



CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

Thursday, January 22, 2009

9:00 a.m. – Annual Advisory Committee Meeting
11:00 a.m. – Annual 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

Thursday, January 22, 2009

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

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
ANNUAL ADVISORY COMMITTEE MEETING**

9:00 a.m. – January 22, 2009

At The Offices Of

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

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. INTRODUCTIONS OF THE ADVISORY COMMITTEE OFFICERS, CALENDAR YEAR 2009

<u>Unknown</u>	Chair	(Agricultural Pool)
<u>Robert DeLoach</u>	Vice-Chair	(Appropriative Pool)
<u>Bob Bowcock</u>	Second Vice-Chair	(Non-Agricultural Pool)
<u>Ken Manning</u>	Secretary/Treasurer	(Chief Executive Officer)

INTRODUCTIONS OF THE NEW BOARD MEMBERS, CALENDAR YEAR 2009

Calendar Year 2008 Pool Representation on the Watermaster Board

Based on the Court-adopted Rotation Schedule for Representatives to the Watermaster, during calendar year 2009, the following will represent the Appropriative Pool on the Watermaster Board.

Fontana Water Company 2009-2011	New Member:	<u>Michael L. Whitehead</u>
	Alternate:	<u>Robert K. Young</u>

Returning:

Cucamonga Valley Water District 2009-2010	Member:	Jim Curatalo
	Alternate:	Kathy Tiegs

City of Upland 2009-2010	Member:	Ken Willis
	Alternate:	Tom Thomas
	Alternate:	Anthony La

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 December 18, 2008 (Page 1)

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2008 *(Page 15)*
2. Watermaster Visa Check Detail *(Page 19)*
3. Combining Schedule for the Period July 1, 2008 through November 30, 2008 *(Page 21)*
4. Treasurer's Report of Financial Affairs for the Period October 1, 2008 through November 30, 2008 *(Page 23)*
5. Budget vs. Actual July 2008 through November 2008 *(Page 25)*

C. LOCAL AGENCY INVESTMENT FUND

Resolution 09-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF) *(Page 27)*

D. LEVYING REPLENISHMENT & ADMINISTRATIVE ASSESSMENTS

Resolution 09-03 – Resolution of the Chino Basin Watermaster Levying Replenishment and Administrative Assessments for Fiscal Year 2008-2009 *(Page 29)*

E. NOTICE OF INTENT

Annual Filing of Notice of Intent Regarding the Determination of Operating Safe Yield *(Page 33)*

F. INDEPENDENT FINANCIAL AUDIT

Mayer Hoffman McCann P.C. Independent Watermaster Financial Audit *(Page 35)*

G. ALLOCATION OF VOLUME VOTE

Advisory Committee Allocation of Volume Vote effective Calendar Year 2009 *(Page 65)*

II. BUSINESS ITEM

A. BUDGET TRANSFER

Funding of the Farming Portion of the Middle Santa Ana Watershed TMDL Study – Budget Transfer Request for \$21,000 *(Page 69)*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. February 2, 2009 Hearing
2. Hanson Aggregates Litigation
3. Sale/Auction of Overlying Non-Agricultural Water

B. ENGINEERING UPDATES

1. Progress Report on Recharge Master Plan
2. Background and Conceptual Scoping of the Pumping Optimization Investigation
3. Oral Progress Report on other Wildermuth Environmental Activities

C. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update

D. INLAND EMPIRE UTILITIES AGENCY

1. MWD Drought Update - Oral
2. MWD Proposed 2010 Rate Increase – Oral
3. State/ MWD Conservation Requirements for Grant Funds - Oral
4. MWD Board Letter, 2009 Water Supply Allocation Plan Status *(Page 75)*
5. MWD Board Letter, Water Revenue Requirements, Calendar Year 2010 Rates *(Page 83)*
6. Summary State/MWD Conservation Requirements for Grand Funds *(Page 113)*
7. Monthly Water Conservation Programs and Imported Water Deliveries/DYY Report *(Page 121)*
8. Recycled Water Newsletter *(Page 147)*
9. State and Federal Legislative Report *(Page 151)*

10. Community Outreach/Public Relations Report *(Page 169)*

11. Peace II EIR Timeline *(Page 171)*

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

1. Newspaper Articles *(Page 173)*

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

January 22, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
January 22, 2009	9:00 a.m.	Annual Advisory Committee Meeting
January 22, 2009	11:00 a.m.	Annual Watermaster Board Meeting
January 29, 2009	9:00 a.m.	GRCC Meeting
February 2 & 3, 2009		CBWM Hearing – San Bernardino Court
February 12, 2009	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
February 17, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
February 26, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
February 26, 2009	9:00 a.m.	Advisory Committee Meeting
February 26, 2009	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn

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**CHINO BASIN WATERMASTER
ANNUAL WATERMASTER BOARD MEETING**

11:00 a.m. – January 22, 2009

At The Offices Of

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

AGENDA

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

PUBLIC COMMENTS

INTRODUCTIONS - CALENDAR YEAR 2009 WATERMASTER BOARD MEMBERS

Bob Bowcock	Non-Agricultural Pool
Michael Camacho	Inland Empire Utilities Agency
James Curatalo	Cucamonga Valley Water District
Charles Field	Western Municipal Water District
Paul Hofer	Agricultural Pool (Crops)
Bob Kuhn	Three Valleys Municipal Water District
Geoffrey Vanden Heuvel	Agricultural Pool (Dairy)
Michael Whitehead	Fontana Water Company
Ken Willis	City of Upland

RECOGNITION OF OUTGOING WATERMASTER BOARD MEMBERS

1. Mr. Jim Bowman

I. CALENDAR YEAR 2008 OFFICERS – Action

A. ELECTION OF OFFICERS

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

II. CONSENT CALENDAR

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.

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1. Legislative Update
2. Recharge Update

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February 26, 2009	9:00 a.m.	Advisory Committee Meeting
February 26, 2009	11:00 a.m.	Watermaster Board Meeting

Meeting Adjourn



CHINO BASIN WATERMASTER

II. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting – December 18, 2008



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING

December 18, 2008

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on December 18, 2008 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Robert DeLoach, Chair	Cucamonga Valley Water District
Mark Kinsey	Monte Vista Water District
Ken Jeske	City of Ontario
Robert Tock	Jurupa Community Services District
Ron Craig	City of Chino Hills
Anthony La	City of Upland
Dave Crosley	City of Chino
Charles Moorrees	San Antonio Water Company
Raul Garibay	City of Pomona
Mike McGraw	Fontana Water Company

Non-Agricultural Pool

Bob Bowcock via teleconference	Vulcan Materials Company (Calmat Division)
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Agricultural Pool

Jennifer Novak	State of California Dept. of Justice, CIM
Bob Feenstra	Ag Pool – Dairy
Jeff Pierson	Ag Pool – Crops
Rob Vanden Heuvel	Milk Producers Counsel

Watermaster Board Members Present

Charles Field	Western Municipal Water District
Ken Willis	City of Upland
Terry Catlin	Inland Empire Utilities Agency

Watermaster Staff Present

Ken Manning	CEO
Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Brownstein, Hyatt, Farber & Schreck
Scott Slater	Brownstein, Hyatt, Farber & Schreck
Tom McCarthy	Wildermuth Environmental Inc.

Others Present

Marty Zvirbulis	Cucamonga Valley Water District
Bill Kruger	City of Chino Hills
Dave Penrice	Aqua Capital Management
Gary Meyerhofer	Carollo Engineers
Sandra Rose	Monte Vista Water District
Rich Atwater	Inland Empire Utilities Agency
Martha Davis	Inland Empire Utilities Agency

David DeJesus
Steven Lee
Michael Camacho
Eunice Ulloa

Three Valleys Municipal Water District
Reid & Hellyer
Visitos
Chino Basin Water Conservation District

Chair DeLoach called the Advisory Committee meeting to order at 9:06 a.m.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Advisory Committee Meeting held November 20, 2008

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of November 2008
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through October 31, 2008
4. Treasurer's Report of Financial Affairs for the Period October 1, 2008 through October 31, 2008
5. Budget vs. Actual July 2008 through October 2008

C. WATER TRANSACTION

1. **Consider Approval for 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 4,265 acre-feet. Date of Application: October 6, 2008
2. **Consider Approval for Notice of Sale or Transfer – Aqua Capital Management LP** (Aqua) has agreed to purchase from CCG Ontario LLC (CCG) the amount of all of CCG's water in storage as of June 30, 2008, and a permanent transfer of its share of safe yield of 630.274 acre-feet. Date of Application: November 7, 2008

*Motion by Kinsey, second by La, and by unanimous vote – Bowcock abstained on C2
Moved to approve Consent Calendar Items A through C, as presented*

II. BUSINESS ITEMS

A. MOU COOPERATIVE EFFORTS FOR MONITORING PROGRAMS BETWEEN THE INLAND EMPIRE UTILITIES AGENCY AND THE CHINO BASIN WATERMASTER – BRIGHT LINE APPROACH

Mr. Manning stated the concept of this item has been discussed in great detail at past meetings. There is a previous agreement for monitoring with Inland Empire Utilities Agency and in 2007 there was some disparity regarding what some costs should be and how those numbers were determined. In the discussions over those costs it was decided among Watermaster and IEUA staff to adopt an approach which was referred to as the Bright Line Approach. The concept is that IEUA and Watermaster would divide the monitor work and the information gathered from that monitoring will be cooperatively shared. That particular agreement has been performed based on a handshake since January, 2008, and it has been working well for both parties, however, it now needs to be formalized in writing. This agreement has gone through the Pool process and was approved unanimously.

*Motion by La, second by Garibay, and by unanimous vote
Moved to approve the MOU Cooperative Efforts for Monitoring Programs between the Inland Empire Utilities Agency and the Chino Basin Watermaster – Bright Line Approach, as presented*

B. PUBLIC INFORMATION COST SHARING AGREEMENT WITH INLAND EMPIRE UTILITIES AGENCY FOR 2009 COMMUNITY OUTREACH CAMPAIGN

Mr. Manning stated this is an item Watermaster has been working on with Inland Empire Utilities Agency since 2005. In 2005, IEUA and Watermaster had discussions with the Daily Bulletin regarding developing a public information program that assists our agencies in dealing with water issues; a proactive approach on recycled water, water reliability issues, scarcity outages, and other water related topics. The idea was to purchase a volume of ad space within the newspaper at a reduced cost. This ad campaign was very successful past years. Watermaster has been a contributor of \$10,000 and this is the amount staff is recommending at this time for another 12-month ad campaign. This will also include an on-line campaign. This agreement has gone through the Pool process and was approved unanimously.

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

Moved to approve the Public Information Cost Sharing Agreement with Inland Empire Utilities Agency for 2009 for a 12-month Community Outreach Campaign, as presented

C. CONDITION SUBSEQUENT NO. 5

Mr. Manning stated this item is a follow up to the second phase of Condition Subsequent No. 5. Included on the back table is a draft legal document that would be filed with the court and a copy of a new schedule that WEI has put together. Watermaster is required to update Condition Subsequent No. 5, and to submit update along with the new schedule. At the upcoming hearing on February 2nd and 3rd the court has asked that Watermaster make a presentation on the physical solution. Counsel Fife stated there is a draft pleading on the back table in order to begin receiving comments from the parties. This is only on Condition Subsequent No. 5 and it will be revised prior to filing it with the court by January 1, 2009. WEI been replaced with Black & Veatch and the Conservation District for some of the tasks. Other dates have been trued up after discussions with Black & Veatch and the Conservation District. This agreement has gone through the Pool process and was approved unanimously.

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

Moved to approve the January 1, 2009 Progress Report on Watermaster's Recharge Master Plan Update pursuant to Condition Subsequent No. 5 to be filed with the court, as presented

D. AGRICULTURAL POOL REALLOCATION PROCEDURE

Mr. Manning stated this item retains to a proposed accounting procedure should there be a potential decline in safe yield. Mr. Manning stated pursuant to a stipulation with Monte Vista Water District dated April 25, 2008, Watermaster committed to include in Condition Subsequent No. 8, a comprehensive analysis and explanation of how and whether Watermaster will calculate replenishment obligations, in light of the model's predicted safe yield decline over time. The Stipulation further required Watermaster to produce information regarding an expected range of Agricultural Pool production prior to July 1, 2008. Watermaster produced this information and at the June 26, 2008 Appropriative Pool meeting, the Appropriative Pool decided to convene a subcommittee to discuss the development of a procedure to respond to this information. At the August 6, 2008 meeting of this subcommittee, staff and legal counsel were asked to put together information for consideration by the subcommittee members. Staff and legal counsel were asked to memorialize a proposed resolution of the method of reallocating Agricultural pool water in the event of a reduction in Safe Yield, and to create spreadsheets that document the results of a range of other methods. On September 8, 2008, Watermaster distributed these materials to the subcommittee and requested comments. Mr. Manning stated the recommendation provided comes from the sub-committees decision and it was noted two parties were in opposition to the sub-committees recommendation; the City of Chino and Jurupa Community Services District. Mr. Manning noted at the recent Agricultural Pool meeting that committee elected to take no position in this matter. A discussion regarding this matter ensued.

Motion by Kinsey, second by La, and by majority vote – Agricultural Pool abstained, Jurupa Community Services District, and the City of Chino voted no

Moved to adopt the procedures for the Agricultural Pool reallocation procedure and instruct counsel to include a description of the procedures in the filing made in of with Condition Subsequent No. 8, as presented

E. WATERMASTER PURCHASE AND SALE AGREEMENT – PROPOSED PRICE FLOOR AUCTION

Counsel Fife stated Peace II allowed for a Purchase and Sale Agreement for the Non-Agricultural Pool water that is in storage. There are various requirements in the Purchase and Sale Agreement and one of them is to establish a process to use this water as part of a Storage and Recovery Program with a deadline to do that by January 20, 2009. The Appropriators met and discussed how to deal with the water and eventually came up with a proposal for how to use the water in connection with the Storage and Recovery Program through what is being called a Price Floor Auction. There is a detailed staff report provided in the meeting packet that describes the terms of this agreement that would be with Western Municipal Water District acting as the minimum floor bidder. There are different procedures for how the auction would proceed and those are outlined in the staff report. The recommendation that staff is asking for are the approval of the recommendations in the staff report, primarily to proceed with the auction process and complete the auction agreement with WMWD by the deadline. Mr. Manning stated this agreement has gone through the Pool process and was approved unanimously. Chair DeLoach noted a letter written by Monte Vista Water District which further articulates some of their comments made at the Appropriative Pool meeting and is available on the back table. Mr. Kinsey offered comment and further clarification on the letter and a discussion regarding this item ensued. Mr. Manning stated this will come back to this committee in a formal contract after it has been discussed with WMWD. Counsel Fife stated the Agreement that is provided in the meeting packet is a draft proposed agreement and the action that is being requested is not to approve this draft agreement but to approve going forward with the process to complete the agreement and then that agreement will be brought back through the Watermaster process. A discussion regarding this matter ensued.

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

Moved to proceed with the price floor auction process including negotiations and to begin to draft documentation of the base bid with Western Municipal Water District and to schedule a process for making a recommendation to Watermaster as to the proposed “broad mutual benefit” to be received by the Storage and Recovery Project and bring it back to the Appropriative Pool for final approval, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. February 2, 2009 Hearing

Counsel Fife stated a rough draft outline will be distributed to the parties prior to it going to the court and it is available on the back table for review. This draft is open for comments and Counsel Fife noted that not all parties that are listed as witnesses have been contacted prior to them being placed on the list. A discussion regarding the draft outline ensued. It was noted after comments are received a second draft will be presented prior to it going to the court. A discussion regarding the witness list and witness court process ensued.

2. Condition Subsequent No. 7 Pleading

Counsel Fife stated this pleading is regarding Wildermuth’s report on Condition Subsequent No. 7 and an update on Condition Subsequent No. 5. The pleading will be filed next week along with the recent interventions.

Added Comment:

Mr. Feenstra inquired about the status of the request made by the Agricultural Pool regarding the special project TMDL Study. Counsel Fife stated no response has been formulated at this point in time; however, it is being looked into with regard to the history of special projects and special project assessments within the Chino Basin. A discussion regarding this matter ensued.

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities November 2008
No comment was made regarding this item.
2. Progress Report on the AB303 Grant ASR Pilot Project in MZ3
No comment was made regarding this item.

C. FINANCIAL REPORT

1. Agricultural Pool Fund Analysis

Ms. Rojo stated this item is being presented at the request of the Advisory Committee last month to give an update of the history as to where the Agricultural Pool funds came from. At the Ag Pool meeting of June 16, 1988, the pool members ratified an agreement with the Appropriative Pool whereby the Appropriators will assume all future Ag Pool administrative expenses, including special project expenses, in return for which the Appropriators will receive an early transfer of the Ag Pools unpumped water rights. The Ag Pool transferred all pool administrative reserves at June 30, 1988, in the amount of \$59,852 to the Appropriative Pool effective July 1, 1988. In June, 1988, the Ag Pool sold 2,000 acre-feet of water in storage to Cucamonga County Water District. "Funds from this sale are to be held and invested by the Watermaster for future use as determined by the Ag Pool members in the amount of \$246,000." The 2,000 acre-feet of water was purchased in 1978 by the Ag Pool, in anticipation of having a future replenishment obligation. The \$246,000 has earned interest for the past 19 years. The Ag Pool "extra compensation" was taken from these funds beginning in 2001. Various "Mutual Agency Project Costs" have been paid out of the Ag pool funds on six different occasions since 1998 in amounts ranging from \$3,000-\$20,000 per year. The Ag Pool fund balance is approximately \$475,604 as of June 30, 2008. Mr. Feenstra stated one of the large checks distributed from the Ag Pool fund balance was a request from the Regional Water Quality Control Board, having nothing to do with agricultural, which was allowing the RWQCB to finish a report on the perchlorate plume at the Ontario Airport. A discussion regarding Mr. Feenstra's comment ensued and it was noted the funds he is referring to was actually paid from the appropriators. Ms. Rojo stated she would verify this.

Mr. Feenstra stated he is once again inquiring about the funds to be paid at the request of the Agricultural Pool. Mr. Feenstra stated Mr. Rob Vanden Heuvel who is a member of the Agricultural Pool is here to offer comment on this matter. Mr. Feenstra stated he also has some questions of staff and legal counsel regarding special projects. Mr. Vanden Heuvel stated he made a presentation on the TMDL Study recently and gave an updated presentation to the committee members. A lengthy discussion regarding this matter ensued. It was noted the Advisory Committee needs more information on the details of this study prior to making a decision. Mr. Feenstra stated the subject at hand is that the Agricultural Pool has made the determination this is a special project; therefore requesting the Appropriative Pool honor that request per the Peace Agreement/Judgment and pay the monies needed to fund the TMDL study. Mr. Lee offered comment on his findings regarding this matter including what the Peace Agreement/Rules and Regulations/Judgment defines as a special project. A discussion regarding what a special project is ensued.

D. CEO/STAFF REPORT1. Legislative Update

Mr. Manning stated on page 131 of the meeting packet is Inland Empire Utilities Agency Legislative Report which a comprehensive and up-to-date report on both state and federal issues for your review on this item.

2. Recharge Update

Mr. Pak stated an updated handout on the recent recharge activities is available on the back table. Mr. Pak gave a presentation on the current state of the Watermaster recharge basins. Mr. Pak noted in November the storm water recharge as 677 acre-feet and the recycled water recharge was 229 acre-feet. On December 15, there was 1,380 acre-feet of storm water recharge and 600 acre-feet of recycled water recharge and the December numbers will be recalculated at the end of the month. Mr. Manning noted that the 1,380 acre-feet of capture that was the single largest day capture recorded for the Watermaster basins.

3. California Groundwater Coalition (CGC)

Mr. Manning stated Chris Frahm from Brownstein, Hyatt, Farber & Schreck was to be here to make this presentation, however, due to weather conditions she was not able to be here in time. This presentation will be given by Mr. Manning at the Watermaster Board meeting later today.

E. INLAND EMPIRE UTILITIES AGENCY1. Dry Year Yield Expansion Program Oral

Mr. Atwater stated the recent Dry Year Yield Expansion Program was a good meeting and the board did approve the CEQA documentation and thanked all the parties involved in this process.

2. MWD Water Supply Allocation Plan Update Oral

Mr. Atwater stated there will not be any substitutive information available until early January. The storms that we had this week are good news for the Chino Basin including the much needed snow packs that we can see on the mountains this morning. It is understood it looks like there are a few more storms still headed this way this month.

3. IEUA Draft "Strawman" Drought Plan Oral

No comment was made regarding this item.

4. Recycled Water Newsletter

No comment was made regarding this item.

5. Monthly Water Conservation Programs Report

No comment was made regarding this item.

6. State and Federal Legislative Report

No comment was made regarding this item.

7. Community Outreach/Public Relations Report

No comment was made regarding this item.

8. IEUA Regional Conservation Programs

No comment was made regarding this item.

9. Annual Water Use Report for IEUA Service Area

No comment was made regarding this item.

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

No comment was made regarding this item.

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

No comment was made regarding this item.

VII. FUTURE MEETINGS

December 11, 2008	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
December 16, 2008	9:00 a.m.	Agricultural Pool Meeting @ IEUA
December 18, 2008	9:00 a.m.	Advisory Committee Meeting
December 18, 2008	11:00 a.m.	Watermaster Board Meeting
January 8, 2009	9:30 a.m.	Annual Non-Agricultural Pool Elections
January 8, 2009	9:45 a.m.	Annual Appropriative Pool Elections
January 8, 2009	10:00 a.m.	Annual Joint Appropriative & Non-Agricultural Pool Meeting
January 20, 2009	9:00 a.m.	Annual Agricultural Pool Meeting @ IEUA
January 22, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
January 22, 2009	9:00 a.m.	Annual Advisory Committee Meeting
January 22, 2009	11:00 a.m.	Annual Watermaster Board Meeting

The Advisory Committee meeting was dismissed by Chair DeLoach at 10:40 a.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER

II. CONSENT CALENDAR

A. MINUTES

1. Watermaster Board Meeting – December 18, 2008



Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING

December 18, 2008

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on December 18, 2008 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	City of Upland
Bob Kuhn	Three Valleys Municipal Water District
Charles Field	Western Municipal Water District
Kathy Tiegs	Cucamonga Valley Water District
Jim Bowman	City of Ontario
Terry Catlin	Inland Empire Utilities Agency
Bob Bowcock	Vulcan Materials Company
Jeff Pierson	Agricultural Pool
Geoffrey Vanden Heuvel	Agricultural Pool

Watermaster Staff Present

Ken Manning	CEO
Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sherri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Scott Slater	Brownstein, Hyatt, Farber & Schreck
Michael Fife	Brownstein, Hyatt, Farber & Schreck
Tom McCarthy	Wildermuth Environmental, Inc.

Others Present

Jennifer Novak	Department of Justice/CIM
Bob Feenstra	Ag Pool Dairy
Rob Vanden Heuvel	Milk Producers Counsel
Steven Lee	Reid & Hellyer
Dave Crosley	City of Chino
Jack Safely	Western Municipal Water District
Mark Kinsey	Monte Vista Water District
Sandra Rose	Monte Vista Water District
Raul Garibay	City of Pomona
Robert Tock	Jurupa Community Services District
Dave Penrice	Aqua Capital Management
Pat Shields	Inland Empire Utilities Agency
Henry Pepper	City of Pomona
Robert Tock	Jurupa Community Services District
Michael Camacho	Visitor
Marty Zvirbulis	Cucamonga Valley Water District
Ken Jeske	City of Ontario
David DeJesus	Three Valleys Municipal Water District
Ron Craig	RBF Consulting/Chino Hills
Eunice Ulloa	Chino Basin Water Conservation District

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

PLEDGE OF ALLEGIANCE

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Watermaster Board Meeting held November 20, 2008

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of November 2008
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through October 31, 2008
4. Treasurer's Report of Financial Affairs for the Period October 1, 2008 through October 31, 2008
5. Budget vs. Actual July 2008 through October 2008

C. WATER TRANSACTION

1. **Consider Approval for 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 4,265 acre-feet. Date of Application: October 6, 2008
2. **Consider Approval for Notice of Sale or Transfer – Aqua Capital Management LP** (Aqua) has agreed to purchase from CCG Ontario LLC (CCG) the amount of all of CCG's water in storage as of June 30, 2008, and a permanent transfer of its share of safe yield of 630.274 acre-feet. Date of Application: November 7, 2008

*Motion by Catlin, second by Pierson, and by unanimous vote – Bowcock abstained on C2
Moved to approve Consent Calendar Items A through C, as presented*

II. BUSINESS ITEMS

A. MOU COOPERATIVE EFFORTS FOR MONITORING PROGRAMS BETWEEN THE INLAND EMPIRE UTILITIES AGENCY AND THE CHINO BASIN WATERMASTER – BRIGHT LINE APPROACH

Mr. Manning stated the concept of this item has been discussed in great detail at past meetings. There is a previous agreement for monitoring with Inland Empire Utilities Agency and in 2007 there was some disparity regarding what some costs should be and how those numbers were determined. In the discussions over those costs it was decided among Watermaster and IEUA staff to adopt an approach which was referred to as the Bright Line Approach. The concept is that IEUA and Watermaster would divide the monitoring work and the information gathered from that monitoring will be cooperatively shared. That particular agreement has been performed based on a handshake since January, 2008, and it has been working well for both parties, however, it now needs to be formalized in writing. This agreement has gone to the Pools and Advisory Committee and was approved unanimously.

*Motion by Catlin, second by Bowcock, and by unanimous vote
Moved to approve the MOU Cooperative Efforts for Monitoring Programs between the Inland Empire Utilities Agency and the Chino Basin Watermaster – Bright Line Approach, as presented*

B. PUBLIC INFORMATION COST SHARING AGREEMENT WITH INLAND EMPIRE UTILITIES AGENCY FOR 2009 COMMUNITY OUTREACH CAMPAIGN

Mr. Manning stated this is an item Watermaster has been working on with Inland Empire Utilities Agency since 2005. In 2005, IEUA and Watermaster had discussions with the Daily Bulletin regarding developing a public information program that assists our agencies in dealing with water issues; a proactive approach on recycled water, water reliability issues, scarcity outages, and other water related topics. The idea was to purchase a volume of ad space within the newspaper at a reduced cost. This ad campaign was very successful over the past years. Watermaster has been a contributor of \$10,000 per year and this is the amount staff is recommending at this time for another 12-month ad campaign. This will also include an on-line campaign. This agreement has gone to the Pools and Advisory Committee and was approved unanimously.

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

Moved to approve the Public Information Cost Sharing Agreement with Inland Empire Utilities Agency for 2009 for a 12-month Community Outreach Campaign, as presented

C. CONDITION SUBSEQUENT NO. 5

Mr. Manning stated this item is a follow up to the second phase of Condition Subsequent No. 5. Included on the back table is a draft legal document that would be filed with the court along with a copy of a new schedule that WEI has put together. Watermaster is required to update Condition Subsequent No. 5, and to submit the update along with the new schedule. At the upcoming hearing on February 2nd and 3rd the court has asked that Watermaster make a presentation on the physical solution. It was noted there is a draft pleading on the back table for review on this item. This only pertains to Condition Subsequent No. 5 and it will be revised prior to filing it with the court by January 1, 2009. WEI has been replaced with Black & Veatch and the Conservation District for some of the budgeted tasks. Other dates have been trued up after discussions with Black & Veatch and the Conservation District. This item has gone to the Pools and Advisory Committee and was approved unanimously.

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

Moved to approve the January 1, 2009 Progress Report on Watermaster's Recharge Master Plan Update pursuant to Condition Subsequent No. 5 to be filed with the court, as presented

D. AGRICULTURAL POOL REALLOCATION PROCEDURE

Mr. Manning stated this item relates to a proposed accounting procedure should there ever be a potential decline in Operating Safe Yield. Mr. Manning stated pursuant to a stipulation with Monte Vista Water District dated April 25, 2008, Watermaster committed to include in Condition Subsequent No. 8, a comprehensive analysis and explanation of how and whether Watermaster will calculate replenishment obligations, in light of the model's predicted safe yield decline over time. The Stipulation further required Watermaster to produce information regarding an expected range of Agricultural Pool production prior to July 1, 2008. Watermaster produced this information and at the June 26, 2008 Appropriative Pool meeting, the Appropriative Pool decided to convene a subcommittee to discuss the development of a procedure to respond to this information. At the August 6, 2008 meeting of this subcommittee, staff and legal counsel were asked to put together information for consideration by the subcommittee members. Staff and legal counsel were asked to memorialize a proposed resolution of the method of reallocating Agricultural Pool water in the event of a reduction in Operating Safe Yield, and to create spreadsheets that document the results of a range of other methods. On September 8, 2008, Watermaster distributed these materials to the subcommittee and requested comments. Mr. Manning stated the recommendation provided comes from the sub-committees decision and it was noted two parties were in opposition to the sub-committees recommendation; the City of Chino and Jurupa Community Services District. Mr. Manning noted at the recent Agricultural Pool meeting that committee elected to take no position in this matter and at the Advisory

Committee meeting this morning the City of Chino and Jurupa Community Services District voted no. Mr. Geoffrey Vanden Heuvel stated he needed more information on this subject. Mr. Manning stated he did not attend the meetings. Mr. Manning stated the memorandum describes the provisions of the Peace Agreement, Peace II Agreement and the Rules and Regulations that create the need for the proposed procedure in light of a potential predicted decline in Operating Safe Yield. The procedure as proposed in the memorandum specifies that in the event that Operating Safe Yield is reduced because of a reduction in Operating Safe Yield, Watermaster will follow the Judgment, Exhibit "H," by first applying the unallocated Agricultural Pool water to compensate for the reduction in Safe Yield. If there is unallocated water left, Watermaster will then follow the remainder of the hierarchy according to the guidance provided by Peace Agreement I & II and the Rules and Regulations, as amended. A lengthy discussion regarding this issue ensued. Mr. Vanden Heuvel noted his concern over this approach. Counsel Slater stated in response to the discussion and Mr. Vanden Heuvel's concerns, counsel, and staff executed a stipulation with Monte Vista Water District wherein staff agreed to publish data about what the potential might be for the decline in safe yield and how it might be responded to. Mr. Kinsey and Mr. Crosley offered comment on their views on the issue. A discussion regarding the comments received ensued.

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

Moved to adopt the procedures for the Agricultural Pool reallocation procedure and instruct counsel to include a description of the procedures in the filing made in of with Condition Subsequent No. 8, as presented

Added Comment:

Mr. Feenstra stated he had a request for an agenda item for next month and asked Agricultural Pool legal counsel, Mr. Lee, to state the request. Mr. Lee stated there was a discussion that came up at the Pool and Board meetings last month regarding a budget transfer item on the funding of the farming portion of a TMDL Study that the Agricultural Pool deemed as a special project. It was requested at those meetings that Counsel Fife do an analysis on behalf of the Watermaster as to the term "Special Projects" and whether this TMDL Study meets the qualifications to become a special project. It is requested this item be placed on the agenda next month for consideration. Counsel Slater stated this counsel does not represent the Advisory Committee; we represent the Board and Watermaster and if there is a request for opinions, that request needs to come from the board. Mr. Manning stated, based upon the Board's direction, staff will have report on the issue of special projects, and then the item of the budget transfer issue will also be brought back if directed to do so. It was noted this item needs to be on the January, 2009, agenda. Mr. Geoffrey Vanden Heuvel offered comment on the TMDL Study. A discussion regarding this study being a part of SAWPA ensued. Counsel Slater stated with as much discussion that is being taken on this item it seems it should be officially added to the agenda.

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

Moved add this item to the agenda for purposes of discussion, as presented

It was noted what needs to be discussed is that the Agricultural Pool deemed this as a special project which should be paid by the Appropriative Pool as agreed to in the Peace Agreement and to define what is a special project. Counsel Slater reiterated the direction on this matter needs to come from the Board. A discussion regarding asking legal to define a special project ensued. It was noted this item will be placed on the agenda next month and legal counsel will provide the assistance needed to define special projects.

III. REPORTS/UPDATES

1. February 2, 2009 Hearing

Counsel Slater stated a rough draft outline will be distributed to the parties prior to it going to the court and one is available on the back table for review. This draft is open for comments and Counsel Fife noted that not all parties that are listed as witnesses have been contacted

prior to them being placed on the list. It was noted after comments are received, a second draft will be presented prior to it going to the court.

2. Condition Subsequent No. 7 Pleading

Counsel Slater stated the pleading on this is available on the back table; this is regarding Wildermuth's report on Condition Subsequent No. 7 and an update on Condition Subsequent No. 5. The pleading will be filed next week along with the recent interventions.

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

Moved to approve the Condition Subsequent No. 7 pleading for filing with the court, as presented

B. ENGINEERING REPORT

1. Oral Progress Report on Engineering Activities November 2008

Mr. McCarthy stated with regard to the Recharge Master Plan Wildermuth Environmental has been working with the Conservation District and their consultant to get their work going and working directly with Black & Veatch to help them interpret what the scope of work is. Water supply and demand and replenishment projections are complete; staff did use those in water supply demands plans in the Dry Year Yield expansion work. Mr. McCarthy stated he has spent a lot of time in the last few months working on compiling data for the Dry Year Yield expansion. Our role on that is to supply modeling support and to do a material physical injury analysis. Inland Empire Utilities Agency has not submitted a request to Watermaster for that analysis yet. Mr. McCarthy stated this portion work has been done in a study by the Dodson Group and should be reviewed. Work has been done on Condition Subsequent No. 7 which included a lot of double checking calibration periods, including work that IEUA has performed.

2. Progress Report on the AB303 Grant ASR Pilot Project in MZ1

Mr. McCarthy stated for MZ1, Wildermuth has been working with the state and the City of Chino Hills trying to get that contract signed. Mr. Manning noted all \$250,000 of AB303 grant was awarded to us. Work is being done on basin wide subsidence checking; a report on this will be done shortly. Portions of the monitoring for the Master Plan have begun.

C. FINANCIAL REPORT

1. Agricultural Pool Fund Analysis

Ms. Rojo stated this item is being presented at the request of the Advisory Committee last month to give an update of the history as to where the Agricultural Pool funds came from. At the Ag Pool meeting of June 16, 1988, the pool members ratified an agreement with the Appropriative Pool whereby the appropriators will assume all future Ag Pool administrative expenses, including special project expenses, in return for which the appropriators will receive an early transfer of the Ag Pools unpumped water rights. The Ag Pool transferred all pool administrative reserves at June 30, 1988, in the amount of \$59,852 to the Appropriative Pool effective July 1, 1988. In June, 1988, the Ag Pool sold 2,000 acre-feet of water in storage to Cucamonga County Water District. "Funds from this sale are to be held and invested by the Watermaster for future use as determined by the Ag Pool members in the amount of \$246,000." The 2,000 acre-feet of water was purchased in 1978 by the Ag Pool, in anticipation of having a future replenishment obligation. The \$246,000 has earned interest for the past 19 years. The Ag Pool "extra compensation" was taken from these funds beginning in 2001. Various "Mutual Agency Project Costs" have been paid out of the Ag pool funds on six different occasions since 1998 in amounts ranging from \$3,000-\$20,000 per year. The Ag Pool fund balance is approximately \$475,604 as of June 30, 2008.

D. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated on page 131 of the meeting packet is Inland Empire Utilities Agency Legislative Report which a comprehensive and up-to-date report on both state and federal issues for your review on this item.

2. Recharge Update

Mr. Pak stated an updated handout on the recent recharge activities is available on the back table. Mr. Pak gave a presentation on the current state of the Watermaster recharge basins. Mr. Pak noted in November the storm water recharge as 677 acre-feet and the recycled water recharge was 229 acre-feet. On December 15, there was 1,380 acre-feet of storm water recharge and 600 acre-feet of recycled water recharge and the December numbers will be recalculated at the end of the month. Mr. Manning noted that the 1,380 acre-feet of capture that was the single largest day capture recorded for the Watermaster basins.

3. California Groundwater Coalition (CGC)

Mr. Manning stated Chris Frahm from Brownstein, Hyatt, Farber & Schreck was to be here to make this presentation, however, due to weather conditions she was not able to be here in time. This presentation will be given at future meeting.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. FUTURE MEETINGS

December 11, 2008	10:00 a.m.	Joint Appropriative & Non-Agricultural Pool Meeting
December 16, 2008	9:00 a.m.	Agricultural Pool Meeting @ IEUA
December 18, 2008	9:00 a.m.	Advisory Committee Meeting
December 18, 2008	11:00 a.m.	Watermaster Board Meeting
January 8, 2009	9:30 a.m.	Annual Non-Agricultural Pool Elections
January 8, 2009	9:45 a.m.	Annual Appropriative Pool Elections
January 8, 2009	10:00 a.m.	Annual Joint Appropriative & Non-Agricultural Pool Meeting
January 20, 2009	9:00 a.m.	Annual Agricultural Pool Meeting @ IEUA
January 22, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
January 22, 2009	9:00 a.m.	Annual Advisory Committee Meeting
January 22, 2009	11:00 a.m.	Annual Watermaster Board Meeting

The Watermaster Board meeting was dismissed by Chair Willis at 12:20 p.m.

Secretary: _____

Minutes Approved: _____



CHINO BASIN WATERMASTER

II. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2008
2. Watermaster Visa Check Detail
3. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2008 through November 30, 2008
4. Treasurer's Report of Financial Affairs for the Period November 1, 2008 through November 30, 2008
5. Profit & Loss Budget vs. Actual July 2008 through November 2008





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: January 8, 2009
January 20, 2009
January 22, 2009

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report

SUMMARY

Issue – Record of cash disbursements for the month of December 2008.

Recommendation – Staff recommends the Cash Disbursements for December 2008 be received and filed as presented.

Fiscal Impact – Funds disbursed were included in the FY 2008-09 Watermaster Budget.

BACKGROUND

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

DISCUSSION

Total cash disbursements during the month of December 2008 were \$393,600.38. The most significant expenditures during the month were Wildermuth Environmental Inc. in the amount of \$146,164.55, Brownstein, Hyatt, Farber & Schreck in the amount of \$71,222.27, and Reid & Hellyer in the amount of 12,507.93.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
December 2008

Type	Date	Num	Name	Amount
Dec 08				
Bill Pmt -Check	12/2/2008	12834	W.C. DISCOUNT MOBILE AUTO DETAILI...	-75.00
Bill Pmt -Check	12/2/2008	12836	APPLIED COMPUTER TECHNOLOGIES	-3,066.05
Bill Pmt -Check	12/2/2008	12837	ARROWHEAD MOUNTAIN SPRING WATER	-62.72
Bill Pmt -Check	12/2/2008	12838	BOWCOCK, ROBERT	-375.00
Bill Pmt -Check	12/2/2008	12839	BOWMAN, JIM	-125.00
Bill Pmt -Check	12/2/2008	12840	CALPERS	-3,935.96
Bill Pmt -Check	12/2/2008	12841	CITISTREET	-2,595.66
Bill Pmt -Check	12/2/2008	12842	CLE INTERNATIONAL	-10.00
Bill Pmt -Check	12/2/2008	12843	DIRECTV	-76.98
Bill Pmt -Check	12/2/2008	12844	JAMES JOHNSTON	-885.00
Bill Pmt -Check	12/2/2008	12845	KONICA MINOLTA BUSINESS SOLUTIONS	-752.27
Bill Pmt -Check	12/2/2008	12846	KUHN, BOB	-125.00
Bill Pmt -Check	12/2/2008	12847	MWH LABORATORIES	-260.00
Bill Pmt -Check	12/2/2008	12848	OFFICE DEPOT	-336.56
Bill Pmt -Check	12/2/2008	12849	PARK PLACE COMPUTER SOLUTIONS, I...	-4,125.00
Bill Pmt -Check	12/2/2008	12850	PIERSON, JEFFREY	-125.00
Bill Pmt -Check	12/2/2008	12851	PUBLIC EMPLOYEES' RETIREMENT SYS...	-5,903.50
Bill Pmt -Check	12/2/2008	12852	PUMP CHECK	-4,065.00
Bill Pmt -Check	12/2/2008	12853	PURCHASE POWER	-21.91
Bill Pmt -Check	12/2/2008	12854	R&D PEST SERVICES	-85.00
Bill Pmt -Check	12/2/2008	12855	RAUCH COMMUNICATION CONSULTAN...	-1,233.75
Bill Pmt -Check	12/2/2008	12856	SAFETY CLEAN JANITORIAL SERVICES	-590.00
Bill Pmt -Check	12/2/2008	12857	STANDARD INSURANCE CO.	-575.76
Bill Pmt -Check	12/2/2008	12858	STATE COMPENSATION INSURANCE FU...	-747.84
Bill Pmt -Check	12/2/2008	12859	SWRCB FEES	-1,452.00
Bill Pmt -Check	12/2/2008	12860	TLC STAFFING	-848.00
Bill Pmt -Check	12/2/2008	12861	VANDEN HEUVEL, GEOFFREY	-375.00
Bill Pmt -Check	12/2/2008	12862	VERIZON	-410.86
Bill Pmt -Check	12/2/2008	12863	VISION SERVICE PLAN	-62.19
Bill Pmt -Check	12/2/2008	12864	WHEELER METER MAINTENANCE	-4,400.00
Bill Pmt -Check	12/2/2008	12865	WILLIS, KENNETH	-250.00
General Journal	12/3/2008	08/11/08	PAYROLL	-11,021.09
General Journal	12/3/2008	08/11/08	PAYROLL	-44,572.02
Bill Pmt -Check	12/10/2008	12866	BROWNSTEIN HYATT FARBER SCHRECK	-71,222.27
Bill Pmt -Check	12/10/2008	12867	COMPUTER NETWORK	-1,266.06
Bill Pmt -Check	12/10/2008	12868	HSBC BUSINESS SOLUTIONS	-333.88
Bill Pmt -Check	12/10/2008	12869	MATHIS & ASSOCIATES	-1,468.56
Bill Pmt -Check	12/10/2008	12870	PAYCHEX	-202.70
Bill Pmt -Check	12/10/2008	12871	PUMP CHECK	-2,660.00
Bill Pmt -Check	12/10/2008	12872	SAFEGUARD DENTAL & VISION	-57.68
Bill Pmt -Check	12/10/2008	12873	TELECOM SERVICES	-105.00
Bill Pmt -Check	12/10/2008	12874	UNION 76	-105.81
Bill Pmt -Check	12/10/2008	12875	W.C. DISCOUNT MOBILE AUTO DETAILI...	-75.00
Bill Pmt -Check	12/10/2008	12876	WATER EDUCATION FOUNDATION	-760.00
Bill Pmt -Check	12/10/2008	12877	YUKON DISPOSAL SERVICE	-142.88
General Journal	12/13/2008	08/12/06	PAYROLL	-7,559.20
General Journal	12/13/2008	08/12/06	PAYROLL	-27,065.19
Bill Pmt -Check	12/17/2008	12878	WILDERMUTH ENVIRONMENTAL INC	-146,164.55
Bill Pmt -Check	12/17/2008	12879	ACWA SERVICES CORPORATION	-209.95
Bill Pmt -Check	12/17/2008	12880	BANC OF AMERICA LEASING	-3,186.17
Bill Pmt -Check	12/17/2008	12881	BANK OF AMERICA	-946.86
Bill Pmt -Check	12/17/2008	12882	CUCAMONGA VALLEY WATER DISTRICT	-5,495.00
Bill Pmt -Check	12/17/2008	12883	FIRST AMERICAN REAL ESTATE SOLUTI...	-125.00
Bill Pmt -Check	12/17/2008	12884	LOS ANGELES TIMES	-46.40
Bill Pmt -Check	12/17/2008	12885	MWH LABORATORIES	-8,496.00
Bill Pmt -Check	12/17/2008	12886	PREMIERE GLOBAL SERVICES	-417.90
Bill Pmt -Check	12/17/2008	12887	RAUCH COMMUNICATION CONSULTAN...	-1,576.87
Bill Pmt -Check	12/17/2008	12888	REID & HELLYER	-12,507.93
Bill Pmt -Check	12/17/2008	12889	RICOH BUSINESS SYSTEMS-Lease	-888.94
Bill Pmt -Check	12/17/2008	12890	STAULA, MARY L	-136.61
Bill Pmt -Check	12/17/2008	12891	THE STANDARD INSURANCE COMPANY	-156.56
Bill Pmt -Check	12/17/2008	12892	TLC STAFFING	-768.00
Bill Pmt -Check	12/17/2008	12893	UNITED PARCEL SERVICE	-174.68
Bill Pmt -Check	12/17/2008	12894	VERIZON WIRELESS	-538.40
Bill Pmt -Check	12/17/2008	12895	W.C. DISCOUNT MOBILE AUTO DETAILI...	-50.00
Bill Pmt -Check	12/17/2008	12896	WESTERN DENTAL SERVICES, INC.	-26.50
Bill Pmt -Check	12/23/2008	12897	CALPERS	-4,014.77
Bill Pmt -Check	12/23/2008	12898	DELUXE BUSINESS FORMS & SUPPLIES	-176.05

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
December 2008

Type	Date	Num	Name	Amount
Bill Pmt -Check	12/23/2008	12899	INLAND EMPIRE UTILITIES AGENCY	-250.50
Bill Pmt -Check	12/23/2008	12900	OFFICE DEPOT	-197.39
Bill Pmt -Check	12/23/2008	12901	TLC STAFFING	-480.00
Dec 08				<u>-393,600.38</u>

11:31 AM
12/24/08

CHINO BASIN WATERMASTER
Check Detail
December 2008

Type	Num	Date	Name	Account	Paid Amount
Bill Pmt -Ch...	12881	12/17/2008	BANK OF AMERICA	1012 · Bank of America Gen'l Ckg	
Bill	4024...	11/30/2008		6112 · Subscriptions/Publications	-49.00
				6212 · Meeting Expense	-164.32
				6312 · Meeting Expenses	-164.32
				6191 · Conferences	-342.94
				6909.1 · OBMP Meetings	-87.32
				6141.3 · Admin Meetings	-106.96
				6313 · Board Member Expenses	-32.00
TOTAL					-946.86

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CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2008 THROUGH NOVEMBER 30, 2008

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL APPROPRIATIVE	POOL AGRICULTURAL NON-AGRIC.	POOL REPLENISHMENT	GROUNDWATER SB222	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2008-2009
Administrative Revenues									
Administrative Assessments		7,993,307		172,817				8,166,124	\$7,841,054
Interest Revenue		32,366		841			9	36,481	174,368
Mutual Agency Project Revenue			3,265					-	148,410
Grant Income								-	0
Miscellaneous Income								-	0
Total Revenues	-	8,025,673	3,265	173,658	-	-	9	8,202,605	8,163,832
Administrative & Project Expenditures									
Watermaster Administration	308,191							308,191	619,960
Watermaster Board-Advisory Committee	24,969							24,969	61,201
Pool Administration		9,134	53,558	1,604				64,296	166,523
Optimum Basin Mgmt Administration		559,798						559,798	1,913,484
OBMP Project Costs		2,062,918						2,062,918	5,392,289
Education Funds Use								-	375
Mutual Agency Project Costs								-	10,000
Total Administrative/OBMP Expenses	333,160	2,622,716	53,558	1,604				3,020,172	8,163,832
Net Administrative/OBMP Income	(333,160)	(2,622,716)						-	-
Allocate Net Admin Income To Pools	333,160		254,160	72,455				-	-
Allocate Net OBMP Income To Pools		2,000,808	570,382	51,525				-	-
Agricultural Expense Transfer		678,164	(678,164)					-	-
Total Expenses	2,942,266	18,231	59,675	113,983			9	3,020,172	8,163,832
Net Administrative Income	5,083,407	(14,966)						5,162,433	-
Other Income/(Expense)									
Replenishment Water Assessments		6,427,596		10,047				6,437,643	0
MZ1 Supplemental Water Assessments								-	0
Water Purchases								-	0
Balance Adjustment								-	0
Groundwater Replenishment								-	0
Net Other Income		6,427,596		10,047				6,437,643	0
Net Transfers To/(From) Reserves		11,511,003	(14,966)	124,030			9	11,620,076	-

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CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
NOVEMBER 1 THROUGH NOVEMBER 30, 2008

DEPOSITORIES:			
Cash on Hand - Petty Cash	\$	500	
Bank of America			
Governmental Checking-Demand Deposits	\$	133,564	
Zero Balance Account - Payroll			133,564
Local Agency Investment Fund - Sacramento			2,840,455
TOTAL CASH IN BANKS AND ON HAND			11/30/2008
TOTAL CASH IN BANKS AND ON HAND	\$	2,974,519	10/31/2008
		3,467,235	
PERIOD INCREASE (DECREASE)	\$	(492,716)	

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets: Accounts Receivable	\$	-
Assessments Receivable		(14,575,144)
Prepaid Expenses, Deposits & Other Current Assets		-
Accounts Payable		(142,032)
Accrued Payroll, Payroll Taxes & Other Current Liabilities		21,887
Transfer to/(from) Reserves		14,202,573
PERIOD INCREASE (DECREASE)	\$	(492,716)

	Petty Cash	Gov't'l Checking Demand	Zero Balance Account Payroll	Local Agency Investment Funds	Totals
\$	500	\$ 126,280	\$ -	\$ 3,340,455	\$ 3,467,235
Deposits	-	27,854	-	-	27,854
Transfers	-	430,751	69,249	(500,000)	-
Withdrawals/Checks	-	(451,321)	(69,249)	-	(520,570)
Balances as of 11/30/2008	\$ 500	\$ 133,564	\$ -	\$ 2,840,455	\$ 2,974,519
PERIOD INCREASE OR (DECREASE)	\$ -	\$ 7,284	\$ -	\$ (500,000)	\$ (492,716)

SUMMARY OF FINANCIAL TRANSACTIONS:

Balances as of 10/31/2008	\$	3,467,235
Deposits		27,854
Transfers		(500,000)
Withdrawals/Checks		(520,570)
Balances as of 11/30/2008	\$	2,974,519
PERIOD INCREASE OR (DECREASE)	\$	(492,716)

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
NOVEMBER 1 THROUGH NOVEMBER 30, 2008**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
11/19/2008	Withdrawal	L.A.I.F.	\$ (500,000)				
TOTAL INVESTMENT TRANSACTIONS				\$ (500,000)			

* The earnings rate for L.A.I.F. is a daily variable rate; 2.77% was the effective yield rate at the Quarter ended September 30, 2008.

**INVESTMENT STATUS
November 30, 2008**

Financial Institution	Principal Amount	Number of Days	Interest Rate	Maturity Date
Local Agency Investment Fund	\$ 2,840,455			
TOTAL INVESTMENTS	\$ 2,840,455			

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

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

Respectfully submitted,



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

CHINO BASIN WATERMASTER
 Profit & Loss Budget vs. Actual
 July through November 2008

	<u>Jul - Nov 08</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies		148,410	-148,410	
4110 · Admin Asmnts-Approp Pool	7,993,307	7,708,817	284,490	103.69%
4120 · Admin Asmnts-Non-Agri Pool	172,817	132,237	40,580	130.69%
4700 · Non Operating Revenues	36,481	174,368	-137,887	20.92%
Total Income	<u>8,202,605</u>	<u>8,163,832</u>	<u>38,773</u>	<u>100.48%</u>
Gross Profit	8,202,605	8,163,832	38,773	100.48%
Expense				
6010 · Salary Costs	258,516	484,302	-225,786	53.38%
6020 · Office Building Expense	34,568	102,000	-67,432	33.89%
6030 · Office Supplies & Equip.	8,992	46,500	-37,508	19.34%
6040 · Postage & Printing Costs	27,533	87,380	-59,847	31.51%
6050 · Information Services	55,496	144,000	-88,504	38.54%
6060 · Contract Services	38,660	98,000	-59,340	39.45%
6080 · Insurance	15,706	17,730	-2,024	88.58%
6110 · Dues and Subscriptions	9,380	16,750	-7,370	56.0%
6140 · WM Admin Expenses	517	4,000	-3,483	12.93%
6150 · Field Supplies	864	2,500	-1,636	34.54%
6170 · Travel & Transportation	12,038	39,200	-27,162	30.71%
6190 · Conferences & Seminars	17,086	26,500	-9,414	64.48%
6200 · Advisory Comm - WM Board	6,001	19,181	-13,180	31.29%
6300 · Watermaster Board Expenses	18,968	42,020	-23,052	45.14%
8300 · Appr PI-WM & Pool Admin	9,134	24,008	-14,874	38.05%
8400 · Agri Pool-WM & Pool Admin	7,598	24,820	-17,222	30.61%
8467 · Ag Legal & Technical Services	44,236	98,000	-53,764	45.14%
8470 · Ag Meeting Attend -Special	1,725	12,000	-10,275	14.38%
8500 · Non-Ag PI-WM & Pool Admin	1,604	7,695	-6,091	20.84%
6500 · Education Funds Use Expens	0	375	-375	0.0%
9500 · Allocated G&A Expenditures	<u>-171,163</u>	<u>-448,902</u>	<u>277,739</u>	<u>38.13%</u>
Subtotal G&A Expenditures	397,456	848,059	-450,603	46.87%
6900 · Optimum Basin Mgmt Plan	512,353	1,845,421	-1,333,068	27.76%
6950 · Mutual Agency Projects	0	10,000	-10,000	
9501 · G&A Expenses Allocated-OBMP	<u>47,444</u>	<u>137,959</u>	<u>-90,515</u>	<u>34.39%</u>
Subtotal OBMP Expenditures	559,798	1,993,380	-1,433,582	28.08%
7101 · Production Monitoring	57,414	107,515	-50,101	53.4%
7102 · In-line Meter Installation	20,787	87,931	-67,144	23.64%
7103 · Grdwtr Quality Monitoring	84,181	210,458	-126,277	40.0%
7104 · Gdwtr Level Monitoring	181,428	342,538	-161,110	52.97%
7105 · Sur Wtr Qual Monitoring	1,053	46,717	-45,664	2.25%

CHINO BASIN WATERMASTER
 Profit & Loss Budget vs. Actual
 July through November 2008

	<u>Jul - Nov 08</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7107 · Ground Level Monitoring	73,279	651,468	-578,189	11.25%
7108 · Hydraulic Control Monitoring	192,427	743,476	-551,049	25.88%
7200 · PE2- Comp Recharge Pgm	309,219	1,185,883	-876,664	26.08%
7300 · PE3&5-Water Supply/Desalte	53,953	148,477	-94,524	36.34%
7400 · PE4- Mgmt Plan	98,764	217,371	-118,607	45.44%
7500 · PE6&7-CoopEfforts/SaltMgmt	16,538	76,411	-59,873	21.64%
7600 · PE8&9-StorageMgmt/Conj Use	338,262	76,909	261,353	439.82%
7690 · Recharge Improvement Debt Pymt	511,894	1,110,000	-598,106	46.12%
7700 · Inactive Well Protection Prgm	0	6,296	-6,296	0.0%
9502 · G&A Expenses Allocated-Projects	123,719	310,943	-187,224	39.79%
Subtotal Special Project Expenditures	<u>2,062,918</u>	<u>5,322,393</u>	<u>-3,259,475</u>	<u>38.76%</u>
Total Expense	<u>3,020,172</u>	<u>8,163,832</u>	<u>-5,143,660</u>	<u>37.0%</u>
Net Ordinary Income	5,182,433	0	5,182,433	100.0%
Other Income/Expense				
Other Income				
4210 · Approp Pool-Replenishment	6,427,596			
4220 · Non-Ag Pool-Replenishment	<u>10,047</u>			
Total Other Income	6,437,643			
Other Expense				
9999 · To/(From) Reserves	<u>11,620,076</u>			
Total Other Expense	<u>11,620,076</u>			
Net Other Income	<u>-5,182,433</u>			
Net Income	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0.0%</u></u>



CHINO BASIN WATERMASTER

II. CONSENT CALENDAR

C. LOCAL AGENCY INVESTMENT FUND



RESOLUTION 09-02 OF CHINO BASIN WATERMASTER

9641 San Bernardino Road, Rancho Cucamonga, Ca 91730

PHONE: 909-484-3888

**AUTHORIZING INVESTMENT OF MONIES
IN THE LOCAL AGENCY INVESTMENT FUND**

WHEREAS, Pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Chino Basin Watermaster was appointed on January 27, 1978, under San Bernardino Superior Court Case No. WCV51010 (formerly Case No. SCV164327) entitled Chino Basin Municipal Water District V. City of Chino, et al., with powers to authorize the investment or deposit of surplus funds pursuant to the California Government Code, Section 53600; and

WHEREAS, upon filing of an appropriate resolution, local agencies are permitted to remit money to the State Treasurer for deposit in the fund for the purpose of investment; and pursuant to Section 16429.3 of said Government Code, such monies are not subject to impoundment of seizure by any state official or state agency.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby authorize the deposit and withdrawal of Chino Basin Watermaster monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that record.

BE IT FURTHER RESOLVED, that the following Chino Basin Watermaster officers and designated employees or their successors in office/position shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund.

_____	<u>Chairman of the Board</u>	_____
(NAME)	(TITLE)	(SIGNATURE)
_____	<u>Vice-Chair</u>	_____
(NAME)	(TITLE)	(SIGNATURE)
_____	<u>Board Secretary/Treasurer</u>	_____
(NAME)	(TITLE)	(SIGNATURE)
<u>Kenneth R. Manning</u>	<u>Chief Executive Officer/Secretary</u>	_____
(NAME)	(TITLE)	(SIGNATURE)
<u>Sheri Rojo</u>	<u>C.F.O./Asst. G.M.</u>	_____
(NAME)	(TITLE)	(SIGNATURE)

APPROVED by the Advisory Committee this 22nd day of January 2009.
ADOPTED by the Watermaster Board on this 22nd day of January 2009.

By: _____
Chairman, Watermaster Board

APPROVED:

Chairman, Advisory Committee

ATTEST:

Board Secretary
Chino Basin Watermaster

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. 09-02, was adopted at a regular meeting of the Chino Basin Watermaster Board by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CHINO BASIN WATERMASTER

Secretary

Date: _____



CHINO BASIN WATERMASTER

II. CONSENT CALENDAR

D. LEVYING REPLENISHMENT & ADMINISTRATIVE ASSESSMENTS



RESOLUTION 09-03

A RESOLUTION OF THE CHINO BASIN WATERMASTER LEVYING REPLENISHMENT AND ADMINISTRATIVE ASSESSMENTS FOR FISCAL YEAR 2008 - 2009

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 2007-2008 Budget on June 28, 2007 to carry out the necessary Watermaster functions under the Judgment; and

WHEREAS, the parties named in this Judgment have pumped 13,238.88 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 January 22, 2009 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 January 2009.

ADOPTED by the Watermaster Board on the 22nd day of January 2009.

By: _____
Chairman, Watermaster Board

APPROVED:

Chairman, Advisory Committee

ATTEST:

Secretary, Watermaster Board

Exhibit "A"
Resolution 09-03

Summary
of
Assessments
Fiscal Year 2008-2009
Production Year 2007-2008

1. OVERLYING (NON-AGRICULTURAL) POOL

a.	2007-2008 Budget	\$ <u>6.17</u> Per AF - Admin.
		\$ <u>44.07</u> Per - OBMP
b.	Replenishment	\$ <u>309.00</u> Per AF

2. APPROPRIATIVE POOL

a.	Administration	
	1. 2007-2008 Budget	\$ <u>6.17</u> Per AF - Admin.
		\$ <u>44.07</u> Per - OBMP
	2. Ag Pool Reallocated	
		\$ <u>3.68</u> Per AF - Admin.
		\$ <u>26.25</u> Per AF - OBMP
b.	100% Net Replenishment	\$ <u>309.00</u> Per AF
c.	15/85 Water Activity	
	15% Replenishment Assessments	<u>\$893,722.37</u>
	15% Water Transaction Activity	<u>\$73,772.93</u>
d.	Recharge Debt Payment	<u>\$1,261,594.00</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. 09-03, was adopted at a regular meeting of the Chino Basin Watermaster Board by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CHINO BASIN WATERMASTER

Secretary

Date: _____

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CHINO BASIN WATERMASTER

II. CONSENT CALENDAR

E. NOTICE OF INTENT



Watermaster's "Notice of Intent" to Change the Operating Safe Yield of the Chino Groundwater Basin

PLEASE TAKE NOTICE that on this 22nd day of January 2009, Chino Basin Watermaster hereby files this 'NOTICE OF INTENT' to change the operating safe yield of the Chino Groundwater Basin Pursuant to the Judgment entered in Chino Basin Municipal Water District v. City of Chino, et al., San Bernardino Superior Court, Case No. RCV 51010 (formerly Case No. 164327) (Exhibit I, Paragraph 2b, Page 80).

Approved by
**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE**

**CHINO BASIN WATERMASTER
BOARD OF DIRECTORS**

By: _____
Chair

By: _____
Chair

ATTEST:

By: _____
Secretary

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CHINO BASIN WATERMASTER

II. CONSENT CALENDAR

F. INDEPENDENT FINANCIAL AUDIT





Mayer Hoffman McCann P.C.

An Independent CPA Firm

Conrad Government Services Division

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

949-263-5520 fx

www.mhm-pc.com

Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

We have audited the financial statements of the Chino Basin Watermaster (the "Watermaster") for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 11, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

Audit fieldwork was substantially completed by August 15, 2008. As communicated to the Board of Directors during our meeting held on August 7, 2008, significant risks of material misstatement addressed by our auditing procedures included:

- Risk of material fraud or misstatement associated with cash receipts and disbursements.
- Risk of improper classification of expenses.
- Risk of improper timing in recording revenues.
- Risk of error associated with the identification of capital asset additions and deletions.

Significant Audit Findings

We did not identify any deficiencies in internal control we consider to be material weaknesses.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Watermaster are described in note one to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the Watermaster during the year for which there is a lack of authoritative guidance or consensus. There are no



Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California
Page 2 of 3

material transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Examples of significant judgments and estimates reflected in the Watermaster's financial statements and disclosures include:

- Judgments associated with the collection of receivables
- Estimates involving revenues and expenses to be accrued as of year end.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any adjustments that were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting and auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Watermaster's financial statements or a determination of the type of auditor's opinion that may be expressed on those



Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California
Page 3 of 3

statements, our professional standards require that the consulting accountant contact us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants during the 2008 audit.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the Watermaster's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

* * * * *

This information is intended solely for the use of the Board of Directors and the management of the Watermaster and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

Irvine, California
December 8, 2008

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CHINO BASIN WATERMASTER
Basic Financial Statements and Supplemental Data
Year ended June 30, 2008
(With Independent Auditors' Report Thereon)

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CHINO BASIN WATERMASTER
Basic Financial Statements and Supplemental Data
Year ended June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to the Basic Financial Statements	9
Supplementary Information:	
Combining Schedule of Revenues, Expenses and Changes in Working Capital - For the period July 1, 2007 through June 30, 2008	21
Combining Schedule of Revenues, Expenses and Changes in Working Capital - For the period July 1, 2006 through June 30, 2007	22



Mayer Hoffman McCann P.C.

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Conrad Government Services Division

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Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

Independent Auditors' Report

We have audited the accompanying basic financial statements of the Chino Basin Watermaster as of and for the year ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the management of Chino Basin Watermaster. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year partial comparative information has been derived from the Chino Basin Watermaster's basic financial statements for the year ended June 30, 2007 and, in our report dated January 23, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chino Basin Watermaster as of June 30, 2008, and respective changes in financial position and cash flows of the Chino Basin Watermaster for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mayer Hoffman McCann P.C.

Irvine, California
December 8, 2008



CHINO BASIN WATERMASTER

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND

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

This section of the Watermaster's annual financial report presents our analysis of the Watermaster's financial performance during the fiscal year ended on June 30, 2008. Please read it in conjunction with the basic financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Watermaster's basic financial statements, which are comprised of two components: Financial Statements (pages 6-8) and Notes to the Financial Statements (pages 9-19). This report also contains other supplementary information in addition to the basic financial statements (pages 20-22).

Required Financial Statements

The financial statements of the Watermaster report information using the accrual basis of accounting; accordingly, all of the current year's revenues and expenses are accounted for regardless of when the cash is received or paid. This accounting treatment is similar to the methods used by private sector companies and aids in answering the question of whether the Watermaster, as a whole, has improved or deteriorated as a result of this year's activities.

The Statement of Net Assets (page 6) includes all of the Watermaster's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Watermaster and assessing the liquidity and financial flexibility of the Watermaster.

The Statement of Revenues, Expenses and Changes in Net Assets (page 7) includes all of the current year revenues and expenses. This statement measures the success of the Watermaster's operations over the past year and can be used to determine whether the Watermaster has successfully recovered all of its costs through assessments and other charges.

The Statement of Cash Flows (page 8) reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. This statement demonstrates where the cash came from, how the cash was used, and how much the change in cash was during the fiscal year.

These statements are one of many different ways to measure the Watermaster's financial health, or financial position. Over time, increases or decreases in the Watermaster's net assets are one of the indicators of whether its financial position is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Watermaster's, assessment income, cost sharing agreements, and other operational measures to help assess the overall financial position of the Watermaster.

SUMMARY OF FINANCIAL INFORMATION

Statement of Net Assets

June 30, 2008
(With comparative totals for June 30, 2007)

	2008	2007	Difference	% Change
Assets				
Current	\$ 7,080,314	\$ 8,026,597	\$ (946,283)	-12%
Capital	59,223	84,354	(25,131)	-30%
Total Assets	7,139,537	8,110,951	(971,414)	-12%
Liabilities				
Current	798,580	2,686,624	(1,888,044)	-70%
Non current	142,995	115,030	27,965	24%
Total Liabilities	941,575	2,801,654	(1,860,079)	-66%
Net Assets				
Invested in capital assets	59,223	84,354	(25,131)	-30%
Unrestricted	6,138,739	5,224,943	913,796	17%
Total Net Assets	\$6,197,962	\$5,309,297	\$ 888,665	17%

For the year ended June 30, 2008 and June 30, 2007, Watermaster's Total Net Assets was \$6,197,962 and \$5,309,297 respectively.

Current Assets decreased by \$946,283 in FY 2008, which was a combination of a \$2.3 million decrease in Prepaid Expenses netted with an increase of Cash and Investments of approximately \$1.4 million. The reduction in Prepaid Expenses was due to a prepayment in 2007 for water purchases which was used in FY 2008. Cash and Investment balances increased in FY 2008 due to an excess of revenues over expenses. These balances include funds set aside for specific use such as the Agricultural Pool fund.

Net Capital Assets decreased by \$25,131 in FY 2008 due to depreciation expense for the year.

Total Liabilities decreased by \$1,860,179 in FY 2008 primarily due to the timing of payments for water purchases which were accrued in FY 2007 and paid in FY 2008.

Statement of Revenues, Expenses, and Changes in Net Assets

June 30, 2008
(With comparative totals for June 30, 2007)

	2008	2007	Difference	% Change
Operating Revenues				
Administrative assessments	\$ 7,602,975	\$ 7,923,502	\$ (320,527)	-4%
Mutual agency project revenue	237,370	142,149	95,221	67%
Replenishment water	3,402,393	2,690,983	711,410	26%
Miscellaneous revenue	35,054	-	35,054	100%
Total Operating Revenues	11,277,792	10,756,634	521,158	5%
Operating Expenses				
Watermaster administration	510,175	752,865	(242,690)	-32%
Depreciation	25,131	29,118	(3,987)	-14%
Pool, Advisory and Board	219,545	169,967	49,578	29%
Optimum Basin Management Plan	6,485,337	7,607,905	(1,122,568)	-15%
Mutual agency project costs	10,000	10,000	-	0%
Groundwater replenishment	3,325,123	3,536,201	(211,078)	-6%
Total Operating Expenses	10,575,311	12,106,056	(1,530,745)	-13%
Income from operations	702,481	(1,349,422)	2,051,903	152%
Non-Operating Revenues				
Interest	186,184	256,311	(70,127)	-27%
Total Non-Operating Revenues	186,184	256,311	(70,127)	-27%
Change in net assets	888,665	(1,093,111)	1,981,776	181%
Net assets at beginning of year	5,309,297	6,402,408	(1,093,111)	-17%
Total net assets at end of year	\$ 6,197,962	\$ 5,309,297	\$ 888,665	17%

REVIEW OF REVENUES AND EXPENSES

Annual assessments are determined by dividing the adopted budget by the assessable production. Administrative assessment revenue decreased \$320,527 in FY 2008, or 4% from the previous year due to budgeted decreases in OBMP expenses and recharge basin operations and maintenance expenses.

Replenishment assessment revenue increased by \$711,410 in FY 2008 or 26% due to increases in production in excess of rights.

Overall operating expenses (excluding replenishment activities) decreased over the prior year from \$8,569,855 to \$7,250,188, down by 15% from the prior year. Specifically, administrative expenses decreased by \$242,690 in FY 2008, or 32%, due to a concerted effort by Watermaster staff to control costs and operate efficiently as well as a change in the methodology of labor overhead allocations. Additionally, the Optimal Basin Management Plan decreased by \$1,122,568 in FY 2008 or 15% due to less legal and other expenditures in 2008 than in 2007.

Non-operating revenue represented interest income of \$186,184 and \$256,311 for the years ending June 30, 2008 and June 30, 2007, which decreased due to falling interest rates.

CONTACTING THE WATERMASTER

This financial report is designed to provide a general overview of the Watermaster's finances and to demonstrate the Watermaster's accountability for the resources it receives. If you have any questions about this report, or need additional information, please contact Sheri Rojo, Assistant General Manager/Chief Financial Officer at (909) 484-3888.

CHINO BASIN WATERMASTER

Statement of Net Assets

June 30, 2008

(with comparative totals for June 30, 2007)

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and investments (note 2)	\$ 6,146,595	4,834,960
Accounts receivable (note 9)	910,462	840,426
Prepaid expenses	<u>23,257</u>	<u>2,351,211</u>
Total current assets	<u>7,080,314</u>	<u>8,026,597</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation (note 3)	<u>59,223</u>	<u>84,354</u>
Total noncurrent assets	<u>59,223</u>	<u>84,354</u>
Total assets	<u>7,139,537</u>	<u>8,110,951</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	793,256	2,629,876
Accrued salaries and benefits	<u>5,324</u>	<u>56,748</u>
Total current liabilities	<u>798,580</u>	<u>2,686,624</u>
Noncurrent liabilities:		
Compensated absences (note 4)	<u>142,995</u>	<u>115,030</u>
Total noncurrent liabilities	<u>142,995</u>	<u>115,030</u>
Total liabilities	<u>941,575</u>	<u>2,801,654</u>
<u>Net Assets</u>		
Net assets:		
Invested in capital assets	59,223	84,354
Unrestricted	<u>6,138,739</u>	<u>5,224,943</u>
Total net assets	<u>\$ 6,197,962</u>	<u>5,309,297</u>

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2008

(with comparative totals for June 30, 2007)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Administrative assessments (note 1)	\$ 7,602,975	7,923,502
Mutual agency project revenue	237,370	142,149
Replenishment water	3,402,393	2,690,983
Miscellaneous revenue	<u>35,054</u>	<u>-</u>
Total operating revenues	<u>11,277,792</u>	<u>10,756,634</u>
Operating expenses:		
Watermaster administration	510,175	752,865
Depreciation	25,131	29,118
Pool, advisory and Board administration	219,545	169,967
Optimum Basin Management Plan	6,485,337	7,607,905
Mutual agency project costs	10,000	10,000
Groundwater replenishment	<u>3,325,123</u>	<u>3,536,201</u>
Total operating expenses	<u>10,575,311</u>	<u>12,106,056</u>
Income (loss) from operations	<u>702,481</u>	<u>(1,349,422)</u>
Nonoperating revenues:		
Interest income	<u>186,184</u>	<u>256,311</u>
Total nonoperating revenues	<u>186,184</u>	<u>256,311</u>
Change in net assets	888,665	(1,093,111)
Net assets at beginning of year	<u>5,309,297</u>	<u>6,402,408</u>
Total net assets at end of year	<u>\$ 6,197,962</u>	<u>\$ 5,309,297</u>

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER

Statement of Cash Flows

Year ended June 30, 2008

(with comparative totals for June 30, 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from customers	\$ 10,970,386	10,858,726
Cash received from other agencies	237,370	142,149
Cash paid to employees for services	(1,217,790)	(1,159,406)
Cash paid to suppliers of goods and services	<u>(8,864,515)</u>	<u>(12,400,436)</u>
Net cash provided by (used for) operating activities	<u>1,125,451</u>	<u>(2,558,967)</u>
Cash flows from investing activities:		
Interest received	<u>186,184</u>	<u>256,311</u>
Net cash provided by (used for) investing activities	<u>186,184</u>	<u>256,311</u>
Net increase (decrease) in cash	1,311,635	(2,302,656)
Cash and investments at the beginning of year	<u>4,834,960</u>	<u>7,137,616</u>
Cash and investments at the end of year	<u>\$ 6,146,595</u>	<u>\$ 4,834,960</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 702,481	(1,349,422)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:		
Depreciation	25,131	29,118
(Increase) decrease in accounts receivable	(70,036)	244,241
(Increase) decrease in prepaid expenses	2,327,954	(2,322,143)
Increase (decrease) in account payable	(1,836,620)	804,715
Increase (decrease) in accrued salaries and benefits	(51,424)	4,094
Increase (decrease) in compensated absences	<u>27,965</u>	<u>30,430</u>
Net cash provided by (used for) operating activities	<u>\$ 1,125,451</u>	<u>\$ (2,558,967)</u>

Noncash investing, capital and financing activities:

There were no significant noncash investing, capital or financing activities during the fiscal year ended June 30, 2008.

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements
Year ended June 30, 2008

(1) Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

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

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

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

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

Watermaster expenditures are allocated to the pools based on the prior year’s production volume (or the same percentage used to set the annual assessments). Allocations for fiscal year 2007-08 expenses are based on the 2006-07 production volume.

	<u>2006-07</u>	
	<u>Acre Feet</u>	<u>%</u>
Production Volume:		
Appropriative Pool	130,826	76.288
Agricultural Pool	37,295	21.748
Non-Agricultural Pool	<u>3,369</u>	<u>1.965</u>
Total Production Volume	<u>171,490</u>	<u>100.000</u>

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

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

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

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

Basis of Accounting

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

Cash and Investments

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

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

Cash Equivalents

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

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

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

Capital Assets

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

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

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

Use of Estimates

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

Appropriative Interest Revenue Allocation

On August 30, 1979, the Appropriative Pool unanimously approved assessment procedures whereby any interest earned from the Watermaster assessments paid by Appropriative Pool members would reduce the total current assessment due from those members. Fiscal year 2006-07 interest revenue was allocated to the Appropriative Pool, resulting in a reduction of the 2007-08 assessments. The amount of administrative assessment received for the year ended June 30, 2008 was \$7,602,975.

Prior Year Data

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Watermaster's prior year financial statements, from which the financial data was derived.

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

(2) Cash and Investments

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	<u>\$6,146,595</u>
Total cash and investments	<u>\$6,146,595</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	152,464
Investments	<u>5,993,631</u>
Total cash and investments	<u>\$6,146,595</u>

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

(2) Cash and Investments. (Continued)

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

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

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

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

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments. (Continued)

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the Watermaster's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Watermaster's investment by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>Total Amount</u>	<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>
Local Agency Investment Fund	<u>\$5,993,631</u>	<u>5,993,631</u>	<u>-</u>	<u>-</u>
Total	<u>\$5,993,631</u>	<u>5,993,631</u>	<u>-</u>	<u>-</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Local Agency Investment Fund	<u>\$5,993,631</u>	N/A	<u>-</u>	<u>-</u>	<u>5,993,631</u>
Total	<u>\$5,993,631</u>		<u>-</u>	<u>-</u>	<u>5,993,631</u>

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

(2) Cash and Investments, (Continued)

Custodial Credit Risk

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

Investment in State Investment Pool

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

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(3) Capital Assets

Capital asset activity for the year ended June 30, 2008 is as follows:

	<u>Balances at July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2008</u>
Computer equipment and software	\$75,244	-	-	75,244
Office furniture and fixtures	42,291	-	-	42,291
Leasehold improvements	23,443	-	-	23,443
Automotive equipment	<u>90,484</u>	<u>-</u>	<u>-</u>	<u>90,484</u>
Total costs of depreciable assets	<u>231,462</u>	<u>-</u>	<u>-</u>	<u>231,462</u>
Less accumulated depreciation:				
Computer equipment and software	(56,499)	(8,555)	-	(65,054)
Office furniture and fixtures	(24,193)	(6,380)	-	(30,573)
Leasehold improvements	(9,378)	(2,345)	-	(11,723)
Automotive equipment	<u>(57,038)</u>	<u>(7,851)</u>	<u>-</u>	<u>(64,889)</u>
Total accumulated depreciation	<u>(147,108)</u>	<u>(25,131)</u>	<u>-</u>	<u>(172,239)</u>
Net capital assets	<u>\$ 84,354</u>	<u>(25,131)</u>	<u>-</u>	<u>59,223</u>

(4) Compensated Absences

Permanent Watermaster employees earn from 10 to 20 vacation days a year, depending upon their length of employment and 12 sick days a year. Employees may carry vacation days forward up to the equivalent number of days earned in the immediately preceding twenty-four (24) month period. There is no maximum accumulation of sick leave; and upon retirement or resignation at age 55 or greater, employees with continuous employment for a minimum of twenty (20) years are compensated for all accumulated sick leave at 50% of their rate of pay at termination. Other employees are paid based upon length of employment and age at time of retirement or resignation. The amount of compensated absences outstanding as of June 30, 2008 was \$142,995.

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(5) Deferred Compensation Plan

The Watermaster has established deferred compensation plans for all employees of Watermaster in accordance with Internal Revenue Code Section 457, whereby employees authorize the Watermaster to defer a portion of their salary to be deposited in individual investment accounts. Participation in the plans is voluntary and may be revoked at any time upon advance written notice. The amount of compensation subject to deferral until retirement, disability, or other termination by a participant may not exceed the maximum legal amounts for deferred compensation plans. Amounts withheld by Watermaster under this plan are deposited regularly with California Public Employees' Retirement System. The Watermaster makes no contribution under the plan. As of June 30, 2008, the deferred compensation plan assets were held in trust accounts for the sole benefit of the employees and their beneficiaries, and accordingly have been excluded from Watermaster's reported assets.

(6) Operating Lease

The Watermaster entered into a new lease for rent of office space on September 1, 2003, expiring August 30, 2013. The amount paid under this lease was \$63,135 for the year ended June 30, 2008. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2009	\$ 65,940
2010	65,940
2011	65,940
2012	65,940
2013	65,940
2014	<u>10,990</u>
Total	<u>\$340,690</u>

(7) Defined Benefit Pension Plan (PERS)

Plan Description

The Watermaster contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

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

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

Contributions

Participants are required to contribute 7% of their annual covered salary. The Watermaster makes the contributions required of the employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and the Watermaster contract with employee bargaining groups.

For each of the fiscal years shown below, the Watermaster has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The Watermaster's covered payroll for PERS was \$845,033 for the year ended June 30, 2008, while the Watermaster's total payroll for all employees was \$845,033 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2007 to June 30, 2008.

Three-Year Trend Information

Annual Pension cost (Safety)

<u>Fiscal Year</u>	Employer <u>Contribution</u> <u>Rate</u>	<u>Employer</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/06	11.291%	\$136,372	100%	-
6/30/07	10.947%	145,515	100%	-
6/30/08	10.345%	144,250	100%	-

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(8) Project Commitments

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

(9) Receivables from Inland Empire Utilities Agency

Chino Basin Watermaster works closely with Inland Empire Utilities Agency on a variety of regionally beneficial and required projects. The Agreement for Cooperative Efforts Common Monitoring Programs between Chino Basin Watermaster (Watermaster) and Inland Empire Utilities Agency (IEUA) was entered into in 2004. The agreement called for work to be performed by Watermaster and its consultants for which IEUA would reimburse Watermaster an agreed upon percentage of costs, depending on the type of work performed. The work undertaken in the Annual Monitoring Program (AMP) is required by the Regional Water Quality Control Board and is comprised of the following monitoring programs: water quality and water level monitoring in support of the triennial ambient Water Quality update, water quality and water level monitoring in support of the Hydraulic Control Monitoring Program. For 2004/2005 and 2005/2006, IEUA reimbursed Watermaster the amount invoiced. The receivable is in dispute and the amount that is expected to be received is not determinable at this time.

SUPPLEMENTARY INFORMATION

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CHINO BASIN WATERMASTER

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

For the period July 1, 2007 through June 30, 2008

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL APPROPRIATE	POOL	POOL	NON-AGRIC.	AGRICULTURAL	POOL	REPLENISHMENT	GROUNDWATER OPERATIONS SB222	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2007-2008
Administrative Revenues													
Administrative Assessments			7,480,677		122,298							7,602,975	\$7,540,370
Interest Revenue			161,051	20,700	4,370						63	186,184	181,500
Mutual Agency Project Revenue		237,370										237,370	145,500
Miscellaneous Income			35,013		41							35,054	-
Total Revenues	-	237,370	7,676,741	20,700	126,709						63	8,061,583	7,867,370
Administrative & Project Expenditures													
Watermaster Administration	534,931											534,931	627,797
Watermaster Board-Advisory Committee	54,884											54,884	60,645
Pool Administration			20,280	137,820	6,561							164,661	162,333
Optimum Basin Mgmt Administration		2,462,439										2,462,439	2,852,337
OBMP Project Costs		4,022,898										4,022,898	4,153,883
Education Funds Use									375			375	375
Mutual Agency Project Costs		10,000										10,000	10,000
Total Administrative/OBMP Expenses	589,815	6,495,337	20,280	137,820	6,561				375			7,250,188	7,867,370
Net Administrative/OBMP Income	(589,815)	(6,257,967)											
Allocate Net Admin Income To Pools	589,815		449,956	128,272	11,587								
Allocate Net OBMP Income To Pools		6,257,967	4,774,055	1,360,969	122,943								
Agricultural Expense Transfer			1,612,751	(1,612,751)									
Total Expenses	6,857,043		14,309		141,091				375			7,250,188	7,867,370
Net Administrative Income	819,698		6,391		(14,382)				(312)			811,395	
Other Income/(Expense)													
Replenishment Water Purchases								3,402,393				3,402,393	
MZ1 Supplemental Water Assessments													
Water Purchases													
Balance Adjustment			370,656		1,011				(371,667)				
Groundwater Replenishment									(3,325,123)			(3,325,123)	
Net Other Income			370,656		1,011				(294,397)			77,270	
Net Transfers To/(From) Reserves			1,190,354	6,391	(13,371)				(294,397)			888,665	
Working Capital, July 1, 2007			4,222,862	475,604	156,528				294,397		1,655	5,309,297	
Working Capital, End Of Period			5,413,216	481,995	143,157				-		1,343	6,197,962	
06/07 Assessable Production			130,826,204	37,295,410	3,369,080							171,490,694	
06/07 Production Percentages			76.288%	21.748%	1.965%							100.000%	

CHINO BASIN WATERMASTER

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

For the period July 1, 2006 through June 30, 2007

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL APPROPRIATIVE	POOL ADMINISTRATION AND SPECIAL PROJECTS AGRICULTURAL	POOL REPLENISHMENT	GROUNDWATER OPERATIONS SB222	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2006-2007
Administrative Revenues									
Administrative Assessments		142,149	7,800,290	123,212				7,923,502	\$7,308,205
Interest Revenue			232,105	15,893	8,225		88	256,311	136,500
Mutual Agency Project Revenue		142,149						142,149	138,000
Total Revenues	-	142,149	8,032,395	15,893	131,437	-	88	8,321,962	7,582,705
Administrative & Project Expenditures									
Watermaster Administration	781,608							781,608	601,598
Watermaster Board-Advisory Committee	51,554							51,554	52,123
Pool Administration		2,373,383	21,947	90,413	6,053			118,413	118,245
Optimum Basin Mgmt Administration		5,234,522						2,373,383	1,855,795
OBMP Project Costs								5,234,522	5,089,269
Education Funds Use							375	375	375
Mutual Agency Project Costs	10,000							10,000	5,000
Total Administrative/OBMP Expenses	843,162	7,607,905	21,947	90,413	6,053		375	8,569,855	7,722,405
Net Administrative/OBMP Income	(843,162)	(7,465,756)							
Allocate Net Admin Income To Pools	843,162		650,069	177,270	15,823				0
Allocate Net OBMP Income To Pools		7,465,756	5,756,023	1,569,631	140,102				0
Agricultural Expense Transfer			1,826,464	(1,826,464)					0
Total Expenses	8,254,504		10,850	161,977	(30,540)		375	8,569,855	7,722,405
Net Administrative Income	(222,109)		5,043				(287)	(247,893)	(139,700)
Other Income/(Expense)									
Replenishment Water Purchases					2,690,983			2,690,983	0
MZ1 Supplemental Water Assessments									0
Water Purchases									0
MZ1 Imported Water Purchase					(3,536,201)			(3,536,201)	0
Groundwater Replenishment					(845,218)			(845,218)	0
Net Other Income									0
Net Transfers To/(From) Reserves	(222,109)		5,043	(30,540)	(845,218)		(287)	(1,093,111)	(139,700)
Working Capital, July 1, 2006	4,444,971		470,561	187,068	1,139,615	158,251	1,942	6,402,408	
Working Capital, End Of Period	4,222,862		475,604	156,528	294,397	158,251	1,655	5,309,297	
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%	



CHINO BASIN WATERMASTER

II. CONSENT CALENDAR

G. ALLOCATION OF VOLUME VOTE





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: January 8, 2009
January 22, 2009

TO: Committee Members
Watermaster Board Members

SUBJECT: Volume Votes

SUMMARY

Issue – The Appropriative Pool, the Non-Ag Pool, and the Advisory Committee need to adopt their respective volume vote.

Recommendation – It is recommended that each Committee take action to adopt their respective volume votes for the upcoming calendar year.

Fiscal Impact – None.

BACKGROUND

Following the approval of each Assessment Package, volume vote calculations are performed and agencies are allocated a voting percentage. The Appropriative Pool Committee, the Non-Agricultural Pool Committee, and the Advisory Committee adopt the Volume Vote which is prepared according to their respective rules.

DISCUSSION

The Volume Votes are calculated based on a combination of safe yield rights and assessable production. If there are any questions regarding the calculations, please contact Ms. Sheri Rojo at 909-484-3888 or by email at srojo@cbwm.org.

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ADVISORY COMMITTEE
ALLOCATION OF VOLUME VOTE

Based on 2007-2008 Production

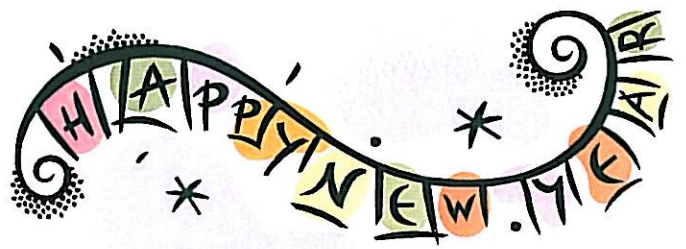
APPROPRIATIVE POOL	ALLOCATED VOTE	ABSENT	REALLOCATION OF VOTE	VOLUME VOTE
Chino, City of	4.02		0.00	4.02
Chino Hills, City of	2.65		0.00	2.65
Cucamonga Valley Water District	6.72		0.00	6.72
Fontana Union Water Company	4.37		0.00	4.37
Fontana Water Co.	6.95		0.00	6.95
Jurupa Community Services District	7.25		0.00	7.25
Monte Vista Water District	7.00		0.00	7.00
Ontario, City of	15.21		0.00	15.21
Pomona, City of	12.10		0.00	12.10
Upland, City of	2.83		0.00	2.83
Minor #1	2.95		0.00	2.95
Minor #2	2.95		0.00	2.95
	75.00	0.00	0.00	75.00
OVERLYING AGRICULTURAL POOL				20.00
OVERLYING NON-AGRICULTURAL POOL				5.00
TOTAL				100.00

- (1) Allocation of Volume Vote between pools determined by assessable production and % of OSY.
(2) If an appropriator is absent, his vote is reallocated to the remaining members in attendance.

Motion: _____

Date: _____

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CHINO BASIN WATERMASTER

II. BUSINESS ITEMS

A. BUDGET TRANSFER – TMDL STUDY





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: January 22, 2009

TO: Committee Members
Board Members

SUBJECT: Funding of the farming portion of the Middle Santa Ana Watershed TMDL Study

COST: \$21,000 – Budget Transfer Request

SUMMARY

The Santa Ana Regional Board is conducting a study of Total Maximum Daily Loads (TMDL's) within the middle reach of the Santa Ana River as mandated by federal law. Both Farming and Dairy are identified as potential contributors and need to be represented in the proceedings. Each operator is responsible for participation, individually or as a group. Dairy, through the involvement of the Milk Producers Council with funding from the Dairy Producer Environmental Foundation, is represented as a group. At the October 2008 Agricultural Pool meeting, the Pool voted to fund the involvement of the farmers in the process as a Special Project of the Agricultural Pool. The amount of this funding will be \$21,000.

According to the Peace Agreement section 5.4(a), all assessments and expenses of the Agricultural Pool, including those of the Agricultural Pool Committee, shall be paid by the Appropriate Pool. This includes assessments pursuant to paragraph 54, both General Administrative Expenses and Special Project Expenses.

Watermaster has not budgeted this amount for Agricultural Pool expenses and thus must make a budget transfer in order to fulfill the request.

Watermaster requests the Pools to provide guidance regarding this request.

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CHINO BASIN WATERMASTER

III. REPORTS / UPDATES

D. INLAND EMPIRE UTILITIES AGENCY

4. MWD Board Letter, 2009 Water Supply Allocation
5. Summary State/MWD Conservation Requirements, Calendar Year 2010 Rates
6. Summary State/MWD Conservation Requirements for Grant Funds
7. Monthly Water Conservation Programs and Imported Water Deliveries/DYY Report
8. Recycled Water Newsletter
9. State and Federal Legislative Report
10. Community Outreach/Public Relations Report
11. Peace II EIR Timeline



CHINO BASIN WATERMASTER

ADVISORY COMMITTEE

January 22, 2009

AGENDA

INTERAGENCY WATER MANAGERS' REPORT

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

Discussion Items:

- MWD Drought Update
- MWD Proposed 2010 Rate Increase
- State/MWD Conservation Requirements for Grant Funds

Written Items:

- MWD Board Letter, 2009 Water Supply Allocation Plan Status
- MWD Board Letter, Water Revenue Requirements, Calendar Year 2010 Rates
- Summary State/MWD Conservation Requirements for Grant Funds
- Monthly Water Conservation Programs and Imported Water Deliveries/DYY Report
- Recycled Water Newsletter
- State and Federal Legislative Reports
- Community Outreach/Public Relations Report
- Peace II EIR Timeline

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● **Board of Directors**
Water Planning and Stewardship Committee

January 13, 2009 Board Meeting

9-3

Subject

2009 Water Supply Allocation Plan Status

Description

This letter provides an update of conditions and considerations that affect the decision to implement the Water Supply Allocation Plan (WSAP) and allocate limited water supplies to the member agencies.

The most significant aspect of this month's update is the water supply impacts from the recently released Biological Opinion on Delta smelt (Biological Opinion). Based on the California Department of Water Resources State Water Project (SWP) allocation study released in December, staff has determined that the Biological Opinion could impose greater restrictions on the delivery of SWP supplies for 2009 than the most restrictive flow regimes from Federal Judge Oliver Wanger's interim order on Delta smelt actions. The Biological Opinion will decrease the amount of water delivered from the SWP under dry, normal, and wet hydrologic conditions.

The impacts from the Biological Opinion are offset by December's wetter than normal conditions in Metropolitan's service area and in the Imperial and Coachella Valleys, which result in more Colorado River water available for Metropolitan under the priority system. The additional supply, combined with lower demand in the service area conditions as compared to last month's forecast, improved end-of-2008 storage conditions.

Overall, the probability of implementing the WSAP in 2009 has increased due to the impacts from the Biological Opinion, compared to the chances reported in previous months. In November 2008, the estimated chance of needing to implement the WSAP was approximately 1 in 3. Under the changed conditions detailed in this report, the chance has increased to 1 in 2. However, it is important to note that the chance of implementing the WSAP could still be significantly affected by the upcoming winter and spring hydrologies that occur in southern and northern California and in the Colorado River watershed. Staff estimates that there is a 1-in-4-chance that wetter hydrology would occur and provide sufficient supplies to refill regional storage in 2009 even under the restrictions of the Biological Opinion.

Update of Potential Conditions in 2009

At the December 2008 Water Planning and Stewardship Committee, staff reported on the conditions and considerations that provide a basis for recommendations to implement the WSAP. The report reiterated that, in any year, the April decision timeframe provided the most certainty about water supply and demand conditions, and that a sufficient administrative period between the declaration of an allocation and the allocation period was necessary for member agencies to enact enforcement mechanisms. At the time of the December 2008 Board Meeting, staff reported that there was a 1-in-3-chance that the WSAP would need to be implemented based on the range of conditions that could result by April 2009. Based on all of the considerations above, staff did not recommend advancing consideration of a formal allocation declaration earlier than April 2009.

Staff also reported that the final Operations Control and Plan (OCAP) Biological Opinion on Delta smelt was scheduled to be released in mid-December, and that the outcome could significantly change circumstances regarding water supplies in 2009. The Biological Opinion was released, and the California Department of Water Resources has updated its SWP allocation studies to include updated impacts. These impacts are included in this month's status report.

A description of how the significant water supply and demand factors have changed over the past three reports is provided below:

- Department of Water Resources (DWR) analysis on SWP Allocation
 - November 2008 Report – Based on DWR's Allocation Study from October 30, 2008, a greater than 50 percent SWP allocation for calendar year 2009 under median conditions (0.95 MAF Table A available to Metropolitan). Data from this analysis was used to support DWR's initial 2009 State Water Project allocation of 15 percent, which is based on a conservative dry-condition projection for 2009 that will be exceeded 9 times out of 10. This analysis is based on SWP yields under the most restrictive Wanger pumping restrictions due to Delta smelt.
 - December 2008 Report – No update of DWR's Allocation Study had been released at that time. Impacts from the final OCAP Biological Opinion on Delta smelt were not yet available.
 - January 2009 Update – A new SWP allocation study, including impacts from the Biological Opinion, was released on December 19, 2008. This study continues to support DWR's initial 2009 SWP allocation of 15 percent of Table A. Although it is still true that the 15 percent allocation is conservative and will be exceeded 9 times out of 10, the study indicated that additional water supplies that would normally result from increased precipitation and runoff will be constrained by the conditions and criteria set by the Biological Opinion. Median conditions are estimated to result in a 46 percent Table A allocation, a loss of 9 percent of Table A or nearly 200 TAF less than figures reported in November. The loss of water supply over the range of hydrologic conditions increased the probability of implementing the WSAP, and reduces the probability of maintaining or increasing storage reserves.
- A minimum storage level for Metropolitan's total storage of 1.34 MAF at the end of calendar year 2009 (this includes Metropolitan's emergency storage reserves)
 - November 2008 Report – Metropolitan's total storage was projected to be 1.73 MAF at the end of 2008, allowing for the use of 0.39 MAF within calendar year 2009 to augment imported supplies to meet demands while still maintaining minimum storage levels for 2010.
 - December 2008 Report – Metropolitan's total storage is projected to be 1.71 MAF, a decrease of 20 TAF due to increased demands in October/November.
 - January 2009 Update – There are two major updates this month.
 - Metropolitan's total storage for the end of 2008 is estimated at 1.75 MAF, an increase of 40 TAF. The increase is due to decreased demands in the service area in November/December, the addition of the Drop 2 storage in Lake Mead to the total storage portfolio, and the removal of water classified as "Under Development" (Lake Shasta, EWA Exchange, and Hayfield Basin).
 - The minimum storage level for the end of calendar year 2009 is revised to 1.40 MAF, which accounts for changes in expected SWP supplies available in 2010 due to the OCAP Biological Opinion. This allows for the use of .35 MAF within calendar year 2009.
- Five-Year Supply Plan
 - November 2008 Report – Implementation of 0.453 MAF in equivalent water supply benefits in 2009, of which 0.215 MAF is due to conservation.
 - December 2008 Report – No change in the implementation goals or approach.
 - January 2009 Update – A net increase to 0.492 MAF, mostly due to identification of additional Colorado River Programs.

- Colorado River Aqueduct Deliveries in 2009
 - November 2008 Report – A range of 0.9 MAF to 1.0 MAF of net deliveries.
 - December 2008 Report – No change in the estimate of net deliveries.
 - January 2009 Update – No change in the estimate of net deliveries, not including the increase noted above under the Five-Year Supply Plan.
- Demands on Metropolitan in 2009
 - November 2008 Report – A range of 1.6 MAF to 2.6 MAF (before the conservation efforts included in the Five-Year Supply Reliability Program).
 - December 2008 Report – No change in the estimate of the range of demands for 2009.
 - January 2009 Update – No change in the estimate of the range of demands for 2009.

Recommendation on Advancing WSAP Implementation

The Biological Opinion on Delta smelt did not change the outlook for the initial SWP allocation, but it significantly decreased the amount of water supply that would be available for delivery from the SWP as hydrologic conditions become more normal or wet. However, even under the estimated restriction of SWP supplies from the Biological Opinion, increasing water supply conditions from winter snowpack will still have a significant influence on the overall balance of supply and demand. The changes to the SWP supply outlook were offset by an increase in the end-of-2008 storage amounts from higher water supplies and lower demands in December 2008 as compared to previous forecasts. There is also potential for additional increased supplies based on end-of-year accounting on the Colorado River.

The chance of allocation in 2009 has increased to a 1-in-2-chance, primarily due to the water supply impacts from the Biological Opinion. At this time, staff recommends keeping the April timeframe for making a final decision on allocation. However, a 1-in-2-chance of allocation is significantly high, and member agencies should continue prudent actions to manage the supply challenges that the service area continues to face. Those actions include ongoing communication to customers regarding the water supply conditions and continuing to implement water ordinances enforceable at the local level to prevent wasteful uses of water and encourage reasonable outdoor landscape irrigation practices. These actions are necessary to prepare the region to effectively manage future conditions and challenges as they develop.

Although the conditions have significantly changed from last month's report, staff does not recommend advancing the declaration of a formal WSAP allocation declaration prior to April 2009.

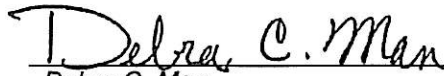
Metropolitan staff will continue to report to the Water Planning and Stewardship Committee on these conditions as they develop and affect the potential need for a WSAP implementation in 2009. It is important to note, however, that the conclusions and analysis presented in this letter do not include potential additional curtailments of SWP supplies from regulatory actions to protect Longfin smelt and Chinook salmon. It is not clear at this time how those actions, if any, will increase the curtailments already accounted for in the Biological Opinion.

Policy

Water Supply Allocation Plan, adopted February 12, 2008.

Fiscal Impact

None



Debra C. Man
Assistant General Manager/Chief
Operating Officer

12/30/2008

Date

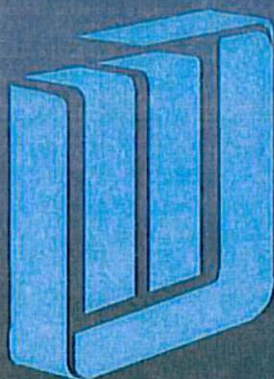


Jeffrey Kightlinger
General Manager

12/30/2008

Date

BLA #6397



Water Supply Allocation Plan Implementation Update

Water Planning and Stewardship Committee
9-3
January 12, 2009

Status Update

Good News

- Storage Conditions and Targets
- Five-Year Supply Plan

Bad News

- State Water Project
- Delta smelt Biological Opinion

Storage Conditions

- Higher 2008 Storage Levels
- 1.75 MAF
 - Increase of 40 TAF from last month's estimate
- Wet/Cool December Conditions
 - Increased CRA supplies
 - Lower service area demands than projected

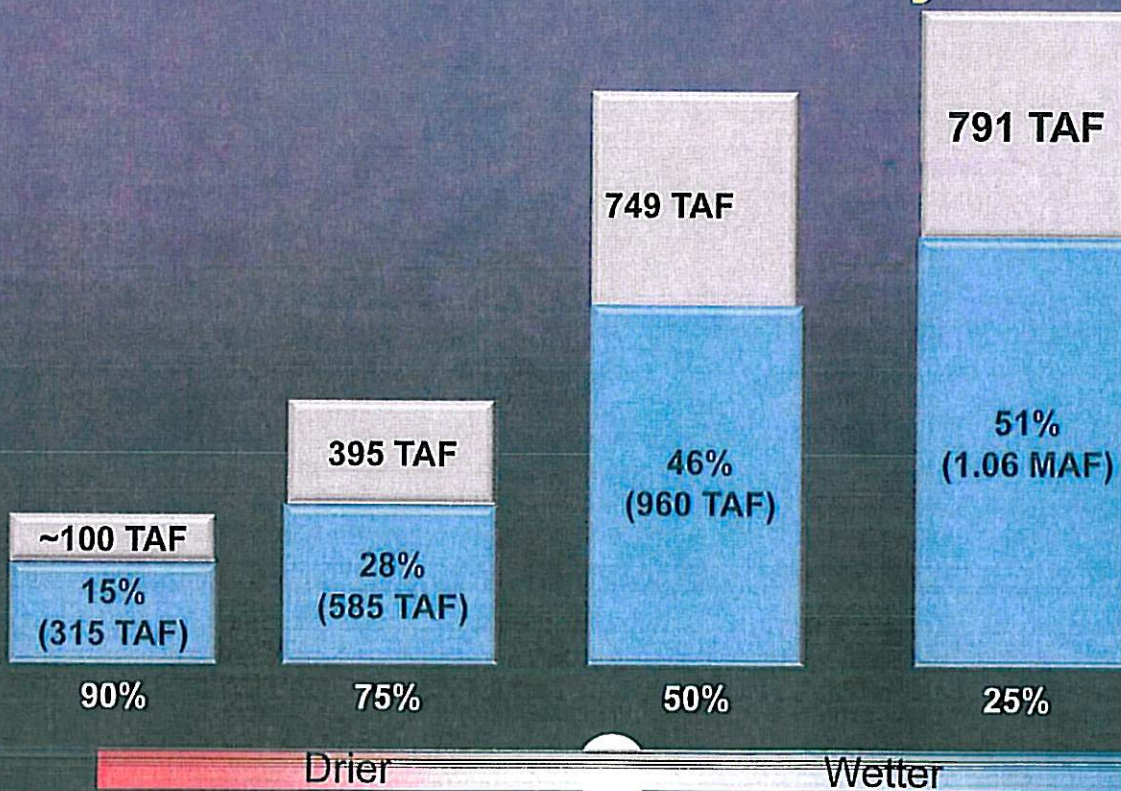
Five-Year Supply Plan

- Increased Estimate of Programs
- 492 TAF of Low-End Estimate
 - Increase of 40 TAF from last month's estimate
- Program Increases
 - Arizona/Nevada Exchange

State Water Project

- Delta smelt Biological Opinion
- DWR Allocation Study Update
 - Includes BiOp impacts
 - Supports current 15% Allocation
 - Provides information on available water supply under increasing hydrology
- Impacts water supply across all hydrologic conditions

SWP Allocation Study



Bottom Line

- **BiOp significantly lowers water supply expectations**
- **Affects Minimum 2009 Storage Target**
 - 1.40 MAF
 - 350 TAF of available reserves for 2009
- **Increases Chance of Allocation in 2009**
 - 1 in 2 Chance
- **Significant Chance of Storing Water**
 - 1 in 4 Chance
- **Figures Don't Include Additional Fisheries Impacts**

Conclusion

- **Increased Chance of Allocation**
- **Next Few Months Are Key**
- **Agencies Should Continue to Plan and Prepare**
- **Monthly Reports/Updates**



• **Board of Directors**
Business and Finance Committee

January 13, 2009 Board Meeting

8-1

Subject

Determine water revenue requirements; set a public hearing date; and adopt resolutions giving notice of intention to impose charges for calendar year 2010

Description

SUMMARY

Metropolitan staff has been working with the member agencies through the Long Range Finance Plan (LRFP) process to analyze different scenarios for Metropolitan's costs and revenues. In three of the last four years Metropolitan has not collected sufficient revenues to cover its costs. Instead, in an effort to mitigate rate increases, Metropolitan has been utilizing its reserves to fund expenditures. At the same time, the largest court ordered supply cutback in the history of the State Water Project (SWP) occurred in 2008. With the Delta smelt Biological Opinion issued by the U.S. Fish and Wildlife service on December 15, 2008, cutbacks are expected to continue into the future. This reduction of more than one-third of Metropolitan's SWP supplies has triggered development and acquisition of new supplies and conservation efforts at costs higher than supplies from the SWP. In light of past under-collections, projected water supply cost increases, and reductions to future water sales, staff has estimated that Metropolitan will likely need to raise rates approximately 25 to 35 percent over the next two years. Further, these cutbacks increase the likelihood that Metropolitan will need to allocate supplies in the coming years putting additional pressure on future water rates.

Metropolitan's costs are expected to increase significantly in 2009/10 primarily due to the following factors:

- a. **Purchased water cost.** Due to dry conditions and the court-imposed cutback in State Water Project deliveries from the Sacramento-San Joaquin Delta, Metropolitan has lost a substantial portion of its SWP water allocation. As a result, Metropolitan will need to acquire additional water transfers in 2009/10 and beyond. As part of the 2009/10 budget and this rate action, it is projected that 200,000 acre-feet of supplies will be purchased through the Governor's Drought Water Bank and other Northern California sources in calendar years 2009 and 2010 at approximately \$300 per acre-foot. These purchases will result in expenditures of approximately \$54 million on Drought Water Bank supplies in fiscal year 2009/10. In addition, draws on existing agreements and programs will result in higher water supply costs. These additional water supply costs in 2009/10 are estimated to be approximately \$48 million higher than in 2008/09, and almost \$88 million higher than expenditures on such water supplies in 2007/08.
- b. **Higher costs for State Water Project deliveries.** The cost payable under the State Water Contract is estimated to be almost \$53 million higher than costs in 2007/08, and about \$48 million higher than in 2008/09. These cost increases are primarily driven by increases in variable power and capital costs, as well as Metropolitan's share of the environmental work and preliminary engineering of the Delta Habitat Conservation and Conveyance Program (DHCCP).
- c. **Debt service.** The financing costs for Metropolitan's ongoing \$3.85 billion capital program will result in an increase of about \$39 million in debt service from 2008/09. A significant portion of the capital program is to improve treatment processes and to upgrade and repair Metropolitan's aging water delivery and treatment system.

In order to mitigate impacts on water ratepayers, the 2009/10 departmental operating budget will be held flat compared to the 2008/09 budget. This will be done in the face of significant increases in the cost of chemicals

used in Metropolitan's treatment processes and the Quagga Mussel Control Program. To offset these increases staff proposes a number of cost management actions to produce a flat budget, including a reduction of 31 full-time equivalent positions and maintaining an average vacancy rate equal to approximately 5.4 percent of salaries.

RATE OPTIONS

Two options have been analyzed and prepared for the Board's review and consideration:

Option 1. Under this option, overall rates and charges would increase by 20.7 percent, based on water sales of 2.12 million acre-feet. This rate increase, if in effect for the full fiscal year, would fully recover Metropolitan's cost of service. Implementing this rate increase on January 1, 2010, however, will require a draw on reserves of \$139 million during 2009/10 to meet expenditures. This draw on reserves accounts for the fact that only four months of the fiscal year will see revenues at the higher rates. Reserve levels are projected to end the year at \$103 million, significantly below the Board's minimum objectives. Current projections show rates increasing an additional 12 percent in 2011, followed by a 10 percent increase in 2012.

Option 2. This option considers water sales that are 100,000 acre-feet lower than Option 1. In order to maintain the same reserve levels as Option 1, overall rates and charges would need to increase by 35.6 percent, effective January 1, 2010.

CAPITAL FINANCING AND RESERVES

In all cases, for cost-of-service analysis, it is assumed that Metropolitan would continue to fund \$95 million of its capital program on a Pay-as-you-go (PAYG) basis from revenues. Staff will continue to evaluate different capital funding mechanisms to minimize draws on the Water Rate Stabilization Fund in the coming year. In order to preserve liquidity, it may be preferable to fund more of the CIP through bonds, with only short-lived and other small capital projects to be funded from revenues. It is currently estimated that approximately \$30 million will be spent on such projects in 2008/09 and \$40 million in 2009/10. Figure 1 shows reserve balances under Option 1, given that Metropolitan reduces PAYG funding of the CIP in 2008/09 from \$95 million down to \$30 million in order to help maintain reserve levels, but continues to fund \$95 million of its CIP through PAYG in 2009/10. Reserve balances at the end of fiscal year 2009/10 would still be below the Board's minimum targets.

REVENUE REQUIREMENTS

The revenue requirements for 2009/10 are estimated to be \$1.43 billion. As shown in Table 1, this is about \$209 million more than the estimated revenue requirements in the current fiscal year.

Costs are projected to increase from about \$1.38 billion in 2008/09 to about \$1.59 billion in 2009/10. Taxes, interest income, power, and miscellaneous income are expected to generate about \$159 million, reducing the revenue requirement from rates and charges in 2009/10 to about \$1.43 billion.

There are three main drivers causing increasing costs for 2009/10; the cost of water transfers, capital financing costs, and State Water Project payments. Supply program costs are expected to increase by approximately \$48 million in 2009/10 because of the anticipated purchase of supplies through the Drought Water Bank. The cost of financing Metropolitan's CIP is expected to increase by \$39 million as debt service increases for outstanding bonds, and additional bonds are issued to fund the ongoing CIP. The year-over-year increase shown in Table 1 is also due to the fact that the 2008/09 costs reflect a \$65 million reduction in the PAYG funding of the CIP from \$95 million down to \$30 million. Costs in 2009/10 reflect PAYG funding of the CIP at \$95 million. In addition, payments for the State Water Project are expected to increase by \$48 million due to the higher variable power and capital costs, discussed in more detail below.

Table 1. Revenue Requirements for FY 2009/10 compared to prior year costs

	\$ Millions			2009/10 Change from:	
	2007/08	2008/09	2009/10	2007/08	2008/09
	Actuals	Estimate	Test Year		
Departmental & Other O&M (w/o Variable Treatment)	\$ 323.7	\$ 315.6	\$ 312.0	\$ (11.7)	\$ (3.5)
Chemicals, Sludge & Power for Treatment	27.4	34.7	36.8	9.4	2.1
State Water Project (without Variable Power)	298.8	381.5	389.7	90.9	8.2
SWP Variable Power	165.5	78.2	118.3	(47.2)	40.1
CRA Power	18.9	43.7	49.8	30.9	6.1
Supply Programs paid from O&M	52.1	92.1	140.5	88.4	48.4
Demand Management	49.3	62.8	59.8	10.5	(3.0)
Debt Service	272.9	291.8	330.7	57.9	39.0
PAYGO	42.9	30.0	95.0	52.1	65.0
Change in Required Reserves	70.7	46.7	52.9	(17.8)	6.2
Sub-total expenditures	1,322.2	1,377.0	1,585.6	263.5	208.6
Revenue Offsets	195.1	159.3	159.3	(35.7)	0.0
Total Revenue Requirement	\$ 1,127.1	\$ 1,217.8	\$ 1,426.3	\$ 299.2	\$ 208.6

Totals may not foot due to rounding

A more detailed description of the major assumptions and cost drivers follows.

MAJOR ASSUMPTIONS - REVENUE REQUIREMENTS FOR FY 2009/10

Water Sales

2.12 million acre-feet

Cash year water sales (including Tier 1, Tier 2, agricultural, and wheeling) are projected to be about 2.12 million acre-feet in fiscal year 2009/10. This forecast is based on expected demands under average weather conditions. If water sales are less than anticipated, reserve levels will decrease more rapidly. Treated water sales are expected to be about 1.27 million acre-feet or 60 percent of total sales. About 1.74 million acre-feet are expected to be sold at the Tier 1 rate, 0.21 million acre-feet are expected to be sold at the higher Tier 2 rate, 0.08 million acre-feet will be sold through the Interim Agricultural Water Program. Replenishment sales are expected to be curtailed through 2010.

State Water Project (including SWP power)

\$508 million

Total costs for 2009/10 under the State Water Project are estimated to be approximately \$508 million, including about \$118 million for variable power costs, net of projected credits. Costs for OMP&R and capital are expected to be \$8.2 million higher than in 2008/09. Variable power costs for the State Water Project are expected to be \$40.1 million higher than in 2008/09, due to a higher projected power rate on the State Water Project. Cost estimates are based on projected water pumping of about 1.25 million acre-feet in 2009/10. Supplies delivered through the SWP include contract deliveries, increases and decreases in storage accounts, and the use of water transfers. State Water Contract costs in 2009/10 also include \$14.4 million to fund Metropolitan's share of the environmental work and preliminary engineering of the DHCCP.

Colorado River Power Costs

\$49.8 million

The revenue requirement incorporates costs associated with pumping approximately 1.04 million acre-feet from the Colorado River in 2009/10. Power from Metropolitan's share of Hoover and Parker, plus energy under the contract with Southern California Edison will not be sufficient to move these supplies. It is expected that around \$27.2 million of power from the open market will be procured in 2009/10. Costs for pumping are estimated to be about \$49.8 million.

Supply and Storage Programs

\$140.5 million

Total expenditures for water transfer and storage programs are estimated to be about \$140.5 million in 2009/10. Colorado River Supply Program expenditures include \$25.6 million for the Palo Verde Irrigation District (PVID) Program, \$9.7 million for the Imperial Irrigation District/Metropolitan Conservation Program, and \$17.1 million for various other supply programs. Supply program costs along the State Water Project total \$77.1 million and include approximately \$53.5 million in Drought Water Bank purchases, \$5.8 million for the Arvin-Edison Water Storage

Program, \$2.8 million for the Kern Delta Program, \$14.5 million for the Semitropic Water Storage Program and \$0.5 million for the San Bernardino Program. An additional \$11 million will be used to fund ongoing operating costs for in-basin supply projects including conjunctive use programs within Metropolitan's service area.

Drought Water Bank costs reflect expenditures for transfers that will be delivered in both calendar years 2009 and 2010. It is anticipated that 200 thousand acre-feet of transfer water will be purchased through the Drought Water Bank for calendar year 2009. Payments for these transfers will be split between fiscal years 2008/09 and 2009/10. Approximately \$38.5 million of the projected \$53.5 million in Drought Water Bank expenditures in 2009/10 will be for water delivered in calendar year 2009. The remaining \$15 million represents the initial deposit to the California Department of Water Resources for transfer purchases in calendar year 2010.

Demand Management Programs

\$59.8 million

Demand management program payments made to the member agencies in support of local resources development and active conservation efforts are expected to total \$59.8 million in 2009/10. This reflects incentive payments, but does not include other costs associated with these programs, including labor, administration, and public information and outreach costs of almost \$17.8 million, which are included in O&M estimates. Recycling and groundwater recovery projects supported by Metropolitan are expected to increase annual production by about 43 thousand acre-feet over current year estimates of about 184 thousand acre-feet. Projected expenditures reflect Metropolitan's ongoing commitment to water conservation, local recycling, and groundwater cleanup. These estimates are consistent with efforts to develop local water supplies in cooperation with the member agencies and other local agencies based on the Integrated Resources Plan.

Capital Financing Program

\$425.7 million

Capital Financing Program costs include \$267 million of water revenue bond debt service payments on approximately \$4.2 billion of outstanding Water Revenue Bond debt as of December 31, 2008. This represents an increase of approximately \$39 million above 2008/09 projected payments, due in part to the issuance of water revenue bonds in 2008/09 and 2009/10 to finance the ongoing CIP.

Additional capital financing costs include \$48.5 million of general obligation bond debt service which are paid by ad valorem property taxes, \$14.7 million for debt administration expenses for remarketing broker-dealer and administrative costs associated with Metropolitan's variable rate debt program and State Revolving Loan payments, and \$95 million in PAYG funding of the CIP from revenues.

Operations and Maintenance

\$348.8 million

The revenue requirement includes \$348.8 million for operations and maintenance, including labor and benefits, professional services, chemicals, power, and solids handling. This estimate is \$1.4 million or 0.4 percent lower than projected 2008/09 costs. A detailed breakdown of departmental budgets is provided in the 2009/10 Budget.

Adjustments in Reserves

\$52.9 million

Required reserve balances are estimated to increase by \$52.9 million from June 30, 2009 to June 30, 2010 in accordance with board policies contained in Metropolitan's Administrative Code for the State Water Contract Fund, and Revenue Remainder Fund, and in accordance with bond covenants for the Operations and Maintenance Fund, and Revenue Bond Reserve Funds.

Other Revenues

\$159.3 million

To determine the rates and charges revenue requirement, the total estimated obligations of \$1.59 billion are reduced by revenue from ad valorem property taxes, interest income, hydropower revenues, CRA power sales and miscellaneous revenues. Ad valorem property taxes levied at the current tax rate of 0.0043 percent of assessed valuations are estimated to be \$90.4 million. Annexation charges are expected to provide \$1 million. Power recoveries, interest on investments and miscellaneous revenue are expected to produce \$67.9 million in 2009/10. Based on the projected expenditure estimates described above, total revenues required from rates and charges in 2009/10 are projected to be \$1.43 billion.

RECOMMENDED RATES AND CHARGES FOR FY 2009/10

Metropolitan Water District Administrative Code Section 4304 requires the General Manager to present recommendations for water rates and charges for the next calendar year based on the Business and Finance Committee's determination of revenue requirements, and for the Business and Finance Committee to set a time for a hearing at which interested parties may present input on the recommended rates to the Committee. The cost-of-service analysis supporting the recommended rates and charges is detailed in Attachment 1, "Metropolitan Water District of Southern California, Fiscal Year 2009/10 Cost of Service", and is consistent with the cost-of-service process used since the Board adopted the current rate structure in 2002.

The General Manager's recommended alternatives for water rates and charges for the coming fiscal year are shown in Table 2, "Recommended Alternative Rates and Charges." Under Option 1, the overall increase in the effective rate is estimated to be 20.7 percent. However, this rate increase does not go into effect until January 1, 2010, and thus is not sufficient to recover the revenue requirements in 2009/10. As a result reserves are expected to decrease to \$103 million. Revenue bond coverage is estimated to be just under 1.5 times, while fixed charge coverage will be approximately one times in 2009/10. The rates and charges for 2009/10 were determined based on a total revenue requirement of \$1.43 billion. The existing rates, which are effective through December 31, 2009, and the rates under the 20.7 percent option, which are effective January 1, 2010, would generate combined revenue of \$1.27 billion. This assumes total sales of 2.12 million acre-feet. Given the rates and sales assumptions it is estimated that about \$139 million would be withdrawn from reserves to meet obligations during 2009/10. Due to the continuing need to acquire water transfers, Metropolitan will maintain the Water Supply Surcharge to fund these purchases. It is anticipated that the Water Supply Surcharge will be in effect at least through 2010. The Water Supply Surcharge can be expected to decrease over time if a near-term Delta solution is realized which results in increased SWP deliveries, however, any drop in the water supply surcharge may be offset by an increase in supply rates to pay for the costs of near-term Delta improvements.

Water Supply Allocation Contingency

Metropolitan's Board adopted the Water Supply Allocation Plan (WSAP) in February 2008. Metropolitan staff has been working with its member agencies to develop a process to implement the WSAP if necessary. Analysis of conditions in 2009 suggests a potential need to declare an allocation in April 2009. If a supply allocation is declared in 2009, water sales will likely be lower than the 2.12 million acre-feet projected under Option 1. In the event that an allocation is declared, it is possible that an additional rate increase would be required to collect fixed costs which are not recovered due to the reduction in sales caused by the allocation. Option 2 illustrates the need for a greater rate increase, effective January 1, 2010, if water sales are 100 thousand acre-feet lower than projected. It is conceivable, however, that dry conditions and Delta pumping constraints due to regulatory action to protect species could force Metropolitan to declare an allocation, effective July 1, 2009, resulting in significant demand reductions. As an example, if sales dropped to 1.8 million acre-feet, then it may not be feasible to wait until January 1, 2010 to implement a water rate increase. In order to maintain the same reserve levels as Option 1, then Metropolitan could implement a rate increase that would be effective in conjunction with the water supply allocation. A mid-year rate increase of 14.4 percent effective on July 1, 2009, followed by a second increase of 14.2 percent on January 1, 2010 would generate enough revenues to leave reserves at \$103 million at the end of 2009/10, consistent with Option 1. This total rate increase would be 28.6 percent, but a large portion of the increase would occur on July 1, 2010, resulting in higher revenues for all but two months of fiscal year 2009/10. While staff does not expect water sales of 1.8 million acre-feet, this example illustrates the potential impact of low water sales that could result from a water supply allocation.

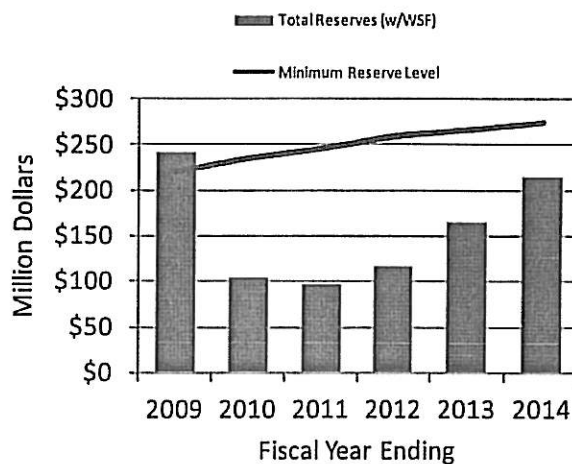
Table 2. Recommended Alternative Rates and Charges

	Effective January 1, 2009	Option 1 January 1, 2010	Option 2 January 1, 2010
Tier 1 Supply Rate (\$/AF)	\$109	\$135	\$155
Tier 2 Supply Rate (\$/AF)	\$250	\$300	\$300
Water Supply Surcharge (\$/AF)	\$25	\$25	\$25
System Access Rate (\$/AF)	\$143	\$180	\$205
Water Stewardship Rate (\$/AF)	\$25	\$38	\$43
System Power Rate (\$/AF)	\$110	\$125	\$142
Full Service Untreated Volumetric Cost (\$/AF)			
Tier 1	\$412	\$503	\$570
Tier 2	\$528	\$643	\$690
Replenishment Water Rate Untreated (\$/AF)	\$294	\$385	\$452
Interim Agricultural Water Program Untreated (\$/AF)	\$322	\$435	\$502
Treatment Surcharge (\$/AF)	\$167	\$192	\$214
Full Service Treated Volumetric Cost (\$/AF)			
Tier 1	\$579	\$695	\$784
Tier 2	\$695	\$835	\$904
Treated Replenishment Water Rate (\$/AF)	\$436	\$552	\$641
Treated Interim Agricultural Water Program (\$/AF)	\$465	\$609	\$698
Readiness-to-Serve Charge (\$M)	\$92	\$111	\$121
Capacity Charge (\$/cfs)	\$6,800	\$7,400	\$8,100

The detailed cost-of-service discussion and support for rates and charges are included in Attachment 1 – Fiscal Year 2009/10 Cost-of-Service.

Figure 1 shows the projected reserve levels under Option 1. Reserve fund balances include the Revenue Remainder Fund, the Water Rate Stabilization Fund, and the Water Stewardship Fund.

Figure 1. Option 1 – Reserve Fund Balances



SUMMARY AND RECOMMENDATIONS

This letter requests that the Board determine water revenue requirements, set a time for a public hearing of the Business and Finance Committee at which interested parties may present their views regarding the General Manager's recommendations for rates and charges, and that the Board adopt resolutions of Metropolitan's intention to: (1) impose the Readiness-to-Serve Charge (including the Water Standby Charge) for 2010; and (2) impose the Capacity Charge for 2010.

Policy

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates and Charges to Raise Firm Revenues

California Environmental Quality Act (CEQA)

CEQA determination for Options #1, #2, and #3:

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

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

Board Options

Option #1

Adopt the CEQA determination and

- a. Determine that revenues required from rates and charges during FY 2009/10 should not be less than \$1.43 billion, and use this determination in establishing water rates and charges to be effective January 1, 2010;
- b. Set a time for a public hearing of the Business and Finance Committee at which interested parties may present their views regarding the General Manager's recommendation for rates and charges to be effective January 1, 2010; and
- c. Adopt the following resolutions:
 1. Resolution of intention to impose the Readiness-to-Serve Charge in the form shown as Attachment 2 to this letter, declaring the Board's intention (i) at its March 10, 2009 meeting to consider and act upon the General Manager's recommendation to impose a Readiness-to-Serve Charge and (ii) at its May 12, 2009 meeting to consider and act upon the General Manager's recommendation to impose standby charges within the service territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS Charge.
 2. Resolution of intention to impose a Capacity Charge in the form shown as Attachment 3 to this letter, declaring the Board's intention at its March 10, 2009 meeting to consider and act upon the General Manager's recommendation to impose a Capacity Charge.

Fiscal Impact: Revenues from rates and charges of \$1.27 billion in 2009/10, and an increase in the effective rate of 20.7 percent if the rates and charges are adopted as recommended.

Option #2

Adopt the CEQA determination and

- a. Determine that revenues required from rates and charges during FY 2009/10 should not be less than \$1.43 billion, and use this determination in establishing water rates and charges to be effective January 1, 2010;

- b. Set a time for a public hearing of the Business and Finance Committee at which interested parties may present their views regarding the General Manager's recommendation for rates and charges to be effective January 1, 2010; and
- c. Adopt the following resolutions:
 - 1. Resolution of intention to impose the Readiness-to-Serve Charge in the form shown as **Attachment 2** to this letter, declaring the Board's intention (i) at its March 10, 2009 meeting to consider and act upon the General Manager's recommendation to impose a Readiness-to-Serve Charge and (ii) at its May 12, 2009 meeting to consider and act upon the General Manager's recommendation to impose standby charges within the service territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS Charge.
 - 2. Resolution of intention to impose a Capacity Charge in the form shown as **Attachment 3** to this letter, declaring the Board's intention at its March 10, 2009 meeting to consider and act upon the General Manager's recommendation to impose a Capacity Charge.

Fiscal Impact: Revenues from rates and charges of \$1.27 billion in 2009/10, and an increase in the effective rate of 35.6 percent if the rates and charges are adopted as recommended.

Option #3

Adopt the CEQA determination and

- a. Determine that revenues required from rates and charges during FY 2009/10 should not be less than \$1.43 billion, and direct the General manager to revise the recommended rates and charges as appropriate;
- b. Set a time for a public hearing of the Business and Finance Committee at which interested parties may present their views regarding the General Manager's recommendation for rates and charges to be effective January 1, 2010; and
- c. Adopt the following resolutions:
 - 1. Resolution of intention to impose the Readiness-to-Serve Charge in the form shown as **Attachment 2** to this letter, declaring the Board's intention (i) at its March 10, 2009 meeting to consider and act upon the General Manager's recommendation to impose a Readiness-to-Serve Charge and (ii) at its May 12, 2009 meeting to consider and act upon the General Manager's recommendation to impose standby charges within the service territories of member agencies that have requested that charge as a means of collecting all or a portion of their RTS Charge.
 - 2. Resolution of intention to impose a Capacity Charge in the form shown as **Attachment 3** to this letter, declaring the Board's intention at its March 10, 2009 meeting to consider and act upon the General Manager's recommendation to impose a Capacity Charge.

Fiscal Impact: Unknown

Staff Recommendation

Option #1



Brian G. Thomas
Chief Financial Officer

12/30/2008
Date



Jeffrey Lightlinger
General Manager

12/30/2008
Date

Attachment 1 – Metropolitan Water District of Southern California, FY 2009/10 Cost of Service

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

Attachment 3 – Resolution of Intent (Capacity Charge)

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**2009/10 Budget
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2010 Rates and Charges**

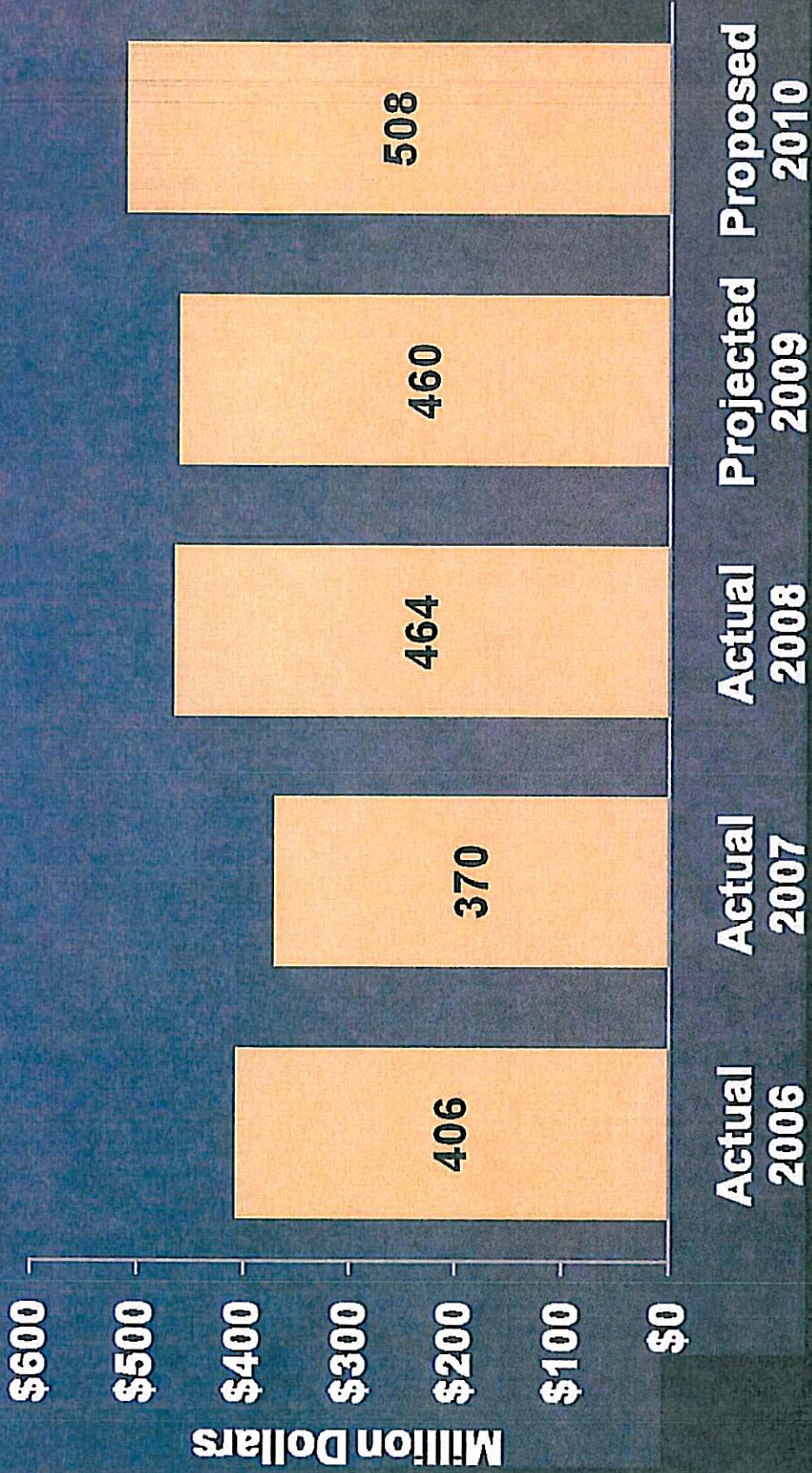
**Budget and Finance Committee
January 12, 2009**

2009/10 Budget & Rates Schedule

- Jan 6
 - Initial Board budget workshop
- Jan 12 & 13
 - Board sets public hearing date for rates and charges
 - Board review of proposed group budgets
- January 16
 - Member agency manager meeting
- Feb 9
 - Public hearing on rates & charges
- Feb 24
 - Budget & rates workshop
- Mar 9 & 10
 - Board considers Budget , 2010 rates & charges, LRFP reserve policy

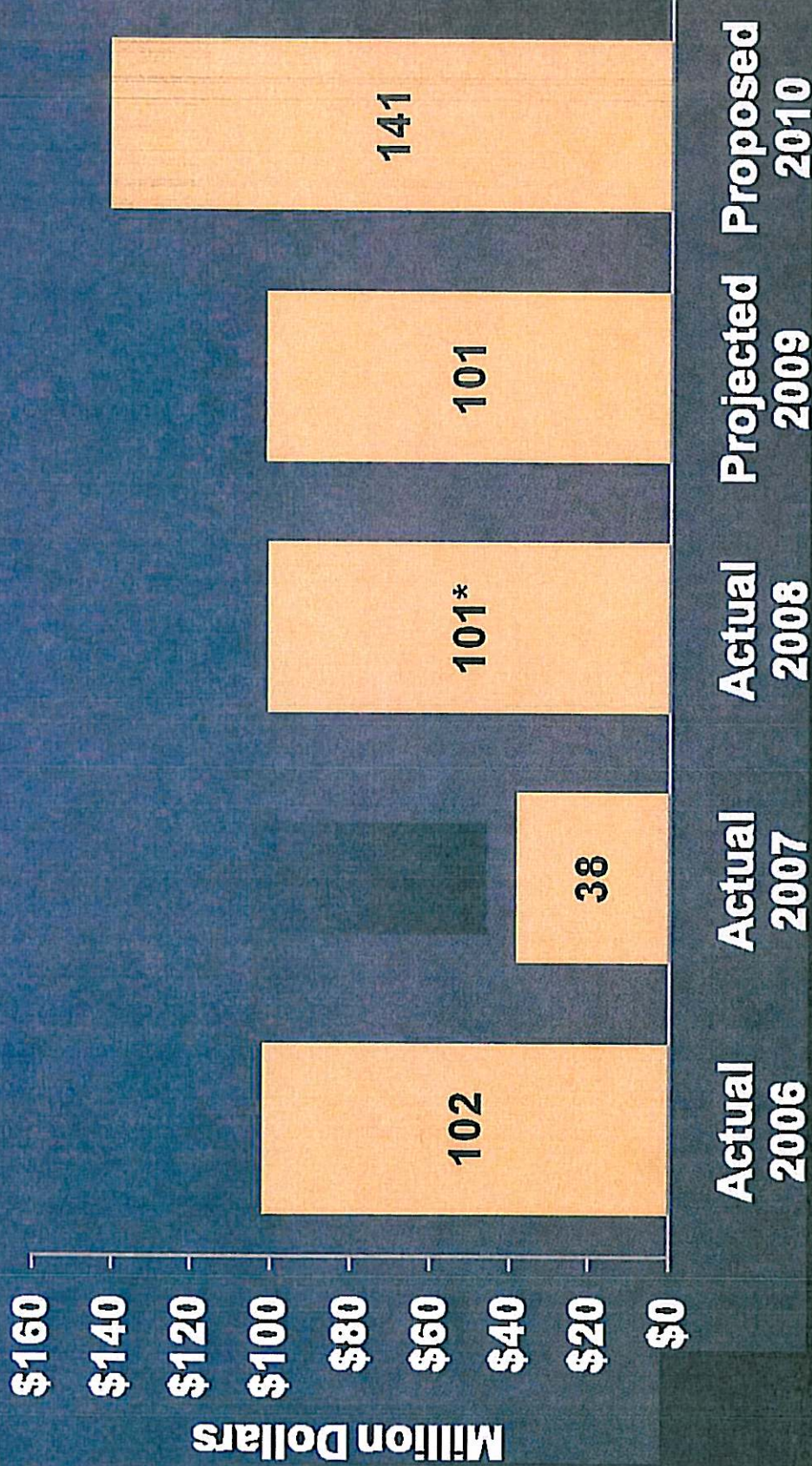
Major Cost Drivers

State Water Contract



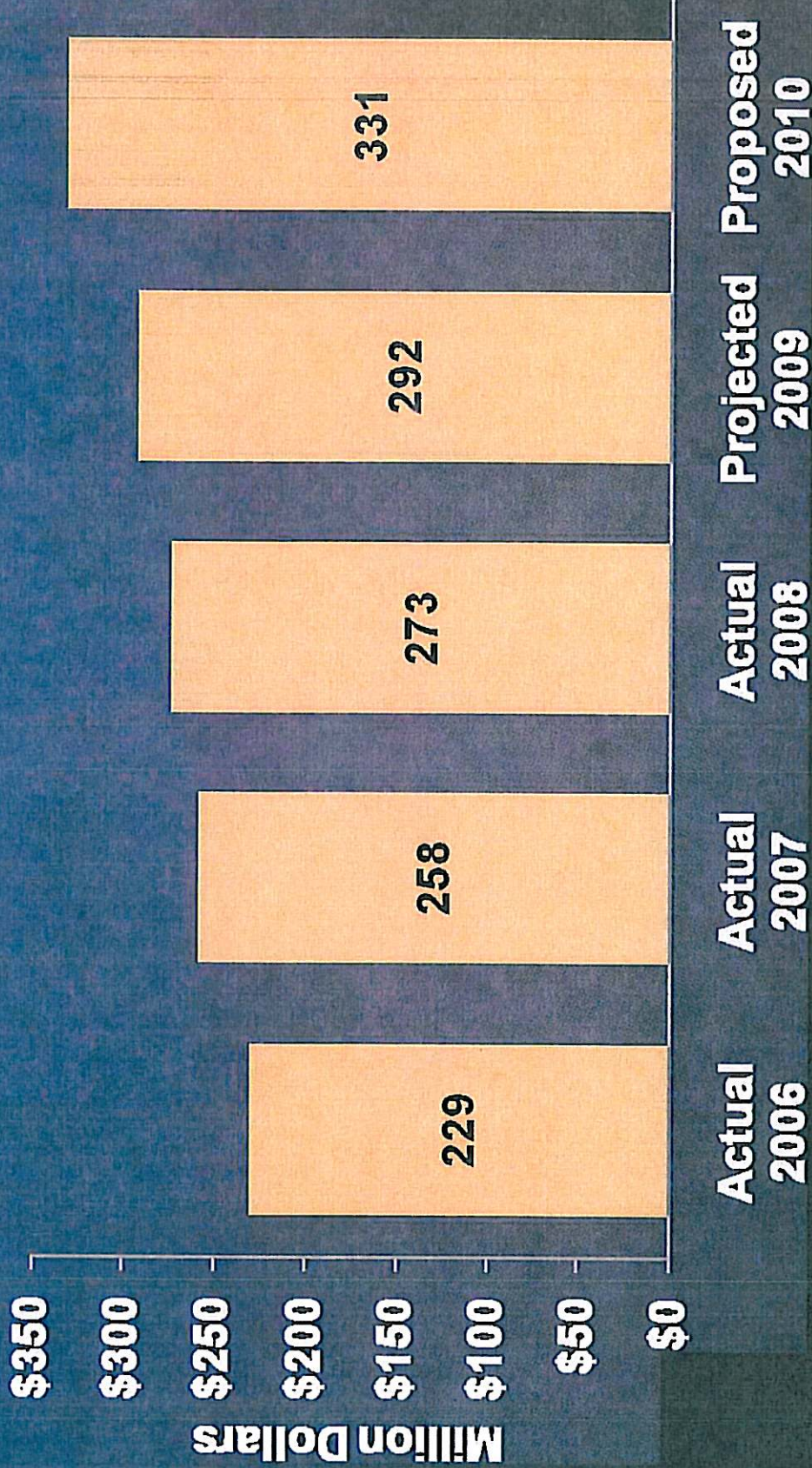
Fiscal Year Ending

Supply Programs

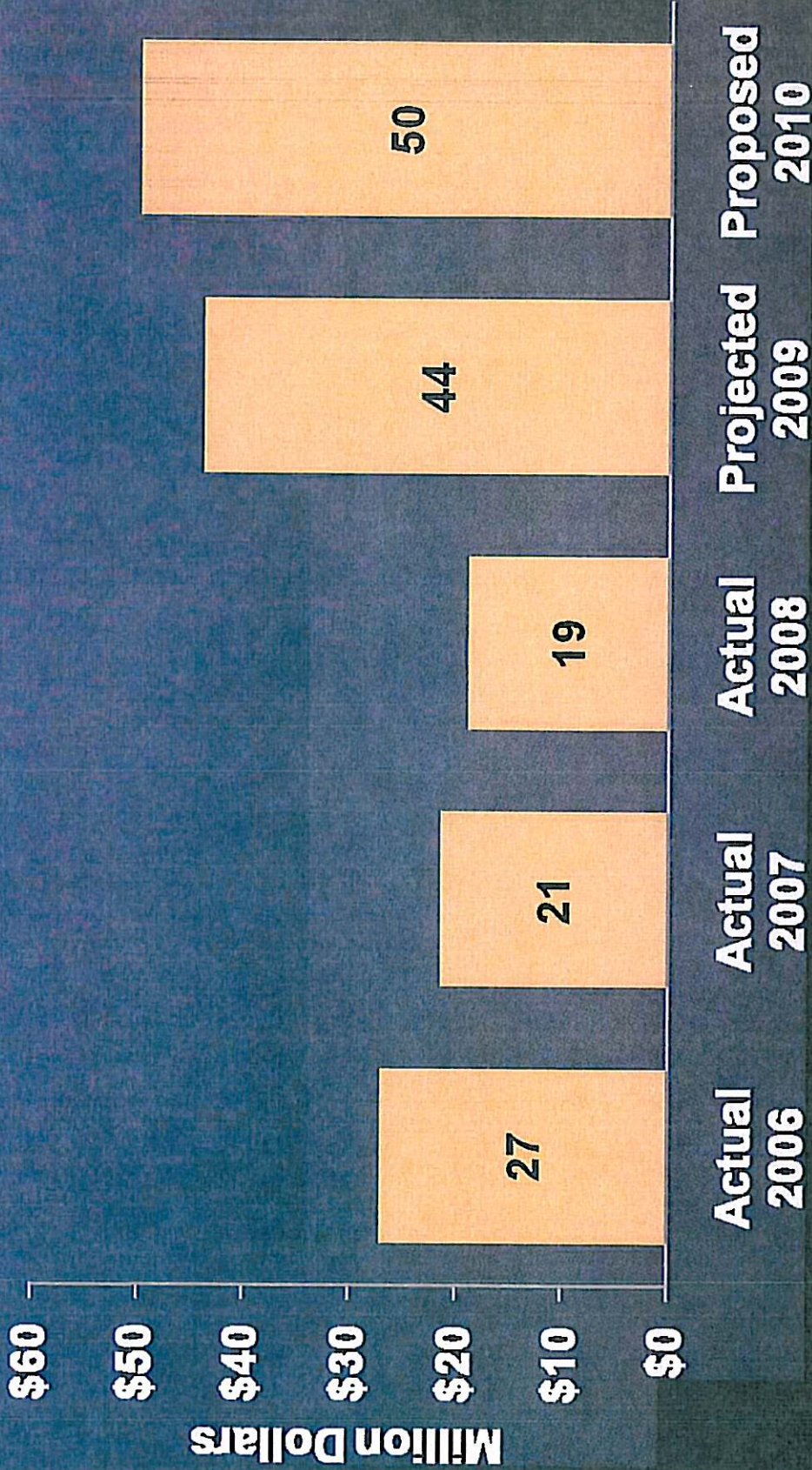


* Includes \$28.7M for Drop 2 paid from the R&R Fund.

Debt Service

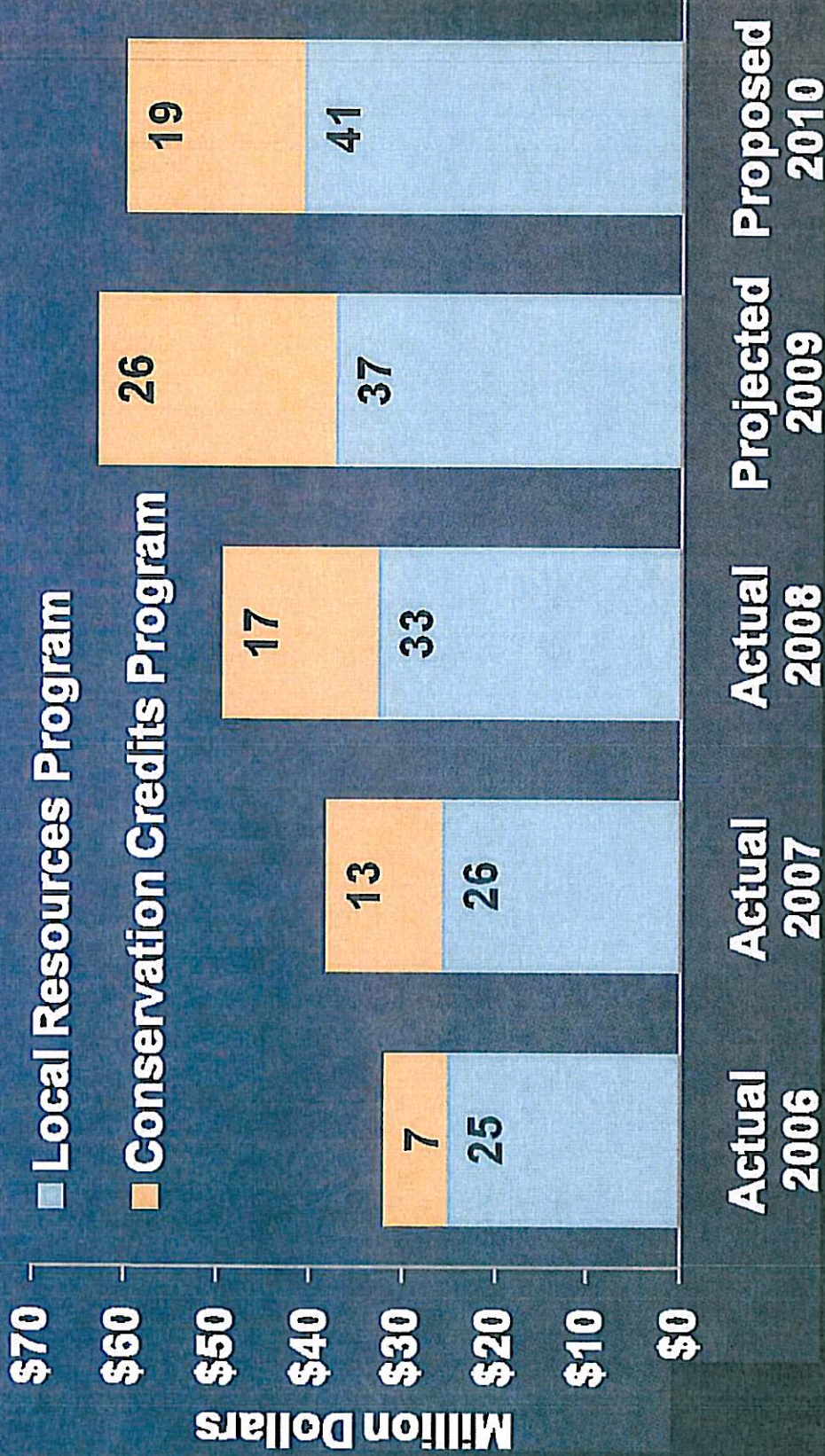


CRA Power



Fiscal Year Ending

Demand Management



Fiscal Year Ending

2009/10 Proposed Budget Expenditures

Millions of Dollars	2007/08 Actual	2008/09 Budget	2008/09 Projected	2009/10 Budget	2009/10 Budget Compared to 2008/09 Budget
State Water Contract	\$464.3	\$488.6	\$459.7	\$508.0	\$19.4
Supply Programs	71.9	147.2	101.2	140.5	(6.7)
Colorado River Power	18.9	45.9	43.7	49.8	3.8
Debt Service	272.9	313.8	291.8	330.7	17.0
Demand Management	49.3	53.7	62.8	59.8	6.2
O&M	351.1	349.0	350.3	348.9	(0.1)
Subtotal Expenditures	\$1,228.4	\$1,398.2	\$1,309.5	\$1,437.7	\$39.5

Totals may not foot due to rounding.

2009/10 Proposed Revenue Requirement

Millions of Dollars	2007/08 Actual	2008/09 Budget	2008/09 Projected	2009/10 Budget	2009/10 Budget Compared to 2008/09 Budget
State Water Contract	\$464.3	\$488.6	\$459.7	\$508.0	\$19.4
Supply Programs	71.9	147.2	101.2	140.5	(6.7)
Colorado River Power	18.9	45.9	43.7	49.8	3.8
Debt Service	272.9	313.8	291.8	330.7	17.0
Demand Management	49.3	53.7	62.8	59.8	6.2
O&M	351.1	349.0	350.3	348.9	(0.1)
Inc. in Req. Reserves	28.7	20.9	35.0	38.8	17.9
PAYG Funding of CIP	42.9	95.0	30.0	40.0	(55.0)
Gross Revenue Req.	\$1,228.4	\$1,514.1	\$1,374.5	\$1,516.5	\$2.4

Totals may not foot due to rounding.

Office of the Chief Financial Officer

2009/10 Proposed Budget Other Revenues (1)

Millions of Dollars	2007/08 Actual	2008/09 Budget	2008/09 Projected	2009/10 Budget	2009/10 Budget Compared to 2008/09 Budget
Taxes & Annexation	\$100.4	\$96.9	\$97.1	\$91.4	\$(5.5)
Interest	46.5	43.0	32.6	33.7	(9.3)
Power & Misc	48.2	42.3	29.6	34.2	(8.1)
Total Rev. Offsets	\$195.1	\$182.2	\$159.3	\$159.3	\$(22.9)

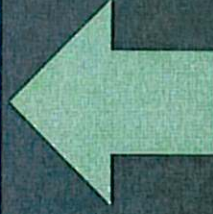
Totals may not foot due to rounding.

(1) Revenues other than rates and charges

2009/10 Proposed Budget Net Revenue Requirement

Millions of Dollars	2007/08 Actual	2008/09 Budget	2008/09 Projected	2009/10 Budget	2009/10 Budget Compared to 2008/09 Budget
Gross Rev. Req.	\$1,228.4	\$1,514.1	\$1,374.5	\$1,516.5	\$2.4
Less Rev. Offsets	195.1	182.2	159.3	159.3	(22.9)
Net Revenue Req.	\$1,033.3	\$1,331.9	\$1,215.2	\$1,357.2	\$25.3

Totals may not foot due to rounding.



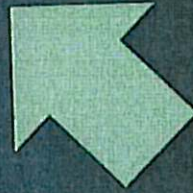
Must be generated from
rates and charges or
draws from reserves.

Revenues from Rates and Charges

No Rate Increase in 2009/10

Millions of Dollars	2008/09 Budget	2008/09 Projected	No Inc. 2009/10	2009/10 Compared to 2008/09 Budget
Water Sales Rev.	\$1,022.1	\$1,016.6	\$1,085.0	\$62.9
Fixed Charges	119.7	119.6	125.2	5.5
Rates/Charges Rev.	\$1,141.8	\$1,136.2	\$1,210.2	\$68.4

Totals may not foot due to rounding.



Assumes no rate increase in 2010.

Generates \$147M less than needed

Receipts From Rates and Charges

Millions of Dollars	2008/09 Budget	Previous 2009/10	No Inc. 2009/10
Water Sales Rev.	\$1,022.1	\$1,199.6	\$1,085.0
Fixed Charges	119.7	125.2	125.2
Rates/Charges Rev.	\$1,141.8	\$1,324.8	\$1,210.2

Totals may not foot due to rounding.

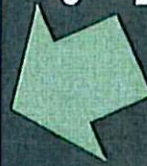
2009/10 was projected to have higher sales. This would have generated a \$183M increase in revenue just holding rates flat

Lower sales in 2009/10 reduces expected revenue by \$115M

Impact of Rate Increase With 2.1 MAF of Sales

Millions of Dollars	No Inc.	20.7% 1/1/2010	Diff.
Water Sales Rev.	\$1,085.0	\$1,138.5	\$53.5
Fixed Charges	125.2	135.3	10.1
Rates/Charges Rev.	\$1,210.2	\$1,273.8	\$63.6
Revenue Shortfall	(147.0)	(83.4)	

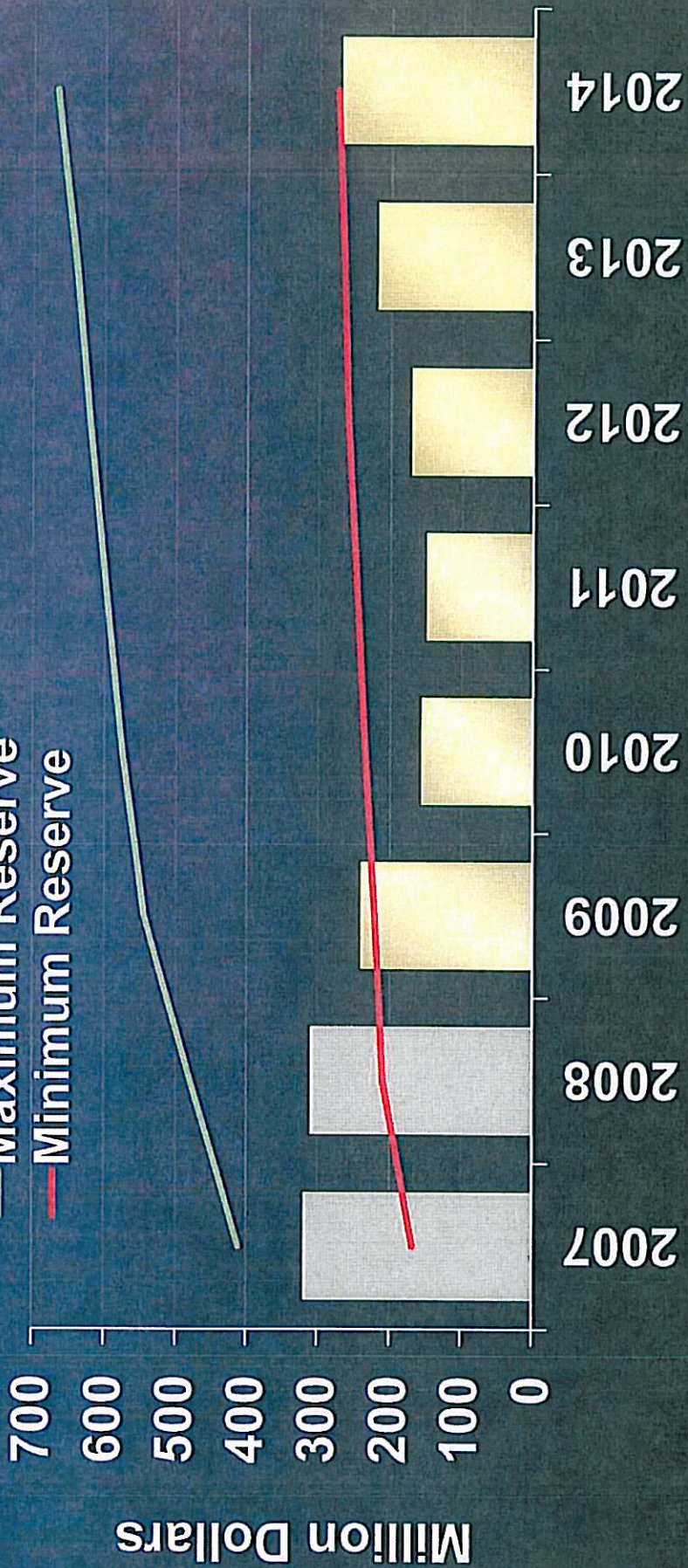
Totals may not foot due to rounding.



- Rate increase affects four months of sales
- Generates an additional \$63.6M

Forecast of Reserves

- Reserves
- Maximum Reserve
- Minimum Reserve



Fiscal Year Ending								
Avg Rate Increase	3%	6%	14%	21%	12%	10%	7%	3%
PAYGO, \$M	95	45	30	40	95	125	125	150

Proposed 2010 Rates & Charges

	2009	2010	Increase
Tier 1 Supply Rate	\$109/af	\$135/af	\$26/af
Tier 2 Supply Rate	\$250/af	\$300/af	\$50/af
Water Supply Surcharge	\$25/af	\$25/af	-
System Access Rate	\$143/af	\$180/af	\$37/af
Water Stewardship	\$25/af	\$38/af	\$13/af
System Power	\$110/af	\$125/af	\$15/af
Treatment Surcharge	\$167/af	\$192/af	\$25/af
Readiness-to-serve	\$92M	\$111M	\$19M
Capacity Charge	\$6,800/cfs	\$7,400/cfs	\$600/cfs

Proposed 2010 Rates & Charges

	2009	2010	Increase
Untreated Rates			
Full Service Tier 1	\$412/af	\$503/af	\$91/af
Full Service Tier 2	\$528/af	\$643/af	\$115/af
Replenishment	\$294/af	\$385/af	\$91/af
IAWP	\$322/af	\$435/af	\$113/af
Treated Rates			
Full Service Tier 1	\$579/af	\$695/af	\$116/af
Full Service Tier 2	\$695/af	\$835/af	\$140/af
Replenishment	\$436/af	\$552/af	\$116/af
IAWP	\$465/af	\$609/af	\$144/af

Proposed Rate Increase

- 21% average increase in Rates & Charges
- Generates an additional \$63.6M, based on collections for four months in 2009/10
- Draw on reserves of \$83M with \$40M PAYG
- Draw on reserves of \$138M with \$95M PAYG
- Collects full cost of service based over a full twelve months
- Assumes sales of 2.12 MAF
 - 100 TAF drop in sales requires increase of more than 35% to have similar draw on reserves
 - Revenues from four months

2009/10 Budget & Rates Schedule

- **Jan 6**
 - **Initial Board budget workshop**
- **Jan 12 & 13**
 - **Board sets public hearing date for rates and charges**
 - **Board review of proposed group budgets**
- **January 16**
 - **Member agency manager meeting**
- **Feb or Mar**
 - **Public hearing on rates & charges**
- **Feb 24**
 - **Budget & rates workshop**
- **Mar or Apr**
 - **Board considers Budget, 2010 rates & charges, LRF reserve policy**

New Funding Requirement Guidelines

State Agencies and MWD Programs

AB 1420-Requires consideration of water agency implementation of water demand management practices identified in the Urban Water Management Planning Act and California Urban Water Conservation Council (CUWCC) MOU regarding Urban Water Conservation in all grant and loan funding considerations.

- Effective January 1, 2009, all urban water suppliers must be in compliance with all Foundational Best Management Practices as certified by the CUWCC. Those practices include:
 - BMP 3-System Water Audits, Leak Detection and Repairs
 - BMP 4-Metering by Commodity Rates for All New connections and retrofit of existing connections
 - BMP 7-Public Education
 - BMP 8-School Education
 - BMP10-Wholesale Agency Assistance Programs
 - BMP 11-Conservation Pricing
 - BMP 12-Conservation Coordinator
 - BMP 13-Water Waste Prohibitions
- Agencies who are not in full compliance with AB 1420 may apply for grants and loans to assist agencies in implementing the water demand management measures.
- Agencies not applying for grants or loans for assistance in BMP implementation will still require a budget, schedule, and work plan to come into compliance, 2) Implementation process must commence within 12 months contract execution, 3) Can demonstrate BMP is not cost effective.

MWD Ordinance and Implementation Requirements for Extraordinary Conservation Programs:

- Applies to Phase II-Public Sector Program, Turf Buyback Program, and MWD Conservation Grants Program eligibility.
 - Prohibited water uses (**Ordinance must include**)
 - No washing down of hard or paved surfaces
 - Fix leaks within reasonable time
 - Outdoor irrigation practices (**Ordinance must include**)
 - Irrigation restrictions
 - No excessive water flow or runoff
 - Enforcement and penalty mechanisms; one or more of the following (provisions may be addressed by implementation practices separate from the ordinance): (Suggestive)
 - Administrative penalties
 - Civil fines
 - Flow restrictors
 - Disconnection of service
 - Misdemeanor
 - Escalating retail water rates
 - Water allocation and penalties for exceeding allotment
- A member agency would be submit a written statement attesting to an alternative method or strategy that a local jurisdiction would use to achieve at least five percent of additional water conservation savings over calendar year 2008 levels. This would represent a proportionate share of the 200,000 acre-feet per year objective of new savings sought as a result of ordinance implementation.

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EXHIBIT VII

AB 1420 ELIGIBILITY REQUIREMENTS FOR 2008 URBAN WATER USE EFFICIENCY GRANTS

Introduction

This exhibit applies to urban water suppliers who may receive funds through this Proposal Solicitation Package (PSP). Urban water suppliers (suppliers) that may receive funds through this PSP are subject to urban water management plan (UWMP) requirements as explained in the PSP. Suppliers must demonstrate eligibility for grant funds per AB1420 by meeting demand management measure implementation requirements before a grant agreement can be executed. This exhibit presents information on AB 1420 eligibility requirements, the process to demonstrate eligibility with implementation of AB1420 and the impacts of AB1420 on the grant agreement between DWR and the grantee.

Definitions

Urban Water Supplier – a supplier, either publicly or privately owned, providing water for municipal purposes either directly or indirectly to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually. An urban water supplier includes a supplier or contractor for water, regardless of the basis of right, which distributes or sells for ultimate resale to customers (CWC § 10617).

Demand Management Measure (DMM) – refers to water conservation measures, programs, and incentives that prevent the waste of water and promote the reasonable, beneficial, and efficient use and reuse of available supplies. Specifically those DMMs in CWC § 10631 (f) (1) (A – N).

Best Management Practice (BMP) – refers specifically to the BMPs defined in the California Water Conservation Council's (CUWCC) Memorandum of Understanding (<http://www.cuwcc.org/memorandum.lasso>). These BMPs are consistent with the DMMs of CWC § 10631 (f) (1) (A – N). The BMPs provide details on what constitutes implementation, implementation coverage, implementation schedule, and measurement or monitoring of the BMP, so BMPs provide more implementation structure than the corresponding DMM.

For the purpose of this WUE PSP, DWR equates DMMs with the Urban BMPs.

AB1420 Eligibility Requirements

Under Water Code Section 10631.5, Suppliers who are applicants, co-applicants or cooperators of projects submitted for a water management grant or loan, must demonstrate implementation of DMMs as an eligibility requirement before an agreement will be executed pursuant to a funding solicitation. In this PSP DWR will use BMPs as defined by the CUWCC MOU as the acceptable level of DMM implementation.

"Foundational" BMPs

The "foundational" BMPs are the minimum level of implementation required to meet the eligibility requirements for water management grants and loans. For the purposes of this grant program:

- The retail supplier "foundational" BMPs are:

- BMP 3, System Water Audits, Leak Detection and Repair
 - BMP 4, Metering with Commodity Rates for All New connections and Retrofit of Existing Connections
 - BMP 7 Public Information
 - BMP 8, School Education
 - BMP 11, Conservation Pricing
 - BMP 12, Conservation Coordinator
 - BMP 13 Water Waste Prohibitions
- The wholesale supplier "foundational" BMPs are:
 - BMP 3, System Water Audits, Leak Detection and Repair
 - BMP 7, Public Information
 - BMP 8, School Education
 - BMP 10, Wholesale Agency Assistance Programs
 - BMP 12, Conservation Coordinator

Eligibility is established by submitting documentation for each of the foundational BMPs that satisfies one of the following requirements:

- Fully implement "foundational" BMPs – Suppliers that, at a minimum, meet the CUWCC MOU for BMPs, including the "foundational" BMP implementation schedule and coverage requirements must provide documentation for the most recent two year reporting period (2005-2006) that meet the format, coverage, implementation schedule and content reporting requirements contained in the MOU.
- Cost-Effectiveness Exemption – Supplier may include documentation that a specific DMM is not locally cost effective.
- CWC Section 10631.5(a)(3) states that a Supplier is considered eligible for a grant, even if they are not implementing all the BMPs, if the supplier has submitted to the department for approval a schedule, financing plan, and budget, to be included in the grant or loan agreement, for the implementation of a BMP. This work may be part of the scope of work for funding within the bounds of the particular funding program.
In certain cases, DWR may require Suppliers that are not in compliance with provisions of the AB 1420 to add tasks to a grant or loan Scope of Work to assist the grantee/borrower to come into compliance with the provisions of AB 1420. Applicant must determine cost share per the PSP.

Compliance

A retail supplier may demonstrate foundational BMP compliance with any one of the three eligibility requirements on an individual supplier or on a regional basis. As an individual supplier the supplier's efforts and documentation alone establish compliance. Suppliers may implement one or more BMPs through a regional water conservation effort. Such regional water conservation efforts can be used to demonstrate compliance with the AB 1420 requirements. Regional compliance shall require participation in a regional water conservation program consisting of two or more suppliers that achieves the level of conservation or water efficiency savings equivalent to the amount of conservation or savings achieved if each of the participating suppliers implemented the "foundational" BMPs. Pursuant to CWC § 10631.5 (b) (2) (A) (ii) the urban water supplier administering the regional program shall provide participating urban water suppliers with data to demonstrate that the regional program achieves the level of

conservation or water efficiency savings equivalent to the amount of conservation or savings achieved if each of the participating suppliers implemented the "foundational" BMPs. If one or more participants in a regional water conservation effort fail to meet eligibility requirements related to any BMP other than those related to the regional effort, that participant's failure will not preclude other participants from receiving grant or loan funds.

A wholesale water supplier may directly implement a "retail supplier foundational BMP" by providing services to residents of its service area without the active participation of a retail water supplier. If this implementation meets the schedule and coverage requirements for full implementation as described in the CUWCC MOU or is at least as effective as these requirements, then the implementation obligations of the retail supplier will be deemed to be met for this BMP. However, retail suppliers that do not have complete UWMPs or do not meet eligibility requirements for other foundational BMPs as described in the eligibility requirements are not eligible to receive funds or directly benefit from the wholesale supplier's program until, or unless, the retail suppliers come into compliance. A wholesale water supplier that meets eligibility requirements for the wholesale supplier foundational BMPs is eligible to receive grants or loans even if one or more of the wholesaler's retail suppliers do not meet eligibility requirements for retail supplier foundational BMPs.

1. Urban Water Suppliers that ARE in Compliance with Foundational BMP Implementation:

The supplier(s) must submit documentation to DWR to establish eligibility for grant funding that consists of a summary table and supporting documentation.

Supporting Documentation:
Implemented BMPs:

- Suppliers that are CUWCC members and are fully implementing the foundational BMPs must submit BMP reports that provide sufficient documentation for the most recent two year period. The reports may be submitted by DWR to the CUWCC for verification.
- Suppliers that are not CUWCC members that are fully implementing the foundational BMPs must submit reports that provide sufficient documentation for the most recent two year period that meet the format and reporting requirements contained in the CUWCC Memorandum of Understanding (MOU) for BMP reports.

Suppliers may submit copies of annual reports and other relevant documents to assist DWR in determining whether the urban water supplier is implementing or has scheduled the implementation of BMPs. DWR may ask for additional information as it determines necessary.

Suppliers that do not have current, complete, reports on file with the CUWCC are strongly advised to submit reports to the CUWCC now in order to identify information that will be necessary to meet the reporting requirements. Suppliers that are not signatories are encouraged to become signatories of the MOU.

Cost-Effective Exemption:

Documentation for a cost-effective exemptions consists of a full cost-benefit analysis, performed in accordance with the principles set forth in Exhibit 3 of the MOU (<http://www.cuwcc.org/memorandum.lasso>), demonstrating that either:

- o The program would not be cost-effective overall when total program benefits and costs are considered; OR
- o Would not be cost-effective to the individual urban water supplier even after the urban water supplier has made a good faith effort to share costs with other program beneficiaries.

Submitting Documents:

Urban Water suppliers that Are in compliance with Foundational BMP implementation and reporting are eligible for grant funds under PSP Criteria. They must complete and submit:

- a. Table 1: AB 1420 Foundational BMP Compliance (Information in the Table regarding Foundational BMPs establishes eligibility for Prop 50 grant funds).
- b. Table 2: AB 1420 Quantifiable BMP Implementation Status (For informational purposes with no effect on funding decision)
- c. Step 1 and Step 2 Application as described in the PSP

2. Urban water Suppliers that ARE NOT in Compliance with BMP Implementation:

Urban water suppliers that are not in compliance with BMP Implementation may apply for grant funds under AB 1420 Criteria and that does not require going through Step 1 and Step 2 of PSP.

Urban Water supplier must identify all BMPs it intends to implement, provide description of the project for implementation, budget, level of coverage, and an implementation and reporting schedule for each of identified BMPs.

Submitting Documentation:

Urban Water suppliers that are not in compliance with BMP Implementation must complete and submit:

- a. Table 3: AB 1420 Foundational and Quantifiable BMPs Project Description, Benefits, and Schedule for Implementation
- b. Table 4: AB 1420 Foundational and Quantifiable BMP Compliance Implementation Schedule, Finance Plan, and Budget
- c. Table 5: AB 1420 Foundational BMP Implementation Status for BMPs Where No Funds Are Requested

An Urban Water Supplier must demonstrate that these remaining BMPs that for which no funds are requested are exempt, already implemented, being implemented, or the Urban Water Supplier must commit, at its OWN COST, to commence implementation within 12 months of signing the contract. These costs may be

included in AB 1420 Table 4 as the Urban Water Supplier's cost-share for each BMP.

- d. Table 6: AB 1420 Quantifiable BMP Implementation Status for BMPs Where No Funds Are Requested – (For Informational Purposes Only)

DWR Review Process

DWR will review the implementation documentation, any cost-effectiveness exemptions, and any schedule, financing plan and budget documentation for completeness. The implementation schedule must meet the format, coverage, implementation schedule and content reporting requirements contained in the MOU for BMP reports.

Regarding cost-effectiveness exemptions, DWR shall notify an urban water supplier that is implementing the BMPs within 60 days from the date information is received by DWR whether the implementation is in compliance with the AB 1420 requirements. DWR shall notify the urban water supplier within 120 days from the date information is received by DWR from the funding agency whether the documentation satisfies the requirements for an exemption and will include in that notification a detailed statement to support the determination.

Grant or Loan Agreement Requirements

Retail and wholesale suppliers who are not currently implementing their respective foundational BMPs will commence implementation of the "foundational" BMPs in the first year of the agreement.

Grant and loan agreements will include provisions that allow the Funding Agency to stop payment and require repayment of State funds if a grantee/borrower fails to fully comply with the grant or loan agreement. All water suppliers that do not continue implementation of BMPs or do not begin implementation of BMPs must repay all grant or loan funds received.

Periodic DMM Implementation Reports must demonstrate adherence to the coverage commitments and implementation schedule. DMM Implementation Reports specific to AB 1420 compliance will be required to be included in the grant agreement in addition to the periodic Progress Report required by the PSP.

Future Compliance Requirements

Although not an eligibility requirement at this time, "quantifiable" BMPs or their equivalent will be a compliance requirement by July 2009. Suppliers are therefore asked to complete Table 2: AB 1420 Quantifiable BMP Implementation Status (For Informational Purposes With No Effect on Funding Decision) and Table 6: AB 1420 Quantifiable BMP Implementation Status For BMPs Where No Funds Are Requested - (For Informational Purposes Only).

"Quantifiable" BMPs

The "quantifiable" BMPs describe a reasonable minimum level of conservation effort for retail urban water suppliers. Implementation of these BMPs or alternative programs that are at least as effective as these BMPs is not an eligibility requirement at this time. In the future, urban water suppliers should expect that full implementation of these BMPs or alternative programs that are at least as effective as these BMPs *will be included as an eligibility requirement*.

- The "Quantifiable" BMPs for retail suppliers are:
 - BMP 1, Water Survey Programs for Single-Family Residential and Multi-Family Residential Customers
 - BMP 2, Residential Plumbing Retrofit
 - BMP 5, Large Landscape Conservation Programs and Incentives
 - BMP 6, High-Efficiency Washing Machine Rebate Programs
 - BMP 9, Conservation programs for Commercial, Industrial, and Institutional (CII) Accounts
 - BMP 14, Residential ULFT Replacement Programs

In addition to the current AB1420 compliance language, suppliers should be prepared to see language similar to the following added to future solicitations:

The "quantifiable" BMPs describe a reasonable minimum level of conservation effort for retail urban water suppliers. The "quantifiable" BMPs for retail suppliers used to determine eligibility will be those listed above unless the CUWCC has revised and adopted alternative BMPs by June 30, 2009. The CUWCC is currently developing a process for revision of the BMPs.

The MOU provides Suppliers that are not implementing a BMP with two options:

- Implement alternative measures that are "at least as effective as" the BMP or,
- File a cost-effectiveness exemption if the BMP is not: cost-effective, within the legal authority of the Supplier or if the Supplier does not have the financial ability to implement the BMP.

On or after July 1, 2009, Suppliers that are not implementing the "quantifiable" BMPs may submit a cost-effectiveness exemption for a specific DMM/BMP with an application for a water management grant or loan. The supplier may submit documentation with an application for a water management grant or loan that supports implementation of a specific At Least as Effective measure together with a draft schedule, financing plan and budget.

- **Board of Directors**
Water Planning and Stewardship Committee

January 13, 2009 Board Meeting

9-4

Subject

Conservation ordinance prerequisite procedures for participation in the Phase II Public Sector, Turf Removal and Enhanced Conservation Programs

Description

Staff has developed administrative procedures to meet conservation ordinance requirements adopted by the Board in November 2008 as a prerequisite for participation in the extraordinary conservation programs, the new Phase II Public Sector Program, the new Turf Removal Pilot Program and the revised Enhanced Conservation Program. **Attachment 1** summarizes each program.

In partnership with the member agencies, Metropolitan has developed an array of core residential, commercial and industrial conservation programs that provide a solid foundation for expanding conservation activities. The core programs are based on an incentive rate of \$195 per acre-foot of savings. The core programs would continue under existing procedures and would not be affected by the ordinance prerequisites. The extraordinary conservation programs provide incentives above Metropolitan's standard incentive rate of \$195 per acre-foot saved and serve as opportunities to achieve extraordinary conservation while emphasizing outdoor water use efficiency.

The objective of the ordinance prerequisite is to help spur immediate and widespread efficiency practices by the general public to achieve at least 200,000 acre-feet per year of near-term conservation savings to help contend with current water supply shortages. This strategy is consistent with Metropolitan's Five-Year Supply Plan and represents about a 5 percent reduction in regional retail demand. Staff will measure success by periodically making estimates of the water savings based on a statistical approach that considers impacts due to weather, growth, and other pertinent factors. Similar approaches were used to measure public response to calls for increased conservation in the past.

Administrative Procedures

Member agencies are expected to provide copies of ordinances and confirm active local efforts to reduce water use as the fundamental prerequisite. **Attachment 2** lists the basic ordinance provisions. Recognizing member and retail agency concerns that achieving full coverage is a formidable task, a stepped process will be implemented with three alternative approaches to qualify in the first year. Starting immediately, staff will prioritize applications and process incentive payments where an agency has a conservation ordinance and implementation plan in place, or where the member agency provides written notice that it is working with its constituent jurisdictions to achieve that goal by January 1, 2010. As part of that commitment, the member agency will submit an action plan for working with its local jurisdictions, including dates for meeting the following milestones:

- Inform all local jurisdictions of need for conservation ordinance and implementation
- Each jurisdiction secure commitment from its governing body to begin drafting ordinance and implementation plan
- Develop draft ordinance and implementation plan
- Receive public input on draft ordinance and implementation plan
- Governing body adopt ordinance

- Enact ordinance
- Submit adopted ordinances and implementation plans to Metropolitan

Member agencies will need to report status on progress of the action plan to Metropolitan on April 1, 2009, August 1, 2009 and December 1, 2009. The action plan milestones must be completed by January 1, 2010 in order for that jurisdiction to remain eligible for the extraordinary conservation programs.

As a third approach, in lieu of the ordinance prerequisite, member agencies may submit a written statement attesting to an alternative method or strategy that will achieve at least 5 percent of additional water conservation savings over calendar year 2008 levels, which would represent a proportionate share of the 200,000 acre-feet per year of new savings sought as a result of ordinance implementation. Included in the statement would be an explanation of the approach and how it would achieve the target savings. Member agencies electing to pursue this option would provide reports on actual savings on April 1, 2009, August 1, 2009, December 1, 2009, and annually thereafter.

Staff would inform the Board this summer of local agency progress in developing ordinances and implementation plans and participation in the extraordinary conservation programs. After January 1, 2010, incentives would only be provided for sites for which conservation ordinances and implementation plans are in place or a written statement by member agencies attesting to alternative methods to achieve at least 5 percent of new water conservation savings is submitted to Metropolitan.

While **Attachment 2** lists basic minimum ordinance and implementation requirements, examples of many other preferred provisions have also been provided to member agencies in the form of model ordinances. In December, staff provided a report to the Water Planning and Stewardship Committee on the development of model ordinances under a variety of governance structures. Several workshops were also held with member and retail agencies to provide information and receive feedback.

Review Process

To initiate the process, staff will request that member agencies provide conservation ordinances for cities, counties, and water agencies within their respective service areas. Staff will rely on written member agency assessments stating that water efficiency requirements are publicly communicated and enforced, recognizing local choice in the methods of doing so. There is no expectation that a member agency must adopt an ordinance for its wholesale water functions when its constituent municipal, county or retail water agencies have already done so. Conservation ordinances received would be added to Metropolitan's local water conservation ordinance library, which is available as a resource to member agencies.

After January 1, 2010, the list of local jurisdictions that have met the conservation ordinance prerequisite or the equivalent effective approach will be used to qualify applications for the extraordinary conservation programs.

Implementation Schedule

The key implementation milestones are summarized as follows:

January 2009	Participating member agencies must provide one of the following: <ol style="list-style-type: none"> 1. Copy of conservation ordinance and written description of the implementation plan that meets the basic requirements; or 2. Written pledge to develop an action plan and to work with its constituent jurisdictions (to be listed) to adopt conservation ordinances and implementation plans; or 3. A written statement attesting to and describing an alternative method or strategy that will achieve at least 5 percent of additional water conservation savings in a local jurisdiction over calendar year 2008 levels.
April 2009	Participating member agencies submit progress reports on ordinance and implementation plan development and adoption within their respective jurisdictions. Reports must include progress toward the milestones listed above. Agencies choosing an alternative

method or strategy must provide a written report on water savings achieved over 2008 levels.

June 2009

Metropolitan staff report to Board on service area progress.

July 2009

New fiscal year funding of \$5 million available for Phase II Public Sector Program.

August 2009

Participating member agencies submit progress reports on ordinance and implementation plan development and adoption within their respective jurisdictions. Reports must include progress toward the milestones listed above. Agencies choosing an alternative method or strategy must report on water savings achieved over 2008 levels.

December 2009

Member agencies must submit one of the following:

1. Copy of conservation ordinance and description of implementation plan to meet the basic requirements; or
2. A written statement attesting to and describing an alternative method or strategy that will achieve at least 5 percent of additional water conservation savings in a local jurisdiction over calendar year 2008 levels.

January 2010

Ordinance prerequisite or alternative method or strategy required to participate in the extraordinary conservation programs.

Policy

By Minute Item 46472, dated December 13, 2005, the Board authorized the Enhanced Conservation Program.

By Minute Item 47205, dated August 21, 2007, the Board authorized the Public Sector Program.

By Minute Item 47705, dated November 18, 2008, the Board authorized the Phase II Public Sector Program, the Turf Removal Pilot Program, and the requirement that ordinances be enacted to participate in extraordinary conservation programs.

Fiscal Impact

None


 _____ 12/19/2008
 Stephen N. Arakawa Date
 Manager, Water Resource Management


 _____ 12/29/2008
 Jeffrey Kightlinger Date
 General Manager

Attachment 1 – Extraordinary Conservation Programs Information

Attachment 2 – Basic Ordinance and Implementation Requirements for Extraordinary Conservation Programs

BLA #6425

Extraordinary Conservation Programs Information

In partnership with the member agencies, Metropolitan has developed over the years an array of core residential, commercial and industrial conservation programs that provide a solid foundation for expanding conservation activities. The following extraordinary conservation programs provide incentives above Metropolitan's standard incentive rate of \$195 per acre-foot saved and serve as opportunities to achieve extraordinary conservation while emphasizing outdoor water use efficiency.

Phase II Public Sector Program (\$15 million)

The Public Sector Program was created in August 2007 with the goal of motivating public agencies to demonstrate conservation. The program provides incentives of up to \$500 per acre-foot saved which is more than Metropolitan's standard incentive rate of \$195 per acre-foot saved. Cities, counties, state and federal facilities may participate in three ways:

1. Water audits (completed under Phase I resulting in the backlog of applications for enhanced incentives)
2. Enhanced incentives
3. Recycled water hook-ups

For the Phase II Public Sector Program, a significant number of applications have already been received and are on hold. These applications will be processed beginning in January in the order they were received after meeting all application requirements. Staff will manage the program to budget over a three-fiscal-year-period with about \$5 million to be spent each year. The first fiscal year's funding of \$5 million is expected to be used for applications currently on hold. Public agencies will continue to be eligible for conservation incentives at our standard rates, based on \$195 per acre-foot saved, through the regional commercial program if the ordinance prerequisite is not met.

Turf Removal Program (\$7 million)

The Turf Removal Program includes a state \$2-million grant. The program pays \$1 per square foot of removed turf, which is about four times Metropolitan's standard conservation incentive rate. Each qualified applicant will be preapproved and provided an incentive payment upon completion of the turf removal. The following guidelines will be used to start the program and may be adjusted as the program is implemented:

- Open to all property types
- Maximum and minimum square footage limits to allow participation of about 2,000 homes and 300 commercial sites to participate
- Area to be converted must be turf irrigated with potable water. Sites irrigated with recycled water are not eligible.
- Upon completion, converted area eligible for incentives must meet the following conditions:
 - No turf
 - Exposed soil must be covered to avoid erosion
 - No impermeable surfaces to avoid runoff and allow for percolation
 - No invasive species
 - No synthetic turf (required per state grant agreement)
- Recommendations:
 - Replant with California Friendly plants
 - Retrofit irrigation system to low volume or hand watering
- Customer must agree to maintain landscape for a minimum of five years, in accordance with grant requirements
- Customer is responsible for compliance with municipal codes and covenants, conditions and restrictions on the property

- Member/retail agencies providing additional incentives may require more restrictive conditions on converted area
- Pre- and post-verification inspections to be performed on a sample basis

Enhanced Conservation Program (\$2 million)

The Enhanced Conservation Program provides funding for trial runs and assessments of new programmatic approaches that increase water savings. The program provides incentives of up to \$250 per acre-foot of water saved which is more than Metropolitan's standard incentive rate of \$195 per acre-foot saved. Member agency proposals are solicited through a competitive Request for Proposals on an annual basis. Results are expected to identify new or improved conservation approaches for consideration. Proposals will be evaluated by an independent review committee and selections made in early 2009. Due to the time involved to receive and evaluate proposals, contracts will likely be executed in mid-2009. As part of contract negotiations, Metropolitan may reduce the scope and funding to comply with meeting the conservation ordinance prerequisite, budget constraints, or regional objectives.

Basic Ordinance and Implementation Requirements for Extraordinary Conservation Programs

The objective of the ordinance prerequisite is to achieve immediate and widespread efficiency practices by retail water users and achieve water savings to contend with recent and potential further water supply reductions to the region. Ordinance provisions are expected to be complemented with public communication on the need for water-use efficiency and how to achieve it. Examples of ordinance provisions have been provided to member agencies in the form of model ordinances. Any local governmental entity that adopts and implements Metropolitan's model water conservation ordinances would satisfy the basic requirements.

The measures described below are identified as basic requirements that would meet the criteria for conservation ordinances and implementation:

1. Prohibited water uses
 - No washing down hard or paved surfaces
 - Fix leaks within reasonable time
2. Outdoor irrigation practices
 - Irrigation restrictions
 - No excessive water flow or runoff
3. Enforcement and penalty mechanisms; one or more of the following (these provisions may be addressed by implementation practices separate from the ordinance):
 - Administrative penalties
 - Civil fines
 - Flow restrictors
 - Disconnection of service
 - Misdemeanor
 - Water allocation and penalties for exceeding allotment
 - Escalating retail water rates

Alternative Compliance

A member agency would submit a written statement attesting to an alternative method or strategy that a local jurisdiction would use to achieve at least 5 percent of additional water conservation savings over calendar year 2008 levels. This would represent a proportionate share of the 200,000 acre-feet per year objective of new savings sought as a result of ordinance implementation.

Ordinance Requirements

- **Prohibited water uses**
 - No washing down hard or paved surfaces
 - Fix leaks within reasonable time
- **Outdoor irrigation practices**
 - Irrigation restrictions
 - No excessive water flow or runoff
- **Enforcement and penalties**
 - May be external to ordinance
- **Complemented by public communications**



Three Compliance Options

in January 2009

1. Ordinance and implementation plan including:
 - Public communication
 - Enforcement
2. Written pledge by member to develop ordinances for listed communities
3. Alternative action to achieve 5% reduction in water use attested by member agency



Progress Reports

in April, August, and December 2009

- **Ordinance and implementation plan:**
 - Inform local jurisdictions
 - Commitment from governing body
 - Develop draft
 - Receive public input
 - Adoption by governing body
 - Enact
 - Submit to Metropolitan
- **Alternative action:**
 - Water savings achieved over 2008 level

Timeline

- **January 2009:**
 - Member agencies submit documentation on three options
 - Programs begin
- **April, August and December 2009:**
 - Member agencies report progress
- **June 2009:**
 - Staff progress report to Board
- **January 2010**
 - Demonstrate compliance with one of two options

Phase II Public Sector Program Implementation

- **Additional \$15 million over three years**
 - \$5 million in January 2009
 - \$5 million starting July 2009
 - \$5 million starting July 2010
- **Current backlog over \$9 million**

Next Steps

- Letter to member agencies requesting ordinances
- Develop list of jurisdictions that have met prerequisite
- Begin implementation of extraordinary conservation programs

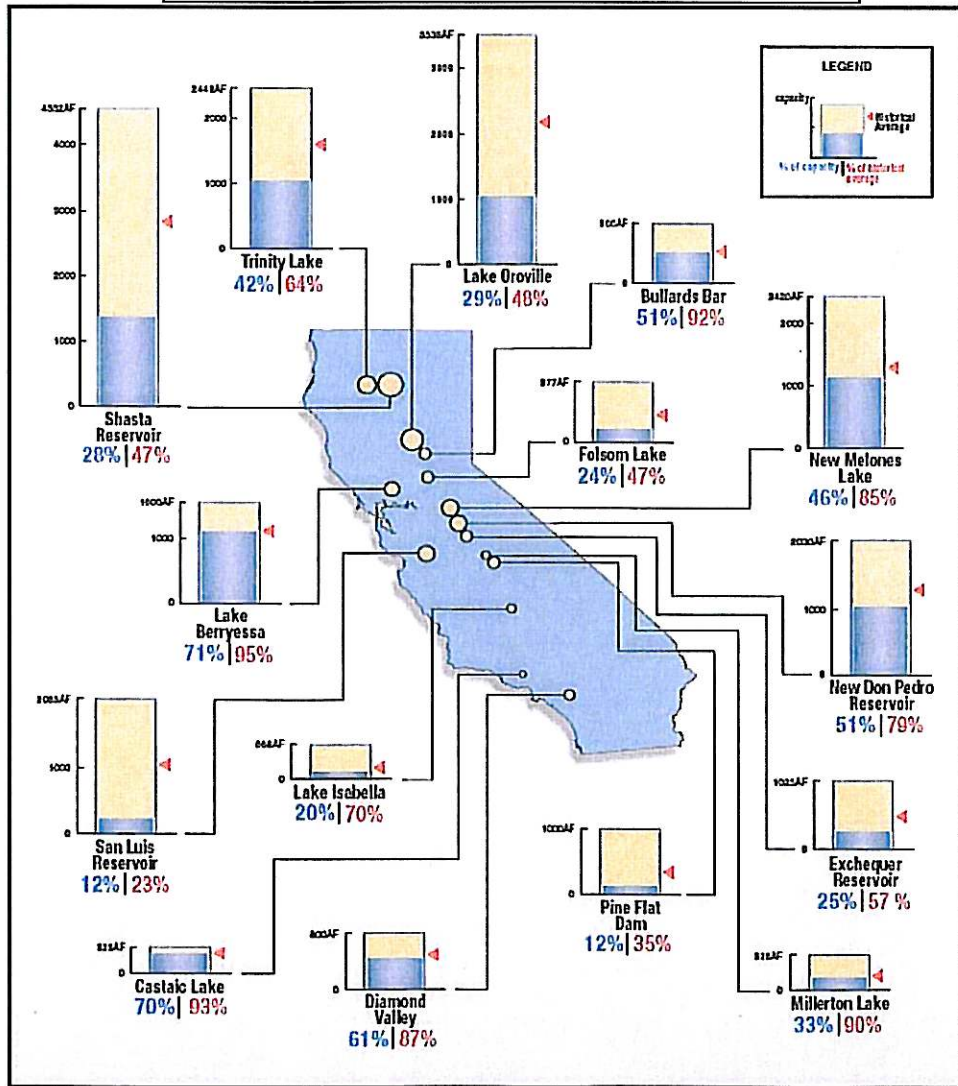
**INLAND EMPIRE UTILITIES AGENCY
Water Resources and Conservation Programs
Monthly Report**

**December 2008
(Reporting November 2008 Activities)**

California Water Supply Conditions

- On December 15, federal wildlife officials issued a Biological Opinion intended to protect the Delta Smelt. The possible impacts of this decision are being evaluated.
- The results of recent precipitation have not yet been reflected in the Department of Water Resources (DWR) State Water Project (SWP) allocation, which remains at 15%. Current reservoir conditions are summarized below.

Current Reservoir Conditions (November 2008)



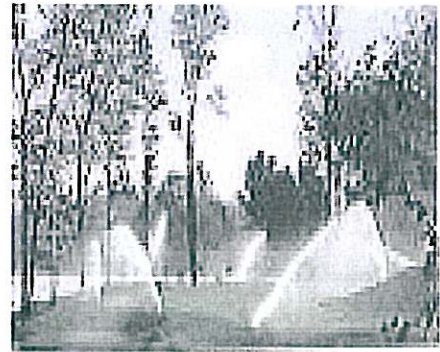
MWD and IEUA Drought Actions

- According to the current Water Supply Allocation Plan (WSAP), MWD will decide in April whether or not to allocate water supplies effective July 2009.
- If the SWP allocation is 35% or greater, MWD anticipates that it will not implement the WSAP this coming year.
- MWD forecasts that there is a 2 out of 3 chance that the WSAP will not be implemented this coming year.
- A Draft IEUA "Strawman" Drought Plan has been prepared and reviewed by member agencies. During the past month the "Strawman" proposal was discussed at a Special TAC Workshop held at WFA on 12/4 and at the Water Supply Strategy meeting held at IEUA on 12/12.
- It is anticipated that the final version of the IEUA Drought Plan will be presented to the Board in March or April, in coordination with the MWD schedule
- MWD is applying for 300,000 acre-feet from the DWR Drought Water Bank. This water will be part of 800,000 AF of "new" water supply that is being developed through efficiency programs, local water supply projects and Bay-Delta improvements.
- MWD has launched its process to update the region's Integrated Regional Plan (IRP). The IRP will consider changed conditions and emerging trends, such as Delta conditions, climate change, water transfers and local supply/demand management. IEUA is participating in the IRP process. The new IRP is scheduled completion of the IRP in June 2009.

IEUA WATER SUPPLY PROGRAMS

Dry Year Yield Program (DYY)

- IEUA retail agencies are on track to meet their DYY Program obligations
- MWD imported water deliveries have been reduced by 19,840 AF (64% of IEUA's obligation of 31,000 AF).



DYY Program Expansion

- On December 17, the IEUA Board approved the DYY Program Expansion CEQA document
- Under the proposal, existing DYY Program from 100,000 AF to 150,000 AF of groundwater storage capacity and increase in Program production capacity from 33,000 acre-feet/year to 50,000 acre-feet/year. Program participants include IEUA's retail agencies, Three Valleys Water District (city of Pomona), Western Municipal Water District, and Jurupa Community Services District.

Recycled Water Program

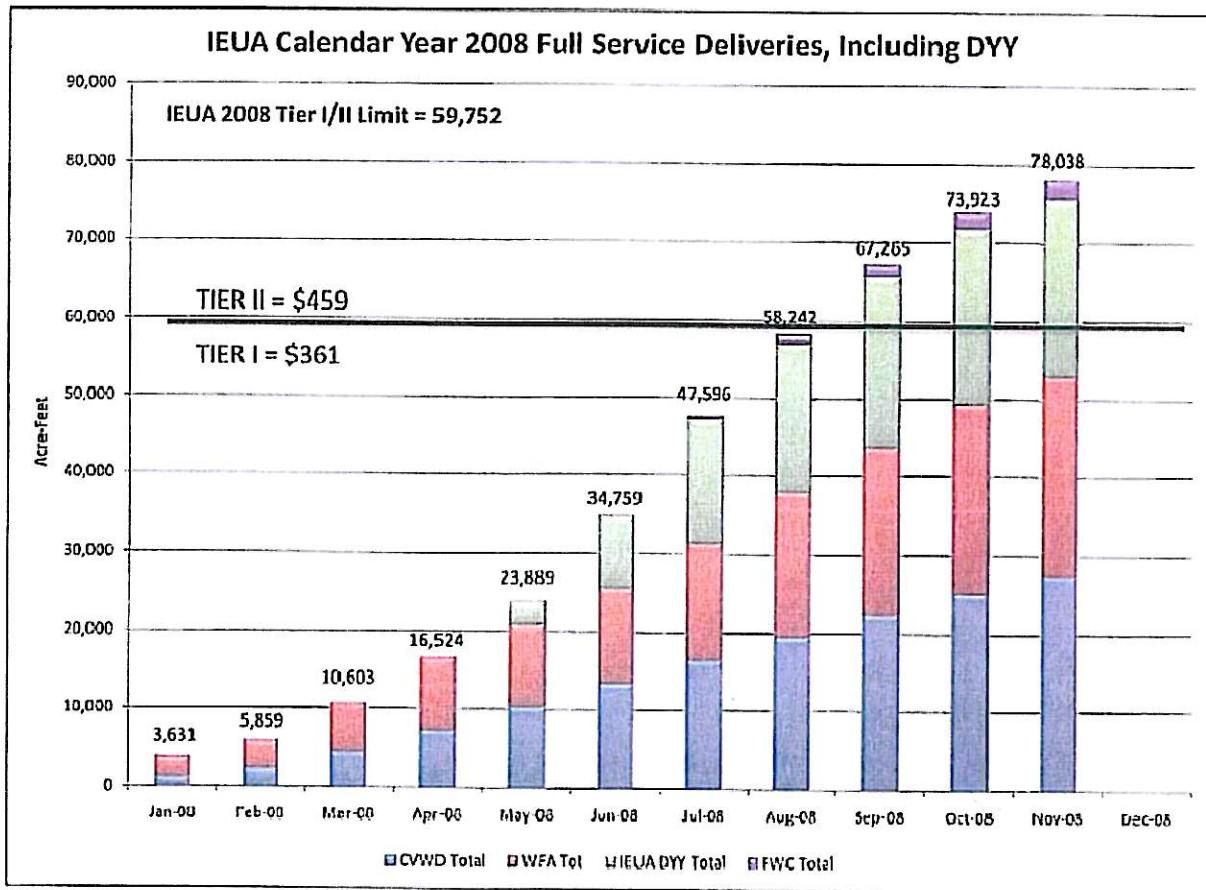
- IEUA is currently implementing a 3-Year Recycled Water Business Plan that will increase recycled water connected capacity to 50,000 acre-feet per year by 2010. The current status, as of November, is 21,123 acre-feet per year of connected capacity.

Chino Desalter Authority (CDA)

- The CDA currently operates and maintains two desalter facilities with a production capacity of 24,600 acre-feet. A 10,000 acre-foot expansion of these facilities is currently being negotiated and should be completed by 2010. As of November, the CDA produced 2,168 acre-feet of water (of which 1,204 acre-feet is delivered to IEUA retail agencies).

Imported Water Deliveries

- For the current calendar year, IEUA has purchased 78,038 AF, including 22,603 AF in certifications submitted by the agencies for their DYY purchases (see figure below). The calendar-year limit for Tier 1 purchases is 59,752 AF.
- For the current fiscal year, IEUA has purchased 43,279 AF of imported water, including 13,478 AF of certifications for DYY purchases.



CONSERVATION ACTIVITIES

MWD Programs

- **Phase II-Public Sector Programs** – MWD Board approved \$15 million additional funding over a three year period for the Public Sector Program on November 18th. This funding is available on a first come, first serve basis and is conditioned on a conservation ordinance requirement that MWD expects to approve at its January 2009 meeting. With over \$9 million in pending applications, MWD is expected to review the available funding and whether more money will be released within the first year of the program.
- **MWD Turf Replacement Program** - The MWD Board approved \$7 million for a region wide pilot turf replacement program on November 18th (includes \$2 million DWR drought grant award). The new program is under development with the proposed rebate set at \$1,00 per square foot with a 2,500 square foot limit for residential and commercial landscapes. Program initiation is pending MWD approval in January of conservation ordinance requirement.
- **MWD Innovative Conservation Grant Program (ICP)** – The RFP is ready for release pending MWD board approval of the conservation ordinance requirement at its January meeting. The ICP and the Enhanced Conservation Grant Program (ECP) have been combined and are now referred to as the ICP Grant.

Inland Empire Landscape Alliance

- The draft Regional Water Efficient Landscape Model Ordinance was completed by the Technical Committee and presented to the Landscape Alliance Board on December 12th. The final model ordinance will be brought back to the Alliance Board on at the February 12th Board meeting for endorsement.
- On November 13, a “Breakfast in the Garden” workshop was held at the Maloof Residence on water conservation rebates and educational programs offered throughout IEUA’s service area.
- DWR released its revised Model Landscape Ordinance on November 26. Comments must be submitted to the DWR by December 30. A meeting between the Landscape Alliance Technical Committee and the DWR was held December 18th.

Native Plant Workshops

- On November 15, Greenlee Nursery held a workshop on efficient irrigation techniques. The workshop was attended by 10 residents and was followed by a tour of the Greenlee Nursery.

Water Wise Residential Landscape Program

- The cumulative area of landscape retrofitted since program inception is 80,432 sq ft, representing an annual water savings of 11.3 AFY. The number of applications completed and rebated so far is 68, of which 48 were in the last month. IEUA is working closely with MWD to ensure a smooth transition from IEUA’s current program to MWD’s new pilot turf rebate program. All rebate applications receive by IEUA through December 31st 2008 will receive the \$2 per square foot rebate. After December 31st, IEUA will reduce the rebate to \$1 per square foot to be consistent with the MWD program.

Landscape Audit Program

- **Phase III Landscape Audit Program**

CBWCD has completed 84 landscape audits with a potential savings of 397 acre feet per year since the program began in January 2009. Monte Vista Water District has seen a 10% reduction in usage among their participating customers to date and the City of Chino has seen a 2% reduction in usage among their participating customers. CBWCD will hold California Friendly Landscape Training Classes in January and February in both English and Spanish.

California Urban Water Conservation Council (CUWCC) BMP Revision Process

- The CUWCC approved the BMP's revisions on December 10th. Central Basin Municipal Water District hosted a BMP Revision Roundtable Workshop on November 12th to discuss the proposed BMP revisions prior to the CUWCC Plenary meeting.

Conservation Legislation

- A water conservation spot bill, AB 39, was introduced in November.. This bill is expected to be the primary vehicle for conservation legislation in the coming year.
- The Santa Ana Watershed Project Authority, Irvine Ranch Water District, Western Municipal Water District, MWD, IEUA and several other agencies reviewed concepts for proposed water efficiency legislation.,

Water Use Efficiency Outreach

- IEUA staff prepared a water use efficiency presentation for the Community Association Institute Association of HOA Manager luncheon held on November 12, 2008 and presented by Gerry Foote from Chino Basin Water Conservation District.
- IEUA staff prepared and presented a water use efficiency presentation for the City of Fontana's new employee orientation class on November 18, 2008.
- IEUA staff prepared a water/energy nexus presentation on the Carbon Footprint of Water delivered by the Water Resources Institute staff at the SAWPA 20 X 2020 Workshop held on November 24, 2008.

Water Education Water Awareness Committee (WEWAC)

- WEWAC received and is reviewing 15 applications for its EduGrant program.
- The Chino Basin Water Conservation District is offering Landscape Water Management & Plant classes and technical training for irrigation specialists.

Regional Landscape and Water Conservation Fair

- Staff met with Water Conservation Fair sponsors. The October Fair was declared a success and the 2009 fair will be held again in conjunction with the Chino Basin Water Conservation District's Landscape Fair in October.

Major Conservation Rebate Programs-Private Sector

- **Private Sector Programs-** Table I below summarizes 3 major rebate programs sponsored by MWD for the private sector. Overall, 47,746 devices/rebates were issued since program inception, for an annual water savings of 3,250 acre-feet per year.

TABLE I—MWD Private-Sector Rebate Programs

<i>Device Name</i>	<i>Current Fiscal Year through November</i>		<i>Since Program Inception</i>	
	<i># Devices Installed</i>	<i>Equivalent Annual Water Savings (AFY)</i>	<i>Cumulative # Devices Installed</i>	<i>Equivalent Annual Savings (AFY)</i>
Commercial, Industrial, Institutional Program				
High-Efficiency Clothes Washers	7	0.59	464	39.25
Multi-Family High-Efficiency Clothes Washers	2	0.17	3	0.25
Cooling Tower Conductivity & pH Controllers	2	1.29	26	16.74
Ultra-Low-Flush Toilets	0	0	1,894	657.22
ULFT Flushometers	0	0	4	0.29
High-Efficiency Toilets	598	25	3,019	128.31
Zero Water Urinals	58	7	1,084	132.79
High-Efficiency Urinals	0	0	8	0.49
Weather-Based Irrigation Controllers	1	0.65	10	6.50
Rotating Nozzles for Pop-Up Spray Heads	43	0.17	140	11.84
Synthetic Turf for CII (# Rebates)	0	0	5	4.69
High-Efficiency Nozzles for Large Rotary	0	0	0	0
Dry Vacuum Pumps	0	0	0	0
Steam Sterilizer Retrofits	0	0	0	0
Pre-Rinse Spray Head (PRSH)	31	7.9	33	8.44
Water Broom	3	0.46	699	107.23
X-Ray Recirculation Units	0	0	11	35.2
Subtotal	745	44	7400	1149
Multi-Family Direct-Install Program				
Ultra Low-Flush Toilets	0	0	14,283	495.6201
High-Efficiency Toilets	585	24.8625	1345	57.1625
Subtotal	585	25	15,628	553
Residential Program				
Ultra Low-Flush and High Efficiency Toilets	92	3.1924	12,159	421.9173
High-Efficiency Clothes Washers	335	28.341	9,977	844.0542
Weather-Based Irrigation Controllers	8	5.2	397	258.05
Rotating Nozzles for Pop-Up Spray Heads	15	0.06	2,190	8.76
Synthetic Turf Retrofit (# Rebates)	41	0.00574	103	4.40398
Water-Wise Residential Landscape Retrofit Program (# Rebates)	48	0.00672	68	11.26048
Subtotal	539	36.80586	24,894	1548.44596
TOTALS	1869	105	47,746	3250

Major Conservation Rebate Programs-Public Sector

- **MWD Public Sector Rebate Program to Promote Water Efficiency--** Table II below summarizes MWD's Region-wide Public Sector Rebate Program. Total MWD funding received by public agencies within the IEUA service area has been \$2,612,227. Overall, 906 devices have been funded, representing an annual water savings of 575 acre-feet per year, or a savings of 5,702 acre feet over the lifetime of the devices. Funded devices include weather-based irrigation controllers, centralized computer irrigation controllers, toilets and urinals, and water brooms.

TABLE II---MWD Public Sector Rebate Program						
<i>Customer</i>		<i>Device Quantity</i>		<i>Award</i>	<i>Annual Water Savings</i>	<i>Lifetime Water Savings</i>
City of Ontario		72		\$445,540.02	95.77	956.9
Chino Valley Unified School District (Cities of Chino, Chino Hills, Ontario)		277		\$561,575.50	123.53	1200
Cucamonga School District		10		\$10,547.13	7.67	76.86
Central School District		32		\$31,619.94	11.93	119.28
Etiwanda School District		39		\$125,206.58	32.18	321.76
Chaffey Joint Union School District (City of Ontario, CVWD, MVWD)		86		\$222,832.50	45.50	434.33
Monte Vista Water District		6		\$2,356.46	0.42	8.30
Alta Loma School District		22		\$36,538.62	16.67	166.73
City of Fontana		9		\$94,087.50	18.82	188.18
Upland Unified School District (Cities of Chino, Chino Hills, Ontario)		51		\$84,497.74	23.47	234.65
City of Chino Hills		302		\$997,425.00	199.49	1994.85
TOTALS		906		\$2,612,226.99	575.44	5,702

~~CALENDAR OF UPCOMING EVENTS~~

January 5, 2009	Regional Messaging and Newspaper Ads @ MVWD, 10:30 am—12:00 pm
January 6, 13, 20, 27, 2009	Landscape Water Management for Professionals (English) Series @ CBWCD, 9 am--12:30 pm
January 7, 2009	MWD PAC Meeting @ MWDOC, 9:30 am—3:00 pm
January 7, 14, 21, 28, 2009	Landscape Water Management for Professionals (Spanish) Series, CBWCD (9 a.m.-12:30 p.m.)
January 13, 2009	Water/Energy-USBR PAC Mtg@ MWD-LA, 9:00 am—3:00 pm
January 15, 2009	MWD Monthly WUE Meeting @ MWD-LA, 9:00 am – 2:00 pm
January 22, 2009	MWD Education Coordinators' Meeting, 9:00 am – 11:30 am
January 22, 2009	Landscape Alliance Technical Committee @ IEUA, 1:00 am—3:30 pm
January 29, 2009	Inland Empire Landscape Alliance Water Site Awareness Tour of Best Management Practices in Rancho Cucamonga
February 3, 2009	IEUA Conservation Workgroup Meeting @ CVWD, 9:00 am—11:00 am
February 3, 10, 2009	Plant Class (English) Series for Professionals @ CBWCD
February 4, 11, 2009	Plant Class (Spanish) Series for Professionals @ CBWCD
February 4, 2009	MWD PAC Mtg, Location TBD, 9:00 am—3:00 pm
February 9, 2009	MWD IRP Conservation WG @ MWD-LA, 9:30 am—12:30 pm
February 12, 2008	Landscape Alliance Board Meeting @ IEUA, 3:00 pm—4:00 pm
February 21, 2009	Garden in Every School 09/10 workshop, IEUA Event Center 8:00-12:00 pm
February 19, 2009	MWD Monthly WUE Mtg @ MWD-LA, 9:30 am—2:15 pm
February 25, 2009	Wetlands Day at Chino Creek Wetlands and Educational Park from 3:30 pm to 5:30 pm
April 22, 2009	Earth Day at Chino Creek Wetlands and Educational Park from 3:30 pm to 6:30 pm

IEUA & TVMWD
FY 2007-08 Monthly Retail Demand by Source of Supply & FY 2008-09 DRAFT DYW Operating Plan

FY 2007-08 Monthly Retail Demand by Source of Supply

IEUA	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
Chino Groundwater	8,148.31	9,225.60	9,555.93	9,077.09	7,785.52	7,266.47	5,922.67	4,223.07	3,716.06	3,968.32	5,111.68	6,620.29	80,621.01
Imported Water (MWD)	6,994.40	8,422.34	10,214.54	10,810.64	8,955.65	7,611.24	6,037.94	4,173.19	3,886.44	2,408.26	4,953.30	5,796.83	80,264.75
Other Groundwater	2,191.84	2,252.56	2,244.74	2,080.98	1,840.05	1,563.02	1,442.36	744.04	797.80	593.01	1,033.39	1,188.05	17,971.85
Local Surface Water	284.08	248.24	529.51	495.16	426.23	376.69	354.74	353.77	428.75	1,103.90	1,230.82	1,068.52	6,900.40
Desalator Water (CDA)	1,270.92	1,224.60	1,244.86	1,338.76	1,335.52	1,351.42	1,239.02	1,246.53	1,255.53	1,163.06	1,267.11	1,250.46	15,187.89
Total	17,618.53	20,148.74	22,544.71	22,463.87	19,007.46	16,817.42	13,757.71	9,494.08	8,829.04	8,073.49	12,329.19	14,673.69	240,984.05

FY 2008-09 - DRAFT DYW Operating Plan

IEUA	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
Chino Groundwater	8,012.97	8,649.33	9,168.46	8,542.68	6,876.89	6,610.93	5,206.43	919.71	-	-	-	-	53,987.39
Imported Water (MWD)	5,296.27	6,101.21	6,592.80	7,412.17	6,418.15	6,148.97	4,234.24	2,483.36	-	-	-	-	44,687.15
Other Groundwater	1,841.71	2,367.74	1,168.49	1,127.89	1,128.56	977.51	597.69	206.73	-	-	-	-	9,416.32
Local Surface Water	928.90	746.12	388.50	293.38	261.37	296.55	244.94	-	-	-	-	-	3,159.77
Desalator Water (CDA)	1,310.11	1,264.72	1,308.28	1,377.09	1,351.26	835.15	875.05	-	-	-	-	-	8,321.66
Total	16,079.85	17,864.40	17,318.25	17,376.12	14,684.96	14,033.95	10,283.29	3,609.80	-	-	-	-	159,610.42

Potable Water Demand Tracking

Potable Water Performance	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
Change in Chino Groundwater	(135.33)	(576.28)	(387.47)	(534.41)	(908.64)	(655.54)	(716.24)	(1,689.83)	-	-	-	-	(3,913.90)
Change in Imported Water (MWD)	(1,698.14)	(2,321.13)	(3,621.74)	(3,398.48)	(2,537.50)	(1,462.28)	(1,803.70)	(1,689.83)	-	-	-	-	(18,532.78)
Change in Other Groundwater	(350.13)	115.18	(1,076.24)	(953.10)	(711.50)	(585.51)	(844.67)	-	-	-	-	-	(4,405.97)
Change in Local Surface Water	644.82	497.88	(141.01)	(201.78)	(164.86)	(80.14)	(109.80)	-	-	-	-	-	445.12
Change in Desalator Water (CDA)	39.19	40.12	63.42	38.33	15.64	(516.27)	(363.97)	-	-	-	-	-	(683.54)
Change in Potable Demand	(1,499.59)	(2,284.34)	(5,226.45)	(5,087.76)	(4,322.50)	(2,783.47)	(3,474.42)	(1,689.83)	-	-	-	-	(26,368.35)

Non-Potable Water Demand Tracking

Non-Potable Water Performance	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
FY 2007-08 Recycled Water	496.80	776.20	919.00	800.12	1,094.67	642.20	457.82	338.05	280.48	219.37	662.67	586.58	7,273.94
FY 2008-09 Recycled Water	914.95	1,026.94	1,233.58	1,201.40	1,308.07	1,266.88	905.34	-	-	-	-	-	7,857.16
Change in Non-Potable Demand	418.15	250.74	314.59	401.29	213.40	624.68	447.52	-	-	-	-	-	583.22

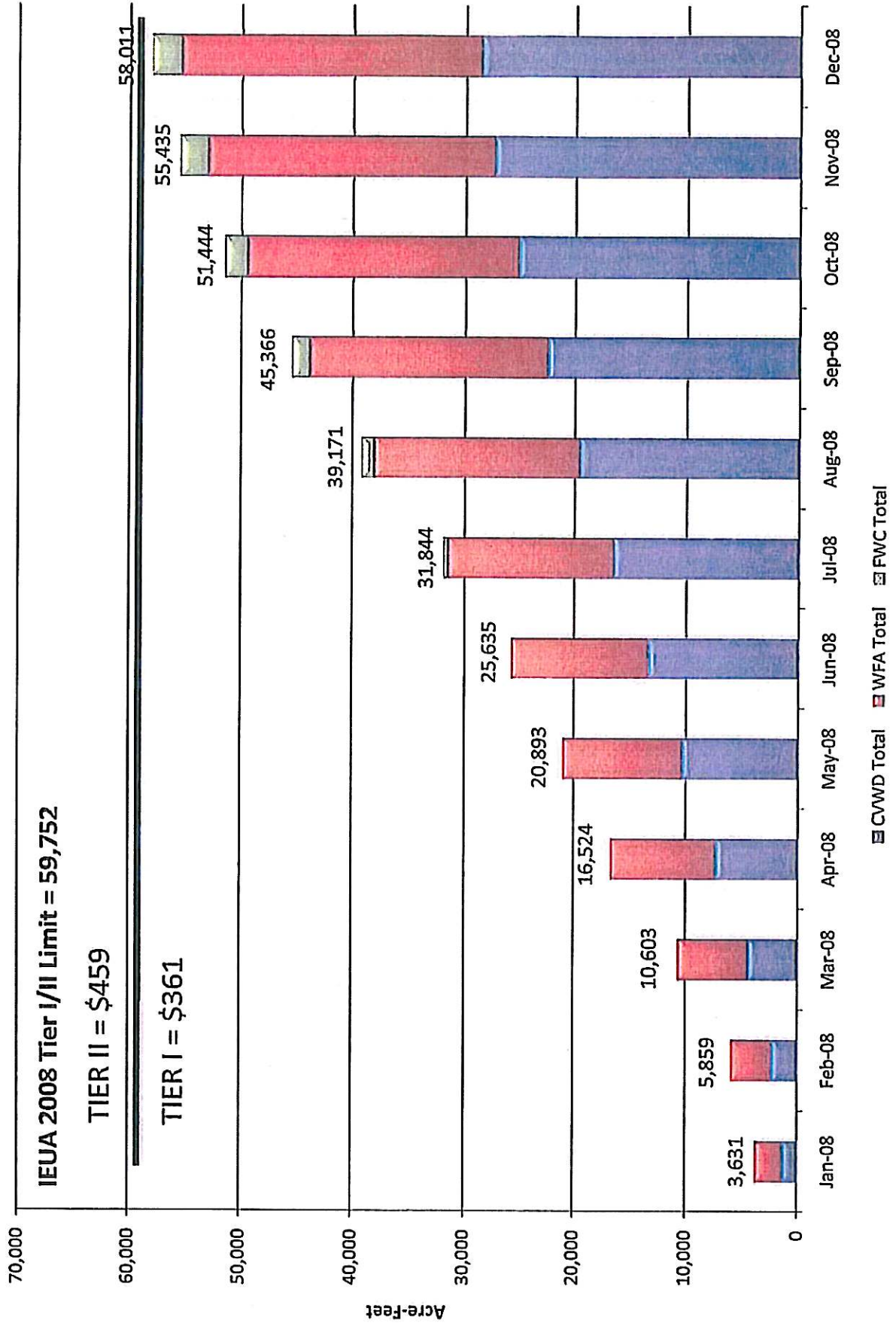
DRAFT CUP Certification Plan	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
Actual CUP Certification	5,369.33	6,087.84	5,845.99	4,324.06	3,630.07	3,174.79	2,307.08	1,429.38	285.00	285.00	201.00	-	32,924.00
Total	4,041.22	6,246.67	5,812.32	6,499.33	2,826.33	580.04	119.52	-	-	-	-	-	27,726.92

DYW Obligation = 33,000 AF

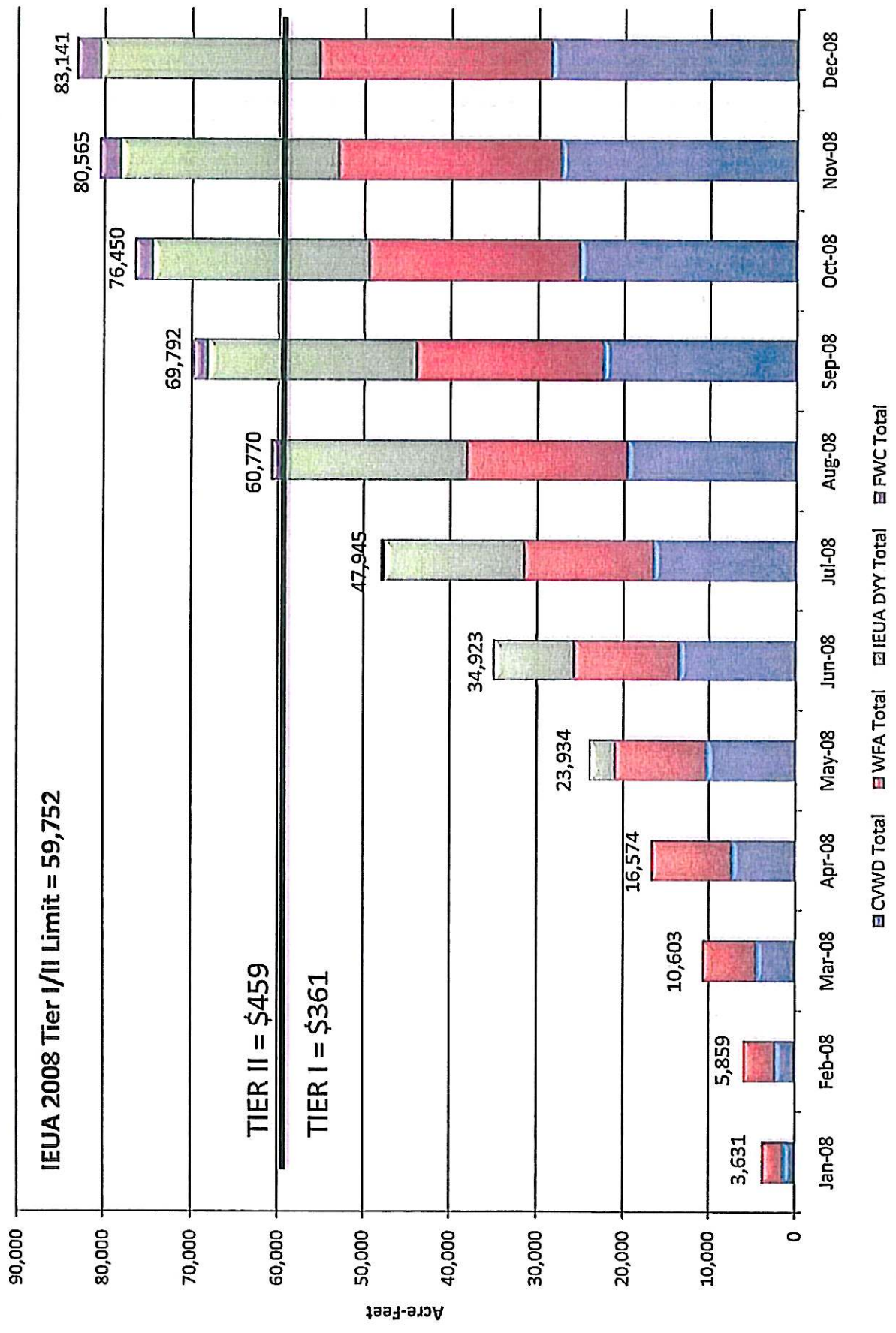
DATA IS STILL INCOMPLETE FOR LOCAL WATER RESOURCES.

prepared by Ryan Shaw
24-Dec-08

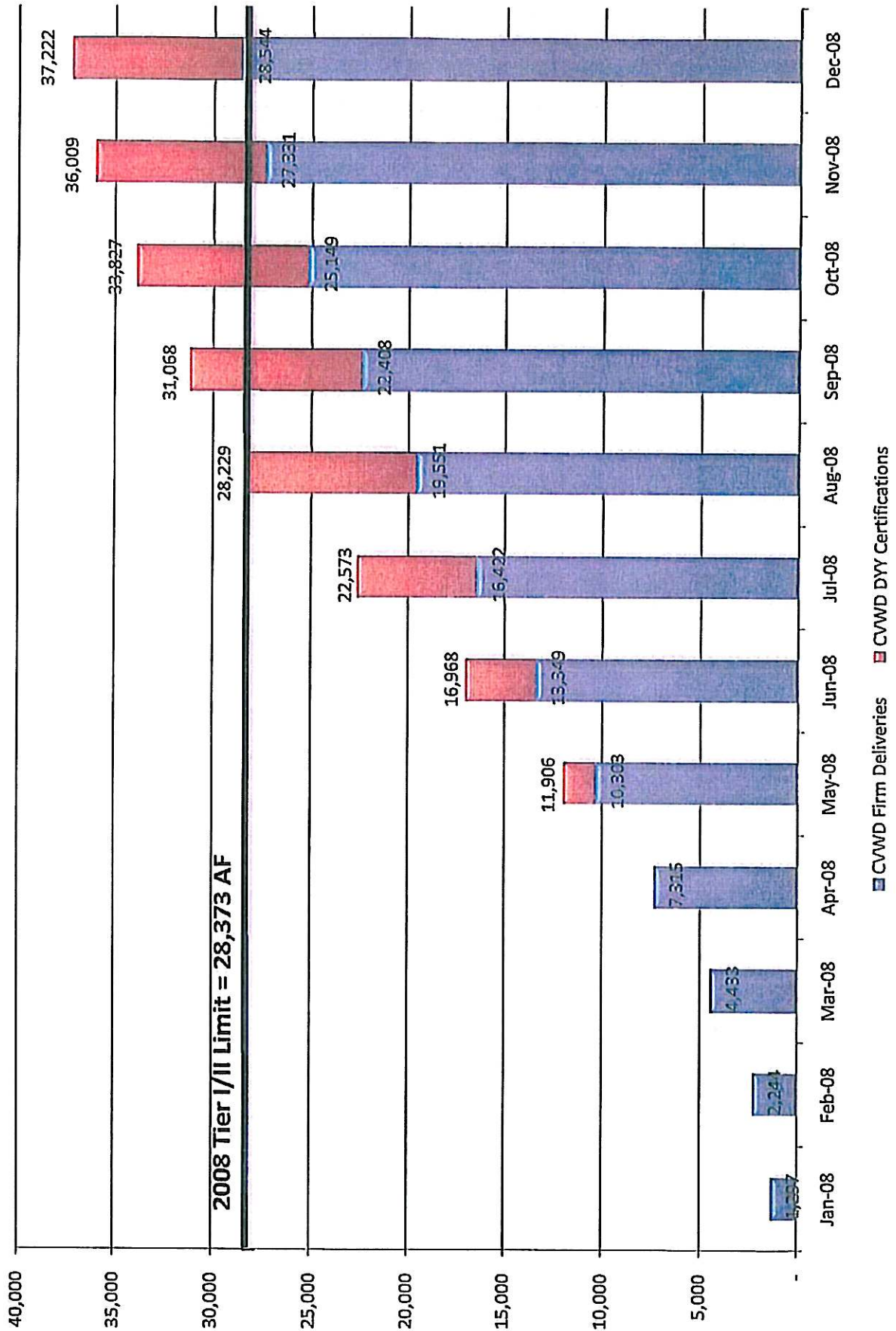
IEUA Calendar Year 2008 Full Service Deliveries, Excluding DYY



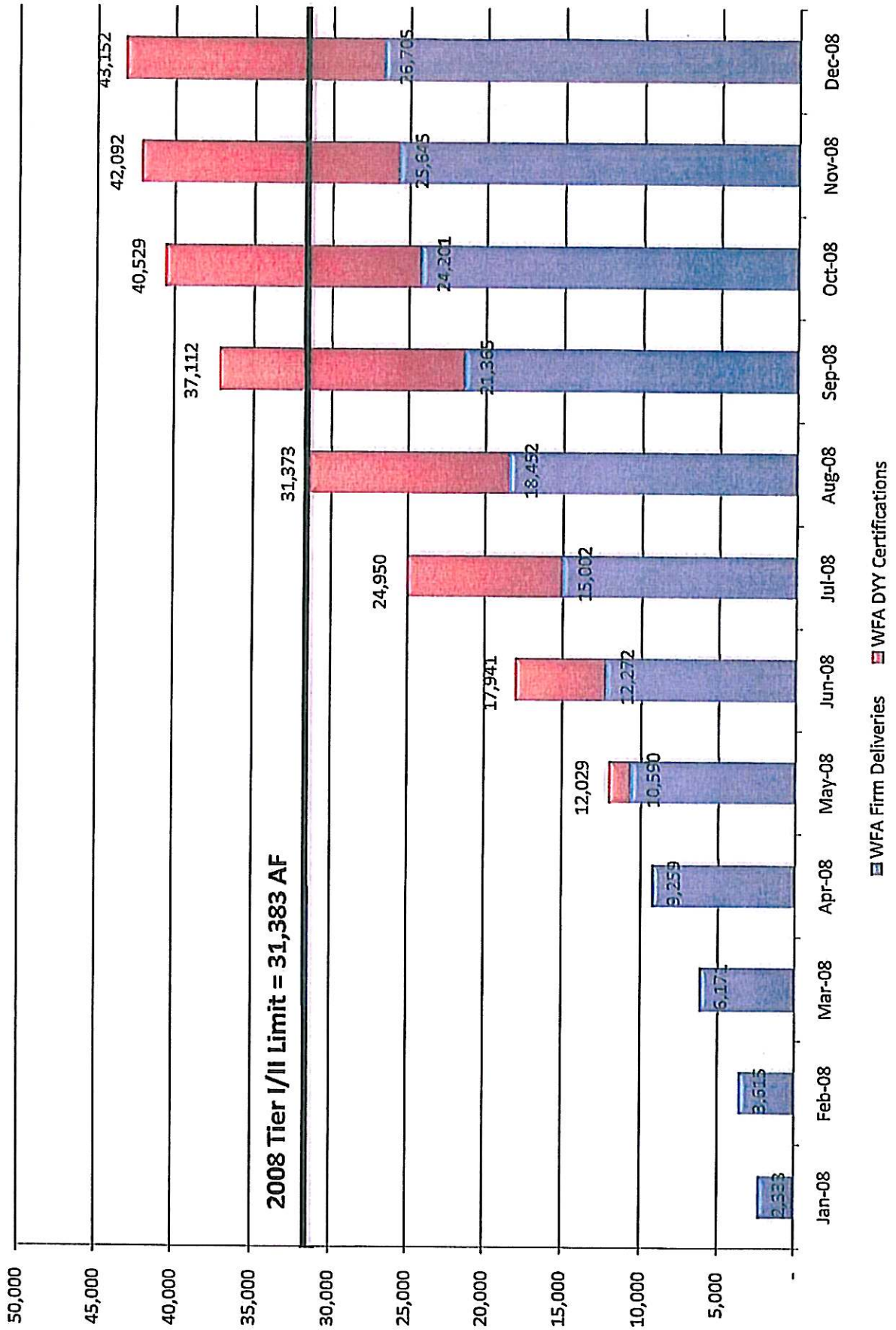
IEUA Calendar Year 2008 Full Service Deliveries, Including DYY



Cucamonga Valley Water District 2008 Imported Water Totals



Water Facilities Authority 2008 Imported Water Totals



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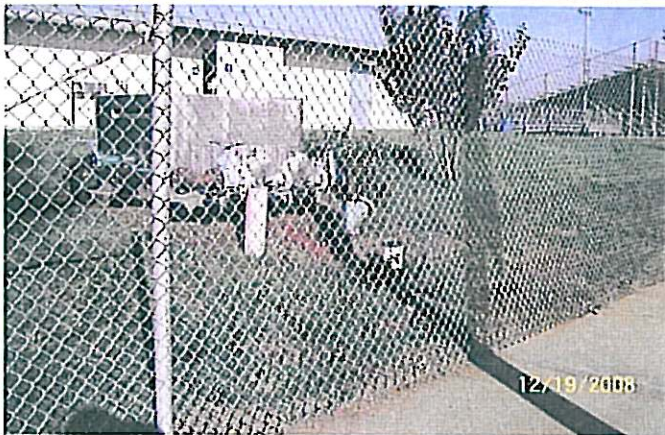


JANUARY 2009
 RECYCLED WATER PROGRAM NEWSLETTER

Highlights:

- 30 AFY New Recycled Water Customers Connected.....Page 2
- IEUA approved for \$1 M DWR Grant..... Page 3
- Construction of New Recycled Water Facilities.....Page 4

MEMBER AGENCY'S UPDATES



Montclair High School - The new irrigation system has been installed and completed. The recycled water lateral was installed by Inland Empire Utilities Agency on behalf of Monte Vista Water District as part of the regional recycled water infrastructure. Recycled Water service was installed and connected to Montclair High School on December 19, 2008. Montclair High School total use is estimated to 51 AF per year, which is equivalent to 325,000 gallons of water that can feed up to 2 families of 4 for one year.



Montclair High School
Montclair Public Schools
 Middle Glenfield School
 Mount Hebron School
 Renaissance School
 Montclair Board of Education

Inland Empire Utilities Agency
 A MUNICIPAL WATER DISTRICT

UPCOMING EVENTS

- Red Team Meeting (IEUA and Member Agency Implementation).....4:15pm, January 8th, 2008 at IEUA
- Day in the Park at Chino Creek Wetlands and Educational Park.....3:30pm-5:30pm, February 25th, 2009 at IEUA PARK
- Recycled Water Site Supervisor Training8:00am-12:00pm, March 12th, 2009 at IEUA
- Earth Day Event at Chino Creek Wetlands and Educational Park.....3:30pm-5:30pm, April 22nd, 2009 at IEUA PARK
- Recycled Water Site Supervisor Training8:00am-12:00pm, June 11th, 2009 at IEUA
- Recycled Water Site Supervisor Training8:00am-12:00pm, September 10th, 2009 at IEUA

Recycled Water Customers and Usage Data:

Recent Connections:

- Universal Molding Corp. (Chino, 5 AFY)
- Preserve Master Community (Chino, 10 AFY)
- K-8 School (Preserve) (Chino, 15 AFY)

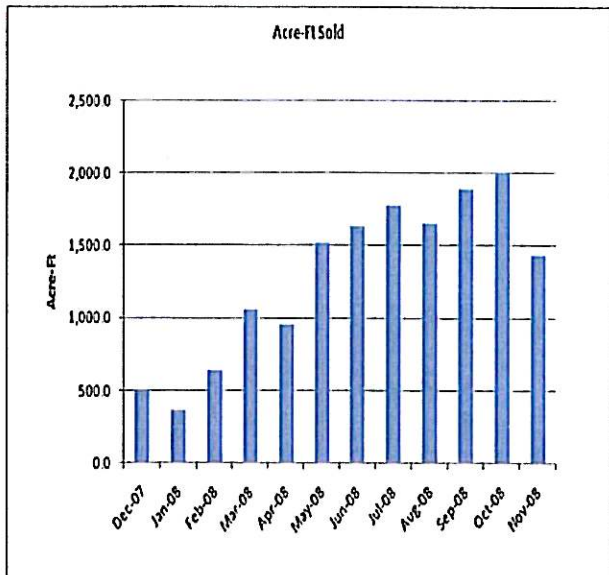
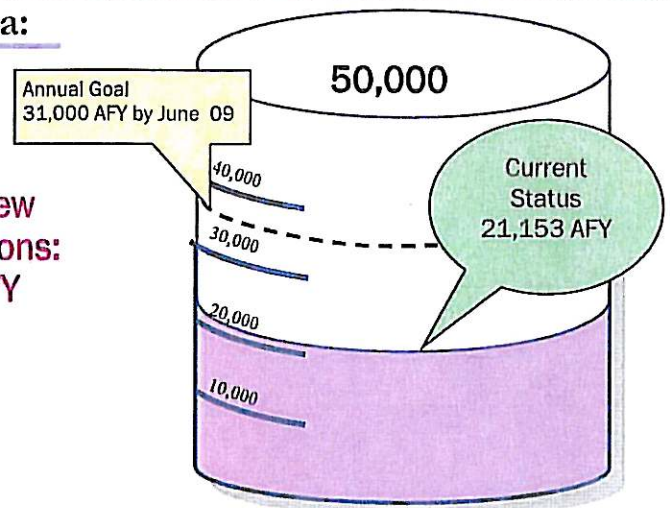
Total New Connected Demand: 30 AFY

Upcoming Connections:

- Chad Farms (Ontario, 1,605 AFY)
- Li Farm (Ontario, 2,500 AFY)
- San Bernardino County Guasti Park (Ontario, 240 AFY)
- Bellevue Cemetery (Ontario, 220 AFY)
- Kelloggs (Ontario, 120 AFY)
- Cintas I (Ontario, 70 AFY)
- Kaiser Hospital Cooling Towers (Ontario, 30 AFY)
- Chaffey High School - (Ontario, 164 AFY)
- Montclair Parks (Montclair, 85 AFY)

Total Upcoming Connections: 5,034 AFY

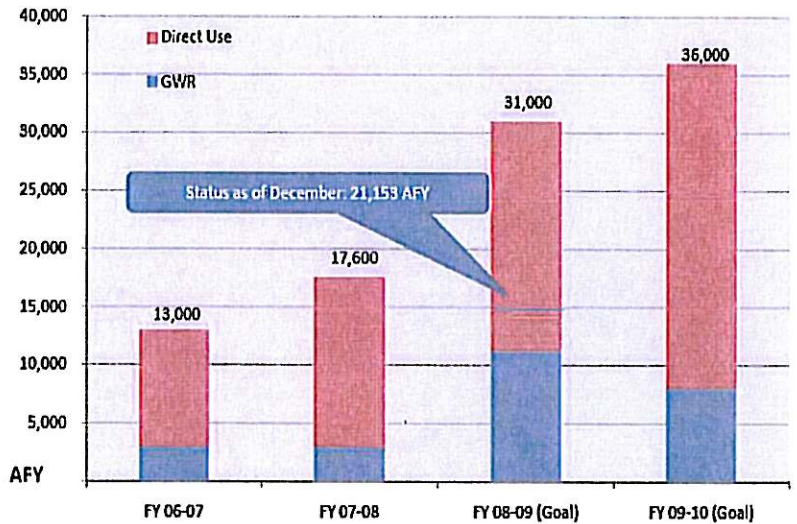
Total New Connections: 30 AFY



Monthly Recycled Water Sales

October Direct & Recharge:

- Direct Sales - 1209 AF
- Recharge - 229 AF
- Total - 1438 AF



PROJECTED DIRECT USE

	Projected Direct Use Connections (AFY)					
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Total
Chino		150				150
Chino Hills						
Ontario	727		1,500	1,000	52	3,279
MVWD		85	27	16		128
CVWD		55	29			84
Total (AFY)	727	290	1,556	1,016	52	3,641

Program Description & Financial Status

The 3 Year Business Plan

Summary. The Three Year Business Plan that was adopted in December 2007 is to be updated annually. The update includes changes made to the IEUA FY 2008/09 Budget and the Ten Year Capital Improvement Plan (TYCIP). The goal is to connect 50,000 AFY by FY 2011/12.

Discussion: The schedule of some Capital Projects has been delayed primarily due to the current economic conditions which necessitate the funding commitments from the State Revolving Fund before the projects are awarded for Construction. The current goals are summarized as follows:

Annual Recycled Water Connection Goals

Year		Connected Demand (AFY)
1	2007/08	17,600
2	2008/09	31,000
3	2009/10	36,000
4	2010/11	45,000
5	2011/12	50,000

FUNDING DEVELOPMENTS: DWR Urban Drought Assistance

The Agency received the DWR Drought Assistance Grant for recycled water retrofits in the amount of \$1 Million. The disbursement strategy was approved by the Regional Technology and Policy Committee meeting held on December 4th, 2008 and by the Inland Empire Utilities Agency Board on December 17th 2008.

The following is the pro-rata share distribution for each of the Agencies.

AGENCY	RW DEMAND (AFY)	GRANT ALLOCATION (4)
Chino	137	\$57,002
Chino Hills (1)	-	\$0
CVWD	60	\$68,973
Fontana	10	\$22,832
Montclair/MVWD	97	\$157,185
Ontario (2)	393	\$275,891
Upland	548	\$164,583
IEUA Recommendation (3)	3,726	\$253,534
Total	4,971	\$1,000,000

- (1) did not submit projects for funding
- (2) does not include request for Temple Inland as Industrial usage is not eligible for the grant
- (3) includes Li Farms, Chad Farms, Guasti Park and Montclair High School
- (4) Pro Rata portions of ~95% to not exceed grant funding

PROJECTS IN PLANNING

Northeast Project Area: The Projects are on schedule to deliver recycled water to Victoria and San Sevaine Recharge basins in fall 2009.

Northwest Project Area: The project will design the 1430 pressure zone pipeline pump station and reservoir in the city of upland. The project is in the preliminary design stage with anticipated design completion in summer 2009.

Southern Project Area: The project will design the 930 pressure zone pipeline and reservoir in the city of Chino Hills. The project is in the preliminary design stage with anticipated design completion in summer 2009.

Central Project Area: The second draft of the North Chino Master is being completed by IEUA and the City of Chino.

IEUA has begun the SRF loan application process for the Wineville Avenue Extension pipeline project located in the City of Fontana.

CAPITAL PROJECTS SUMMARY

PROJECTS IN DESIGN AND CONSTRUCTION

- **1630 East Segment A Pipeline**– The project includes the construction of a 36-inch pipeline from the 1630 E. Pump Station to the Victoria and San Sevaline Recharge Basins. The design has been completed and is going through permitting process and a funding application is undergoing review by the State Water Resources Control Board (SWRCB) as part of the State Revolving Fund (SRF) loan requirements. The project is anticipated to be advertised for construction in January 2009.
- **1299 East Regional Pipeline, 1299 East Reservoir and 1630 East Pump Station**– The project includes the construction of a 36-inch pipeline from the north end of the North Etiwanda Pipeline to the 1299 E Reservoir and 1630 E Pump Station. The design has been completed on these facilities and are under permit review by various local and regional entities. The funding application is under review with the SWRCB as part of the SRF loan requirements. The project is anticipated to be advertised for construction in January 2009.
- **MW & Lysimeters at Victoria & San Sevaline Basins:** The project is in the final design stage. The design has been completed on these facilities and are under permit review by various local and regional entities. The funding application is under review with the SWRCB as part of the SRF loan requirements. The project is anticipated to be advertised for construction in January 2009.
- **Ontario and Montclair Public schools Retrofit Project**– The retrofit project consists of disconnecting existing domestic water services and replacing them with new recycled water connections at public schools within the Ontario and Monte Vista Water Districts. A total of seven schools have had retrofit modifications completed. Five Schools remain to be retrofitted.
- **RP-4 1158 Reservoirs, Pump Stations, and Pipeline** - The project provides storage in the 1158 pressure zone, pump stations for the 1158 and 1299 pressure zones, and pipeline from RP-4 to the 1158 Reservoirs. The project is in the construction phase, and is 95 percent complete. Construction of the reservoirs and the pump station is expected to be completed by March 2008.
- **San Antonio Channel Segment B**–The regional pipelines will serve the cities of Ontario, Montclair, Monte Vista Water District and Brooks Street Basin. All piping has been installed and tested. The asphalt repair is currently underway. The project is approximately 98 percent complete with the final punch list items remaining to be completed by the end of the 2008 year.



1299 Electric Bldg, Surge Tank and Pump station



1158 Zone Reservoir upgraded pipe support Foundation



Completion of Street Restoration on Orchard St In Montclair



Date: January 21, 2008

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (1/14/09)

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

Submitted by: Martha Davis
Executive Manager of Policy Development

Subject: December Legislative Report from Innovative Federal Strategies, LLC

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD

Enclosure

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Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Martha Davis and Rich Atwater
IEUA

From: Letitia White, Alex Shockey and Amanda King

Date: December 30, 2008

Re: December Monthly Legislative Update

In a normal election year, the month of December in Washington, DC would be absolutely dead. This year, however, was very unusual. Not only was there a November “lame duck” session to discuss an economic stimulus package (which did not end up moving), there was a second “lame Duck” session held in December to discuss the automakers’ rescue package (which also did not result in legislation). The December buzz in the halls of Congress was all “Stimulus”, automakers’ rescue, and the finalization of fiscal year 2009 domestic appropriations.

U.S. Automakers Rescue Package

In the waning days of the 110th Congress and in an unusual second “lame duck” session, the House and Senate could not agree on an automakers’ rescue package so, on December 19th, President Bush announced that a portion of the financial system bailout funding (passed in October as Public Law 110-343) would be used to help U.S. automakers stay afloat while they seek to restructure their operations. Under the deal, \$13.4 billion in loans from the \$700 billion financial sector bailout package was immediately made available to GM and Chrysler, with another \$4 billion possible in mid-February. Both GM and Chrysler have been teetering on the edge of bankruptcy but Ford has said it does not currently need any federal aid.

In return for the loans, by March 31st the companies would have to put together restructuring plans that make them viable for the long-term — including imposing, by the end of 2009, work rules and wages that are competitive with foreign car firms operating in the United States — or the government loans would have to be returned.

Economic Stimulus Package

The focus when the 111th Congress convenes on January 6th will be on a massive economic stimulus package intended to help revive the U.S. economy. Congressional Democrats and representatives of President-elect Obama continue to discuss possible elements in the package, with the plan to introduce the measure shortly after Congress convenes. The hope is to quickly move it through the Congress so it is ready for Barack Obama’s signature soon after he is sworn into office on January 20th. We have heard that the package may be upwards of \$850 billion, perhaps even reaching \$1 trillion. While the package is still being drafted, we expect that it will

Innovative Federal Strategies LLC

consist of a combination of spending for transportation and other infrastructure projects, aid to states and low-income assistance programs, and middle-class tax cuts.

The ever-increasing size of the package has begun to alarm Republicans and fiscally conservative Democrats and, during the past week, Republican leaders have called for at least a week of hearings and public debate before a package is brought to the full House and Senate for votes.

Fiscal Year 2009 Appropriations

As mentioned in our newsletter, the House and Senate Appropriations Committee staff has been working over the last month to conference a fiscal year 2009 Omnibus Appropriations package consisting of all the remaining FY09 domestic appropriations bills. We expect that this package will include earmarks.

Fiscal Year 2010 Appropriations

In early January we will need to hit the ground running preparing for fiscal year 2010 appropriations requests. While most deadlines have yet to be announced, we do know that Senator Dianne Feinstein wants all requests and the requisite paperwork to her office by February 5th, much earlier than her usual February 28th deadline. We will be in touch to finalize our requests and strategy for next year.

Happy New Year! We look forward to talking with you in 2009!



Date: January 21, 2009
To: The Honorable Board of Directors
Through: Public, Legislative Affairs, and Water Resources Committee (1/14/09)
From: Richard W. Atwater
Chief Executive Officer/General Manager
Submitted by: Martha Davis
Executive Manager of Policy Development
Subject: December Legislative Report from Dolphin Group

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD

Enclosure

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December 30, 2008

To: Chino Basin/OBMP Coalition
From: Michael Boccadoro
President
RE: December Status Report

Please find attached the status report from The Dolphin Group for the month of December 2008.

Faced with an escalating budget crisis and a second special legislative session in as many months, the Legislature and the Governor have again failed to agree on any mid-year budget corrections. While the Democrats in the Assembly and Senate approved a creative and controversial "tax neutral" mid-year budget solution without any Republican support. Governor Schwarzenegger has threatened to veto the plan unless additional "economic stimulus" provisions were also included. The Governor continues to press for labor and environmental concessions including mandatory monthly furloughs for state employees and CEQA exemptions for transportation and other infrastructure projects. Discussions continue without Republican legislative involvement, and both the Governor and Democratic leadership are hopeful some sort of agreement can be reached by early January.

Additionally, the 2009-2010 Legislative Session kicked off on December 1. Although faced with monumental budget problems, legislators have already introduced a number of measures aimed at renewable energy. Renewable energy is expected to be a hot topic at the national and state level, particularly in light of efforts to reduce greenhouse gas production.

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Chino Basin / OBMP Coalition

Status Report – December 2008

ENERGY/REGULATORY

CARB Approves AB 32 Scoping Plan

On December 11, the California Air Resources Board (CARB) approved the scoping plan for the state of California to reduce its greenhouse gas emissions (GHG) to 1990 levels by 2020, an approximate decrease of 30%.

Under the plan, 85% of the reduction would come from a “cap and trade” system, which will be developed in conjunction with the Western Climate Initiative, an ad hoc group of seven western states and four Canadian provinces dedicated to establishing a regional carbon trading market. The main focus of this plan will be the energy sector.

Six specific greenhouse gas emission reduction measures have been approved for the water sector. Three of the measures target reducing energy requirements associated with providing reliable water supplies and two measures target expanding renewable energy used to convey and treat that water. The final proposal is the public goods charge that could generate \$100-500 million annually and be used to fund end-use water efficiency improvements, system-wide efficiency projects, water recycling and other actions that improve water and energy efficiency and reduce GHG emissions.

The plan is a result of an 18-month planning process, stemming from the passage of AB 32 (Nuñez - 2006), the Global Warming Solutions Act of 2006. While many of the particulars remain to be determined, the plan provides the roadmap to CARB and other state agencies for adopting regulations to achieve the 30% reduction of GHG. These regulations are required to be in place by 2012.

SCE Rates to Rise Again

By March of 2009, electricity rates for Southern California Edison are expected to rise by as much as 13%. The CPUC is currently considering two major decisions that will affect energy rates for all customers of the investor-owned utility.

First, the CPUC is prepared to grant a 7-8% increase in rates as part of Edison’s General Rate Case. These costs are associated with providing services, such as distribution lines, transformers and other basic needs related to delivering electricity, and are adjusted every three years.

The second increase is related to the cost of electricity generation, and is strongly tied to the cost of natural gas, a significant portion of the Edison’s generation portfolio. This increase is expected to be approximately 5-6%. However, this cost is based on forecasted commodity prices, and given the recent drop in natural gas and other petroleum prices in the last few months, may be adjusted

downward by mid-2009. While the particulars of both increases are still awaiting final approval by the CPUC, both rate changes are expected to take full effect by March 2009.

On a parallel track, SCE is currently in settlement negotiations on the second phase of its General Rate Case, which reallocates rates and various rate component levels of every tariff it offers to customers. Any rate design changes that emerge from this process will likely become effective in late 2009, and will be in place through 2011. The Dolphin Group is actively participating in these settlement discussions.

STATE BUDGET UPDATE

While California has long had a reputation as an unwieldy state to govern with perpetual budget issues, the current budget crisis appears to have far surpassed any previous problem.

The major issues are these: 1) California faces a current-year budget shortfall of approximately \$14 billion dollars. 2) The 2009-10 budgetary shortfall is expected to be approximately \$25 billion. 3) The state is expected to run out of cash needed to pay its bills by February 2009.

While these problems have been allowed to worsen for months, no deal has yet been reached to resolve any of these issues.

The Republican leadership, as well as the rank-and-file members, have remained in solidarity against any tax increases, at least until the Democratic leaders agree to a variety of economic stimulus projects and rollbacks of environmental standards. The two-thirds requirement of both houses to approve any tax increases results in a stalemate.

In response to this situation, Assembly Speaker Karen Bass (D – Los Angeles) and Senate President Pro Tem Darryl Steinberg (D – Sacramento) hatched a plan in mid-December to increase revenues using only a majority vote. The plan rolled back a variety of taxes, while increasing other tax rates to achieve “tax neutrality.” Then, various fees were increased (which require only a majority vote to implement). One such example is the per-gallon gas tax was eliminated, while a per-gallon “fee” was established at a higher rate than the current tax basis. The net result was increased revenues of nearly \$10 billion achieved by a majority party-line vote. The plan also included an array of spending cuts.

Governor Schwarzenegger immediately threatened to veto the package, but signaled that his concerns related to the fact the package didn’t adequately implement his requested economic stimulus plan, which includes rollbacks of some environmental standards for infrastructure projects.

As a result, Democratic leaders and the Governor have remained in discussions throughout December, with optimism on both sides that a mid-year budget correction agreement can be reached by early January. **The Republican leadership has been largely excluded from these discussions, and have threatened to challenge in court any agreement that raises revenues through the proposed tax-versus-fee switch.**

Meanwhile, State Treasurer Bill Lockyer (D) has declared that the state will run out of cash by February 2009. State Controller John Chiang (D) has also announced he has begun to explore other borrowing opportunities, albeit at a much higher interest rate. **State funds for infrastructure programs have also been halted, at least temporarily, impacting hundreds of projects due to the state's cash crisis.**

LEGISLATIVE UPDATE

Given the current budget situation, many believe legislators will be preoccupied with the state's budget crisis and unable to effectively pursue other key issues. Nevertheless, two broad measures related to energy have already been introduced by legislative leaders. Also, one measure related to feed-in tariffs that failed late last year has been reintroduced into the new session.

Legislators have until January 30, 2009 to submit bill requests to the Office of Legislative Counsel. All new measures must be introduced before February 27. Policy committee hearings on all new measures are expected to begin as early as February.

The new session has also brought new leadership to the two major electricity policy committees. Assemblymember Felipe Fuentes (D – Los Angeles) will be Chair of the Assembly Utilities and Commerce Committee, while Senator Alex Padilla (D – Pacoima) will head the Senate Committee on Energy, Utilities and Communications. The two legislators are very close. They represent the same area, and Fuentes was Chief of Staff to Padilla when he served on the Los Angeles City Council.

Renewable Energy Production

In the last legislative session, IEUA and DGI were heavily involved in the development of SB 1714 (Negrete-McLeod D-Chino). Although the bill ultimately failed passage, the measure would have freed up funds from the California Solar Initiative (CSI) and Self-Generation Incentive Program (SGIP) for use in the feed-in tariff programs established by AB 1969 (Yee – 2006). The author has reintroduced the measure in 2009 as Senate Bill 32.

CA SB 32	AUTHOR:	Negrete McLeod [D]
	TITLE:	Renewable Electric Generation Facilities.
	INTRODUCED:	12/02/2008
	SUMMARY:	Requires an electrical corporation to file with the Public Utilities Commission a standard tariff for the electricity purchased from an electric generation facility that is owned, leased, or rented by a retail customer of the corporation. Requires the facility to have a specified effective capacity. Requires the facility to be strategically located and interconnected to the electric grid. Requires that the tariff provide for a base payment rate utilizing a specified formula.
	Position:	Watch

Both Governor Schwarzenegger's Executive Order and the recently approved CARB GHG Scoping Plan have set the goal that the Renewable Portfolio Standard should be increased from its

- CA AB 45 **AUTHOR:** Blakeslee [R]
TITLE: Distributed Generation: Small Wind Energy Systems
INTRODUCED: 12/01/2008
SUMMARY:
States the intent of the Legislature to encourage local agencies to support the state's renewable energy procurement requirements by developing and adopting ordinances that facilitate the installation of distributed generation small wind energy systems.
Position: Watch
- CA AB 46 **AUTHOR:** Blakeslee [R]
TITLE: Energy: Energy Conservation Assistance
INTRODUCED: 12/01/2008
SUMMARY:
Relates to existing law that provides for the State Energy Conservation Assistance Account to provide grants and loans to local governments and public institutions to maximize energy use savings, and provides that all loans outstanding as of a specified date are required to continue to be repaid until paid in full, and all unexpended funds in the account on and after that date are required to revert to the General Fund. Extends the operations of these provisions to a specified date.
Position: Watch
- CA AB 49 **AUTHOR:** Feuer [D]
TITLE: Water Conservation: Urban Water Use
INTRODUCED: 12/01/2008
SUMMARY:
Relates to water conservation measures, programs, and incentives that prevent the waste of water and promote the reasonable and efficient use and reuse of available supplies. Requires the state to achieve a reduction in urban per capita water use by a specified date.
Position: Watch
- CA AB 51 **AUTHOR:** Blakeslee [R]
TITLE: Public Utilities Commission: Demand-Side Management
INTRODUCED: 12/01/2008
SUMMARY:
Expresses the intent of the Legislature to enact legislature to enact legislation that would require the Public Utilities Commission to integrate the demand-side management programs within its jurisdiction in order to enable offerings of integrated packages that will maximize savings and efficiency of utility program overhead.
Position: Watch
- CA SB 7 **AUTHOR:** Wiggins [D]
TITLE: Renewable Energy Sources: Net Metering
INTRODUCED: 12/01/2008
SUMMARY:
Relates to the Public Utilities Act, which imposes various duties and responsibilities on the Public Utilities Commission. Relates to a standard

contract or tariff for net energy metering. Requires an electric distribution utility or cooperative, at the discretion of an eligible customer-generator to take specified action in relation to net surplus electricity produced. Provides that only part or all of the electricity needed by a consumer is eligible for monetary incentives under solar initiative programs.

Position: Watch

CA SB 17

AUTHOR: Padilla [D]
TITLE: Electricity: Smart Grid Systems
INTRODUCED: 12/01/2008
SUMMARY:

Requires the Public Utilities Commission to determine the requirements for a smart grid deployment plan consistent with the policies set forth in federal law. Requires each electrical corporation to develop and submit a smart grid deployment plan to the Commission.

Position: Watch

CA SB 31

AUTHOR: Pavley [D]
TITLE: Global Warming Solutions Act
INTRODUCED: 12/02/2008
SUMMARY:

Relates to the Global Warming Solutions Act of 2006. Requires that revenues collected pursuant to compliance mechanisms adopted by the State Air Resources Board be deposited in the Air Pollution Control Fund. Specifies certain uses of the revenues collected pursuant to the fee and the compliance mechanisms.

Position: Watch



Date: January 21, 2009

To: The Honorable Board of Directors

Through: Public, Legislative and Water Resources Committee (1/14/09)

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

Submitted by: Martha Davis
Executive Manager of Policy Development

Subject: December Legislative Report from Geyer and Associates

RECOMMENDATION

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

BACKGROUND

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

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RWA:MD

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BILL GEYER
JENNIFER WEST



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

MEMORANDUM

TO: Rich Atwater and Martha Davis
FROM: Jennifer West
DATE: December 23, 2008
RE: Sacramento Legislative Report

Budget Impasse Continues

As you have read in the press, the Budget deficit in Sacramento has dominated the Legislature's attention in the last month. The deficit, for now, is a \$15 billion gap between income and outgoing this year and another \$25 billion in 2009-10. The Democratic majority, frustrated by the Republican's unwillingness to raise taxes and other revenues, passed a package of bills that contained revenue and program cuts. The Governor swiftly threatened to veto all the bills. If he had not done so, it is likely that lawsuits would have been filed claiming the bills that raised revenue were unconstitutional because they lacked a 2/3 vote. Unfortunately, the whole process further aggravated members of both parties. A day after the vote on the bills, the SWRCB sent out notices that all new grant funding requests will be denied until further notice. Then the Governor reduced all state workers' pay by 10 percent and instituted a furlough. The State Controller and Treasurer have reported that the state will completely run out of cash in February.

Bill Introductions

Attached is a list of all bills introduced in December pertaining to water and some energy measures. This year we can expect many bills to be introduced related to water conservation that implement the Governor's Executive Order calling for a reduction in per capita water use by 2020. IEUA is working closely with SAWPA, Western Municipal and the Irvine Ranch Water District to craft a water conservation measure that could be implemented, while accounting for recycled water use and other existing water conservation measures. Also, many legislators are expected to introduce Delta bills implementing some components of the Final Delta Vision. There are already a number of bills introduced on this topic.

IEUA will continue to explore the possibility of reintroducing the legislation that will give local agencies, more control over salinity discharges from residential self-regenerating water softeners.

New Bill Introductions for 2009-10 Legislative Session

AB 13 (Salas) Delta Conservancy

This bill would establish the Sacramento-San Joaquin Delta Conservancy to provide policy oversight, foster implementation of, and manage funds to implement those components of, a comprehensive delta sustainability program intended to restore and manage habitat in the Sacramento-San Joaquin Delta and Suisun Marsh.

AB 25 (Glimore) Surface Water Storage

This bill would state the intent of the Legislature that the department complete, by the earliest possible date, the necessary environmental documentation for the surface water storage projects identified in the Programmatic Record of Decision in order to expedite the construction of vitally needed surface water storage.

AB 39 (Huffman) Final Delta Vision

This bill would declare the intent of the Legislature to enact legislation to implement the recommendations in the Final Delta Vision Strategic Plan issued by the Delta Vision Blue Ribbon Task Force and the Delta Vision Committee established pursuant to Executive Order S-17-06 and Chapter 535 of the Statutes of 2006.

AB 49 (Feuer) Water Conservation

This bill would require the state to achieve a 20% reduction in urban per capita water use in California by December 31, 2020.

AB 55 (Jefferies) Water Supply Planning

This bill would revise that definition of "project" to provide that specified business, commercial, hotel or motel, industrial, manufacturing, and mixed-use developments are within the scope of that definition only if the projected water demand of the development would be equivalent to, or greater than, the amount of water required by a 500 dwelling unit project, as determined by the public water system.

SB 7 (Wiggins) Renewable Energy: Net Metering

This bill would require the electric distribution utility or cooperative, at the discretion of the eligible customer-generator, to either: (1) provide net surplus electricity compensation for any net surplus electricity generated in the 12-month period, or (2) allow the eligible customer-generator to apply the net surplus electricity as a credit for kilowatt hours consumed during the following, and any subsequent, 12-month periods.

SB 12 (Simitian) Delta

Enacts a water bond for Delta conveyance. Establishes a Delta Conservancy through the California Coastal Commission and enacts a \$50 per acre foot fee for water pumped through the conveyance facility.

SB 26 (Simitian) Home Generated Pharmaceutical Waste – Recommend Support

This bill would require the California State Board of Pharmacy to coordinate with other state agencies, local governments, drug manufacturers, and pharmacies to develop sustainable, efficient policies and programs to manage pharmaceutical wastes and the disposal of devices. The bill would authorize a pharmacy to accept the return of home-generated pharmaceutical waste and home-generated sharps waste, as defined. Would make local pharmaceutical waste disposal programs available for grant funding.



Date: January 21, 2009

To: The Honorable Board of Directors

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

Submitted by: Sondra Elrod
Public Information Officer

Subject: Public Outreach and Communications

RECOMMENDATION

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

Calendar of Events

January 2009

- **January 12**, Chino Basin Desalination Case Study (UCSC), Event Room, 9 AM to Noon
- **January 14**, Rancho Cucamonga State of the City Address, 11:30 a.m., Red Hill Country Club
- **January 23-24**, MWD/IEUA State Water Project Trip
- **January 29**, State of the Santa Ana River Watershed, 10:00 a.m. to 3:00 p.m., Ontario Convention Center.
- **January 29**, Fontana State of the City Address, Breakfast session at 7:30 a.m. Lunch session at 11:30 a.m. Jesse Turner Center at Fontana's new park.
- **January 30**, NRWI Workshop, Event Center, 9:30 a.m.

February 2009

- **February 25**, A Day at the Chino Creek Wetlands and Educational Park as part of National Wetlands Month, 3:30 p.m. to 5:30 p.m.

March 2009

- **March 4**, Ontario State of the City Address. 4:00 p.m. to 8:00 p.m., Ontario Convention Center.
- **March 16**, IEUA hosts Special District Dinner at the Panda Inn in Ontario, 6:00 p.m.

April 2009

- **April 22**, Earth Day at the Chino Creek Wetlands and Educational Park, 3:30 p.m. to 5:30 p.m.

OUTREACH/EDUCATIONAL INLAND VALLEY DAILY BULLETIN NEWSPAPER CAMPAIGN

The 5 tips on ways to help conserve water ad will appear in the Daily Bulletin on the first Sunday of each month. During the month of January, the Automatic Water Softener Removal Rebate ad will be running on our local TV channels such as Disney, Life, CNN, and Bravo. Our 2009 outreach with the Daily Bulletin will begin in February with a two page Education piece and the 8-page ad that features each of our partners.

WATER CONSERVATION OUTREACH

IEUA met with its conservation partners to plan its 2009 Daily Bulletin Community Outreach Conservation ads. We will be meeting with Chris Lancaster to have a few sample ads put together for the conservation partners to review.

AGENCY TOURS

During the past month staff provided tours of the HQ and RP-5 SHF.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

PEACE II CEQA Anticipated Schedule (12/24/08)

(Dates meant to be approximate)

1/1/08—TDA will finish draft Project Description for review. It will describe the project and the major issues. WEI, IEUA and CBWM are expected to provide key input.

1/15/09—TDA will provide WEI with a list of supporting exhibits needed (tables, graphs, charts, etc.)

2/1/09—TDA will release draft Initial Study and Notice of Preparation.

2/15/09—IEUA/CBWM will hold a Scoping Meeting so other agencies (water mgt agencies and regulatory agencies) will identify their concerns.

2/01/09 – 3/01/09—WEI will perform any necessary modeling, such as overlaying the Peace II and DYY models and looking at water level impacts. The parties identify mitigation measures and perform additional modeling.

3/1/09—CEQA Document released for public for review for 45 days.

4/15/09—End of 45-day public review period.

4/30/09—TDA finishes responses to comments.

5/20/09—Board adoption.

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CHINO BASIN WATERMASTER

VII. INFORMATION

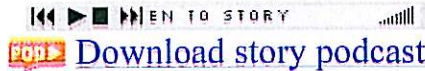
1. Newspaper Articles





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Corona council to consider water conservation rules



10:00 PM PST on Tuesday, December 16, 2008

By ALICIA ROBINSON
The Press-Enterprise

Corona officials are emphasizing incentives to conserve water, but new rules proposed in the city also include punishments for residents who waste the commodity.

In the face of the state's two-year drought and the threat of water rationing, government officials at all levels are encouraging people to cut water use voluntarily.

"We're going to be using a lot of programs to help people conserve, and we believe within a very short period of time we can change the way people use water," said Jonathan Daly, general manager of Corona's Department of Water and Power. "We're going to be using the carrot, not the stick."

In Corona's proposed water conservation ordinance, which the City Council will discuss tonight, the carrot is educating people, increasing use of recycled water, and installation of water-saving devices and landscaping. The city would help people take advantage of rebates on efficient appliances and landscaping. Cutting water use means lower bills.

The rule would set five levels of conservation based on the severity of the water shortage. At the lower levels, water customers might be asked to water lawns only on specific days, fix leaky sprinklers and reduce water use by a certain percentage.

Then comes the stick. During water shortages, those who over-water their yards, don't reduce water use as required or otherwise fail to conserve could receive misdemeanor citations and the city could restrict or cut off their water supply.

Daly said he believes the rules could easily spur a 10 percent reduction in the city's water use, but the target is 20 percent. That could have a big impact on how much water the city must buy and import.

The city's 44,000 water customers use about 9 billion gallons a year, and about 42 percent of that is imported, Daly said.

That imported water is a key reason for Corona's new rules. The Metropolitan Water District -- the wholesaler that sells water to local agencies that then sell it to cities -- has seen its water supplies

reduced by court orders and droughts around the West.

The water district has needed to draw from its reserves, and the possibility of restricting how much water it sells is still on the table for 2009, said Steve Arakawa, manager of the district's water resource management group.

"We need people to understand that our water comes from the Colorado River and from Northern California," he said. "This rain down here doesn't fix our problem."

Arakawa said about 85 cities in the Metropolitan Water District's six-county service area have rules similar to Corona's proposal.

Corona Councilman Eugene Montanez said most people want to conserve but may not have the tools or information they need.

"I really do think the majority of people are concerned, and I think this will just raise the awareness," he said.

Reach Alicia Robinson at 951- 368-9461 or arobinson@PE.com

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Monday's downpour brings much needed rain to IE

Mediha Fejzagic DiMartino, Staff Writer

Created: 12/15/2008 09:55:07 PM PST

Photo Gallery: Winter storm

Monday's downpour was a welcome change for Claremont resident Owen Keavney.

"I worry about Southern California. It needs rain," Keavney said. "Water shortage is our biggest problem."

Jim Merrill was ducking raindrops while carrying a box of pastries he just bought at Some Crust Bakery in Claremont. The change in weather didn't seem to bother him, either.

"It's great," Merrill said. "Water sustains life."

The rain rolled in Sunday night through 5 p.m. Monday. Ontario had 1.69 inches, Upland 1.95, while Chino Hills soaked up more than 2.5 inches.



A car sits partially submerged in floodwaters on Francis Street near Grove Avenue on Monday in Ontario. A winter storm hit the Inland Valley early Monday dumping up to 3 inches of rain, which caused streets to flood in some areas. (Jennifer Cappuccio Maher/Staff Photographer)

Showers are expected to continue today with highs around 54 degrees, according to Accuweather. The rain will stick around until Wednesday evening, when temperatures near freezing are expected. Thursday and Friday will be sunny and cool with patchy clouds.

Driving in the rain can be a hassle, admitted Juan Cuara, of Ontario.

"We are used to the sun, so we get spoiled," Cuara said. "As long as you drive slow and you pay attention, it should be OK."

Bryan Castleman drove into the San Gabriel Mountains on Mt. Baldy Road with his wife early Monday morning and found snow below the tunnels, just south of Mt. Baldy Village.

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The Castlemans said several abandoned cars were stuck in the snow on the side of the road. Traffic dwindled to a single lane in both directions. By noon, the road was cleared.

"It's just gorgeous here," said Susan Castleman, who works at the Mt. Baldy Lodge. "It looks like a Christmas card."

The snowfall brought a handful of skiers to Mt. Baldy's slopes.

"The bottom half of the mountain is open right now," said Pete Olson, president of Mt. Baldy Ski Lifts.

All lifts were to be open by today.

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Fontana public works gets water rebate

Josh Dulaney, Staff Writer

Posted: 12/10/2008 09:02:19 PM PST
FONTANA - It's the cliché that pays. The city got some greenbacks for "going green" last summer.

The Metropolitan Water District of Southern California has awarded the Public Works Department a rebate of more than \$94,000 for computer-controlled irrigation-system equipment it installed in the Southridge Community Facilities District in July.

The irrigation-system upgrades were conducted as part of a water-conservation pilot program designed to enable the department to better monitor and track water use in park and landscape areas.

The upgraded equipment will help eliminate over-watering through the use of computer-generated watering schedules based on weather conditions and other specific needs.

"It tracks humidity, wind speed and temperature, and basically the rate at which soil loses moisture," said Dan West, manager of parks and landscape.

The city will measure water use and compare it with previous years in order to evaluate equipment and upgrades, as well as improve

irrigation water use throughout the city's landscape areas.

Chuck Hays, public works director, said city officials are excited about the program's potential.

"Clearly, conserving water and lowering costs would be of tremendous benefit for our community," Hays said in a news release. "And we are thrilled that the Metropolitan Water District is supporting our efforts in this regard."

The city has about 65 community facilities districts. The Southridge district extends roughly from Jurupa Avenue between Sierra and Mulberry avenues to the edge of Riverside County, West said.

He said the city is looking next to do similar upgrades in the landscape maintenance district in the Hunters Ridge community.

For further information about the city's water-conservation pilot program, call (909) 350-6518

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Chino water agency grows

Western Municipal is added and pledges \$46M for work

Neil Nisperos, Staff Writer

Posted: 12/09/2008 09:32:19 PM PST

A new player is coming on board to the Chino Basin Desalter Authority, the region's water wholesaler, to help with the expansion of wells and the ability for the basin to sustain itself, officials said.

Western Municipal Water Agency joins the authority, which provides potable water to local water providers in the area. Western Municipal has pledged \$46 million toward a \$120million project to expand the Chino desalter within the next five years.

The authority's facilities remove salts of nitrates and other materials from groundwater pumped from the basin, making additional water available to its partners.

"I think this is going to enhance the longtime future of the Chino Desalter

Authority," said Ken Manning, CEO of the court-appointed Chino Basin Watermaster, which oversees regional water issues.

"I think it's going to bring a lot of strength to the CDA well into the future. This really does enhance the ability of the Chino Basin to become self-sufficient as water is becoming more and more scarce."

The authority includes Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District, the Santa Ana River Water Co., and the Inland Empire Utilities Agency as a nonvoting member. The authority represents 15 percent of the water in the Chino Basin, a large underground aquifer that serves as the region's major water source.

Earlier this year, some CDA members were concerned about the impact of authority voting power, future water supplies and cost.

"I think they came to the realization that Western was not going to dominate. Western was coming in to be equal partners. A couple of the agency members were afraid they would get rolled over by a consortium of other

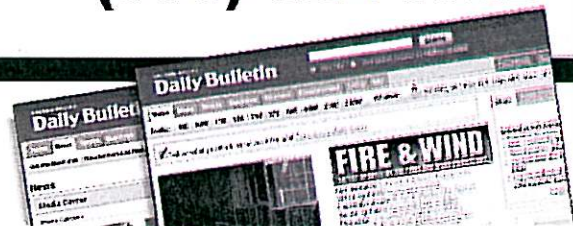
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members, but they were able to work the details out to get assurances that wouldn't happen. I'm glad they were able to work that out," Manning said.

The planned expansion project would bring an output of 35 million gallons of water annually to the authority, up from the current yield of 25 gallons.

Since desalination efforts began 10 years ago, about 60 percent of infrastructure for the authority has been completed.

Officials expect the expansion, which includes the drilling of four to six new wells, will be completed around 2012 or 2013, said Richard Atwater, CEO of the Inland Empire Utilities Agency.

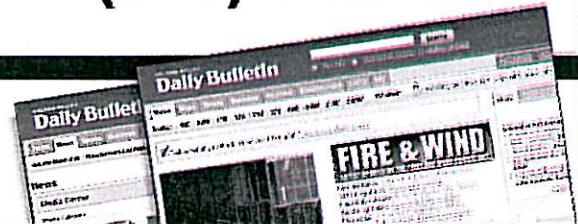
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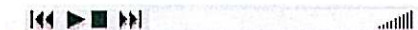


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Perris officials vote to begin process of buying water company



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10:00 PM PST on Tuesday, November 25, 2008

By JULISSA McKINNON
The Press-Enterprise

In hopes of purchasing its own water source, the Perris City Council voted unanimously Tuesday night to begin the eminent domain process to acquire the McCanna Ranch Water Company.

For years Perris has relied on the Eastern Municipal Water District as its sole water supplier. City officials say that buying the small water company, which currently supplies the Villages of Avalon housing tract and Amelia Court in northeastern Perris, would be a way for Perris to start achieving water independence.

"We need to look at any and every option to reduce our dependency on EMWD," Councilman Mark Yarbrough said. "Even drilling wells is not out of the question. Water is very, very political."

Yarbrough said acquiring the water company would mean long-term cost savings to the city, which could set its own rates. Perris residents would no longer be subject to water rate increases from EMWD, which often passes on the price hikes by the Metropolitan Water District of Southern California, he said.

For months Perris officials have been negotiating the purchase of the water supply with Barratt American, the company that owns all of McCanna's stock. The city has proposed paying \$11 million overall for the entire water system, which draws its water from an underground stream that receives some Lake Perris flow seeping from under the dam.

So far it appears Barratt American is interested in streamlining the eminent domain process for the city by waiving some of the notices and "procedural steps" usually involved, according to Perris City Attorney Eric Dunn.

"They would essentially be waiving the timeline," Dunn said. He explained that eminent domain, the legal process by which cities can forcibly take property for the public interest, is typically a lengthy endeavor involving multiple notices and hearings.

City officials are leaning toward acquiring the water company by eminent domain. Unlike a standard purchase, an eminent domain acquisition would not require approval from the state Public Utilities Commission, Dunn said.

"When you're talking about an approval from the Public Utilities Commission, it's not weeks or months, it's years. It's costly and there are a lot of hearings involved," Dunn said.

Reach Julissa McKinnon at 951-375-3730 or jmckinnon@PE.com



SB County rescues troubled water company

Lauren McSherry, Staff Writer

Created: 11/19/2008 08:43:52 PM PST

San Bernardino County officials are being praised for helping speed along the rebuilding effort in Cedar Glen by taking the first steps to take control of the financially troubled water company.

"This action finally puts to rest this albatross of debt that has been hanging over the community for years," said 3rd District Supervisor Dennis Hansberger in a statement.

Cedar Glen, a community in the San Bernardino mountains, was destroyed by the Old Fire in 2003.

More than five years later, redevelopment in the area has been hindered by a number of factors, one being the area's obsolete water system controlled by Arrowhead Manor Water Co.

During the fire, firefighters could not get enough water pressure for their hoses and the roads could barely accommodate their firetrucks.

Many of the properties cannot be rebuilt because of the poor condition of the water delivery infrastructure, a county report states.

David Stuart, executive director of Rebuilding

Mountain Hearts and Lives, hopes the situation will never be repeated now that the water company is being placed under the county's jurisdiction.

The Board of Supervisors voted Tuesday to spend nearly \$1 million to bail the water company out of an outstanding loan.

The county plans to purchase the water company for \$300,000 and replace the aging infrastructure, said John Richardson, who was appointed by the Superior Court to help resolve the situation.

"It's been a long, long, hard road," he said. "And I appreciate the county finally making it through all the hoops they had to jump through."

Stuart said the debt had been particularly unfair to ratepayers.

"Before they even began rebuilding, they had been making their payments with their rate bill thinking it had been paid," he said.

Stuart said the loan, which was well more than 20 years old, hurt redevelopment.

Fewer than 50 of the 336 houses that burned have been rebuilt, he said.

The county's intervention will help create a viable water company and will provide new water tanks for firefighters, improved roads with turnarounds and a second exit route from the community to assist emergency evacuations,

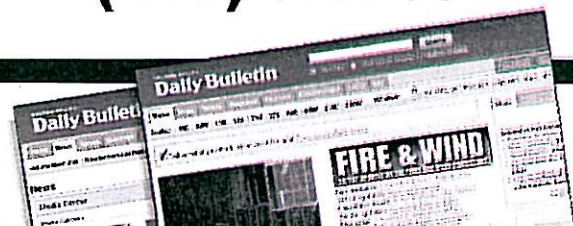
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Stuart said.

"This is one time where you have seen a politician that read his job description and looked out for his constituents," Stuart said of Hansberger, who spearheaded the effort.

Assemblyman Anthony Adams, who represents the area, sponsored and rallied support for state legislation that eliminated some debt incurred by the water company.

The bill passed in September and takes effect Jan. 1.

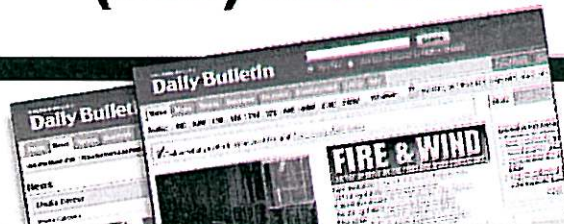
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Western set to join Chino Desalter Authority Partnership is crucial to diversifying local water supply

RIVERSIDE, CA – November 25, 2008 – Southern California faces drought conditions that threaten the Inland Empire's economic vitality and environmental health. In response to this challenge, a partnership of cities and water agencies are joining forces to create new local water supplies.

As a first step, the Chino Basin Desalter Authority (CDA) approved Western's membership into the partnership with Jurupa Community Services District, the Santa Ana River Water Company, Inland Empire Utilities Agency, and the cities of Chino, Chino Hills, Norco and Ontario. Working cooperatively, these agencies built and operate the Chino Desalter facility that creates clean drinking water by removing salts and nitrate from otherwise non-useable groundwater.

Western's participation will accelerate creation of new water supplies at the Chino Desalter as part of a Phase 3 expansion. This \$110 million project involves construction of new wells, groundwater treatment and water distribution facilities in the lower Chino Basin. Once complete in 2013, the expanded facility will allow for the additional delivery of 10,000 acre-feet of water annually to Western and other CDA members.



Reverse osmosis equipment used in desalting facilities.

"One of the biggest challenges we face as a region is securing new sources of water as imported supplies diminish. We applaud the CDA decision to add Western to the Authority, and the subsequent expansion of the Chino Desalter facilities. Both fit together as critical elements to diversifying our local water supply," said Western General Manager John V. Rossi.

The vote to bring Western into the CDA is part of a remarkable collaborative effort among dozens of municipalities and water users in the Chino Basin. Their goal is to achieve local sustainability by cleaning up and recharging the local aquifer. "If we want to sustain America's economic growth and provide for a rapidly increasing population, we must ensure our communities have efficient and reliable access to water resources by encouraging the use of innovative technologies through water recycling and desalination," said Congressman Gary Miller. Congressman Miller sponsored the "Santa Ana River Water Supply Enhancement Act of 2008" legislation authorizing up to \$26 million in federal funding under the Bureau of Reclamation to increase groundwater desalination in the Chino Basin. The Senate Energy Committee unanimously approved the legislation in September and the bill awaits further action on the Senate floor.

The federal funding represents about 20 percent of the cost to expand the Chino I and II desalters. In addition, the bill authorizes \$10 million, from the Bureau of Reclamation, and in cooperation with Orange County Water District, to create wetlands along the Santa Ana River providing an expanded natural treatment system to purify the River before it replenishes Orange County's groundwater supply.

- more -

Western set to join Chino Desalter Authority
From page 1

“As imported water supplies from the Colorado River and State Water Project are reduced, we have been actively seeking additional water sources. By joining the CDA, Western is taking the action necessary to expand our local water supply, and we are deeply grateful to the members who have admitted us to the CDA,” said Charles D. Field, Western board director, who also represents Western on the Chino Basin Watermaster Board.

“Western's responsible leadership in regional water resource management will help ensure our community continues to be blessed with clean, reliable water supplies for generations to come,” said Donald D. Galleano, Western board director, representing the Division 4 service area that is adjacent to Chino Basin.

In addition to expanding new water supplies, benefits of the Chino Desalter operation include: achieving hydraulic control of the Chino Groundwater Basin outflow to the Santa Ana River; increasing desalter groundwater pumping from the lower Chino Groundwater Basin to 40,000 acre-feet per year; removing salts and other impurities from the groundwater basin; and a minimum of 10 million gallons a day of additional water to Ontario, Jurupa and Western.

Western Municipal Water District provides water supply, wastewater disposal and water resource management to the public in a safe, reliable, environmentally sensitive and financially responsible manner.

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Inland agencies receive state grants in water conservation program

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08:14 PM PST on Tuesday, November 25, 2008

By JANET ZIMMERMAN
The Press-Enterprise

Do you have grass that's drinking up water and getting little use? You could get paid to rip it up under a state-funded rebate program aimed at stretching California's water supply through another year of drought. The state Department of Water Resources will fund programs from 53 water agencies around the state for turf removal and other water-saving measures, such as low-flow toilets and climate-sensitive irrigation controls. The \$17 million pot of money also will be used by water districts for public education, leak detection and retrofitting systems for better efficiency, spokesman Matt Notley said.

Two of the biggest single grants went to water suppliers that serve the Inland area: \$2 million to Metropolitan Water District, Southern California's largest water wholesaler, and \$1 million to the Inland Empire Utilities Agency, which serves Fontana and other cities in western San Bernardino County.

Consumers should check with their water supplier about possible rebates.

The grant money comes from a \$3.44 billion bond measure -- the Water Security, Clean Drinking Water and Coastal and Beach Protection Act -- passed by voters in 2002. The funds are going out this week, Notley said.

MWD will put its \$2 million grant toward a large-scale turf removal rebate program, the first such effort to be done on a regional basis, said Carolyn Schaffer, a project manager.

The agency will match the grant with \$5 million from its water stewardship fund, financed by fees charged to member agencies, she said.

The cash-for-grass program is expected to begin early next year for about 18 million people served by MWD's 26 member agencies. Residential and commercial customers will be eligible.

Details are still being worked out, but the plan is to pay \$1 per square foot of grass that is removed, Schaffer said.

Homeowners could reduce their water use by half or more if they replace grass with California native plants that thrive on little moisture, she said. Replacing grass with plants that can be watered with a drip

system also could reduce runoff from irrigation overspray.

Replacing 1 square foot of grass with water-saving trees, shrubs and flowers saves an average of 55 gallons of water per year, according to the Southern Nevada Water Authority, which has a similar rebate.

The program is not meant to be anti-grass, Schaffer said.

"Functional turf is very important; we're not proposing that it be removed. But if people have areas of lawn and all they're doing is mowing and watering it and they want to do something else with it, this is an incentive to do that," she said.

The Inland Empire Utilities Agency will use the cash to help businesses and the seven cities it serves connect to recycled-water pipes so they can use nonpotable water for irrigation, spokeswoman Sondra Elrod said. Beneficiaries could include parks, schools and golf courses.

The agency, which serves Fontana, Ontario, Rancho Cucamonga, Montclair, Upland, Chino and Chino Hills, already was working on the infrastructure for the connections from water treatment plants under the governor's proposal to cut back on water use by 20 percent by the year 2020, she said.

But with the grant money, "we figure what we were going to do in 10 years we're going to do in three," Elrod said.

Reach Janet Zimmerman at 951-368-9586 or jzimmerman@PE.com



Scientists spot La Nina: Dry year ahead

By Dan Abendschein, Staff Writer

Posted: 01/12/2009 06:02:01 PM PST

LA CANADA FLINTRIDGE - Scientists at JPL on Monday said they've detected a La Nina oceanic effect that typically signals a warmer, drier winter.

The Pacific weather pattern that occurs every few years will bring another unusually dry winter to Southern California, said Josh Willis, a oceanographer and climatologist at the Jet Propulsion Laboratory in La Canada Flintridge.

"With weather, it is always a roulette table," he said. "But it does look like we are in for drier weather."

No storms are forecast in the National Weather Service's 10-day weather outlook, Willis added.

The early winter storms of December gave Southern California a boost, providing above-average rainfall for the season, right up until the last storm hit around Christmas, said Willis.

But conditions have dried considerably since then - now the rainfall amount is about an average for this time of year, he said.

La Nina has the opposite effect on Southern California as El Nino, a weather pattern that

brings warm ocean temperatures to the Pacific coast of South America, dry weather to the Midwest, and heavy rain to the Southwest.

With La Nina, which brings colder-than-normal ocean temperatures to the Pacific, Southern California gets dry weather, while the Midwest and the Pacific Northwest get all the rain and snow.

"Basically, it just steers the jet stream further north," Willis said.

The dry weather locally is part of a longer-term weather effect, called the Pacific Decadal Oscillation, said Willis. Right now, the country's entire Southwest is locked in a pattern of dry weather.

Of the last 10 Southern California winters, eight have been dry, with 2004 and 2005 the only two wet years.

Those years of drought have been troublesome for Los Angeles County's Metropolitan Water District, which gets most of its water from the Northern California snowpack and the Colorado River.

The MWD is already been anticipating a dry winter this year, said Bill Muir, spokesman.

More concerning for the agency, he said, is a state court ruling that mandates a cut in water use from the Sacramento River delta to protect the endangered delta smelt fish.

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Because of that ruling, MWD may have to set restrictions on county cities that purchase its water, which includes most of the cities in the San Gabriel Valley, Muir said.

Still, another dry winter doesn't help, he said.

"We've been looking at a worse-case scenario, and it looks like that is what we are facing now," said Muir.

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