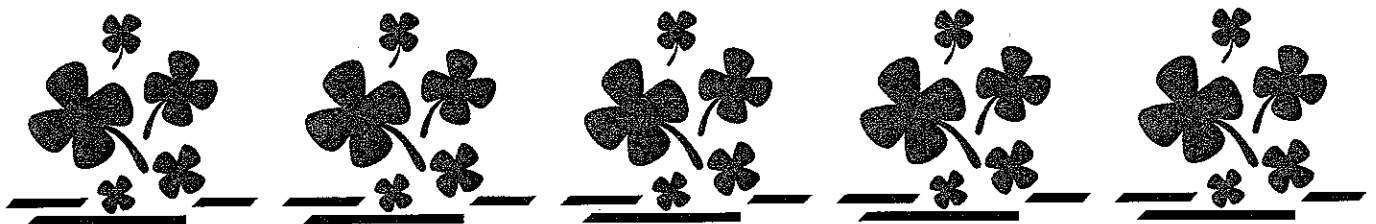
CHINO BASIN WATERMASTER

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(Lunch will be served)

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

9:00 a.m. – March 2, 2007

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 Advisory Committee Meeting held February 22, 2007 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of February 2007 *(Page 15)*
2. Combining Schedule for the Period July 1, 2006 through January 31, 2007 *(Page 19)*
3. Treasurer's Report of Financial Affairs for the Period January 1, 2007 through January 31, 2007 *(Page 21)*
4. Profit & Loss Budget vs. Actual July 2006 through January 2007 *(Page 23)*

C. RESOLUTION 07-03

A Resolution of the Chino Basin Watermaster Levying Replenishment and Administrative Assessments for Fiscal Year 2007-2008 *(Page 25)*

D. STATUS REPORT 2006-02

Consider Approval of Status Report 2006-02 *(Page 29)*

E. WATER TRANSACTION

Consider Approval for Transaction of Notice of Sale or Transfer – Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007.

Date of application: January 22, 2007 *(Page 35)*

II. BUSINESS ITEMS

A. PROPOSAL TO PERFORM THE SOCIOECONOMIC IMPACT ANALYSIS OF OBMP AND PEACE AGREEMENT

Consider Approval of the Proposal to Perform the Socioeconomic Impact Analysis of OBMP and Peace Agreement between Dr. David Sunding, Berkeley Economic Consulting, Inc. and Chino Basin Watermaster *(Page 53)*

B. ASR AGREEMENT BETWEEN CHINO BASIN WATERMASTER, INLAND EMPIRE UTILITIES AGENCY AND MONTE VISTA WATER DISTRICT

Consider Approval of the Agreement between Chino Basin Watermaster, Inland Empire Utilities Agency and Monte Vista Water District Regarding Incorporation of Groundwater Injection with State Water Project Water by Monte Vista Water District in the Chino Basin Watermaster and Inland Empire Utilities Agency Permit R8-2005-0033 *(Page 61)*

C. FILE WATERMASTER STATUS REPORT 2006-02 WITH THE COURT

Consider the Transmittal of Status Report 2006-02 to the Court Pursuant to the February 16, 2007 Court Order *(Page 69)*

III. REPORTS/UPDATES

A. GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application
2. Peace II Process
3. Potential Intervention *(Page 93)*
4. MZ1 Long Term Plan

B. FINANCIAL REPORT

1. Technology Update
2. Budget Advisory Committee Update

C. ENGINEERING REPORT

1. Regional Board Letter Dated February 14, 2007

D. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update
3. Progress Report on Desalter Expansion

E. INLAND EMPIRE UTILITIES AGENCY

1. Monthly Water Conservation Programs Report *(Page 99)*
2. Monthly Imported Water Deliveries Report - *handout*
3. State and Federal Legislative Report *(Page 103)*
4. Community Outreach/Public Relations Report *(Page 145)*

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

1. Metropolitan Water District Letter *(Page 147)*
2. Newspaper Articles *(Page 149)*

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

March 22, 2007	8:00 a.m.	MZ1 Technical Committee Meeting
March 22, 2007	9:00 a.m.	Advisory Committee Meeting
March 22, 2007	11:00 a.m.	Watermaster Board Meeting
March 27, 2007	9:00 a.m.	GRCC Meeting
April 12, 2007	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
April 17, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
April 26, 2007	9:00 a.m.	Advisory Committee Meeting
April 26, 2007	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**

11:00 a.m. – March 2, 2007

At The Offices Of

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

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F. CERTIFICATE OF COMMENDATION FOR JOHN ANDERSON

Consider Approval of Certificate of Commendation for John Anderson *(Page 49)*

G. CERTIFICATE OF COMMENDATION FOR AL LOPEZ

Consider Approval of Certificate of Commendation for Al Lopez *(Page 51)*

II. BUSINESS ITEMS

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1. Technology Update
2. Budget Advisory Committee Update

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D. CEO/STAFF REPORT

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2. Recharge Update
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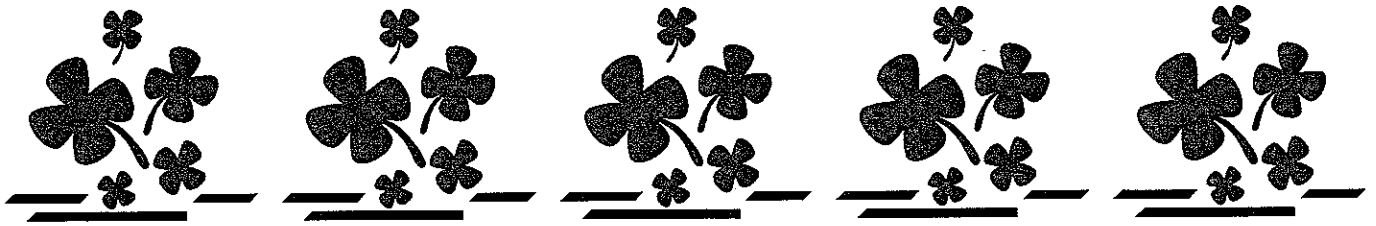
V. BOARD MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

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April 26, 2007	9:00 a.m.	Advisory Committee Meeting
April 26, 2007	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

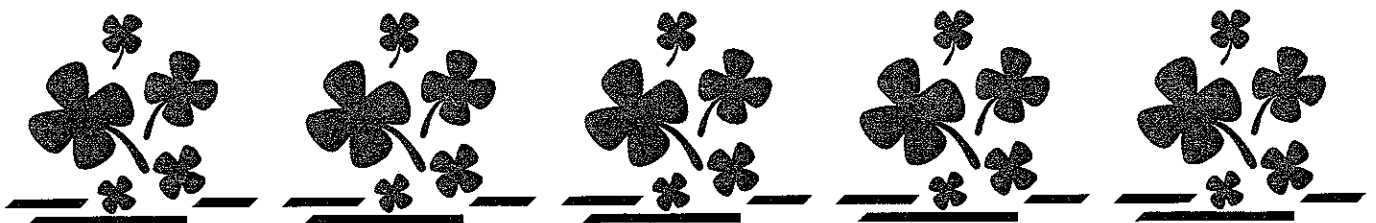


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting held February 22, 2007



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
February 22, 2007

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on February 22, 2007 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Ken Jeske, Chair	City of Ontario
Robert DeLoach	Cucamonga Valley Water District
Raul Garibay	City of Pomona
Anthony La	City of Upland
Dave Crosley	City of Chino
J. Arnold Rodriguez	Santa Ana River Water Company
Mark Kinsey	Monte Vista Water District
Mike Maestas	City of Chino Hills
Mike McGraw	Fontana Water Company
Chris Diggs	Fontana Union Water Company
Justin Brokaw	Marygold Mutual Water Company
Raul Garibay	City of Pomona
Charles Moorrees	Santa Ana River Water Company

Non-Agricultural Pool

Kevin Sage	Vulcan Materials Company (Calmat Division)
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Agricultural Pool

Jeff Pierson	Crops
Bob Feenstra	Dairy

Watermaster Board Members Present

Sandra Rose	Monte Vista Water District
Terry Catlin	Inland Empire Utilities Agency

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

Marty Zvirbulis	Cucamonga Valley Water District
Bill Kruger	City of Chino Hills
Rich Atwater	Inland Empire Utilities Agency
Tom Love	Inland Empire Utilities Agency
John Anderson	Inland Empire Utilities Agency
Rosemary Hoerning	City of Upland
Rick Hansen	Three Valleys Municipal Water District
Steve Lee	Reid & Hellyer
Tom Crowley	West Valley Water District

Chair Jeske called the Advisory Committee meeting to order at 9:04 a.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Annual Advisory Committee Meeting held January 25, 2007
2. Minutes of the Advisory Committee Meeting held December 21, 2006

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2006
2. Combining Schedule for the Period July 1, 2006 through November 30, 2006
3. Treasurer's Report of Financial Affairs for the Period November 1, 2006 through November 30, 2006
4. Profit & Loss Budget vs. Actual July 2006 through November 2006
5. Cash Disbursements for the month of January 2007
6. Combining Schedule for the Period July 1, 2006 through December 31, 2006
7. Treasurer's Report of Financial Affairs for the Period December 1, 2006 through December 31, 2006
8. Profit & Loss Budget vs. Actual July 2006 through December 2006

C. INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 2006

Independent Auditors' Report from Mayer Hoffman McCann P.C. an Independent CPA firm

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 07-01 - Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy

E. LOCAL AGENCY INVESTMENT FUND

Resolution 07-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

F. NOTICE OF INTENT

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

G. COMMENDATION FOR MR. ROBERT NEUFELD

A Commendation to Recognize Mr. Robert Neufeld for His Dedication of Service with Chino Basin Watermaster

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

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

II. BUSINESS ITEMS

A. ASSESSMENTS FOR FISCAL YEAR 2006-2007

Mr. Manning stated the Watermaster Assessment Package was held over from a few months ago due to various changes that needed to be incorporated. The Assessment Package that is in the meeting packet has included all known needed changes and is being presented for approval today. Ms. Rojo reviewed the history of the 2006/2007 Assessment Package which is now on revision number four. Ms. Rojo reviewed the Assessment Package Timeline which began on July 15, 2006 when the Water Activity Reports (WAR) was sent out and concluded in February 2007 with the version being presented today. Ms. Rojo compared the 2005/2006 assessments with the 2006/2007 assessments which resulted in a net increase to all assessments. Ms. Rojo stated Watermaster Administrative Assessments are equal to \$6.23/af, OBMP/Special Projects assessments are equal to

\$34.49/af, and there is a 2% loss being charged on the beginning storage balances. Ms. Rojo stated additional costs will include, Agricultural Pool reallocation, replenishment assessments, 85/15 charges for replenishment and water transactions, the Pomona credit, and recharge debt service. Ms. Rojo acknowledged the recommendations for future assessment packages would be to modify the collection process, to shorten the WAR/Assessment timeframe, and to ensure WAR accuracy. Mr. Kinsey inquired as to when Chino Basin Watermaster will run into a cash flow shortage. Ms. Rojo stated it depends on water replenishment costs; from a cash standpoint, we normally have cash on hand that could carry us through several months because we were under expended in some of the project categories from the previous fiscal year. Mr. Kinsey offered comment on splitting Assessment payments as was done this past year. A discussion ensued with regard to this matter. Chair Jeske noted that it sounded like there were many questions regarding moving forward both with the Assessment Package and Budget packages and possibly a sub-committee needs to be put into place to allow for further and more in depth analyses. A discussion ensued regarding replenishment and replenishment costs. Mr. DeLoach noted a budget review committee clearly needs to be formed and the Committee Members agreed. Mr. DeLoach made the motion to approve the presented Assessment Package and to form a sub-committee and Mr. Kinsey asked that this be broken down into two separate motions.

Motion by DeLoach, second by Garibay, and by majority vote – one no vote from Monte Vista Water District

Moved to approve the Assessments for Fiscal Year 2006-2007, as presented

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

Moved to approve forming a budget review sub-committee from the Advisory Committee Members to work with Chino Basin Watermaster staff, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application

Counsel Fife stated staff and counsel went to Sacramento on January 17, 2007 and at that time we met with State Board staff, who are addressing our application, including the head of the hearings unit. A presentation regarding the Chino Basin was presented to them and when they were asked for feedback the State Board staff declined because they stated they were ready to issue a notice on our hearing to us. A hearing date has now been noticed and scheduled for May 2, 3, and 4, 2007 with a pre-hearing status conference scheduled for April 5, 2007. All notices of intent to appear are due by March 21, 2007. All materials such as witness lists, exhibits, etc. need to be submitted to the State Board by April 16, 2007. Watermaster counsel and staff are going to be busy over the next few months preparing for this case. There will be a confidential session today after the Watermaster Board meeting to discuss our hearing strategy. Counsel Fife noted that all parties interested in this case are welcome to attend the confidential session today.

Added Comments:

Counsel Fife stated we have received a letter from the Regional Water Quality Control Board asking us to give them an update on where we are in complying with the Basin Plan Amendments; particularly our progress towards Hydraulic Control and toward the planning of the third desalter. The Regional Board gave us a much shorter schedule than the court did so we need to have a report to the Regional Board by March 16, 2007 which does not give us much time.

Counsel Fife stated we have also received an order from the court. The court has set a hearing for May 24, 2007 to hear about the schedules for the Peace II Process, the desalters, MZ1 subsidence issues, and for anything else going on that is relevant on the calendar. On page four of the court order it describes the briefing schedule; we are to file a

report to the court by March 31, 2007 which will give the parties enough time and opportunity to respond.

Counsel Fife stated there is a letter from Baker, Manock & Jensen who represents CCG Ontario. They are considering entering into a transfer of all their water rights to an entity that is not currently a party to the Judgment and as we understand it, does not own any land in the Chino Basin. They wrote us a letter and asked us to respond to a list of questions about this transfer and we will be doing that; however, there is not a time schedule as to when that response will be completed. Counsel Fife stated that because this is an unusual transaction, in that these rights are going to somebody who is not currently a party to the Judgment, they will need to intervene but more importantly they don't own any land in the Chino Basin and these are overlying rights. They wanted to daylight this to all the parties so that if there are concerns they could be transmitted and articulated. Counsel will keep the parties informed and if there are any questions or comments please let counsel or staff know.

2. Peace II Process

Counsel Fife stated we still do not have the Scalmanini Report which was to be delivered to us today. In a recent conversation with the Special Referee, we are now anticipating the report to come into us in mid-March. A discussion regarding this late report and how it might be affecting our upcoming court dates and deadlines. Counsel Fife stated he will hand out the very first draft of the new gant chart referencing all the newly submitted dates except for the Scalmanini report. Please give us feedback on this rough draft after you have had time to digest it; this will be discussed in greater detail at the next Appropriative Pool meeting which is still before the March 16, 2007 deadline.

B. FINANCIAL REPORT

1. Budget Update for fiscal 2007/2008

No comment was made regarding this item.

C. CEO/STAFF REPORT

Added Comment:

Mr. Manning noted he has heard within the last couple of days some good news regarding Fontana Water Company and the City of Fontana. It appears that Inland Empire Utilities Agency is working with the City of Fontana on a plan for shared resources in the area of recycled water. This is very encouraging news that these discussions have begun.

1. Upland Basin Funding Assistance

Mr. Manning stated the City of Upland is in the process of approving the improvements for the Upland Basin for flood control needs and for conservation purposes. The City of Upland does have a \$5M dollar grant and originally the City of Upland had put together a set of plans for the improvements at the Upland Basin; however, there were improvements that Watermaster's staff wanted to see included within those plans. Staff has asked for an additional bid for what our staff thinks would significantly improve the amount of conservation within the basins; the City of Upland has agreed and is putting together an alternate bid package. Watermaster has an agreement with the Chino Basin Conservation District and Inland Empire Utilities Agency to sit down with them regarding cost sharing after the alternate bid is accepted for the improvements to be shared one third by each party. Mr. Manning stated the Upland and College Heights Basins, together, equal 25% of our percolation within the basin. We are very interested in those basins performing as well as they possibly can.

2. Legislative Update

Mr. Manning stated last week ACWA held their annual conference in Washington DC. Mr. Manning stated that Washington DC is a very interesting place to be at right now and noted he had a chance while attending that conference to meet with several of the members of congress who represent California. Jerry McNerney, who is a new freshman member of congress, seemed extremely enthusiastic and optimistic that he will make great changes in congress as a freshman. Meetings were held with John Doolittle and Grace Napolitano, who is the new chairperson of the Water and Power sub-committee. Kevin McCarthy, who is another freshman who spoke, seems to be a real up and comer in congress. George Radanovich did not show up as scheduled. Ellen Tauscher, Hilda Solis, and Jim Costa were there and Mr. Manning was able to speak with them briefly. In general, the picture in Washington is there are twenty members of the Senate who will be running for President; ten Republicans and ten Democrats and all are worried about what they say today may affect their platform next year. We are going to have to be very diligent in making sure our bills are heard in the Senate. The WORDA bill does appear to have some life and it will possibly go through. The farm bill is up this year and also appears to be going through. Mr. Feenstra offered comment on Agricultural legislation matters happening now in Washington with regard to the farm bill. Mr. Manning stated the ACWA Sacramento conference will take place on March 22, 2007 and as always, it should be a very informative conference.

3. Recharge Update

No comment was made regarding this item.

E. INLAND EMPIRE UTILITIES AGENCY

1. Monthly Water Conservation Programs Report
No comment was made regarding this item.

2. Monthly Imported Water Deliveries Report
No comment was made regarding this item.

3. State and Federal Legislative Report
No comment was made regarding this item.

4. Community Outreach/Public Relations Report
No comment was made regarding this item.

5. Recycled Water Update

Mr. Love stated recycled water can be used for a number of applications including irrigation, industrial processes, groundwater recharge, and environmental enhancement. The goal of Inland Empire Utilities Agency (IEUA) is to achieve maximum reuse of all available recycled water. Mr. Love reviewed the Regional Recycled Water Program Summary and the Current Project Funding Summary in detail. A map of the design and construction was reviewed and discussed. Mr. Love noted the construction schedule for completion dates for the SACP – A is March 2007, SACP – B is spring of 2008, 7th and 8th Street is May 2008, RP-1 south zone PS is June 2007, and RP-4 reservoirs PS is October 2007. Mr. Love stated customer development is progressing in several areas. A review of the Recycled Water Deliveries from 2002 through 2008 was reviewed. The current operations along with Recycled Water Activities/Issues was reviewed and discussed. A discussion regarding storage needs for the future ensued.

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

Mr. Rossi commented on the Seven Oaks issue with regard to Western Municipal Water District and San Bernardino Valley Municipal Water District who are looking for a right of 27,000 acre-feet per year on an annual average with a peak of 200,000 acre-feet; this is a very significant future potential water supply. Mr. Rossi stated Western has spent a lot of time over the last

year or so when the Regional Board proposed a WDR for the control of imported water for recharge in the Santa Ana region; not as impactful on this basin because of the Chino Basin's progressive Maximum Benefit Basin Plan Amendment, but has potential impact on other rechargers and wholesale agencies in the Santa Ana region. Mr. Rossi stated Metropolitan Water District (MWD) water rates are on the forefront of a lot of peoples' minds and that the MWD board moved forward this month on rate changes that will take place January 2008 rates. They also applied the full incremental increase to the replenishment rate which is not a good trend for water agencies. Meetings and discussions with the City of Ontario regarding the desalter has been taking place in an effort not to lose the \$5M dollar grant which expires in September of 2008.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

Mr. Manning noted Mr. Wildermuth will be giving an updated report on the modeling report at the upcoming Watermaster Board meeting today and all parties who are interested in this issue should stay to hear the report.

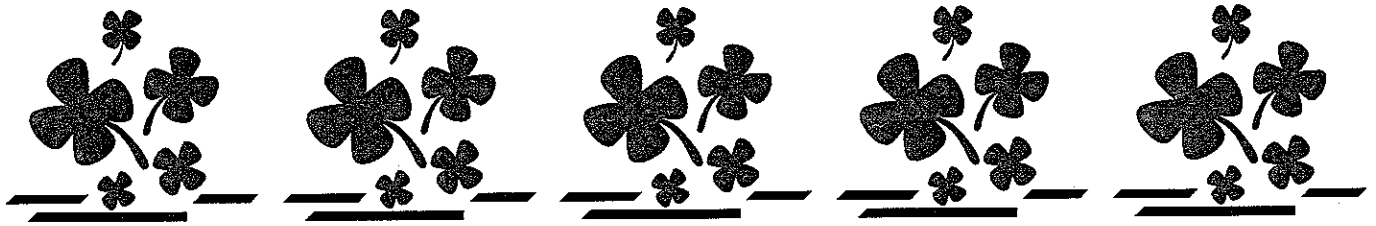
VII. FUTURE MEETINGS

February 22, 2007	9:00 a.m.	Advisory Committee Meeting
February 22, 2007	11:00 a.m.	Watermaster Board Meeting
February 27, 2007	9:00 a.m.	GRCC Meeting
March 8, 2007	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
March 19, 2007	1:00 p.m.	AGWA Meeting @ CBWM
March 20, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 22, 2007	9:00 a.m.	Advisory Committee Meeting
March 22, 2007	11:00 a.m.	Watermaster Board Meeting
March 27, 2007	9:00 a.m.	GRCC Meeting

The Advisory Committee Meeting was adjourned at 10:04 a.m.

Secretary: _____

Minutes Approved: _____

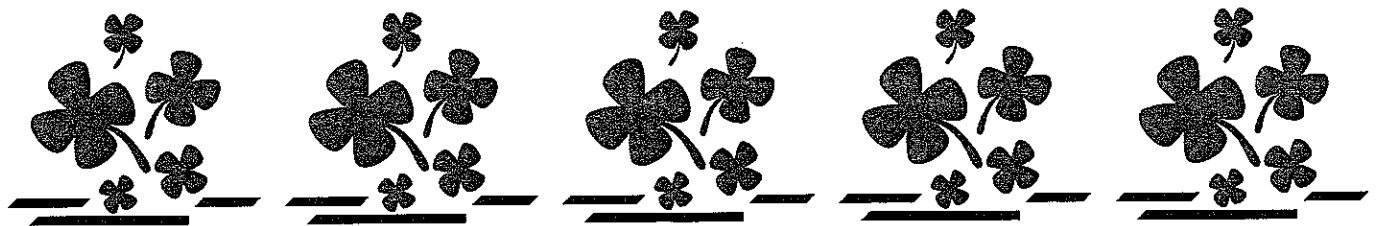


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Watermaster Board Meeting held February 22, 2007



Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
February 22, 2007

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on February 22, 2007 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	West End Consolidated Water Company
Sandra Rose	Monte Vista Water District
Terry Catlin	Inland Empire Utilities Agency
Jim Bowman	City of Ontario
Al Lopez	Western Municipal Water District
Bob Kuhn	Three Valleys Municipal Water District
Kevin Sage	Vulcan Materials Company
Geoffrey Vanden Heuvel	Agricultural Pool, Dairy
Paul Hofer	Agricultural Pool, 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

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

Others Present

Mark Kinsey	Monte Vista Water District
John Anderson	Inland Empire Utilities Agency
Jim Erickson	Law Offices of Jimmy Gutierrez
Ken Jeske	City of Ontario
Jeff Pierson	Crops
Raul Garibay	City of Pomona
Charles Moorrees	Santa Ana River Water Company
Mike McGraw	Fontana Water Company
Chris Diggs	Fontana Union Water Company
David De Jesus	Three Valleys Municipal Water District

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

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Annual Watermaster Board Meeting held January 25, 2007

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of January 2007
2. Combining Schedule for the Period July 1, 2006 through December 31, 2006
3. Treasurer's Report of Financial Affairs for the Period December 1, 2006 through December 31, 2006
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C. INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 2006

Independent Auditors' Report from Mayer Hoffman McCann P.C. an Independent CPA firm

D. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 07-01 - Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy

E. LOCAL AGENCY INVESTMENT FUND

Resolution 07-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

F. NOTICE OF INTENT

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

G. COMMENDATION FOR MR. ROBERT NEUFELD

A Commendation to Recognize Mr. Robert Neufeld for His Dedication of Service with Chino Basin Watermaster

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

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

II. BUSINESS ITEMS**A. ASSESSMENTS FOR FISCAL YEAR 2006-2007**

Mr. Manning stated the Watermaster Assessment Package was held over from a few months ago due to various changes that needed to be incorporated. The Assessment Package that is in the meeting packet has included all known needed changes and is being presented for approval today. Ms. Rojo reviewed the history of the 2006/2007 Assessment Package which is now on revision number four. Ms. Rojo reviewed the Assessment Package Timeline which began on July 15, 2006 when the Water Activity Reports (WAR) was sent out and concluded in February 2007 with the version being presented today. Ms. Rojo compared the 2005/2006 assessments with the 2006/2007 assessments which resulted in a net increase to all assessments. Ms. Rojo stated Watermaster Administrative Assessments are equal to \$6.23/af, OBMP/Special Project assessments are equal to \$34.49/af, and there is a 2% loss on all beginning storage balances. In summary, Ms. Rojo stated, the additional costs will include, Agricultural Pool reallocation, replenishment assessments, 85/15 charges for replenishment and water transactions, the Pomona credit, and recharge debt service. Ms. Rose asked for the comparison of the 2005/2006 for the OBMP and Special Projects to be reviewed in more detail since there appears to be a doubling of the reserves. Ms. Rojo stated for the reserve balance for the past, what we used to budget was a 30% administrative reserve balance and a 15% for OBMP. This means that starting on July 1st of last fiscal year, Watermaster would have no money until staff bills all of the appropriators for their assessments; meaning Watermaster will have to go several months without any money. What is now being done as a result of the assessment package workshop was to increase both of the reserve numbers to 30% which will carry Watermaster through for more months of each beginning fiscal year regarding the cash flow. Ms. Rojo stated she has many more ideas which she will be presenting to the newly formed Advisory Budget sub-committee that was formed at this morning's Advisory Committee meeting. A discussion regarding the split billing ensued. Mr. Catlin inquired into how much discretion there is in the production category. Ms. Rojo commented on cost increases with

regard to Mr. Catlin's question. A discussion ensued with regard to recharge O & M costs. Ms. Rojo acknowledged the recommendations for future assessment packages would be to modify the collection process, to shorten the WAR/Assessment timeframe, and to ensure the WAR accuracy. Ms. Rose stated that when the funds to assess goes up and the production goes down, the cost per acre-foot goes higher and higher, so this is Monte Vista's big concern and why we will be voting no on the presented Assessment Package. Mr. Vanden Heuvel commented on the rising costs and stated he felt having a budget sub-committee would be a good step forward to look at making some changes.

Motion by Vanden Heuvel, second by Bowman, and by majority vote – one no vote from Monte Vista Water District

Moved to approve the Assessments for Fiscal Year 2006-2007, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana River Water Right Application

Counsel Slater stated a hearing has now been scheduled for May 2, 3, and 4, 2007 with a pre-hearing date of April 5, 2007. There is a confidential meeting scheduled for today after the agenda process has been concluded. The reason for the confidential session is to discuss hearing strategy that would be pursued by Watermaster. Watermaster's ability to go onto a confidential session is controlled by Watermaster Rule 2.6 which means that at a minimum we must invite the heads of the various pools. We have received a strong interest from the stakeholders to broaden the group. Counsel Slater stated under Rule 2.6a the Watermaster Board has the discretion to add other people into the confidential setting. As long as we can confer with people in confidence and not waive our attorney client privilege we will, at your discretion, invite other parties/stakeholders who want to participate in this closed strategy session. General Counsel has received telephone calls from various counsels who represent stakeholders in this process and there is a deep interest in anything that affects the Santa Ana River. Counsel Slater stated the Watermaster Board is holding a closed session after this meeting and other people beyond the Board Members have expressed an interest in participating in the closed session. It was noted that all Pool Chairs were notified of today's closed session.

2. Peace II Process

Counsel Slater stated the Peace II Term Sheet was essentially completed several months ago, we have also received the Sunding Report, and we are still waiting on the last item to be completed which is the Scalmanini Review of the proficiency of the Wildermuth Model. It was anticipated that we would have that review completed by the end of January 2007; however, our most current estimate of delivery is mid-March. Counsel Slater stated counsel and staff were tasked by the Board members to see a schedule in implementing the Peace II process. In November 2006, a calendar of expected events was released to the members and then preparation of a gant chart would follow. Today we are presenting our draft gant chart for time and responsibility. Counsel Slater stated for each one of the items that is on this chart – there is nothing new presented here – is just a visual depiction of what was previously presented. There will be a detailed drop down menu for each one of these tasks which identifies who is doing what. The executive summary is that the strategy and the structure of what we are doing contemplates being to the court in the September/October time frame requesting a conditional approval of all our expected action and an approval of all the legal instruments that are necessary to implement our strategy. The key delay in going from that hearing, in the conditional approval, to actually constructing things i.e. putting in wells, operating the expanded desalter, and implementing Hydraulic Control will be the duration of the CEQA process that is associated with these actions. Even if we have to do a full Environmental Impact Report, this report suggests that we will have completed this exercise in the second or third quarter in 2008.

Added Comments:

Counsel Slater stated we have also received an order from the court. The court has set a hearing for May 24, 2007 to hear about the schedules for the Peace II Process, the desalters, for MZ1 subsidence issues, and for anything else going on that is relevant on the calendar. On page four of the court order it describes the briefing schedule; we are to file a report to the court by March 31, 2007 which will give the parties enough time and opportunity to respond. A lengthy discussion ensued with regard to going to the court with our proposed timeliness. Vanden Heuvel commented on the outline presented by counsel and stated he agreed with it. Mr. Vanden Heuvel inquired if the Scalmanini Report will be delivered via the mail/Fed Ex or will Mr. Scalmanini be coming down in person to present the report. Counsel Slater stated he believed it will be delivered as a report to Watermaster with no presentation from Mr. Scalmanini; however, if the Board at its pleasure wants to invite Mr. Scalmanini to come down and present it is a question left to the Board. Mr. Manning stated in anticipation of what is going to be in the report, because we have had some dialog with the court in terms of what they are looking at receiving, staff has asked Mr. Wildermuth to present an updated report on the issue of modeling and the progress that has been made. Mr. Vanden Heuvel commented on the Scalmanini report regarding this being the first time this has taken place with someone reviewing the modeling work that Wildermuth Environmental has done.

Counsel Slater stated we have received a letter from the Regional Water Quality Control Board asking us to give them an update on where we are in complying with the Basin Plan Amendments; particularly our progress towards Hydraulic Control and toward the planning of the third desalter. The Regional Board gave us a much shorter schedule than the court did so we need to have a report to the Regional Board by March 16, 2007 which does not give us much time.

Counsel Slater stated there is a letter from Baker Manock & Jensen who represents CCG Ontario. They are considering entering into a transfer of all their water rights to an entity that is not currently a party to the Judgment and as we understand it, does not own any land in the Chino Basin. They wrote us a letter and asked us to respond to a list of questions about this transfer and we will be doing that; however, there is not a time schedule as to when that response will be completed. Counsel Slater stated that because this is an unusual transaction, in that these rights are going to somebody who is not currently a party to the Judgment, they will need to intervene but more importantly they don't own any land in the Chino Basin and these are overlying rights. They wanted to daylight this to all the parties so that if there are concerns they could be transmitted and articulated. Counsel will keep the parties informed and if there are any questions or comments please let counsel or staff know.

B. FINANCIAL REPORT1. Budget Update for fiscal 2007/2008

No comment was made regarding this item.

C. CEO/STAFF REPORT

Added Comment:

Mr. Manning noted he has heard within the last couple of days some good news regarding the Fontana Water Company and the City of Fontana. It appears that Inland Empire Utilities Agency is working with the City of Fontana on a plan for shared resources in the area of recycled water. This is very encouraging news that these discussions have begun.

1. Upland Basin Funding Assistance

Mr. Manning stated the City of Upland is in the process of approving the improvements for the Upland Basin for flood control needs and for conservation purposes. The City of Upland does have a \$5M dollar grant and originally the City of Upland had put together a set of plans for the improvements at the Upland Basin; however, there were improvements that Watermaster's staff wanted to see included within those plans. Staff has asked for an alternate bid to improve what our staff thinks would significantly improve their changes and the amount of conservation within the basins; the City of Upland has agreed and is putting together an additional bid package. Watermaster has an agreement with the Chino Basin Conservation District and Inland Empire Utilities Agency to sit down with them regarding cost sharing after the alternate bid is accepted for the improvements to be shared one third by each party. Mr. Manning stated the Upland and the College Heights Basins, together, equal 25% of our percolation within the basin. We are very interested in those basins performing as well as they possibly can. Mr. Vanden Heuvel offered comment regarding the Upland Basin project and noted how pleased he was to see these improvements being made.

2. Legislative Update

Mr. Manning stated last week ACWA held their annual conference in Washington DC. Mr. Manning stated that Washington DC is a very interesting place to be right now and noted he had a chance while attending that conference to meet with several of the members of congress who represent California. Jerry McNerney, who is a new freshman member of congress, seemed extremely enthusiastic and optimistic that he will make great changes in congress as a freshman. Meetings were held with John Doolittle and Grace Napolitano, who is the new chairperson of Water and Power sub-committee. She spoke about her sub-committee and what her future plans are. Kevin McCarthy, who is the other freshman who spoke, seems to be a real up and comer in congress. George Radanovich did not show up as scheduled. Ellen Tauscher, Hilda Solis, and Jim Costa were there and Mr. Manning was able to speak with them briefly. In general, the picture in Washington is there are twenty members of the Senate who will be running for President; ten Republicans and ten Democrats and all are worried about what they say today it may affect their platform next year. We are going to have to be very diligent in making sure our bills are heard in the Senate. The WORDA bill does appear to have some life and it will possibly go through. The farm bill is up this year and also appears to be going through. Mr. Manning stated the ACWA Sacramento conference will take place on March 22, 2007 and as always, it should be a very informative conference.

Added: Introductory Progress Report Watermaster's Groundwater Model Update

Mr. Wildermuth stated the presentation outline today would include an update on the subsidence in MZ1 and the progress on Watermaster's groundwater model update. Mr. Wildermuth pulled up a subsidence area map for MZ1 and pointed out the subsidence areas including well areas. The groundwater benchmarks were reviewed. Mr. Wildermuth reviewed the time history of production, recharge, groundwater levels, and ground levels in MZ1 from 1993 through 2007 in detail. Mr. Wildermuth stated Wildermuth Environmental, Inc. (WEI) and Watermaster staff has developed a series of model updates and programmed these efforts into Watermaster's 2006/2007 budget in March 2006. Work began on these updates in July 2006 and will likely continue until the end of the current fiscal year. WEI will start presenting summaries of this effort through the Watermaster process starting in March 2007. WEI will incorporate the latest information from new wells and monitoring programs and will extend calibration from 11 years to about 40 years. WEI will incorporate a vadose zone flow and transport models along with developing a localized high resolution compaction model for part of MZ1 which is dynamically linked to the basin model. WEI will be refining boundary conditions for the Rialto-Colton fault and Bloomington Divide. WEI will incorporate non-linear ET functions for riparian vegetation and revise projected groundwater pumping and replenishment plans. WEI will extend the projection period from the present to 2060 and will also incorporate state-of-the-art visualization

software and VLA processing. The purpose for these actions will be to update the Watermaster model based on new hydrogeologic information collected since 2002. Our new data sources will include subsidence investigation in MZ1, nine new HCMP well clusters, Chino II Desalter wells and other new monitoring wells, new appropriator wells, OBMP water level and water-quality monitoring programs. Mr. Wildermuth reviewed detailed one dimensional area maps. Mr. Manning stated Mr. Wildermuth and staff has been working together on the evolution of this model. All of us are aware the Microsoft just came out with Vista and in reality Microsoft started working on Vista before XP was released. That is not too much different from what Wildermuth does with these models; the difference is that Mark does not label its versions. The models themselves keep evolving and that is what Watermaster and Wildermuth are trying to express; these models are evolving and what Mr. Scalmanini is looking at is a point in time. Mr. Wildermuth stated all the work that WEI has done on the Basin Plan that goes back to the early 90's, was peer reviewed and the technical group who reviews the work is a large group. Processes and procedures are reviewed before we calculate them and then we open the books for strict review; work is being reviewed all the time.

3. Recharge Update

Mr. Treweek referenced the recharge handout and reviewed the numbers through January. Mr. Treweek stated it appears that February will be a dry month at the rate we are going with lack of anticipated rainfall.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Manning noted Mr. Catlin would now be the Watermaster Board representative from the Inland Empire Utilities Agency and Mr. Anderson would be serving as Mr. Catlin's alternate. Chair Willis thanked Mr. Anderson for his past service on the board and noted a formal commendation would be presented to him at the March Watermaster Board meeting. Mr. Manning noted Mr. Lopez will be stepping down as a Watermaster Board member and will now be serving as an alternate for Mr. Fields who represents Western Municipal Water District. Chair Willis thanked Mr. Lopez for his past serves on the board and noted a formal commendation would be presented to him at the March Watermaster Board meeting.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

February 22, 2007	9:00 a.m.	Advisory Committee Meeting
February 22, 2007	11:00 a.m.	Watermaster Board Meeting
February 27, 2007	9:00 a.m.	GRCC Meeting
March 8, 2007	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
March 19, 2007	1:00 p.m.	AGWA Meeting @ CBWM
March 20, 2007	9:00 a.m.	Agricultural Pool Meeting @ IEUA
March 22, 2007	9:00 a.m.	Advisory Committee Meeting
March 22, 2007	11:00 a.m.	Watermaster Board Meeting
March 27, 2007	9:00 a.m.	GRCC Meeting

The Watermaster Board meeting closed its regular session at 12:40 p.m. to allow the parties to take a break before the confidential session starts.

The Watermaster Board closed session began at 12:52 p.m.

No report was given from the closed session to be recorded into the minutes.

The Watermaster Board meeting was adjourned by Chair Willis at 2:30 p.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of February 2007
2. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2006 through January 31, 2007
3. Treasurer's Report of Financial Affairs for the Period January 1, 2007 through January 31, 2007
4. Profit & Loss Budget vs. Actual July 2006 through January 2007





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: March 8, 2007
March 20, 2007
March 22, 2007

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report – February 2007

SUMMARY

Issue – Record of cash disbursements for the month of February 2007.

Recommendation – Staff recommends the Cash Disbursements for February 2007 be received and filed as presented.

Fiscal Impact – All funds disbursed were included in the FY 2006-07 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 February 2007 were \$1,410,035.21. The most significant expenditures during the month were Inland Empire Utilities Agency in the amount of \$854,429.50, Wildermuth Environmental Inc. in the amount of \$251,379.69, and Hatch and Parent in the amount of \$79,397.99.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
February 2007

Type	Date	Num	Name	Amount
Feb 07				
General Journal	2/1/2007	07/2/3	PAYROLL	-6,988.13
General Journal	2/1/2007	07/2/3	PAYROLL	-22,514.67
Bill Pmt -Check	2/8/2007	11140	AMERICAN WATER WORKS ASSOCIATION	-173.00
Bill Pmt -Check	2/8/2007	11141	ANDERSON, JOHN	-125.00
Bill Pmt -Check	2/8/2007	11142	APPLIED COMPUTER TECHNOLOGIES	-2,856.10
Bill Pmt -Check	2/8/2007	11143	BOWCOCK, ROBERT	-125.00
Bill Pmt -Check	2/8/2007	11144	BOWMAN, JIM	-125.00
Bill Pmt -Check	2/8/2007	11145	COMPUSA, INC.	-153.14
Bill Pmt -Check	2/8/2007	11146	CUCAMONGA VALLEY WATER DISTRICT	-50.00
Bill Pmt -Check	2/8/2007	11147	DIRECTV	-74.98
Bill Pmt -Check	2/8/2007	11149	HSBC BUSINESS SOLUTIONS	-390.25
Bill Pmt -Check	2/8/2007	11150	IDEAL GRAPHICS	-60.34
Bill Pmt -Check	2/8/2007	11151	INLAND COUNTIES INSURANCE SERVICES, INC.	-238.57
Bill Pmt -Check	2/8/2007	11152	KUHN, BOB	-125.00
Bill Pmt -Check	2/8/2007	11153	LOS ANGELES TIMES	-42.40
Bill Pmt -Check	2/8/2007	11154	MEDIA JIM	-1,035.00
Bill Pmt -Check	2/8/2007	11155	MONTE VISTA WATER DIST	-375.00
Bill Pmt -Check	2/8/2007	11156	OFFICE DEPOT	-698.71
Bill Pmt -Check	2/8/2007	11157	PARK PLAGE COMPUTER SOLUTIONS, INC.	-5,625.00
Bill Pmt -Check	2/8/2007	11158	PAYCHEX	-375.28
Bill Pmt -Check	2/8/2007	11159	QUILL	-34.01
Bill Pmt -Check	2/8/2007	11160	RAUCH COMMUNICATION CONSULTANTS, LLC	-93.75
Bill Pmt -Check	2/8/2007	11161	REID & HELLYER	-4,456.53
Bill Pmt -Check	2/8/2007	11162	SAGE, KEVIN	-125.00
Bill Pmt -Check	2/8/2007	11163	STATE COMPENSATION INSURANCE FUND	-902.61
Bill Pmt -Check	2/8/2007	11164	UNION 76	-118.75
Bill Pmt -Check	2/8/2007	11165	UNITED PARCEL SERVICE	-378.05
Bill Pmt -Check	2/8/2007	11166	UNITEK TECHNOLOGY INC.	-80.00
Bill Pmt -Check	2/8/2007	11167	VANDEN HEUVEL, GEOFFREY	-125.00
Bill Pmt -Check	2/8/2007	11168	VERIZON	-327.45
Bill Pmt -Check	2/8/2007	11169	WHEELER METER MAINTENANCE	-3,600.00
Bill Pmt -Check	2/8/2007	11170	WILLIS, KENNETH	-125.00
Bill Pmt -Check	2/8/2007	11171	CITISTREET	-3,521.19
Bill Pmt -Check	2/8/2007	11172	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-7,148.98
Bill Pmt -Check	2/8/2007	11173	CITISTREET	-3,521.19
Bill Pmt -Check	2/8/2007	11174	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-7,152.57
Bill Pmt -Check	2/8/2007	11175	CITISTREET	-3,652.94
Bill Pmt -Check	2/8/2007	11176	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	-7,152.56
General Journal	2/15/2007	07/02/05	PAYROLL	-6,577.05
General Journal	2/15/2007	07/02/05	PAYROLL	-22,244.44
Bill Pmt -Check	2/16/2007	11177	ACWA SERVICES CORPORATION	-278.30
Bill Pmt -Check	2/16/2007	11178	BLACK & VEATCH CORPORATION	-5,785.00
Bill Pmt -Check	2/16/2007	11179	COMPUTER NETWORK	-316.66
Bill Pmt -Check	2/16/2007	11181	HATCH AND PARENT	-79,397.99
Bill Pmt -Check	2/16/2007	11182	INLAND EMPIRE UTILITIES AGENCY	-57,052.51
Bill Pmt -Check	2/16/2007	11183	MCI	-1,030.31
Bill Pmt -Check	2/16/2007	11184	PREMIERE GLOBAL SERVICES	-104.23
Bill Pmt -Check	2/16/2007	11185	QUILL	-101.59
Bill Pmt -Check	2/16/2007	11186	RICOH BUSINESS SYSTEMS-Lease	-4,480.25
Bill Pmt -Check	2/16/2007	11187	THE FURMAN GROUP, INC.	-2,625.00
Bill Pmt -Check	2/16/2007	11188	UNITEK TECHNOLOGY INC.	-2,394.21
Bill Pmt -Check	2/16/2007	11189	VELASQUEZ JANITORIAL	-1,200.00
Bill Pmt -Check	2/16/2007	11190	RICOH BUSINESS SYSTEMS-Maintenance	-1,047.00
Bill Pmt -Check	2/20/2007	11191	FIRST AMERICAN REAL ESTATE SOLUTIONS	-125.00
Bill Pmt -Check	2/20/2007	11192	STAULA, MARY L	-136.61
Bill Pmt -Check	2/20/2007	11193	VIP AUTO DETAILING	-800.00
Bill Pmt -Check	2/21/2007	11194	BANK OF AMERICA	-2,945.35
Bill Pmt -Check	2/21/2007	11195	ELLISON, SCHNEIDER & HARRIS, LLP	-19,382.75
Bill Pmt -Check	2/21/2007	11196	OFFICE DEPOT	-199.88
Bill Pmt -Check	2/21/2007	11197	PRE-PAID LEGAL SERVICES, INC.	-103.60
Bill Pmt -Check	2/21/2007	11198	STANDARD INSURANCE CO.	-560.58
Bill Pmt -Check	2/21/2007	11199	VERIZON WIRELESS	-161.70
Bill Pmt -Check	2/21/2007	11200	WILDERMUTH ENVIRONMENTAL INC	-251,379.69
Bill Pmt -Check	2/27/2007	11201	PETTY CASH	-695.90
Bill Pmt -Check	2/28/2007	11202	ARROWHEAD MOUNTAIN SPRING WATER	-31.42
Bill Pmt -Check	2/28/2007	11203	CALPERS	-3,058.44
Bill Pmt -Check	2/28/2007	11204	COMPUSA, INC.	-1,341.55
Bill Pmt -Check	2/28/2007	11205	CUCAMONGA VALLEY WATER DISTRICT	-5,340.00

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
February 2007

<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
Bill Pmt -Check	2/28/2007	11206	RICOH BUSINESS SYSTEMS-Maintenance	-42.53
Bill Pmt -Check	2/28/2007	11207	INLAND EMPIRE UTILITIES AGENCY	-55,143.26
Bill Pmt -Check	2/28/2007	11208	INLAND EMPIRE UTILITIES AGENCY	-750,000.00
Bill Pmt -Check	2/28/2007	11209	INLAND EMPIRE UTILITIES AGENCY	-32,744.01
Bill Pmt -Check	2/28/2007	11210	INLAND EMPIRE UTILITIES AGENCY	-16,542.25
Feb 07				-1,410,035.21

CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2006 THROUGH JANUARY 31, 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			5,103,741		110,425				5,214,166	\$7,308,205
Interest Revenue			93,599	10,797	3,862			47	108,305	136,500
Mutual Agency Project Revenue		-							-	138,000
Grant Income		-							-	0
Miscellaneous Income									-	0
Total Revenues	-	-	5,197,340	10,797	114,287	-	-	47	5,322,471	7,582,705
Administrative & Project Expenditures										
Watermaster Administration	590,911								590,911	601,598
Watermaster Board-Advisory Committee	29,408								29,408	52,123
Pool Administration			12,439	46,826	3,899				63,164	118,245
Optimum Basin Mgmt Administration		1,237,976							1,237,976	1,855,795
OBMP Project Costs		3,035,528							3,035,528	5,904,269
Education Funds Use								375	375	375
Mutual Agency Project Costs	10,000								10,000	5,000
Total Administrative/OBMP Expenses	630,319	4,273,504	12,439	46,826	3,899	-	-	375	4,967,362	8,537,405
Net Administrative/OBMP Income	(630,319)	(4,273,504)								
Allocate Net Admin Income To Pools	630,319		485,970	132,521	11,829				-	0
Allocate Net OBMP Income To Pools		4,273,504	3,294,829	898,479	80,196				-	0
Agricultural Expense Transfer			1,072,276	(1,072,276)					-	0
Total Expenses	4,865,513	5,550	95,924	-	-	375	4,967,362	8,537,405		
Net Administrative Income			331,827	5,247	18,363		(328)		355,109	(954,700)
Other Income/(Expense)										
Replenishment Water Purchases						369,248			369,248	0
MZ1 Supplemental Water Assessments									-	0
Water Purchases									-	0
MZ1 Imported Water Purchase									-	0
Groundwater Replenishment						(1,625,062)			(1,625,062)	0
Net Other Income						(1,255,814)			(1,255,814)	0
Net Transfers To/(From) Reserves			331,827	5,247	18,363	(1,255,814)		(328)	(900,705)	(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			4,770,984	475,808	205,347	(116,199)	158,251	1,614	5,495,805	
05/06 Assessable Production			124,315,140	33,899,960	3,025,832				161,240,932	
05/06 Production Percentages			77.099%	21.024%	1.877%				100.000%	

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
JANUARY 1 THROUGH JANUARY 31, 2007**

DEPOSITORIES:

Cash on Hand - Petty Cash			\$	500
Bank of America				
Governmental Checking-Demand Deposits	\$	462,846		
Zero Balance Account - Payroll		-		462,846
Vineyard Bank CD - Agricultural Pool				431,443
Local Agency Investment Fund - Sacramento				5,658,868
TOTAL CASH IN BANKS AND ON HAND				\$ 6,553,657
TOTAL CASH IN BANKS AND ON HAND	1/31/2007			6,234,421
	12/31/2006			6,234,421
PERIOD INCREASE (DECREASE)				\$ 319,236

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets: Accounts Receivable			\$	35,646
Assessments Receivable				796,619
Prepaid Expenses, Deposits & Other Current Assets				(74,102)
(Decrease)/Increase in Liabilities: Accounts Payable				892,409
Accrued Payroll, Payroll Taxes & Other Current Liabilities				58,343
Transfer to/(from) Reserves				(1,389,679)
PERIOD INCREASE (DECREASE)				\$ 319,236

<u>SUMMARY OF FINANCIAL TRANSACTIONS:</u>	Petty Cash	Gov't Checking Demand	Zero Balance Account Payroll	Vineyard Bank	Local Agency Investment Funds	Totals
Balances as of 12/31/2006	\$ 500	\$ 3,730,748	\$ -	\$ 429,951	\$ 2,073,222	\$ 6,234,421
Deposits	-	797,361	-	1,492	3,585,646	4,384,499
Transfers	-	(3,610,488)	60,488	-	-	(3,550,000)
Withdrawals/Checks	-	(454,775)	(60,488)	-	-	(515,263)
Balances as of 1/31/2007	\$ 500	\$ 462,846	\$ -	\$ 431,443	\$ 5,658,868	\$ 6,553,657
PERIOD INCREASE OR (DECREASE)	\$ -	\$ (3,267,902)	\$ -	\$ 1,492	\$ 3,585,646	\$ 319,236

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
JANUARY 1 THROUGH JANUARY 31, 2007**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
1/15/2007	Interest	L.A.I.F.	\$ 35,646				
TOTAL INVESTMENT TRANSACTIONS			\$ 35,646	-			

* The earnings rate for L.A.I.F. is a daily variable rate; 5.11% was the effective yield rate at the Quarter ended December 31, 2006

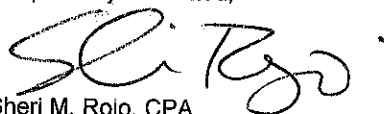
**INVESTMENT STATUS
January 31, 2007**

<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	\$ 5,658,868			
TOTAL INVESTMENTS	\$ 5,658,868			

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,



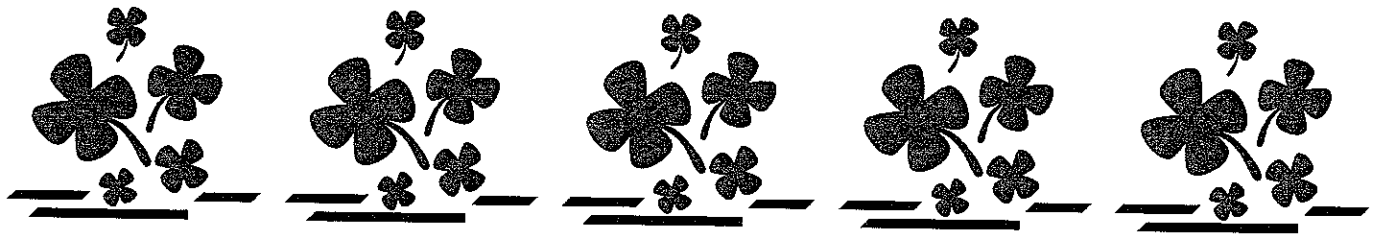
Sheri M. Rojo, CPA
Chief Financial Officer & Assistant General Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July 2006 through January 2007

	<u>Jul '06 - Jan 07</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%
4100 · Administrative Assessments	5,214,166	0	5,214,166	100.0%
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	108,305	136,500	-28,195	79.34%
Total Income	<u>5,322,471</u>	<u>7,582,705</u>	<u>-2,260,234</u>	<u>70.19%</u>
Gross Profit	5,322,471	7,582,705	-2,260,234	70.19%
Expense				
6010 · Salary Costs	459,852	447,037	12,815	102.87%
6020 · Office Building Expense	64,863	102,000	-37,137	63.59%
6030 · Office Supplies & Equip.	22,859	45,000	-22,141	50.8%
6040 · Postage & Printing Costs	54,682	78,500	-23,818	69.66%
6050 · Information Services	81,293	112,500	-31,207	72.26%
6060 · Contract Services	64,708	131,000	-66,292	49.4%
6080 · Insurance	15,108	25,210	-10,102	59.93%
6110 · Dues and Subscriptions	14,186	16,750	-2,564	84.69%
6140 · WM Admin Expenses	2,090	6,500	-4,410	32.15%
6150 · Field Supplies	872	4,000	-3,128	21.81%
6170 · Travel & Transportation	16,607	19,350	-2,743	85.82%
6190 · Conferences & Seminars	21,298	22,500	-1,202	94.66%
6200 · Advisory Comm - WM Board	8,535	15,168	-6,633	56.27%
6300 · Watermaster Board Expenses	20,873	36,955	-16,082	56.48%
8300 · Appr PI-WM & Pool Admin	12,439	15,918	-3,479	78.14%
8400 · Agri Pool-WM & Pool Admin	11,761	18,633	-6,872	63.12%
8467 · Agri-Pool Legal Services	29,516	65,000	-35,484	45.41%
8470 · Ag Meeting Attend -Special	5,550	12,000	-6,450	46.25%
8500 · Non-Ag PI-WM & Pool Admin	3,899	6,694	-2,795	58.24%
6500 · Education Funds Use Expens	375	375	0	100.0%
9500 · Allocated G&A Expenditures	-227,506	-408,749	181,243	55.66%
Subtotal Administrative Expenditures	<u>683,859</u>	<u>772,341</u>	<u>-88,482</u>	<u>88.54%</u>
6900 · Optimum Basin Mgmt Plan	1,154,646	1,713,780	-559,134	67.37%
6950 · Mutual Agency Projects	10,000	5,000	5,000	200.0%
9501 · G&A Expenses Allocated-OBMP	83,330	142,015	-58,685	58.68%
Subtotal OBMP Expenditures	<u>1,247,976</u>	<u>1,860,795</u>	<u>-612,819</u>	<u>67.07%</u>
7101 · Production Monitoring	58,889	61,565	-2,676	95.65%
7102 · In-line Meter Installation	15,980	64,904	-48,924	24.62%
7103 · Grdwtr Quality Monitoring	94,832	149,713	-54,881	63.34%
7104 · Gdwtr Level Monitoring	95,651	191,953	-96,302	49.83%
7105 · Sur Wtr Qual Monitoring	1,678	32,247	-30,569	5.2%
7107 · Ground Level Monitoring	82,393	160,984	-78,591	51.18%
7108 · Hydraulic Control Monitoring	145,360	483,258	-337,898	30.08%
7109 · Recharge & Well Monitoring Prog	40,385	146,350	-105,965	27.6%
7200 · PE2- Comp Recharge Pgm	722,812	1,822,997	-1,100,185	39.65%

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July 2006 through January 2007

	<u>Jul '06 - Jan 07</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7300 · PE3&5-Water Supply/Desalte	337	4,676	-4,339	7.21%
7400 · PE4- Mgmt Plan	117,761	578,762	-461,001	20.35%
7500 · PE6&7-CoopEfforts/SaltMgmt	143,934	310,507	-166,573	46.35%
7600 · PE8&9-StorageMgmt/Conj Use	12,926	6,698	6,228	192.98%
7690 · Recharge Improvement Debt Pymt	1,358,415	1,608,000	-249,586	84.48%
7700 · Inactive Well Protection Prgm	0	14,921	-14,921	0.0%
9502 · G&A Expenses Allocated-Projects	144,176	266,734	-122,558	54.05%
Subtotal Special Project Expenditures	<u>3,035,528</u>	<u>5,904,269</u>	<u>-2,868,741</u>	<u>51.41%</u>
Total Expense	<u>4,967,362</u>	<u>8,537,405</u>	<u>-3,570,043</u>	<u>58.18%</u>
Net Ordinary Income	355,109	-954,700	1,309,809	-37.2%
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	1,625,062	0	1,625,062	100.0%
9999 · To/(From) Reserves	-900,705	-954,700	53,995	94.34%
Total Other Expense	<u>724,357</u>	<u>-954,700</u>	<u>1,679,057</u>	<u>-75.87%</u>
Net Other Income	<u>-355,109</u>	<u>954,700</u>	<u>-1,309,809</u>	<u>-37.2%</u>
Net Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>100.0%</u>

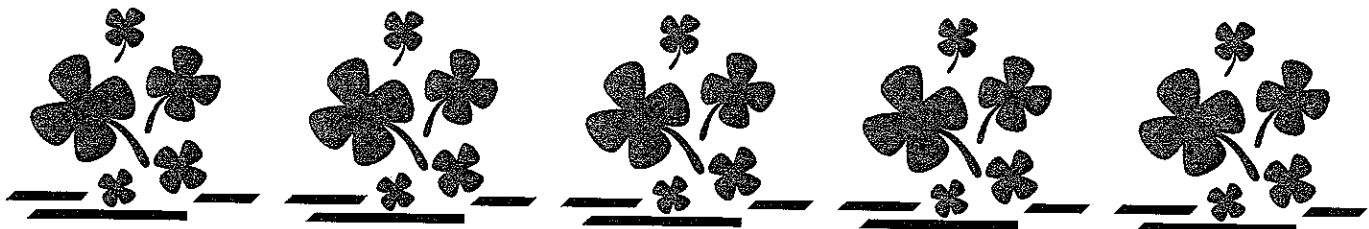


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

C. RESOLUTION 07-03

A Resolution of the Chino Basin Watermaster
Levying Replenishment and Administrative
Assessments for Fiscal Year 2006-2007



RESOLUTION 07-03

A RESOLUTION OF THE CHINO BASIN WATERMASTER LEVYING REPLENISHMENT AND ADMINISTRATIVE ASSESSMENTS FOR FISCAL YEAR 2006- 2007

WHEREAS, the Chino Basin Watermaster was appointed on January 27, 1978, under Case No. RCV 51010 (formerly case No. SCV 164327) entitled Chino Basin Municipal Water District v. City of Chino, et al., with powers to levy and collect administrative and replenishment assessments necessary to maintain water levels and to cover the cost of administering the Chino Basin Judgment; and

WHEREAS, the Watermaster Advisory Committee approved and the Watermaster Board adopted the Fiscal Year 2006-2007 Budget on May 25, 2006 to carry out the necessary Watermaster functions under the Judgment; and

WHEREAS, the parties named in this Judgment have pumped 9,249.94 acre-feet of water in excess of the operating safe yield, which is required to be replaced at the expense of the parties in accordance with the assessment formulas for the respective pools.

NOW, THEREFORE, BE IT RESOLVED that the Chino Basin Watermaster levies the respective assessments for each pool effective February 22, 2007 as showed on Exhibit "A" attached hereto.

BE IT FURTHER RESOLVED, that pursuant to the Judgment, each party has thirty-days from the date of invoice to remit the amount of payment for assessments due. After that date, interest will accrue on that portion which was due as provided for in Section 55 (c) of the Judgment.

THE FOREGOING RESOLUTION was

APPROVED by the Advisory Committee on the 22nd day of February 2007.

ADOPTED by the Watermaster Board on the 22nd day of February 2007.

By: _____
Chairman, Watermaster Board

APPROVED:

Chairman, Advisory Committee

ATTEST:

Secretary, Watermaster Board

Exhibit "A"
Resolution 07-03

Summary
of
Assessments
Fiscal Year 2006-2007
Production Year 2005-2006

1.	OVERLYING (NON-AGRICULTURAL) POOL	
a.	2006-2007 Budget	\$ <u>6.23</u> Per AF - Admin. \$ <u>34.49</u> Per - OBMP
b.	Replenishment	\$ <u>251.00</u> Per AF
2.	APPROPRIATIVE POOL	
a.	Administration	
	1. 2006-2007 Budget	\$ <u>6.23</u> Per AF - Admin. \$ <u>34.49</u> Per - OBMP
	2. Ag Pool Reallocated	\$ <u>4.32</u> Per AF - Admin. \$ <u>23.91</u> Per AF - OBMP
b.	100% Net Replenishment	\$ <u>251.00</u> Per AF
c.	15/85 Water Activity	
	15% Replenishment Assessments	\$ <u>256,867.88</u>
	15% Water Transaction Activity	\$ <u>1,115,741.71</u>
d.	Pomona Credit	\$ <u>66,667.00</u>
e.	Recharge Debt Payment	\$ <u>1,358,000.00</u>

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN BERNARDINO)

I, Ken Manning, Secretary of the Chino Basin Watermaster, DO HEREBY CERTIFY that the foregoing Resolution being No. 07-03, was adopted at a regular meeting of the Chino Basin Watermaster Board by the following vote:

AYES: 0
NOES: 0
ABSENT: 0
ABSTAIN: 0

CHINO BASIN WATERMASTER

Secretary

Date: _____

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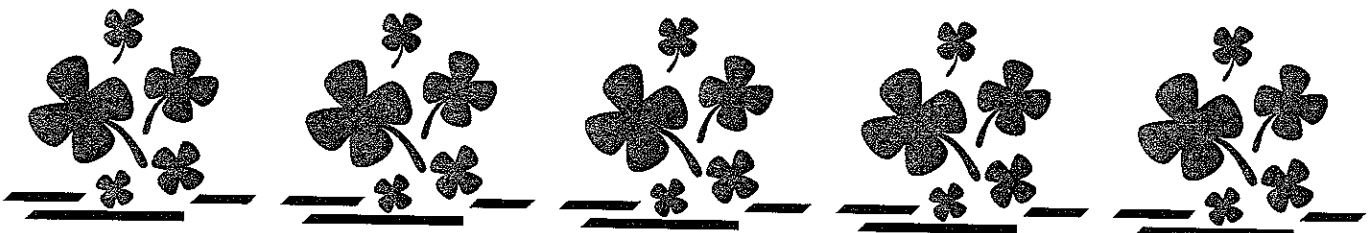


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

D. STATUS REPORT 2006-02

Consider Approval of Status Report 2006-02



Optimum Basin Management Program

Status Report 2006-2: July to December 2006

Status Report 2006 – 2: Covers activities from July 1 through December 31, 2006.

Introduction

This status report covers the period July 1, 2006 through December 31, 2006. The bulk of this report describes the activities that occurred and status of the work conducted for each program element of the Optimum Basin Management Program (OBMP). However, there are additional significant efforts that occurred during the reporting period that include:

- **First Strategic Planning Conference.** Watermaster convened its first strategic planning conference in October 2006. Participants included the Watermaster Board, the parties, Watermaster staff and consultants, invited guests including representatives of Metropolitan Water District and Orange County Water District, regulators and other observer/participants from other groundwater basins.
- **Revision of Watermaster's Groundwater Models.** Watermaster's groundwater models are being revised to incorporate new information obtained through OBMP investigations and monitoring, to extend the planning period from the current 30 year period to 60 years and beyond, and to explicitly incorporate subsidence.
- **Preparation of Grant Applications Related to Desalter Program Expansion.** Watermaster consultants worked with IEUA to develop Proposition 50 grant applications related to expanding the desalters. These applications were tentatively approved for up to \$45 million.
- **Ongoing Work to Prepare the 2006 State of the Basin Report.** The data necessary to prepare the SOB report were collected during the reporting period. The draft SOB will be available in the Spring of 2007.

Program Element 1: Develop and Implement a Comprehensive Monitoring Program

Groundwater Level Monitoring

Watermaster has three active groundwater level monitoring programs operating in the Chino Basin: 1) A semiannual basin-wide well monitoring program, 2) A key well monitoring program associated with the Chino I/II Desalter well fields and the Hydraulic Control Monitoring Program (HCMP), and 3) A piezometric monitoring program associated with land subsidence and ground fissuring in Management Zone 1 (MZ-1). The frequency of groundwater level monitoring varies with each program; depending on the needs of the data analyst. These groundwater level monitoring programs also rely on municipal producers, other government agencies, and private entities to supply their groundwater level measurements on a cooperative basis. Watermaster digitizes all these measurements and combines them into a relational database for general usage. During this period, Watermaster purchased and installed 7 pressure transducers/data loggers at key wells; principally in the northern portions of Chino Basin where more detailed groundwater level data are needed.

Groundwater Quality Monitoring

During this reporting period 53 wells were sampled. Watermaster continues a comprehensive data collection program whereby water quality data from other sources are routinely collected, QA/QC'd, and loaded into Watermaster's database.

Watermaster and the Inland Empire Utilities Agency (IEUA) are working closely with the Appropriative Pool members and their state-certified laboratories to obtain water quality data as an electronic data deliverable (EDD), which can be entered directly into Watermaster's relational database.

Groundwater-Production Monitoring

As of December 2006, Watermaster had installed an additional 12 new meters at active agricultural wells. All active wells (except for minimum user wells) are now metered. Watermaster reads the production data from the meters on a quarterly basis and enters these data into Watermaster's relational database.



Surface Water Monitoring

Water Quality and Quantity in Recharge Basins. Watermaster measures the quantity and quality of storm and supplemental water entering the recharge basins. Pressure transducers or staff gauges are used to measure water levels during recharge operations. In addition to these quantity measurements, imported water quality values for State Water Project water are obtained from the Metropolitan Water District of Southern California (MWDSC) and recycled water quality values for the RP1 and RP4 treatment plant effluents are obtained from IEUA. Watermaster monitors the storm water quality in the eight major channels (San Antonio, West Cucamonga, Cucamonga, Deer Creek, Day Creek, San Sevaine, West Fontana, and Declez) usually after each major storm event. Combining the measured flow data with the respective water qualities enables the calculation of the blended water quality in each recharge basin, the "new yield" to the Chino Basin, and the adequate dilution of recycled water.

Surface Water Monitoring in Santa Ana River (SAR). Watermaster measures the discharge of the river and selected water quality parameters to determine those reaches of the SAR that are gaining flow from Chino Basin and/or, conversely, those reaches that are losing flow into the Chino Basin. These bi-weekly flow and water quality measurements are combined with discharge data from permanent USGS and Orange County Water District (OCWD) stream gauges and discharge data from publicly owned treatment works (POTWs). These data are used in groundwater modeling to assess the extent of hydraulic control.

HCMP Annual Report

In January of 2004, the RWQCB amended the Water Quality Control Plan (Basin Plan) for the Santa Ana River Basin to incorporate an updated total dissolved solids (TDS) and nitrogen management plan. The Basin Plan Amendment includes both "antidegradation" and "maximum benefit" objectives for TDS and nitrate-nitrogen for the Chino and Cucamonga groundwater management zones. The application of the "maximum benefit" objectives relies on Watermaster and the IEUA's implementation of a specific program of projects and requirements, which are an integral part of the OBMP. On April 15, 2005, the RWQCB adopted resolution R8-2005-0064; thus approving the Surface Water Monitoring Program and Groundwater Monitoring Program in support of maximum benefit commitments in the Chino and Cucamonga Basins. Watermaster and the IEUA completed the 2005 Annual Report, which summarizes the results for those two programs, and submitted it to the RWQCB on April 14, 2006 in partial fulfillment of maximum benefit commitments. Watermaster and IEUA have begun drafting the 2006 Annual Report, which is due in April 2007.

Chino Basin Recycled Water Groundwater Recharge Program

The IEUA, Watermaster, Chino Basin Water Conservation District, and San Bernardino County Flood Control District jointly sponsor the Chino Basin Recycled Water Groundwater Recharge Program. This is a comprehensive water supply program to enhance water supply reliability and improve the groundwater quality in local drinking water wells throughout the Chino Groundwater Basin by increasing the recharge of stormwater, imported water, and recycled water. The recharge program is regulated under RWQCB Order No. R8-2005-0033 and Monitoring and Reporting Program No. R8-2005-0033.

Recharge Activities. Recycled water recharge in the Turner 1&2, and Turner 3&4 Basins began in July 2006. On going recharge activities at Ely, Hickory, and Banana Basins continued during this reporting period.

Monitoring Activities. Watermaster and the IEUA collect weekly and bi-weekly water quality samples from basins that are actively recharging recycled water and from lysimeters installed within those basins. During this reporting period, approximately 600 basin and lysimeter samples were collected. Monitoring wells located downgradient of the recharge basins were sampled every two weeks during the reporting period for a total of about 100 samples.

Construction Activities. Lysimeters and monitoring wells associated with the Banana, Hickory, and Turner Basins were installed in 2005. No other construction activities related to the monitoring of the recharge program occurred during this reporting period. Lysimeters and monitoring wells are expected to be constructed at the RP-3, Declez, and Ely Basins in fiscal year (FY) 2006/07.

Reporting. Watermaster and the IEUA completed the following required reports concerning the recharge program during the reporting period:

- Banana Start-Up Report – October 2006
- Hickory Start-Up Report – Not yet submitted



- Title 22 Engineering Report – March 2006: Addendum 1 Inclusion of Ely Basin in Phase II Recycled Water Groundwater Recharge Project – October 2006
- 2Q06 Quarterly Report – August 2006
- 3Q06 Quarterly Report – November 2006

Land Surface Monitoring

Watermaster developed a multifaceted land surface monitoring program to develop data for a long-term management plan for land subsidence in Management Zone 1 (MZ-1). The monitoring program consisted of three main elements:

- An aquifer system monitoring facility consisting of multiple depth piezometers and a dual bore extensometer.
- The application of synthetic aperture radar interferometry (InSAR) to measure historical land surface deformation.
- Benchmark surveys to measure land surface deformation, “ground truth” the InSAR data, and evaluate effectiveness of the long term management plan.

Following two years of data collection and analysis, Watermaster submitted the MZ-1 Summary Report in October 2005, which contained Guidance Criteria to minimize subsidence and fissuring. The Guidance Criteria included a listing of Managed Wells and their owners subject to the criteria, a map of the so-called Managed Area, an initial threshold water level (Guidance Level) of 245 feet below the top of the PA-7 well casing, and a plan for ongoing monitoring and notification. Since October 2005, the MZ-1 Summary Report and the Guidance Criteria contained therein have been discussed extensively by the parties involved, and were adopted by the Watermaster Board at its May 2006 Meeting .

The MZ-1 monitoring program has continued unabated. Water level monitoring has been expanded to the central regions of MZ-1 with the installation of transducers/data loggers at selected wells owned by the City of Chino, the Monte Vista Water District, and the City of Pomona. This expansion of the water level monitoring program is the initial effort to better understand the mechanisms behind ongoing land subsidence in this region.

Program Element 2: Develop and Implement a Comprehensive Recharge Program

Construction on the Chino Basin Facilities Improvement Project (CBFIP) Phase I was completed by December 31, 2005 at a cost of \$38M; 50% from a SWRCB Proposition 13 Grant, and 25% each from Watermaster and the IEUA. A CBFIP Phase II list of projects was developed by Watermaster and the IEUA, including monitoring wells, lysimeters, recycled water connections, SCADA system expansions, three MWDSC turnouts, and berm heightening and hardening. At a cost of approximately \$10M, these Phase II facilities will be financed through a 50% Grant from DWR and 25% each from Watermaster and the IEUA.

In FY 2005-2006, the CBFIP Phase I facilities were able to recharge 49,000 AF of storm and supplemental water . With the completion of the Phase II facilities in FY 2007-2008, the total recharge capacity will be about 75,000 AF. By the start of FY 2008-2009, most of the basins will be able to operate on a 12 months per year basis, with occasional downtime for silt and organic growth removal. Operations and basin planning are coordinated through the Groundwater Recharge Coordinating Committee (GRCC) which meets monthly.

Program Element 3: Develop and Implement Water Supply Plan for the Impaired Areas of the Basin; and

Program Element 5: Develop and Implement Regional Supplemental Water Program

Construction on the Chino I Desalter Expansion and the Chino II Desalter facilities was completed in February 2006 and an application has been made for \$1.6 M in Proposition 50 funds to add 8 MGD of ion exchange capacity to the Chino II Desalter. As currently configured, the Chino I Desalter provides 2.6 MGD of treated (air stripping for VOC removal) water from Wells 1-4, 4.9 MGD of treated (ion exchange for nitrate removal) water from Wells 5-15, and 6.7 MGD of treated (reverse osmosis for nitrate and TDS removal) water from Wells 5-15 for a total of 14.2 MGD (16,000 AFY). The Chino II Desalter provides 4.0 MGD of ion exchange treated water and 6.0 MGD of reverse osmosis treated water from 8 additional wells for a total of 10.0 MGD (11,000 AFY).



Watermaster has been conducting modeling investigations of various desalter expansion alternatives including the expansion of Chino I and II. The initial work was submitted by Wildermuth Environmental to Watermaster in April 2006. Black and Veatch developed reconnaissance-level engineering plans and costs for these desalter alternatives. Additional modeling work has been completed for a new set of alternatives with the desalter wells located between the Central Avenue fault and Chino I Well No. 5. The latter alternatives can be used to mitigate the Chino Airport plume and meet the hydraulic control objective of Watermaster.

Program Element 4: Develop and Implement a Comprehensive Groundwater Management Plan for Management Zone 1

In October 2005, Watermaster completed the MZ-1 Summary Report, including the Guidance Criteria. Since then the impacted parties have had numerous meetings in an effort to transform the Summary Report into a long-term management plan. The Summary Report and the Guidance Criteria were adopted by the Watermaster Board in May 2006. Presently, additional data are being developed by the impacted parties in an effort to achieve acceptable resolution of issues arising from the Guidance Criteria.

Program Element 6: Develop and Implement Cooperative Programs with the Regional Water Quality Control Board, Santa Ana Region (Regional Board) and Other Agencies to Improve Basin Management; and

Program Element 7: Develop and Implement a Salt Management Program

A Water Quality Committee meeting was held on December 13, 2006 to discuss the status of the investigations of the three major water quality plumes (Chino Airport, Ontario Airport, and Stringfellow Hazardous Waste site) in the Basin. On going discussions are being held with the RWQCB and the San Bernardino County Department of Airports in order to determine the engineering solution and costs for remediating the TCE plume at the Chino Airport. For the Ontario Airport plume, the Potentially Responsible Parties (PRPs) have been working with Watermaster to quantify the depth and extent of the TCE plume so that they can make a recommendation for further action in March 2007. In addition, Watermaster received the preliminary analyses of water samples taken throughout the Basin for perchlorate differentiation. The results are indicative of possible perchlorate contamination from use of specific types of fertilizer in some areas of the Chino Basin. Lastly, Watermaster continued to monitor the activities of General Electric's (GE) remediation at the Flat Iron facility and their efforts to develop a new location for recharge of their treated effluent.

MZ-3 Monitoring Program.

The former Kaiser plume has been incorporated into an overall monitoring program for the MZ-3 area. The MZ-3 monitoring program is also assessing the groundwater quality impairment from total dissolved solids (TDS), nitrate, and perchlorate. The perchlorate may have originated from the Mid-Valley Landfill (in Rialto Basin, across the Rialto-Colton fault) or it may be a non-point source that resulted from the historical application of Chilean fertilizer. Two rounds of quarterly samples were collected from 22 wells, including former Kaiser wells that Watermaster previously renovated: MP2 and KOFS. The MP2 cluster of wells (four depths) was in the heart of the Kaiser plume when the well was constructed; while KOFS was just beyond the leading edge of the plume. MP2 continues to show an impact from the Kaiser plume and the KOFS well is now impacted. Based on the analytical results, locations were identified for two new monitoring wells. Negotiations were successfully concluded with the City of Ontario to locate the two wells in street rights-of-way. Construction of these monitoring wells has now been awarded along with the construction of monitoring wells at recharge basins, so that Watermaster obtained a more competitive bid based on economies of scale.

Ontario International Airport (OIA) Volatile Organic Chemical Plume.

Watermaster met with the consultants to the PRPs on four occasions (September 9, October 5, November 8, and December 18, 2006). As a result of these meetings, Watermaster provided water quality, water level, and well construction data from more than 400 private wells and 200 public wells to the RWQCB, which in turn forwarded the database to the PRPs pursuant to their request. In addition to the database, the PRPs requested that they have access to the Chino Basin groundwater model developed by Wildermuth Environmental, Inc. (WEI). Watermaster and WEI agreed to share their modeling expertise with consultants from the PRPs in WEI's office. After the PRPs have had an opportunity to review the data, the model, and historical aerial



photos, Watermaster will propose to the RWQCB that a follow-up meeting be held in March 2007 to discuss future activities towards characterizing the plume.

Chino Airport VOC Plume.

Watermaster met with the RWQCB, the San Bernardino County Department of Airports, and their consultant Tetra Tech on November 6 and December 20, 2006 to discuss a joint remediation of the VOC plume from the airport. Such a joint remediation would help address other issues in the southwestern portion of Chino Basin such as maintenance of hydraulic control and the provision of high quality drinking water in an area of increasing demand. As a result of these meetings, Watermaster agreed to provide a database containing well construction information, water quality, water levels, and production for wells located southwest of the Chino airport. In addition, Watermaster provided results from sampling all the wells in this location to provide up-to-date analytical data on all the possible contaminants in these wells. Twenty-five wells were sampled by Watermaster in May and June of 2006, laboratory analyses were performed, and releases were obtained from the private well owners. These data are being reviewed with Tetra Tech to begin the engineering of appropriate remedial actions.

Perchlorate Isotope Study.

Neil Sturchio, Professor and Head of the Department of Earth and Environmental Sciences at the University of Illinois at Chicago, has developed a technique for using stable isotopes of chloride and oxygen to distinguish the origin of perchlorate (man-made vs. naturally occurring). There are several per mil shifts in isotopes of both ions between the two sources. He has tested several samples of leachate from fertilizer nitrogen (from the Atacama Desert in Chile) and rocket fuel sources. One of the innovations that Professor Sturchio has developed is the use of a flow-through column with an anion-exchange resin. These bifunctional anion exchange resins were originally developed at Oak Ridge National Laboratory and the University of Tennessee to selectively sorb the pertechnetate ion TcO_4^- (technetium is mobile with a long half-life, much like perchlorate). A resin regeneration step is added to recover the perchlorate ion. The exchange resin is required to concentrate the typically low levels of perchlorate in groundwater so that the perchlorate can be analyzed isotopically. Watermaster sampled 10 wells in Chino and Cucamonga Basins and submitted samples to a commercial laboratory for general mineral, general physical, and perchlorate analyses. The resin columns were sent to Professor Sturchio's laboratory at the University of Illinois and the preliminary results indicate that the perchlorate in groundwater in Chino Basin may derive from fertilizer sources.

GE Flat Iron Remediation.

Finally, with respect to the GE Flat Iron remediation, GE conducted a screening of options for the disposal of treated effluent from their operational pump and treat facilities. Currently, GE discharges their effluent into the Ely Basins, where it percolates back into the groundwater. However, this operation limits Watermaster's ability to recharge recycled water into the Ely Basins and, consequently, Watermaster has asked that GE develop alternative disposal means. As a result of their screening, GE has decided to investigate, in detail, the construction of groundwater injection wells that would be operated in conjunction with their own recharge basin. GE completed their planning in December 2006 and began detailed design based upon the RWQCB's approval of the concept.

TDS and Nitrogen Monitoring Pursuant to the 2004 Basin Plan Amendment

Pursuant to the 2004 Basin Plan Amendment and the Watermaster/IEUA permit to recharge recycled water, Watermaster and the IEUA have conducted groundwater and surface water monitoring programs. Quarterly HCMP reports that summarize data collection efforts were submitted to the RWQCB in July and October of 2006. An annual HCMP report for 2006 will be submitted to the RWQCB in April 2007.

Program Element 8: Develop and Implement a Groundwater Storage Management Program; and

Program Element 9: Develop and Implement a Storage and Recovery Program

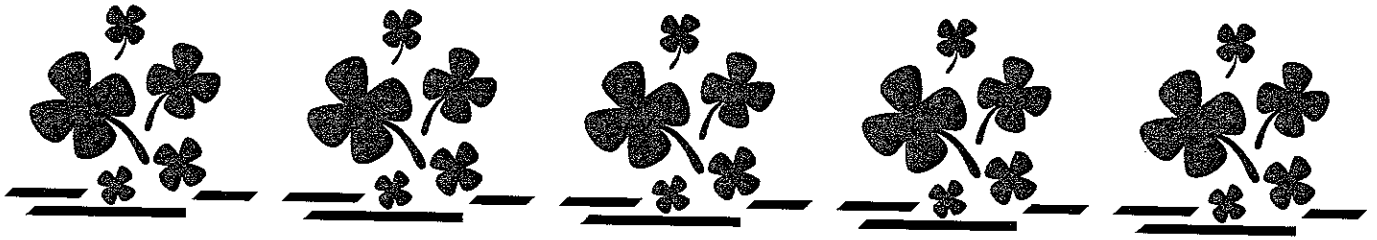
In March 2006, Watermaster submitted a proposal to the San Diego County Water Authority regarding SDCWA use of storage in the Chino Basin. Subsequently, in May 2006, Watermaster staff and legal counsel attended a meeting with SDCWA staff to discuss Watermaster's proposal. During the current reporting period, the SDCWA began discussions with the Watermaster to develop a storage and recovery program in the Chino Basin. Watermaster has also begun discussions with the Castaic Lake Water Agency and with the Metropolitan Water District of Southern California (Metropolitan) regarding new storage and recovery programs in the Chino Basin.



The existing Watermaster/IEUA/Metropolitan Dry Year Yield (DYY) program continued on during the reporting period. As of December 31, 2006, about 60,500 acre-ft had been stored in the Basin in Metropolitan's DYY account. The construction statuses of local facilities included in the DYY program for the participating parties are as follows:

- City of Ontario – Wellhead treatment facility: final design began in April 2006. DYY Wells: Drilling on Well No. 45 complete, pump testing on Well No. 47 complete, and drilling on Well No. 46 underway.
- Cucamonga Valley Water District – Six new wells (nos. 39-42, 44, and 45): construction completed for well nos. 39-42 and designs and CEQA documentations completed for well nos. 44 and 45.
- City of Upland – New IX treatment facility constructed and online.
- City of Pomona – Expansion of existing IX treatment facility: construction underway.
- City of Chino Hills – Refurbish Pellisier well and construct new treatment facility: design underway
- Monte Vista Water District – Well No. 31: well construction completed July 2006 and wellhead design is underway. Well No. 33 and treatment facility (joint MVWD/Chino project): Well construction is underway and treatment facility design will commence upon the completion of the well.
- Jurupa Community Services District – Expansion of the Teagarden IX facility completed in October 2006.



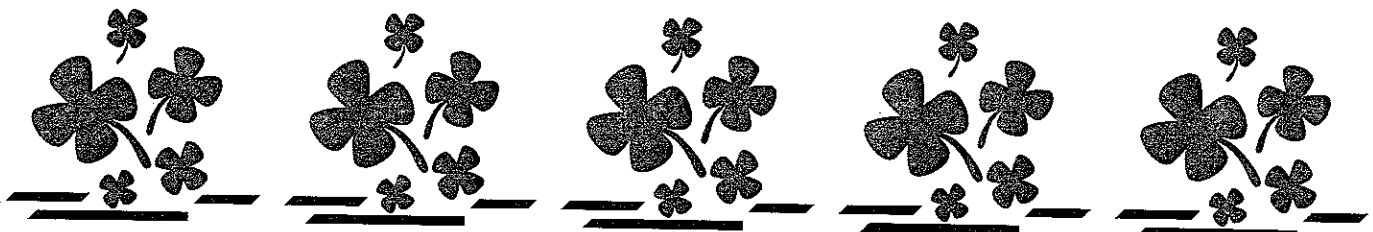


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

E. WATER TRANSACTION

Consider Approval for Transaction of Notice of Sale or Transfer – Fontana Water Company has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

February 2, 2007

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

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **January 22, 2007**

Date of this notice: **February 2, 2007**

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

- A. Notice of Sale or Transfer –Fontana Water Company (“Company”) has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007.

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

Appropriative Pool: February 8, 2007

Non-Agricultural Pool: February 8, 2007

Agricultural Pool: February 20, 2007

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

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

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

Watermaster address:

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

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

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: February 2, 2007

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

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CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730
Tel: (909) 484.3888 Fax: (909) 484-3890 www.cbwm.org

KENNETH R. MANNING
CHIEF EXECUTIVE OFFICER

DATE: February 2, 2007
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

Summary -

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

Issue -

- Notice of Sale or Transfer – Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007.

Recommendation –

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

Fiscal Impact –

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

Background

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

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

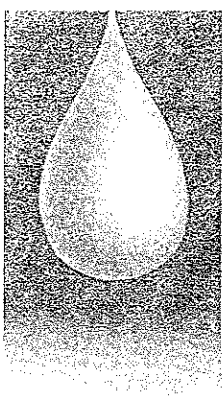
The following application for water transaction is attached with the notice of application.

- Notice of Sale or Transfer – Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007.

Notice of the water transaction identified above was mailed on February 2, 2007 along with the materials submitted by the requestors.

DISCUSSION

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



FONTANA WATER COMPANY

A DIVISION OF SAN GABRIEL VALLEY WATER COMPANY

8440 NUEVO AVENUE • P.O. BOX 987, FONTANA, CALIFORNIA 92334 • (909) 822-2201

JAN 25 2007

January 22, 2007



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

Subject: Purchase of Water in Storage
Chino Basin-Fiscal Year 2006/2007

Dear Mr. Manning:



Please take notice that Fontana Water Company ("Company") has agreed to purchase from Cucamonga Valley Water District water in storage in the amount of 2,500 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2006/2007.

Enclosed are fully executed Chino Basin Watermaster Forms No. 3 and 4, along with the company's Recapture Plan for consideration by Watermaster. Please agendize this proposed transfer at the earliest possible opportunity.

If you should have any question or require additional information concerning this matter, please call me.

Very truly yours,

Michael J. McGraw
General Manager

MJM:bf
Enclosures

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

TRANSFER FROM LOCAL STORAGE AGREEMENT # _____

Cucamonga Valley Water District
Name of Party
December 20, 2006
Date Requested
Date Approved

10440 Ashford Street
Street Address
2,500 Acre-feet
Amount Requested
Acre-feet
Amount Approved

Rancho Cucamonga CA 91729
City State Zip Code

Telephone: (909) 987-2591
Facsimile: (909) 476-8032

Robert A. DeLoach
Robert A. DeLoach, General Manager
Cucamonga Valley Water District

TRANSFER TO:

Fontana Water Company
Name of Party

Attach Recapture Form 4

8440 Nuevo Avenue
Street Address

Fontana CA 92334
City State Zip Code

Telephone: (909) 822-2201
Facsimile: (909) 823-5046

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

WATER QUALITY AND WATER LEVELS

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

Recapture by Fontana Water Company accomplished by pumping of 15 wells-static water levels vary from 375' to 684'. Of the wells routinely pumped, nitrate levels vary from a low of 8 mg/l to a high of 33 mg/l.

MATERIAL PHYSICAL INJURY

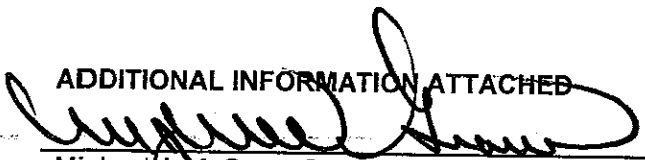
Is the Applicant aware of any Material Physical Injury to a party to the judgment or the Basin that may be caused by the action covered by the application? Yes [] No [X]

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

N/A

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]


Michael J. McGraw, General Manager
Fontana Water Company

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

APPLICATION OR AMENDMENT TO APPLICATION TO RECAPTURE WATER IN STORAGE

APPLICANT

Fontana Water Company
December 20, 2006
8440 Nuevo Avenue
2,500 Acre-feet
Fontana CA 92335
Projected Rate of Recapture
Telephone: (909) 822-2201
Facsimile: (909) 823-5046

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

IDENTITY OF PERSON THAT STORED THE WATER: Cucamonga Valley Water District

PURPOSE OF RECAPTURE

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

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

N/A

PLACE OF USE OF WATER TO BE RECAPTURED

Within Fontana Water Company's Service Area

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

N/A

WATER QUALITY AND WATER LEVELS

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

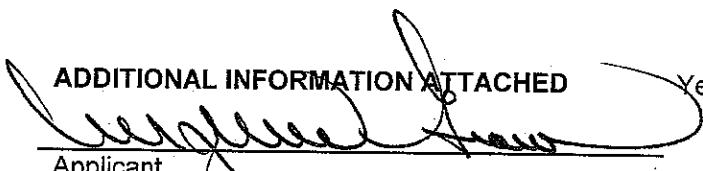
Recapture by Fontana Water Company accomplished by pumping of 15 wells-static water levels vary from 375' to 684'. Of the wells routinely pumped, nitrate levels vary from a low of 8 mg/l to a high of 33 mg/l.

MATERIAL PHYSICAL INJURY

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

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

ADDITIONAL INFORMATION ATTACHED Yes [] No [X]



Applicant

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

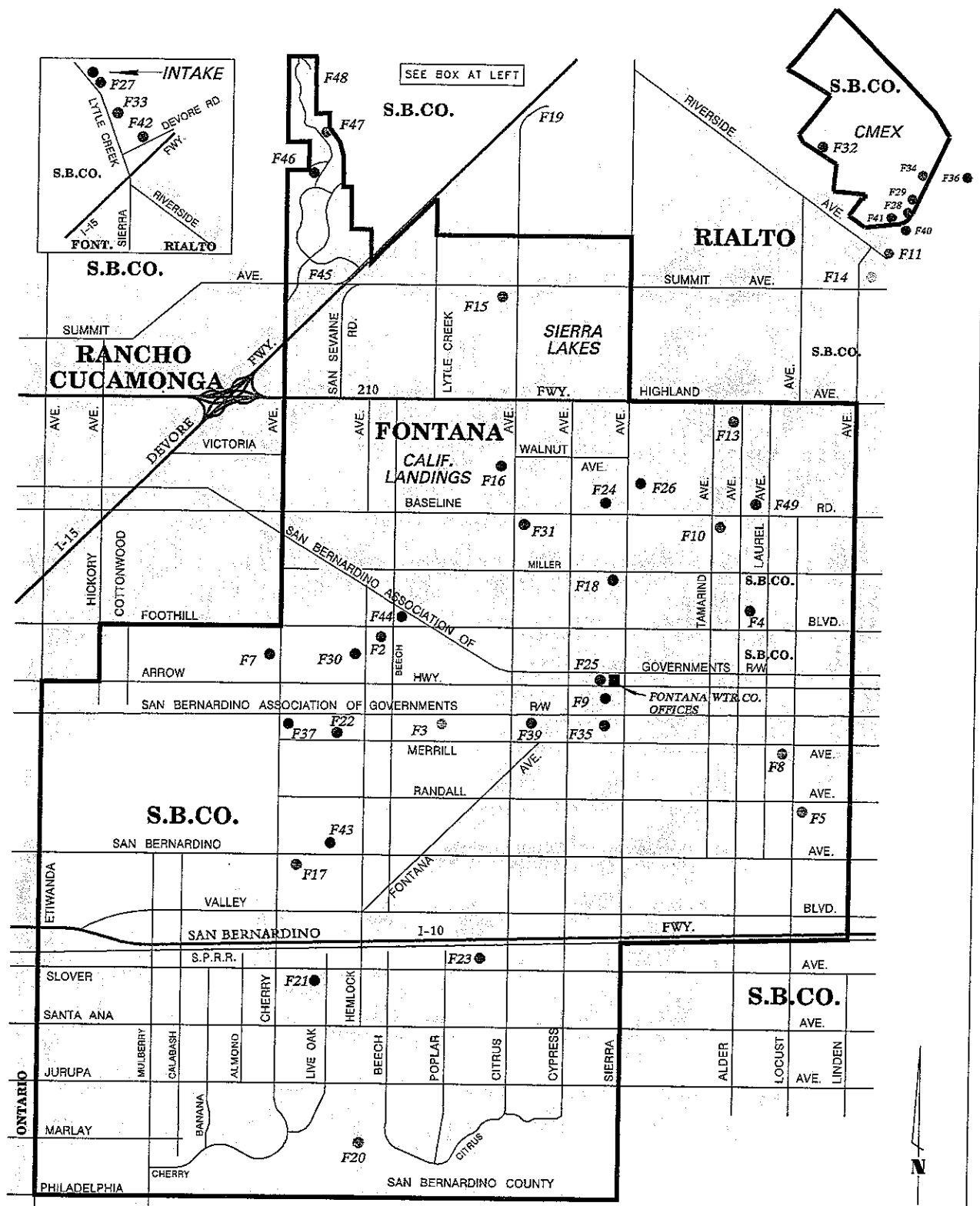
DATE OF BOARD APPROVAL: _____ Agreement # _____

FONTANA WATER COMPANY
Recapture Plan

The subject water is a transfer of stored groundwater from Cucamonga Valley Water District to Fontana Water Company (FWC) of 2,500 acre-feet to satisfy a portion of FWC's replenishment obligation for FY 2006/2007. Recapture of the stored water is accomplished by the production of any or all of the 15 wells owned and operated by FWC within Management Zone 3 of the Chino Groundwater Basin. The approximate daily production capacity of these wells is as follows:

<u>Well</u>	<u>Production</u> <u>Acre-Feet/Day</u>
F23A	- 10.6
F21A	- 5.7
F37A	- 5.7
F7A	- 11.0
F22A	- 8.2
F24A	- 8.4
F26A	- 8.6
F31A	- 7.3
F2A	- 10.6
F30A	- 5.1
F44A	- 11.0
F44B	- 10.6
F44C	- 10.6
F17B	5.7
F17C	7.1
Daily Total	<u>126.2</u>

The attached map shows the location of these wells within FWC's service area. Prior to 1992, water produced from the majority of these wells was pumped within Management Zone 3 by Fontana Union Water Company with safe yield rights in the Chino Groundwater Basin. However, as a result of a bankruptcy settlement agreement dated February 7, 1992 all of Fontana Union's Chino Groundwater Basin water, including overlying (agricultural) pool reallocation, is annually transferred to Cucamonga Valley Water District's storage account. Pursuant to the same 1992 bankruptcy settlement agreement, Fontana Water Company acquired Fontana Union's water production wells and continues to produce water from Management Zone 3, in the same manner and for the same purpose as had been done prior to 1992.



- LEGEND**
- - WELL
 - ⊙ - WELL & BOOSTERS
 - ⊕ - BOOSTERS
 - ⊖ - WELL, BOOSTERS & RESERVOIR
 - ⊗ - TREATMENT FACILITY
 - ⊘ - RESERVOIR
 - ⊙ - P.R. VALVE
 - ⊖ - BOOSTERS & RESERVOIR
 - ⊗ - AFTERBAY
 - - INTAKES

FONTANA WATER COMPANY
SYSTEM NO. 3610041

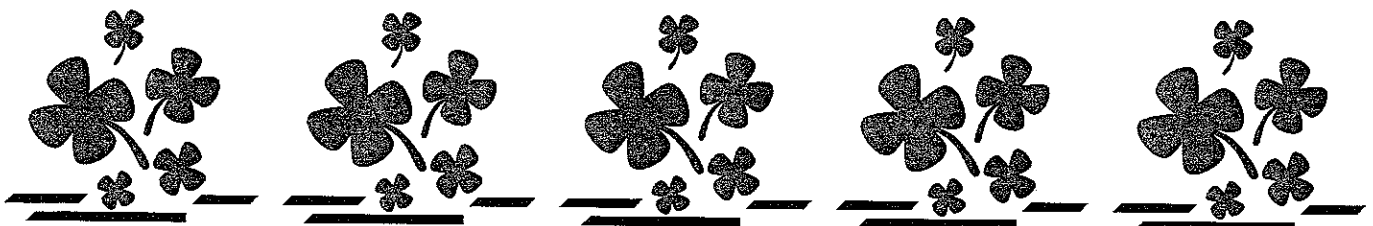




CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

F. CERTIFICATE OF COMMENDATION FOR JOHN ANDERSON





COMMENDATION

TO

John Anderson

Whereas, John Anderson has completed his service as a member of the Board of Directors for the Chino Basin Watermaster after many years of dedicated service, and in recognition of the valuable leadership he provided to the organization during his tenure, and his exemplary record of career and civic leadership, he is deserving of special public commendation; and

Whereas, John Anderson was appointed to the Chino Basin Watermaster by the Inland Empire Utilities Agency (IEUA) as their representative to the Chino Basin Watermaster Board of Directors from December 2005 to December 2006 where John represented the interests of the constituents within the IEUA service area to the Chino Basin Watermaster with distinction; and

Whereas, Mr. Anderson has worked tirelessly toward the betterment of the Chino Basin and the water industry with his active involvement in the Association of California Water Agencies, Inland Empire Regional Composting Authority and the Special Districts Association of San Bernardino County where he twice served as President of their Board of Directors; and

Whereas, John Anderson has served with distinction on various community and civic Boards and Committees where he has shared his insight on water related issues; now, therefore, be it declared that

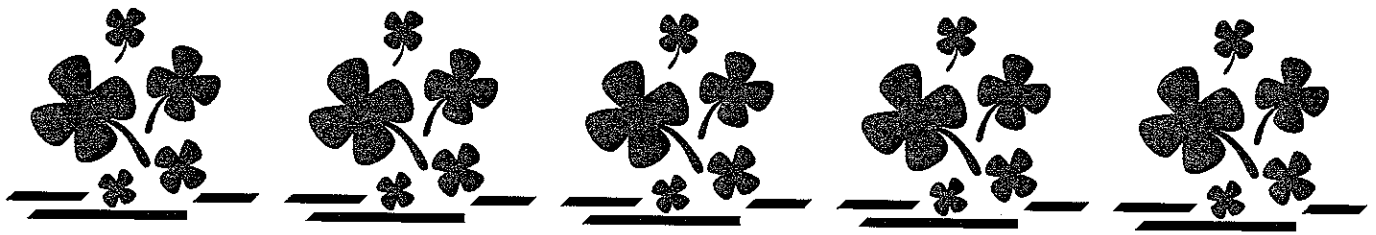
The Chino Basin Watermaster commends John Anderson for his many years of outstanding public service and his unwavering commitment to ensuring a safe, reliable and affordable supply of water to the residents of our region.

For this reason, the Watermaster Board, Parties, Stakeholders and Staff extend their sincere thanks and convey to John their best wishes for a future filled with continued success.

Declared this 22nd day of March, 2007

Kenneth R. Manning
CEO, Chino Basin Watermaster

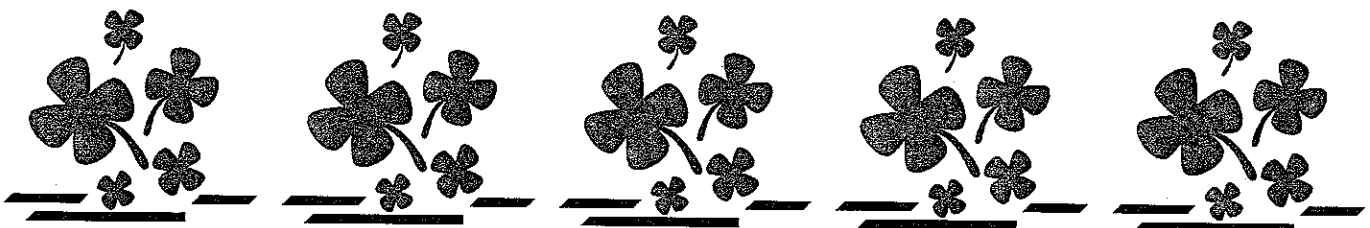
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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

G. CERTIFICATE OF COMMENDATION FOR AL LOPEZ





COMMENDATION

TO

S.R. "Al" Lopez

Whereas, Al Lopez has completed his service as a member of the Board of Directors for the Chino Basin Watermaster after many years of dedicated service, and in recognition of the valuable leadership he provided to the organization during his tenure, and his exemplary record of career and civic leadership, he is deserving of special public commendation; and

Whereas, Al Lopez was appointed to the Chino Basin Watermaster by the Western Municipal Water District as their representative to the Chino Basin Watermaster Board of Directors from December 2004 through January 2007 where Al represented the interests of the constituents within the Western Municipal Water District's service area to the Chino Basin Watermaster with distinction; and

Whereas, Mr. Lopez has worked tirelessly toward the betterment of the Chino Basin and the water industry with his active involvement in the Association of California Water Agencies, the ACWA/JPIA, the ACWA Utility Service Agency, and the Santa Ana Watershed Project Authority (SAWPA) where he served as chairman; and

Whereas, Al Lopez has served with distinction on various community and civic Boards and Committees where he has shared his insight on water related issues; now, therefore, be it declared that

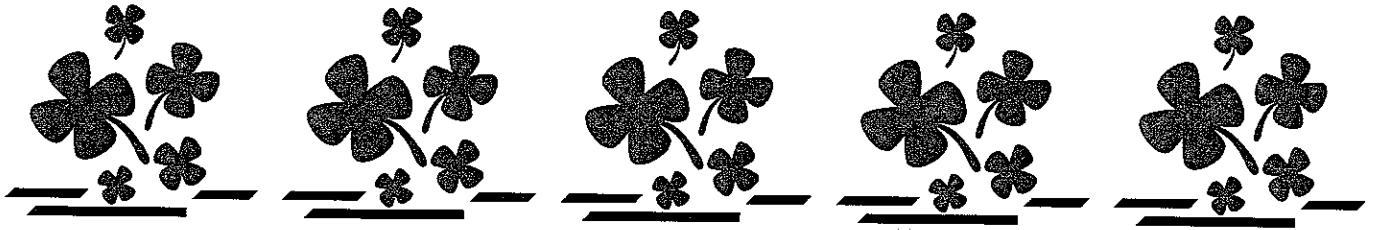
The Chino Basin Watermaster commends Al Lopez for his many years of outstanding public service and his unwavering commitment to ensuring a safe, reliable and affordable supply of water to the residents of our region.

For this reason, the Watermaster Board, Parties, Stakeholders and Staff extend their sincere thanks and convey to Al their best wishes for a future filled with continued success.

Declared this 22nd day of March, 2007

Kenneth R. Manning
CEO, Chino Basin Watermaster

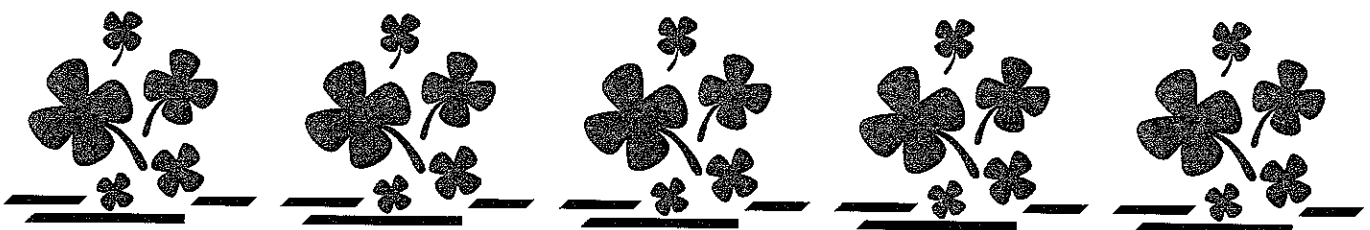
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CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

A. PROPOSED SOCIOECONOMIC IMPACT ANALYSIS OF OBMP AND PEACE AGREEMENT





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: March 8, 2007
March 20, 2007
March 22, 2007

TO: Committee Members
Watermaster Board Members

SUBJECT: Retain Dr. Sunding to begin the analysis of socioeconomic impacts

RECOMMENDATION: Staff recommends that it be authorized to retain Dr. Sunding to begin the analysis of socioeconomic impacts.

BACKGROUND:

According to the Stakeholder Non-Binding Term Sheet dated May 23, 2006, Watermaster will update earlier analysis of socioeconomic impacts conducted pursuant to the Judgment prior to requesting Court approval of the final agreement and Judgment Amendments. The analysis of socioeconomic impacts will consider the impacts (positive and negative) of implementing the OBMP and the Peace Agreement as well as those that may arise from Watermaster pursuing the suite of actions set forth in this Non-Binding Term Sheet, including but not limited to Watermaster assessments. The analysis will specifically address the potential distribution of costs and benefits among the parties that were initiated with the approval of the Peace Agreement in 2000. This socioeconomic impact study will be considered by Watermaster as it discharges its continuing duties under Exhibits "H" and "I" of the Judgment.

The Stakeholder Non-Binding Term Sheet required that study will be completed by March 1, 2007, so that each party and Watermaster will have the benefit of the socioeconomic analysis prior to executing a binding agreement. While the implementation of this element of the Non-Binding Term Sheet has fallen behind schedule, the parties have not yet been asked to execute a binding agreement, and so this element remains timely. However, Watermaster believes it is important to move forward on this item in order to get back on schedule.

The scope of this analysis will be set in a public Watermaster workshop among the stakeholders.

Dr. David Sunding performed the macro-economic review also required by the Stakeholder Non-Binding Term Sheet. Because of this, Watermaster staff believes that Dr. Sunding has the background information and preparation in order to efficiently perform this next level of review. Dr. Sunding has previously indicated that he believes the study can be performed for \$160,000, which is inclusive of the scoping workshop, meetings with the stakeholders, and preparation of the final report. Further refinement of the cost estimate will not be possible until

after the scope of the analysis has been determined. Watermaster staff believes it would be more efficient to retain Dr. Sunding for this task prior to the scoping workshop so that he may participate in that scoping.

Watermaster staff believes it is important to move forward on this required element under the Stakeholder Non-Binding Term Sheet in order to advance the schedule toward completion of the Peace II process and for this reason recommend authorization to retain Dr. Sunding to begin the analysis.

Berkeley Economic Consulting, Inc.
2550 Ninth Street, Suite 102
Berkeley, CA 94710

February 1, 2007

BEC No. 07-06

Mr. Michael Fife
Hatch & Parent
21 E. Carrillo Street
Santa Barbara, California 93101

Re: Socioeconomic Impact Analysis of OBMP and Peace Agreement

Dear Michael:

I am pleased to confirm that, subject to your return of a signed counterpart of this letter, effective February 1, 2007, Hatch & Parent and Chino Basin Watermaster retained Berkeley Economic Consulting, Inc. (BEC) on behalf of you and your client to provide consulting services in the above captioned matter pertaining to your client, Chino Basin Watermaster. Please return a copy of this letter, countersigned as indicated below, to indicate your agreement with its terms.

In establishing and maintaining good relationships with clients, we have found it important to provide each client with a statement of our engagement practices and our billing policies. These practices and policies are intended to safeguard our client information, establish reasonable fees for our services, and provide for the billing and collection of fees in a timely manner.

All documents provided to BEC by Hatch & Parent or Chino Basin Watermaster are the property of Hatch & Parent or Chino Basin Watermaster. BEC shall use reasonable efforts to maintain and protect its copies of all such documents following termination of the engagement, unless and until instructed by you to return or destroy these documents.

All of BEC's work for law firms is confidential. BEC staff members and consultants have signed confidentiality agreements and are obligated not to disclose any confidential information or documents used or obtained in the course of our studies. This obligation of confidentiality does not apply to data or information which: (1) is or becomes generally available to the public other than as a result of a disclosure by BEC or any of its representatives; or (2) is required to be disclosed pursuant to any subpoena, order or

February 27, 2007

Page 2

decree of any appropriate court or governmental agency; or (3) was in BEC's possession prior to the time it was disclosed to BEC by you or your client; or (4) is disclosed to BEC by a third party who is under no obligation of confidentiality to you or your client. The terms of this paragraph shall survive termination and/or expiration of this agreement.

The relationship of BEC and Chino Basin Watermaster and Hatch & Parent is solely that of independent contractors. In no event shall this agreement or any work performed by BEC create a relationship of employer and employee, principal and agent, partnership or joint venture or any fiduciary relationship between the parties.

Under this Agreement, BEC will provide consulting expert services to Hatch & Parent at client's request. BEC will report to Hatch & Parent on the progress of BEC's work, either orally or, if requested by client, in written form. BEC will offer independent, objective opinions and analysis, leading to testimony if Hatch & Parent requests.

Under no circumstances shall BEC be liable for consequential, punitive, incidental or special damages or claims in the nature of lost profits, lost revenue or lost opportunity costs. The terms of this paragraph shall survive termination and/or the expiration of this agreement.

All invoices will be submitted to Hatch & Parent for payment. Although BEC has been retained by Hatch & Parent to provide consulting services with respect to matters pertaining to Chino Basin Watermaster, we recognize that both Hatch & Parent and Chino Basin Watermaster are our clients. BEC will look initially to Chino Basin Watermaster for payment of sums due BEC, but both Chino Basin Watermaster and Hatch & Parent are ultimately responsible. Our billing and payment policies are described in Exhibit A to this letter, which is incorporated herein.

The terms of our relationship, and this agreement, shall be governed by California law.

Thank you for your confidence in our ability to assist you and your client. We look forward to working with you.

February 27, 2007

Page 3

Sincerely yours,

BERKELEY ECONOMIC CONSULTING, INC.

David Sunding
Principal

Enclosure

We agree to the foregoing, including attachments and enclosures.

Hatch & Parent

By _____

Chino Basin Watermaster

By _____

Exhibit A

Hourly Rates

Principal	\$400
Senior Consultant	\$285
Analyst	\$150
Research Assistant	\$100

BEC provides consulting services in connection with projects on a time-and-materials basis and bills clients for actual hours worked according to the rates shown above. Ordinarily, we submit invoices every four weeks, but we may submit them more frequently, if appropriate, in light of the engagement. All invoices are due and payable upon receipt. BEC reserves the option to charge interest on invoices that are outstanding more than 30 days, at a rate equal to the lower of 1.5 percent per month or the maximum rate permitted under applicable law. To ensure that our work proceeds uninterrupted, it is important to keep your account with us current. BEC requires that all outstanding invoices be paid in full prior to the provision of testimony in a matter. We reserve the right to discontinue work, to decline to give testimony or provide other work product, if bills are overdue. At any time, BEC may request a retainer to be applied against the final invoice. In the event that BEC is required to undertake collection efforts for unpaid invoices, client shall also be responsible for payment of BEC's attorneys' fees and costs associated therewith. BEC shall be paid for services (including any legal fees and expenses) provided in connection with responding to any subpoena, administrative or legal proceeding or discovery requests that may arise after conclusion of the services provided herein or termination of this agreement, provided only that BEC has given the client prior written notice, and a reasonable opportunity to object and/or move to quash, before BEC complies with such subpoena or discovery request.

Expenses for travel, outside photocopying and data acquisition are billed at cost. In the event of a dispute arising out of this retention, the laws of the State of California shall govern without regard to conflicts of laws. The parties to this Agreement hereby waive the right to a trial by jury on any matters arising under or related to this Agreement. These hourly rates and costs are subject to periodic change.

Payment by **wire** may be made, as follows:

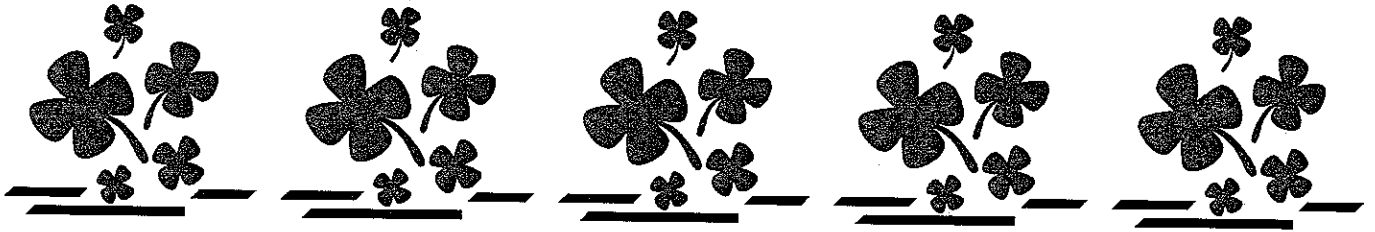
February 27, 2007

Page 5

Payment by **check** may be made, as follows:

Berkeley Economic Consulting, Inc.
2550 Ninth Street, Suite 102
Berkeley, CA 94710

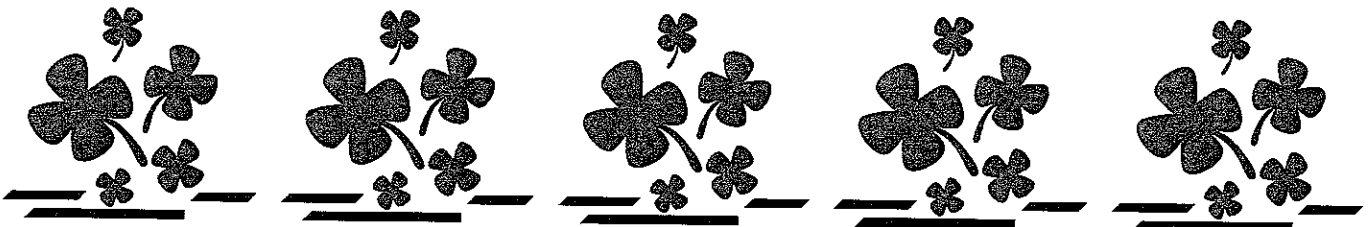
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CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

B. ASR AGREEMENT BETWEEN CHINO BASIN WATERMASTER, INLAND EMPIRE UTILITIES AGENCY, AND MONTE VISTA WATER DISTRICT





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: March 8, 2007
March 20, 2007
March 22, 2007

TO: Committee Members
Watermaster Board Members

SUBJECT: Agreement with Monte Vista Water District regarding operation of Monte Vista ASR project.

SUMMARY

Recommendation – Approve the Agreement as presented.

Background

According to the Peace Agreement: "All Recharge of the Chino Basin with Supplemental Water shall be subject to Watermaster approval." (Peace Agreement section 5.1(a), see also Rules and Regulations section 7.2.) In order to obtain Watermaster's approval to Recharge the Chino Basin with Supplemental Water, a party must submit an Application using Form 2 as attached to the Rules and Regulations.

Under the Peace Agreement, Watermaster shall not approve a Recharge Application if it is inconsistent with the Peace Agreement or will cause any Material Physical Injury to any party to the Judgment or the Basin. Any potential or threatened Material Physical Injury to any Party or the Basin caused by the Recharge of Supplemental Water shall be fully and reasonably mitigated as a condition of approval.

On November 1, 2005, Monte Vista Water District ("MVWD") submitted an Application to recharge up to 3,500 acre-ft/yr of treated State Project Water by injection at its wells 1, 4, 30 and 32, ("ASR Project") and to subsequently recover most of this water within the same year in order to offset a portion of the MVWD annual replenishment obligation. This water will be treated to CCR Title 22 drinking water standards at the Water Facilities Authority treatment plant prior to injection.

MVWD completed an investigation titled, *Groundwater Recharge Facilities Program Feasibility Study* in April 2003, and a related CEQA document titled, *Findings of Consistency, Groundwater Recharge Facility Feasibility Study* in May 2003 that was tiered off the OBMP PEIR completed in 2000.

In addition to Watermaster approval, the Regional Water Quality Control Board ("RWQCB") requires MVWD to obtain a permit for the operation of the ASR Project. However, the RWQCB also indicated that MVWD could enter into an agreement with Watermaster and IEUA in order for the ASR Project to be included in the joint permit described in RWQCB Order R8-2005-0033.

MVWD's Application was considered by the Pool Committees at the December 2005 meetings and by the Advisory Committee and Board at their January 2006 meetings. The Application was approved conditioned upon MVWD either obtaining a permit from the RWQCB or pursuing the alternate process through the Watermaster.

MVWD elected to pursue the alternate process through the Watermaster, and Watermaster and MVWD have reached the subject agreement according to which MVWD's ASR Project may be included within the joint Watermaster and IEUA permit.

Summary of the Agreement

The agreement includes an Operations and Monitoring Program for the operation of the ASR project. So long as MVWD's ASR Project complies with this program, it shall be included within the Watermaster IEUA joint permit. If necessary, Watermaster and IEUA may modify the Operations and Monitoring Program. If this happens, then MVWD may either comply with the modified Operations and Monitoring Program or terminate the agreement.

Under the Monitoring and Operations Program, Monte Vista will report to Watermaster on a monthly basis the volume of water injected at each well. MVWD will also submit all water quality determinations used to demonstrate compliance with Title 22 Drinking water requirements at the WFA and in the water recovered from the ASR wells to Watermaster. Finally, during the first year of operation, and otherwise if directed by Watermaster, MVWD shall obtain and analyze TDS and TIN samples from the ASR wells when they are being used to recover injected water. These samples will be taken when the cumulative water pumped at these wells equals approximately 20, 40, 60, 80, 100 and 120 percent of the injected water volume.

All of this data will be included in the quarterly monitoring reports that are submitted to the Regional Board, and the annual compliance reports submitted to the Regional Board.

This Agreement will terminate on or around April 15, 2010.

Recommendation

Watermaster staff and consultants believe that the agreement as proposed is protective of the Parties and of the Chino Basin and allows Monte Vista the benefit of the Maximum Benefit standards through the avoidance of the RWQCB permitting process and requirements, and thus recommend approval of the agreement as presented.

**AGREEMENT BETWEEN CHINO BASIN WATERMASTER, INLAND EMPIRE UTILITIES
AGENCY AND MONTE VISTA WATER DISTRICT
REGARDING INCORPORATION OF GROUNDWATER INJECTION WITH STATE WATER
PROJECT WATER BY MONTE VISTA WATER DISTRICT IN THE CHINO BASIN
WATERMASTER AND INLAND EMPIRE UTILTY AGENCY PERMIT R8-2005-0033**

WHEREAS, Monte Vista Water District (MVWD) proposes to recharge up to 3,500 acre-ft/yr of treated State Water Project (SWP) water by injection at its wells 1, 4, 30 and 32 (ASR project), and to subsequently recover most this water within the same year.

WHEREAS, this water will be treated to CCR Title 22 drinking water standards at the Water Facilities Authority treatment plant prior to injection.

WHEREAS, injection will generally occur in the seven-month period of October through April and recovery will generally occur in the five-month period May through September.

WHEREAS, the injected water will be used to offset a portion of the MVWD annual overproduction in the Chino Basin.

WHEREAS, MVWD completed an investigation entitled *Groundwater Recharge Facilities Program Feasibility Study* in April 2003 and a related CEQA document entitled *Findings of Consistency, Groundwater Recharge Facility Feasibility Study* in May 2003 that was tiered off of the OBMP Program EIR completed in 2000.

WHEREAS, on November 1, 2005, MVWD sent an application to the Chino Basin Watermaster (Watermaster) pursuant to the Peace Agreement and Watermaster's Rules and Regulation requesting to recharge to the Chino Basin up to 3,500 acre-ft/yr of treated SWP water.

WHEREAS, the Watermaster approved this application in its January 2006 Watermaster process meetings.

WHEREAS, the Watermaster and the Inland Empire Utilities Agency (IEUA) received a permit to recharge supplemental waters in the Chino Basin from the Regional Water Quality Control Board (RWQCB) pursuant to RWQCB Order R8-2005-0033 adopted on April 15, 2005 (hereafter Watermaster and IEUA joint permit).

WHEREAS, the RWQCB requires that MVWD either apply for and receive an individual permit to inject treated SWP water through its ASR project or apply to Watermaster and IEUA for inclusion of its ASR project under their joint permit described in RWQCB Order R8-2005-0033.

WHEREAS, MVWD desires to have the operation of its ASR project included in the Watermaster and IEUA joint permit.

WHEREAS, MVWD has reviewed the Watermaster and IEUA joint permit described in R8-2005-0033 and agrees to perform appropriate monitoring and reporting as required by the Watermaster.

THEREFORE, the parties do hereby agree as follows:

1. The Watermaster and IEUA have developed an Operations and Monitoring Program for the injection of treated SWP water through MVWD ASR project pursuant to RWQCB Order R8-2005-0033 and other criteria as the Watermaster and IEUA deem necessary based on the OBMP, the Peace Agreement, mitigation requirements contained in the ASR project CEQA document, and sound basin management based, a copy of which is attached hereto as Exhibit A.

2. MVWD will, at its sole expense, operate its ASR project pursuant to the Operations and Monitoring Program referenced in Paragraph 1 above, its recharge application to the Watermaster dated November 1, 2005 and the MVWD ASR project CEQA document .

3. Watermaster and IEUA will notify the RWQCB that MVWD's ASR project is included in the Watermaster and IEUA joint permit.

4. Failure to comply with the Operations and Monitoring Program will result in immediate termination of this Agreement and MVWD ASR project will no longer be included in the Watermaster and IEUA joint permit. The RWQCB will be notified immediately if this Agreement is terminated.

5. From time to time the Watermaster and IEUA may determine it necessary to modify the supplemental water recharge in the Basin to remain in compliance with the Watermaster and IEUA joint permit. If this occurs the Watermaster and IEUA may, at their sole discretion, modify the Operations and Monitoring Program and MVWD agrees to comply with the revised Operations and Monitoring Plan.

6. From time to time MVWD may apply to Watermaster and IEUA to modify the operation of the ASR project. Watermaster and IEUA will consider this application and, at their sole discretion, modify the Operations and Monitoring Program.

7. The term of this Agreement shall coincide with the Watermaster and IEUA joint permit. To be clear, this Agreement will terminate automatically when the Watermaster and IEUA joint permit is revised by the RWQCB or if the Watermaster and IEUA joint permit is terminated by the RWQCB. The Watermaster and IEUA joint permit should expire on or around April 15, 2010.

8. Notices among the parties to this agreement may be sent shall be as follows:

Chino Basin Watermaster:	Kenneth R. Manning Chief Executive Officer 9641 San Bernardino Road Rancho Cucamonga, CA 91730
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Inland Empire Utilities Agency	Richard Atwater Chief Executive Officer P.O. Box 9020 Chino Hills, CA 91709
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Monte Vista Water District	Mark Kinsey General Manager 10575 Central Avenue Montclair, CA 91763
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9. Approved:

Monte Vista Water District

By: _____
Robb D. Quincey, President
Board of Directors

By: _____
Mark N. Kinsey
General Manager

Date: _____

Date: _____

Chino Basin Watermaster

By: _____
(name)
(title)

By: _____
(name)
(title)

Date: _____

Date: _____

Inland Empire Utilities Agency

By: _____
(name)
(title)

By: _____
(name)
(title)

Date: _____

Date: _____

Attachment: Exhibit A: Operations and Monitoring Program for the MVWD ASR Project

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Exhibit A

Operations and Monitoring Program for the MVWD ASR Project

This Exhibit contains the operations and monitoring requirements for the injection of State Water Project (SWP) water through the Monte Vista Water District (MVWD) ASR Project and is provided for in the Agreement among the MVWD, the Chino Basin Watermaster (Watermaster) and the Inland Empire Utilities Agency (IEUA) Regarding Incorporation of Groundwater Injection with State Water Project Water by Monte Vista Water District in the Chino Basin Watermaster and Inland Empire Utility Agency Permit R8-2005-0033. Pursuant to its authorities in Chino Basin Judgment, the Peace Agreement, the Agreement for Operations and Maintenance of Facilities to Implement the Chino Basin Recharge Master Plan, and the Chino Basin Recharge Facilities Operations Procedures, the Watermaster regulates and coordinates all recharge activities in the Chino Basin. It is the intent of the Watermaster to revise this Exhibit from time to time to reflect new regulatory requirements, R8-2005-0033 (hereafter the Watermaster and IEUA joint permit), other new information, and sound basin management practices.

Source Water for Injection

1. The source water used by MVWD for injection shall be State Water Project water treated to drinking water standards as described in Title 22 of the California Code of Regulations.

Integrated Recharge Operations

2. The Watermaster and the IEUA have integrated recharge operations to maximize the use of storm, recycled and imported waters. Pursuant to Watermaster and IEUA's joint permit (R8-2005-0033), the five-year, volume-weighted average total dissolved solids (TDS) and total inorganic nitrogen (TIN) limits for recharge must not exceed 420 mg/L and 5 mg/L-N, respectively. The Watermaster and the IEUA, pursuant to the Watermaster and IEUA joint permit, must monitor and make determinations to the Regional Board to demonstrate compliance. The MVWD ASR project will inject treated SWP water into the Chino Basin during non-peak water use periods and will pump the injected water and groundwater from the basin such that the amount of pumped water will equal or exceed the volume of water injected. Operated this way, there should be no increase in TDS or TIN in groundwater associated with the ASR project.

Monitoring and Reporting

3. The volume of water injected in and pumped from each well will be reported to the Watermaster monthly as direct meter readings and computations based on the meter readings.

4. All water quality determinations used to demonstrate compliance with Title 22 Drinking water requirements at the WFA and in the water recovered from the ASR wells shall be submitted to the Watermaster in hardcopy and electronic formats at the same frequency that this information is submitted to the Department of Health Services.

5. During the first year of operation and otherwise if directed by the Watermaster, MVWD shall obtain and analyze TDS and TIN samples from the ASR wells when they are being

used to recover injected water. These samples will be taken when the cumulative water pumped at these wells equals approximately 20, 40, 60, 80, 100 and 120 percent of the injected water volume. These data shall be submitted on to the Watermaster on a timely basis in hardcopy and electronic formats.

6. The Watermaster and the IEUA will use the information described in paragraphs 4, 5 and 6 along with production data from the ASR wells reported to the Watermaster pursuant to the Judgment to determine compliance with Watermaster and IEUA joint permit. This information will then be included in the quarterly monitoring reports that are submitted to the Regional Board, and the annual compliance reports submitted to the Regional Board.

Effective Date

7. These requirements are effective as of _____, 2007 and will remain in effect until modified by the Watermaster.

Approved

Kenneth R. Manning, CEO
Chino Basin Watermaster

Date