



CHINO BASIN WATERMASTER



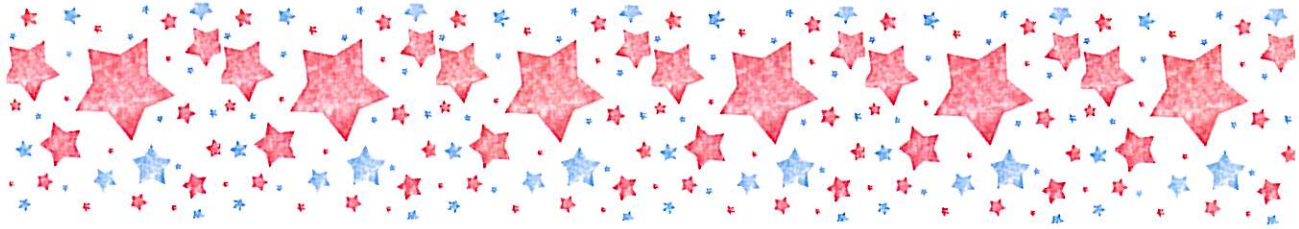
NOTICE OF MEETINGS

Thursday, July 23, 2009

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

(Lunch will be served)

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



CHINO BASIN WATERMASTER

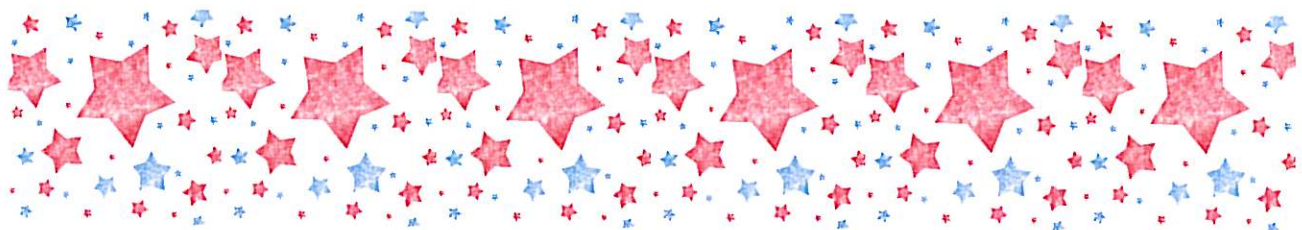
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AGENDA PACKAGE



**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

WITH

*Mr. Gene Koopman, Chair, Agricultural Pool
Mr. Robert DeLoach, Vice-Chair, Appropriative Pool*

9:00 a.m. – July 23 2009

At The Offices Of

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

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

Note: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by one motion in the form listed below. There will be no separate discussion on these items prior to voting unless any members, staff, or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

A. MINUTES

1. Minutes of the Advisory Committee Meeting on June 25, 2009 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of June 2009 *(Page 15)*
2. Watermaster Visa Check Detail *(Page 19)*
3. Combining Schedule for the Period July 1, 2008 through May 31, 2009 *(Page 21)*
4. Treasurer's Report of Financial Affairs for the Period May 1, 2009 through May 31, 2009 *(Page 23)*
5. Budget vs. Actual July 2008 through May 2009 *(Page 25)*

C. INTERVENTION INTO THE AGRICULTURAL POOL

1. Intervention into the Agricultural Pool from Guillermo Hurtado through the Well Used by Alfredo Jara's Mountain Green Nursery *(Page 27)*

D. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Monte Vista Water District will purchase 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona's net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage. Date of application: May 11, 2009 *(Page 31)*
2. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the company's anticipated Chino Basin replenishment obligation for Fiscal Year 2008-09. Date of application: May 21, 2009 *(Page 49)*

3. **Consider Approval for Notice of Sale or Transfer** – On June 3, 2009, Watermaster received Form 5, "Application to Transfer Annual Production Right or Safe Yield," with CalMat Company/Vulcan Materials Company as transferor and Aqua Capital Management LP as transferee in the amount of 317.844 acre-feet annual right, all water in its annual account will be transferred as well (the transfer does not include CalMat's water in storage as of June 30, 2008 of 315.637 acre-feet). Date of application: June 1, 2009 (*Page 61*)
4. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 3,400 acre-feet of water from the Marygold Mutual Water Company. Water will purchase the water at \$295.00 per acre-foot, which is the MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) (*Page 75*)

II. **BUSINESS ITEM**

A. **WATERMASTER AUCTION**

Retention of FTI and Mr. Harold Lea to Provide Auction Services (*Page 93*)

B. **BUDGET TRANSFER**

Consider Approval for Budget Transfer No. T-09-07-01 for OBMP-Condition Subsequent No. 7, Hydraulic Control Monitoring Program, Water Quality Committee, and Storage Program to OBMP-Data and CEO Requests, OBMP-SOB Report, Groundwater Quality Monitoring Program, Recharge Master Plan (*Page 103*)

C. **REVISED FORMS**

Consider Approval for the Revised Rules & Regulations Forms for Water Transfers and Land Use Conversions (*Page 107*)

III. **REPORTS/UPDATES**

A. **WATERMASTER GENERAL LEGAL COUNSEL REPORT**

1. June 29, 2009 Hearing

B. **ENGINEERING REPORT**

1. Recharge Master Plan Update
2. CEQA Modeling Assessment of Peace II

C. **FINANCIAL REPORT**

1. Year End Reporting

D. **CEO/STAFF REPORT**

1. Legislative Update
2. Recharge Update
3. Watermaster Policies

E. **INLAND EMPIRE UTILITIES AGENCY**

1. IEUA's Drought Plan Update - Oral
2. Recycled Water Status Report (*Page 119*)
3. Peace II CEQA Update (*Page 121*)
4. Water Conservation Programs Monthly Report (*Page 123*)
5. Monthly Water Use Report (*Page 132*)
6. Recycled Water Newsletter (*Page 135*)
7. State and Federal Legislative Reports (*Page 147*)
8. Community Outreach/Public Relations Report (*Page 177*)

F. **OTHER METROPOLITAN MEMBER AGENCY REPORTS**

IV. INFORMATION

1. Newspaper Articles (*Page 179*)

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Advisory Committee Rules & Regulations, a Confidential Session may be held during the Watermaster Advisory Committee meeting for the purpose of discussion and possible action.

VIII. FUTURE MEETINGS

July 23, 2009	8:00 a.m.	IEUA DYY Meeting @ CBWM
July 23, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
July 23, 2009	11:00 a.m.	Watermaster Board Meeting @ CBWM
July 23, 2009	1:00 p.m.	Recharge Master Plan Workshop #3 @ CBWM
August 11, 2009	9:30 a.m.	CBWM Hearing @ San Bernardino Court
August 13, 2009	8:00 a.m.	MZ1 Technical Committee Meeting @ CBWM
August 13, 2009	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting @ CBWM
August 18, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
August 18, 2009	8:00 a.m.	IEUA DYY Meeting @ CBWM
August 27, 2009	9:00 a.m.	Advisory Committee Meeting @ CBWM
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Meeting Adjourn

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**CHINO BASIN WATERMASTER
BOARD MEETING**

WITH

Mr. Ken Willis, Chair

Mr. Bob Kuhn, Vice-Chair

11:00 a.m. – July 23, 2009

At The Offices Of

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

AGENDA - ADDITIONS/REORDER

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C. FINANCIAL REPORT

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D. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update
3. Watermaster Policies

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V. BOARD MEMBER COMMENTS

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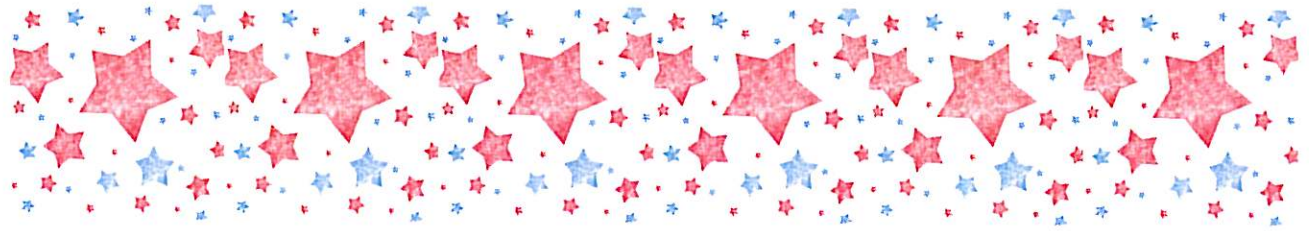
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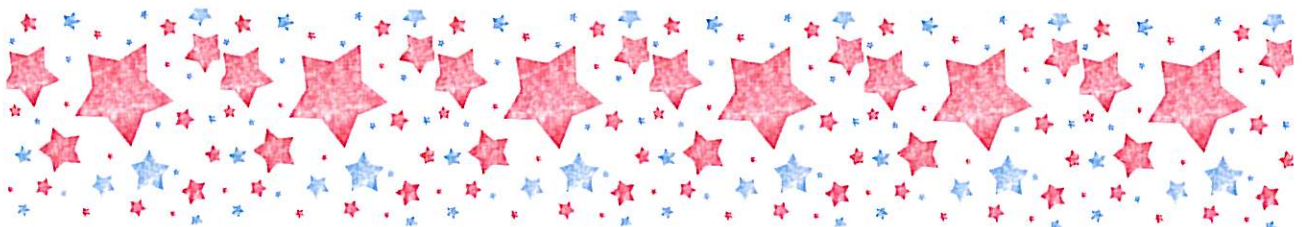


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting – June 25, 2009



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
June 25, 2009

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on June 25, 2009 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT

Appropriative Pool

Gene Koopman, Chair
Marty Zvirbulis
Mark Kinsey
Ken Jeske
Dave Crosley
Ron Craig
Raul Garibay
Robert Tock
Charles Moorrees
Robert Young
Mike McGraw

Milk Producers Council
Cucamonga Valley Water District
Monte Vista Water District
City of Ontario
City of Chino
City of Chino Hills
City of Pomona
Jurupa Community Services District
San Antonio Water Company
Fontana Union Water Company
Fontana Water Company

Agricultural Pool

Bob Feenstra
Jennifer Novak
Jeff Pierson

Ag Pool - Dairy
State of California Dept. of Justice, CIM
Ag Pool – Crops

Non-Agricultural Pool

Bob Bowcock
David Penrice

Vulcan Materials Company (Calmat Division)
Aqua Capital Management

Watermaster Board Members Present

Michael Camacho
John Rossi
Ken Willis

Inland Empire Utilities Agency
Western Municipal Water District
City of Upland

Watermaster Staff Present

Kenneth R. Manning
Sheri Rojo
Ben Pak
Danielle Maurizio
Sherri Lynne Molino

Chief Executive Officer
CFO/Asst. General Manager
Senior Project Engineer
Senior Engineer
Recording Secretary

Watermaster Consultants Present

Michael Fife
Mark Wildermuth

Brownstein, Hyatt, Farber & Schreck
Wildermuth Environmental, Inc.

Others Present

Sandra Rose
Steven Lee
Marty Zvirbulis
Rich Atwater

Monte Vista Water District
Reid & Hellyer
Cucamonga Valley Water District
Inland Empire Utilities Agency

Terry Catlin
 Martha Davis
 John Mura
 John Bosler

Inland Empire Utilities Agency
 Inland Empire Utilities Agency
 City of Chino Hills
 Cucamonga Valley Water District

Chair Koopman called the Advisory Committee meeting to order at 9:00 a.m.

AGENDA - ADDITIONS/REORDER

Mr. Manning stated there were three new handouts regarding the auction Business Item II A; 1) Revised Staff Letter, 2) Supplement staff letter, and 3) Exhibit A – Conditions for Storage and Recovery Agreement

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Advisory Committee Meeting on May 28, 2009

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of May 2009
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through April 30, 2009
4. Treasurer's Report of Financial Affairs for the Period February 1, 2009 through April 30, 2009
5. Budget vs. Actual July 2008 through April 2009

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

Moved to approve Consent Calendar A through C, as presented

II. BUSINESS ITEM

A. OVERLYING NON-AGRICULTURAL POOL AUCTION ISSUES

1. Storage & Recovery Agreement
2. Broad Benefit
3. Determination on Material Physical Injury

Mr. Manning stated this item has been on the Pools, Advisory Committee, and Watermaster Board agendas as a discussion item for the past several months; however, this month staff is seeking a motion to approve the three items presented. Mr. Manning noted this item comes to you from a majority vote from the Appropriative and Non-Agricultural Pools and a no action from the Agricultural Pool. At the Appropriative Pool it was decided a sub-committee would be formed to meet and discuss the MZ1 language; they met and the recommendation from that sub-committee was to remove the MZ1 language completely. A question regarding where the notation was made regarding MZ1 and Mr. Manning stated has been removed, making it a more generic document. Mr. Kinsey inquired about 2% storage loss and fees. A discussion regarding Mr. Kinsey's inquiry including lower storage losses and buy in fees ensued. Mr. Manning stated staff and counsel will present to the court the established fee based upon this recommendation and there will be discussion among the parties as to the refinement of this fee and this could be a part of the administration documents of the auction as a condition because it is not known who the buyers will be. Mr. Manning stated this is an existing storage account that has already been subject to losses as part of the overlying non-agricultural pool who has been contributing during the full measure of these activities. What is being presented is staff and legal counsel's recommendation to move this process forward. Mr. Kinsey inquired about the 10% dedication. Mr. Manning stated the 10% comes off the top; before the sale. Mr. Manning stated it is staff and counsel's opinion that the Storage & Recovery Template Agreement will not be presented to the judge for 30-60 days. Mr. Jeske noted things must be documented with backup provided whenever possible. Mr. Manning stated staff is willing and eager to have additional conversations about how staff might be able to build consensus and noted staff understands there are still concerns. Chair Koopman reviewed the discussions that took place at the recent Agricultural Pool meeting regarding the material physical injury analysis

and physical export. Counsel Fife noted there was a legal response presented recently in a previous staff report regarding export. Counsel Fife stated staff believes that the stored water is different from the water that is subject the prohibition on export and stated there is no prohibition on export in the Judgment; there is only a provision that states that export has to be replenished. Counsel Fife stated because this is a unique block of water and a one-time situation, it is justified under the Judgment and consistent with the intent of the Judgment that this water could be exported without replenishment. Mr. Bowcock stated the overlying non-agricultural pool sold its water to the Watermaster and that contract was signed over a year ago and this water is now Watermaster's water and it will be Watermaster's auction. Mr. Bowcock inquired about who is retaining the qualified consultant. Mr. Manning stated Watermaster will be retaining the auction consultant with a contract and that contract will go through the Watermaster process for approval. Mr. Manning stated there are three definitive actions being sought today and those are the findings of Broad Benefit, a determination on material physical injury, and the Storage & Recovery Agreement template. Mr. Manning stated the template is what will be presented to the court for final approval and that template could be used no matter who the buyer ends up being. There is no recommendation today to approve the auction administration today; however, this will come through the Watermaster process in July. A lengthy discussion regarding the three items presented ensued. Mr. Penrice inquired about exclusive compensation rights. A lengthy discussion regarding compensation rights and broad mutual benefits ensued. Counsel Fife stated the water is in storage and it must have a storage account so a proposed structure was created and part of that structure was the concept that the two are linked and it is not two separate transactions and the compensation under the Peace Agreement to the Non-Agricultural Pool is the money they received from the purchase under the Purchase & Sale Agreement. This has been circulating through the process for several months and the Non-Agricultural Pool voted to approve that structure and gave its consent to the agreement. Mr. Bowcock stated a Storage & Recovery Agreement is needed to for this deal however, for this one unique transaction there are many undefined outcomes for broad mutual benefit. A lengthy discussion regarding this matter ensued. It was decided a motion for each item would be taken separately.

1. Storage & Recovery Agreement

Motion by Zvirbulis, second by Jeske, and by majority vote – Agricultural Pool abstained

Moved to approve the draft Template Storage & Recovery Agreement through an auction process including a change in Recitals N removing the word unanimously, as presented

N. A template application has been approved unanimously by all Pools, the Advisory Committee, and the Board and no opposition was expressed to the proposed application for a Storage and Recovery Agreement. The date of approval by the Advisory Committee and Board was June 25, 2009 and Watermaster is prepared to execute a Storage and Recovery Agreement in accordance with the conditions of approval and the Judgment following the conclusion of a successful auction;

2. Broad Benefit

Motion by Jeske, second by Kinsey, and by majority vote – Agricultural Pool abstained

Moved to approve the findings for broad benefit as defined in the staff letter with the insertion of words "the Appropriative Pools share of," as presented

"Upon receipt of a written recommendation from the Appropriative Pool and further Board approval, Watermaster may authorize the use of excess revenues received from the Purchase and Sale Agreement for the Appropriative Pools share of capital improvements to be spread equitably among management zones and that are: (i) designed, approved and scheduled for timely implementation under the Court approved Recharge Master Plan or any approved yield enhancement/preservation program and (ii) will facilitate Watermaster's recharge goals of maintaining hydrologic balance within each Management Zone and the Basin. "Capital

improvements" means physical facilities that will be actually used in the production, storage, treatment, and distribution of water that will recharge the Chino Basin, including but not limited to recharge basins, injection wells, pipelines, and water supplies. The qualifying capital improvements may facilitate recharge directly or indirectly through approved in-lieu strategies."

3. Determination on Material Physical Injury
Motion by Kinsey, second by Jeske, and by majority vote – Agricultural Pool abstained
Moved to approve the determination on Material Physical Injury as amended by the supplemental staff report and amended Exhibit A to the Agreement dated June 25, 2009, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. June 29, 2009 Hearing

Counsel Fife stated there is a Watermaster hearing scheduled for Monday, June 29, 2009 at 9:30 a.m. and this hearing will cover Program Elements No. 4, 5, and 6. Presentations will be given by Watermaster staff and Watermaster consultants only. An email went out recently with the stipulation which applies to this hearing. The hearing should end around noon because the presentations being given are not lengthy.

2. Auction Administration Contract

Counsel Fife stated this item was covered in detail under the Business Item section. No further comment was made.

B. ENGINEERING REPORT

1. Recharge Master Plan Progress Report

Mr. Wildermuth stated the Recharge Master Plan, from a technical standpoint, is divided into two parts; there is a supplemental water track and a storm water track. The storm water work is being done by the Chino Basin Water Conservation District and their consultants along with Inland Empire Utilities Agency staff; their first draft test memorandum is to be released shortly. Mr. Wildermuth stated with regard to the supplemental water track, Wildermuth Environmental has prepared and released some estimates for the supplemental water recharge requirements for the future and have only received minor comments back on that report. This report will be used as a goal for the future and in all the work that is being done. It was noted this basin probably does not need any more spreading facilities; however, improvements to the current spreading facilities will need to be done. An additional source of supplemental water will be needed unless Metropolitan Water District (MWD) can change their projections on supply reliability. Black & Veatch is working on facility improvements for both injection and the possibility of moving water from the San Gabriel line into some of the spreading basins that have not previously been considered. Wildermuth Environmental is looking at the parameters for a new supplemental water source. A discussion regarding this matter ensued. Mr. Wildermuth stated with regard to the production optimization work, this work was an additional task added to the recharge master plan and is being worked on with water agencies to possibly revise their pumping patterns. Mr. Wildermuth stated working with those agencies was successful and two new scenarios were run; one was if the basin remains limited by getting water from MWD and the other scenario is if that limitation is removed. A discussion regarding the two scenarios ensued.

2. Upcoming Workshop Schedule

Mr. Wildermuth stated there is a workshop scheduled on July 23, 2009 directly after the Watermaster Board meeting and at that workshop; production optimization work will be reviewed in detail.

C. FINANCIAL REPORT1. Fiscal Year End Update

Ms. Rojo stated the fiscal year ends next week and staff is currently ahead of schedule in that the Land Use Conversions are almost completed. Production reports have been sent out to the parties and staff should be receiving them back shortly after the fiscal year closes.

D. CEO/STAFF REPORT1. Legislative Update

Mr. Manning stated he was recently in Sacramento on behalf of the California Groundwater Coalition (CGC) offered comment on Proposition 1A regarding the state borrowing money from property taxes. Mr. Manning discussed several of the bills that the CGC is supporting. Mr. Manning offered comment on the regulation of water softeners and what is taking place in Sacramento because of this bill. Mr. Manning stated he recently received an email regarding the joint hearing of the Water Parks & Wildlife and the Senate Natural Resources was set for July 7, 2009 at 9:00 a.m. and the reason this is so important is because this is the first time that the public will have an opportunity to respond to the proposed Delta Package that has been moving around as five separate bills which are now being consolidated as one proposal. Mr. Manning stated he has not seen a draft of this consolidated proposal to date and noted the hearing should be fascinating with all that is going on regarding this important issue. Mr. Manning stated he was able to meet with several legislators to discuss bills and this upcoming hearing. The CGC has put together a two page outline discussing what is of importance to groundwater agencies that should be incorporated into any proposal that moves forward regarding the Delta issue and that outline will be submitted prior to July 7th. Included in that outline are energy savings issues, monitoring, and priority on groundwater storage which are all still very important. Mr. Manning stated his time was very well spent in Sacramento and noted the buzz there right now is on the budget. Mr. Manning noted in the meeting package IEUA has current detailed legislative section that covers both federal and state issues starting on page 73 of the meeting packet.

2. Recharge Update

Mr. Manning stated there is a current recharge update on the back table for review.

Added Comment:

Mr. Manning stated there is a copy of the Orange County Grand Jury Report which was just issued regarding the water situation in Orange County for informational purposes only. Mr. Manning offered comment on the report.

3. Revised Rules & Regulations Forms for Water Transfers and Land Use Conversions

Ms. Maurizio stated today we will preview new Water Transfer & Land Use Conversion forms that staff has been working on. It has been our good to create easier forms for the parties to use. Ms. Maurizio stated these forms will be on the agenda next month for approval so any comments will be needed by June 30, 2009. Ms. Maurizio gave her presentation and reviewed the old forms and the new forms in detail. A discussion regarding the new forms and the tracking of Agricultural conversions ensued.

E. INLAND EMPIRE UTILITIES AGENCY1. MWD Water Supply Allocation Update

No comment was made regarding this item.

2. IEUA's Drought Plan Update

No comment was made regarding this item.

3. Recycled Water Status Report

Mr. Atwater stated a workshop for recycled water will be scheduled later this summer. Mr. Atwater commented on the City of Ontario who have exceeded over 100 customer hook-ups for recycled water and congratulated Mr. Jeske and his staff. Mr. Atwater noted IEUA is working closely with the City of Chino and the City of Ontario in hooking up some of the farmers down in the southern part of the service area and this month IEUA will have exceeded our target in our three year business plan for recycled water connections. Mr. Atwater offered some details on this exciting endeavor for the use of recycled water.

4. Peace II CEQA Update

No comment was made regarding this item.

5. DYY Program Expansion Update

No comment was made regarding this item.

6. 2010 UWMP Kickoff

No comment was made regarding this item.

7. Water Conservation Programs Monthly Report

No comment was made regarding this item.

8. Monthly Water Use Report

No comment was made regarding this item.

9. Recycled Water Newsletter

No comment was made regarding this item.

10. State and Federal Legislative Reports

Mr. Atwater noted starting on page 73 of the meeting packet is a complete listing of both federal and state legislation activities for review.

11. Community Outreach/Public Relations Report

No comment was made regarding this item.

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

Mr. Rossi offered commented on the recently received financial review of the Metropolitan Water District rate charge system.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

Chair Koopman offered comment on the Delta situation and encouraged all parties to stay involved in getting things done to assist Southern California in its effort to provide safe and clean water to its people and to stop relying on the Delta.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

No confidential session was held.

VIII. FUTURE MEETINGS

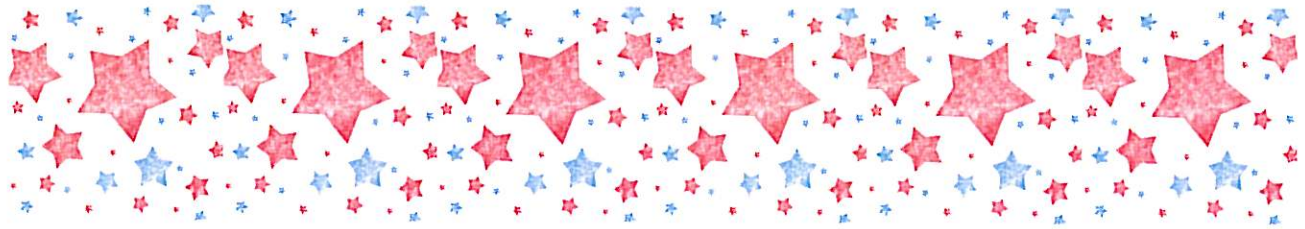
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July 23, 2009	1:00 p.m.	WE Workshop #3 Task 4.3 and Task 6.2

The Advisory Committee meeting was dismissed by Chair Koopman at 10:34 a.m.

Secretary: _____

Minutes Approved: _____

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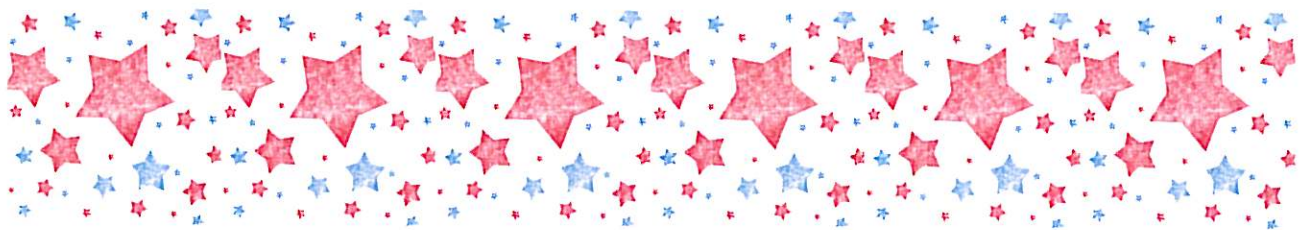


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Watermaster Board Meeting – June 25, 2009



Draft Minutes
CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING
June 25, 2009

The Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on June 25, 2009 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair	City of Upland
John Rossi	Western Municipal Water District
Bob Kuhn	Three Valleys Municipal Water District
Jim Curatalo	Cucamonga Valley Water District
Michael Whitehead	Fontana Water Company
Michael Camacho	Inland Empire Utilities Agency
Bob Bowcock	Vulcan Materials Company
Jeff Pierson	Agricultural Pool
Bob Feenstra	Agricultural Pool

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
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
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

Mark Kinsey	Monte Vista Water District
Marty Zvirbulis	Cucamonga Valley Water District
Dave Crosley	City of Chino
Raul Garibay	City of Pomona
Robert Young	Fontana Union Water Company
John Mura	City of Chino Hills
Ron Craig	City of Chino Hills
Ken Jeske	City of Ontario
Jennifer Novak	State of California Department of Justice, CIM
Robert Tock	Jurupa Community Services District
David DeJesus	Three Valleys Municipal Water District
Dan Horan	Three Valleys Municipal Water District
Sandra Rose	Monte Vista Water District
Steven Lee	Reid & Hellyer
Eunice Ulloa	Chino Basin Water Conservation District
Terry Catlin	Inland Empire Utilities Agency
David Penrice	Aqua Capital Management
Hank Stoy	Cucamonga Valley Water District

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

PLEDGE OF ALLEGIANCE**PUBLIC COMMENTS**

No public comments were made.

AGENDA - ADDITIONS/REORDER

Mr. Manning stated there were three new handouts regarding the auction Business Item II A; 1) Revised Staff Letter, 2) Supplement staff letter, and 3) Exhibit A – Conditions for Storage and Recovery Agreement. Mr. Manning stated these three items are what will be used to make your decision today for the auction.

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Watermaster Board Meeting on May 28, 2009

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of May 2009
2. Watermaster Visa Check Detail
3. Combining Schedule for the Period July 1, 2008 through April 30, 2009
4. Treasurer's Report of Financial Affairs for the Period February 1, 2009 through April 30, 2009
5. Budget vs. Actual July 2008 through April 2009

C. BANK OF AMERICA

1. Bank of America Visa Request to Appoint Ken Manning, CEO as Authorized Agent at Chino Basin Watermaster with a Credit Limit of \$10,000.00 for the Visa Account No. XXXX-XXXX-XXXX-9341

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

Moved to approve Consent Calendar A through C, as presented

II. BUSINESS ITEM**A. OVERLYING NON-AGRICULTURAL POOL AUCTION ISSUES**

1. Storage & Recovery Agreement
2. Broad Benefit
3. Determination on Material Physical Injury

Mr. Manning stated at the Advisory Committee meeting this morning a report was made that this item had gone to the Pools, and at the Appropriative and Non-Agricultural Pool meeting those pools took action to support and approve all three items listed under the business item and at the Agricultural Pool meeting, that committee took an action to take no action. At the Advisory Committee meeting there were a number of comments made and the action taken by that committee was approved; however, they took all three items independently and voted on them separately. At the Advisory Committee meeting there were some changes made within the documents and that committee is asking this Board to take their recommendation to approve those documents with those changes. Mr. Manning referenced the new staff report that was handed out this morning which included items 1, 2, 3, and 4; item 4 is for information only and will not have action taken on it today. Mr. Manning noted the Draft Storage & Recovery Agreement is the Draft Template Storage & Recovery Agreement and is included in the meeting package. There was a change to the findings on page 2 of the new staff report on Broad Mutual Benefit; the Advisory Committee asked for the insertion of, "the Appropriative Pools share of, on the third line after *Sale Agreement for* and before *capital* for clarification." Mr. Manning noted the other change was in the actual draft template within the recitals N to strike the word "unanimously" from that document because the vote was won by a majority vote at the Appropriative and Non-Agricultural Pool and a no vote at the Agricultural Pool meetings. Mr. Manning stated staff is seeking one motion on all three items; however, they can be taken separately if that is the Board's discretion. Mr. Manning noted several of the parties who were

present at the Advisory Committee meeting this morning are also present for this meeting if any clarification is needed as to what took place. Chair Willis asked for any comments or observations on this item. Mr. Bowcock stated the Non-Agricultural Pool wants to see this process move forward and stated with regard to broad mutual benefit, there is concern from the Non-Agricultural Pool that is contrary to the language with regard to the Peace II Agreement regarding exclusive benefit being between the Overlying Non-Agricultural Pool and the Appropriative Pool. The Appropriative Pool has elected to make themselves extremely exclusive in that process. At this time the Non-Agricultural Pool is not objecting to that exclusiveness, knowing there will be further dialog as to how those benefits will ultimately be shared. Mr. Manning stated Mr. Bowcock is correct and there will be additional dialog. Mr. Manning stated the parties are referring to a \$25 storage space fee that will be paid for by the parties that are successful in the auction; this is the part that the Overlying Non-Agricultural Pool is specifically referring to. Mr. Manning stated staff has no opinion on the section in question and there will be further discussions on it. Mr. Feenstra commented on what took place at the recent Agricultural Pool meeting regarding this matter and noted Ms. Novak will be giving a statement on the pools behalf. Ms. Novak stated the Agricultural Pool feels, even though they have been told they have no stake in the game, they want the process to move forward; although, at the same time, the pool wants to voice its opinion on concerns as they come up and have done so verbally at the Pool, Advisory Committee and Watermaster Board meetings and in writing. Ms. Novak stated she wanted it to be noted for the record that the Agricultural Pool has concerns and some of them are policy based, some of them are questions about the legal conditionality's, and some are technical based. Counsel Slater noted there have been legal, technical, and policy issues that have been raised through the Pool process and they are largely identified in the issue list within the staff report and are responded to. Counsel Slater stated the opinion of counsel and staff is not the final word; what is here is a process which is going to generate a Template Storage & Recovery Agreement, and Watermaster does not have the power, on its own, to execute a Storage & Recovery Agreement without court approval. Counsel Slater stated the process is that a Template Storage & Recovery Agreement will be nominated and submitted to the court along with the findings, rationale, and support of the conditions that are attached to the Template Storage & Recovery Agreement. The court will then be asked to approve the template so that the court will rule in advance of the auction. A lengthy discussion regarding the comments made on this item and on the downside of not voting on this issue today. Mr. Kuhn stated he was having a difficult time understanding what is being asked of this Board today. Mr. Manning restated the issues being presented today and the needed result to move this item forward in a timely manner to be taken to the court and ultimately to auction by December 31, 2009. A lengthy discussion regarding Mr. Manning's comments ensued. Counsel Slater restated the process that has been taking place, the needed outcome to move forward, and the legalities of the entire process to resolve this matter. A lengthy discussion regarding Counsel Slater's comments including conflict of interest concerns ensued. Mr. Whitehead stated he is thankful this item has been on the agenda at least as an information item for the past several months which led to several open discussions and noted this is an iterative process and if an action is taken today, that iterative process will continue because there is more to do. Mr. Whitehead inquired about professional services and noted the written expression of obtaining these professional services as being extremely important. Mr. Whitehead offered comment on the task at hand for this board, Watermaster staff, legal counsel, and for the professional services that are needed. Counsel Slater acknowledged that professional services are needed as to how to conduct an auction. Counsel Slater offered commentary on the professional services that conduct auctions and noted counsel has contacted them and engaged in dialog with them. Counsel Slater stated he has met with the pool members and has received feedback as what to do next and counsel is now in the position to carry out that instruction and bring that recommendation back through the Watermaster process in the next 30 days. A lengthy discussion regarding professional services ensued. Chair Willis stated he, as the chairman of this Board, would like to see this Board try to participate and trust the process to the extent that we are fully knowledgeable in all areas and will be ready to act when needed. Mr. Kuhn expressed his concern at moving forward today; however, noted it would be extremely beneficial if there would be a special meeting or workshop

to cover these items in greater detail. Counsel Slater reviewed the needed sequencing timeline in detail. Counsel Slater stated the Appropriative Pool are the compensation beneficiaries of the excess revenue and it is effectively their expense associated with conduction of the auction; the Appropriative Pool is fair to state they do not want to incur a six figure potential expense in administering a dry hole. The Appropriative Pool wants to know there is momentum and support for this activity before a professional service is retained which leads this board back to sequencing. A discussion regarding Counsel Slater's comments ensued. Mr. Curatalo offered comment on this matter and inquired about the possible meeting or workshop. Mr. Manning reviewed the sequence of events that would take place and noted they will be more defined by the actions taken today. Mr. Manning stated the foundation needs to be set first and then the next steps can be taken; however, if the foundation is not set first then this will not be moving forward to start on the next steps that are needed. Mr. Kuhn stated he would make a broad motion that the Board approves the three items presented that the opportunity to take this to the auction stage is not missed. Mr. Kuhn also noted a workshop needs to be scheduled as soon as possible. A lengthy discussion regarding this item ensued. Mr. Feenstra called for a roll call vote. Mr. Bowcock offered comment on the Agricultural Pool's abstention and offered encouragement for that pool to attend the upcoming workshops. A lengthy discussion regarding stopping the process at any point in time ensued. Mr. Manning stated staff and counsel designed this process where it is a constant check-in with the Pools, Advisory Committee and Watermaster Board as it is moved along the process so that there is a level of comfort. Mr. Jeske offered comment on the schedule and noted the urgency of getting these three items moving forward so that the next elements can begin. It was noted the auction administration portion is not being decided upon today. A lengthy discussion regarding the timeframe and the issues being covered for the upcoming workshop ensued.

*Motion by Kuhn, second by Curatalo, and by majority roll call vote – Ag Pool abstained
Moved to approve the Storage & Recovery Template Agreement, the Broad Benefit definition, and the determination on Material Physical Injury and Watermaster staff will schedule two workshops: #1 Auction Process and #2 Auction Administration, as presented*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. June 29, 2009 Hearing

Counsel Slater stated there is a Watermaster hearing scheduled for Monday, June 29, 2009 at 9:30 a.m. and this hearing will cover Program Elements No. 4, 5, and 6. Presentations will be given by Watermaster staff and Watermaster consultants only. An email went out recently with the stipulation which applies to this hearing. The hearing should end around noon because the presentations being given are not lengthy.

2. Auction Administration Contract

Counsel Slater stated this item was covered in detail under the Business Item section. No further comment was made.

B. ENGINEERING REPORT

1. Recharge Master Plan Progress Report

Mr. Wildermuth stated the Recharge Master Plan, from a technical standpoint, is divided into two parts; there is a supplemental water track and a storm water track. The storm water work is being done by the Chino Basin Water Conservation District and their consultants along with calibrating with Inland Empire Utilities Agency staff; their first draft test memorandum is to be released shortly. Mr. Wildermuth stated with regard to the supplemental water track, Wildermuth Environmental has prepared and released some estimates for the supplemental water recharge requirements for the future and have only received minor comments back on that report. This report will be used as a goal for the future and in all the work that is being done. It was noted this basin probably does not need any more spreading facilities; however, improvements to the current spreading facilities will

need to be done. An additional source of supplemental water will be needed unless Metropolitan Water District (MWD) can change their projections of being able to supply water. Black & Veatch is working on facility improvements for both injection and the possibility of moving water from the San Gabriel line into some of the spreading basins that have not been looked previously at. Wildermuth Environmental is looking at the parameters for a new supplemental water source. Mr. Wildermuth stated with regard to the production optimization work, this work was an additional task added to the recharge master plan and is being worked on currently by working with our water agencies to possibly revise their pumping patterns. Mr. Wildermuth stated working with those agencies was successful and two new scenarios were run; one was if the basin remains limited by getting water from MWD and the other scenario is if that limitation is removed. Mr. Wildermuth reviewed the scenario results in detail.

2. Upcoming Workshop Schedule

Mr. Wildermuth stated there is a workshop scheduled on July 23, 2009 directly after the Watermaster Board meeting and at that workshop; production optimization work will be reviewed in detail.

C. FINANCIAL REPORT

1. Fiscal Year End Update

Ms. Rojo stated the fiscal year ends next week and staff is currently ahead of schedule in that the Land Use Conversions are almost completed. Production reports have been sent out to the parties and staff should be receiving them back shortly after the fiscal year closes.

D. GEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated he was recently in Sacramento on behalf of the California Groundwater Coalition (CGC) offered comment on Proposition 1A regarding the state borrowing money from property taxes. Mr. Manning discussed several of the bills that the CGC has taken a support position on. Mr. Manning offered comment on the issue with regulation of water softeners and what is taking place in Sacramento because of this bill. Mr. Manning stated he recently received an email regarding the joint hearing of the Water Parks & Wildlife and the Senate Natural Resources was set for July 7, 2009 at 9:00 a.m. and the reason this is so important is because this is the first time that the public will have an opportunity to respond to the proposed Delta Package that has been moving around as five separate bills which are now being consolidated as one proposal. Mr. Manning stated he has not seen a draft of this consolidated proposal to date and noted the hearing should be fascinating with all that is going on regarding this important issue. Mr. Manning stated he was able to meet with several legislators to discuss bills and this upcoming hearing. The CGC has put together a two page outline discussing what is of importance to groundwater agencies that should be incorporated into any proposal that moves forward regarding the Delta issue and that outline will be submitted prior to July 7th. Included in that outline are energy savings issues, monitoring, and priority on groundwater storage which are all still very important. Mr. Manning stated it was time very well spent in Sacramento this trip and noted the buzz there right now is on the budget. Mr. Manning noted in the meeting package IEUA has current detailed legislative section that covers both federal and state issues starting on page 73 of the meeting packet.

2. Recharge Update

Mr. Manning stated there is a current recharge update on the back table for review.

Added Comment:

Mr. Manning stated there is a copy of the Orange County Grand Jury Report which was just issued regarding the water situation in Orange County for informational purposes only. Mr. Manning offered comment on the report.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Rossi gave an update on Judge Field.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

No confidential session was held.

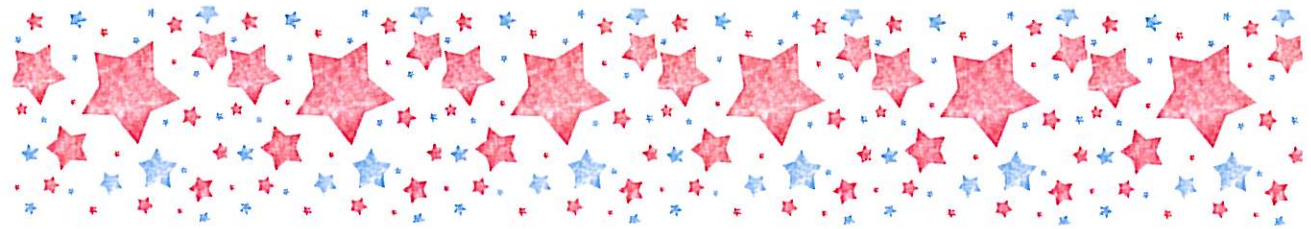
VIII. FUTURE MEETINGS

June 25, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
June 25, 2009	9:00 a.m.	Advisory Committee Meeting
June 25, 2009	11:00 a.m.	Watermaster Board Meeting
June 29, 2009	9:30 a.m.	CBWM Court Hearing – San Bernardino Court
July 9, 2009	10:00 a.m.	Appropriative & Non-Agricultural Pool Meeting
July 21, 2009	9:00 a.m.	Agricultural Pool Meeting @ IEUA
July 23, 2009	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
July 23, 2009	9:00 a.m.	Advisory Committee Meeting
July 23, 2009	11:00 a.m.	Watermaster Board Meeting
July 23, 2009	1:00 p.m.	WE Workshop #3 Task 4.3 and Task 6.2

The Watermaster Board meeting was dismissed by Chair Willis at 12:30 p.m.

Secretary: _____

Minutes Approved: _____

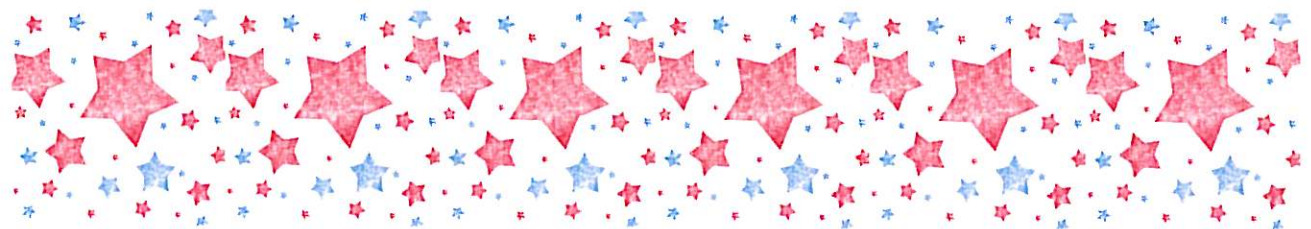


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of June 2009
2. Watermaster Visa Check Detail
3. Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2008 through May 31, 2009
4. Treasurer's Report of Financial Affairs for the Period May 1, 2009 through May 31, 2009
5. Profit & Loss Budget vs. Actual July 2008 through May 2009





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: July 9, 2009
July 21, 2009
July 23, 2009

TO: Committee Members
Watermaster Board Members

SUBJECT: Cash Disbursement Report

SUMMARY

Issue – Record of cash disbursements for the month of June 2009.

Recommendation – Staff recommends the Cash Disbursements for June 2009 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 June 2009 were \$471,495.51. The most significant expenditures during the month were Wildermuth Environmental Inc. in the amount of \$251,452.32, Brownstein Hyatt Farber Schreck in the amount of \$57,615.79, and MWH Laboratories in the amount of 10,668.00.

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
June 2009

Type	Date	Num	Name	Amount
Jun 09				
Bill Pmt -Check	6/1/2009	13324	BOWCOCK, ROBERT	-125.00
Bill Pmt -Check	6/1/2009	13325	CAMACHO, MICHAEL	-250.00
Bill Pmt -Check	6/1/2009	13326	CINDY NAVAROLI	-262.50
Bill Pmt -Check	6/1/2009	13327	CITY OF RANCHO CUCAMONGA	0.00
Bill Pmt -Check	6/1/2009	13328	DIRECTV	-79.99
Bill Pmt -Check	6/1/2009	13329	FEENSTRA, BOB	-125.00
Bill Pmt -Check	6/1/2009	13330	HSBC BUSINESS SOLUTIONS	-429.27
Bill Pmt -Check	6/1/2009	13331	KUHN, BOB	-125.00
Bill Pmt -Check	6/1/2009	13332	LOS ANGELES TIMES	-46.40
Bill Pmt -Check	6/1/2009	13333	MIJAC ALARM	-378.00
Bill Pmt -Check	6/1/2009	13334	PARK PLACE COMPUTER SOLUTIONS, I...	-4,275.00
Bill Pmt -Check	6/1/2009	13335	PAYCHEX	-217.02
Bill Pmt -Check	6/1/2009	13336	R&D PEST SERVICES	-85.00
Bill Pmt -Check	6/1/2009	13337	RICOH BUSINESS SYSTEMS-Lease	-897.19
Bill Pmt -Check	6/1/2009	13338	STAPLES BUSINESS ADVANTAGE	-191.67
Bill Pmt -Check	6/1/2009	13339	VERIZON	-502.51
Bill Pmt -Check	6/1/2009	13340	VISION SERVICE PLAN	-62.19
Bill Pmt -Check	6/1/2009	13341	W.C. DISCOUNT MOBILE AUTO DETAILI...	-100.00
Bill Pmt -Check	6/1/2009	13342	WHITEHEAD, MICHAEL	-250.00
Bill Pmt -Check	6/1/2009	13343	WILLIS, KENNETH	-250.00
Bill Pmt -Check	6/1/2009	13344	YUKON DISPOSAL SERVICE	-142.88
Bill Pmt -Check	6/4/2009	13345	JAMES JOHNSTON	-795.00
Bill Pmt -Check	6/9/2009	13347	CITISTREET	-2,871.85
Bill Pmt -Check	6/9/2009	13348	COMPUTER NETWORK	-8,886.74
Bill Pmt -Check	6/9/2009	13349	PUMP CHECK	-6,105.15
Bill Pmt -Check	6/9/2009	13350	CITISTREET	-2,621.85
Bill Pmt -Check	6/9/2009	13351	CITISTREET	-2,621.85
Bill Pmt -Check	6/9/2009	13346	PETTY CASH	-644.47
Bill Pmt -Check	6/9/2009	13352	THREE VALLEYS MUNICIPAL WATER DI...	-15.00
General Journal	6/13/2009	09/06/05	PAYROLL	-7,631.89
General Journal	6/13/2009	09/06/05	PAYROLL	-28,383.81
Bill Pmt -Check	6/16/2009	13353	ACWA SERVICES CORPORATION	-209.95
Bill Pmt -Check	6/16/2009	13354	BANC OF AMERICA LEASING	-3,215.74
Bill Pmt -Check	6/16/2009	13355	BANK OF AMERICA	-3,192.16
Bill Pmt -Check	6/16/2009	13356	CITY OF RANCHO CUCAMONGA	-21.00
Bill Pmt -Check	6/16/2009	13357	DEPARTMENT OF CONSUMER AFFAIRS	-125.00
Bill Pmt -Check	6/16/2009	13358	ESRI	-2,189.86
Bill Pmt -Check	6/16/2009	13359	FIRST AMERICAN REAL ESTATE SOLUTI...	-125.00
Bill Pmt -Check	6/16/2009	13360	GEOTECHNICAL SERVICES	-8,115.50
Bill Pmt -Check	6/16/2009	13361	MCI	-1,226.37
Bill Pmt -Check	6/16/2009	13362	MWH LABORATORIES	-10,668.00
Bill Pmt -Check	6/16/2009	13363	PRINTING RESOURCES	-40.02
Bill Pmt -Check	6/16/2009	13364	RICOH BUSINESS SYSTEMS-Lease	-942.05
Bill Pmt -Check	6/16/2009	13365	SAFEGUARD DENTAL & VISION	-57.68
Bill Pmt -Check	6/16/2009	13366	SAFETY CLEAN JANITORIAL SERVICES	-590.00
Bill Pmt -Check	6/16/2009	13367	SCHRYERS TILE & GROUT RESTORATION	-1,900.00
Bill Pmt -Check	6/16/2009	13368	THE STANDARD INSURANCE COMPANY	-156.56
Bill Pmt -Check	6/16/2009	13369	UNION 76	-129.19
Bill Pmt -Check	6/16/2009	13370	UNITED PARCEL SERVICE	-217.40
Bill Pmt -Check	6/16/2009	13371	VERIZON WIRELESS	-1,639.14
Bill Pmt -Check	6/16/2009	13372	W.C. DISCOUNT MOBILE AUTO DETAILI...	-25.00
Bill Pmt -Check	6/16/2009	13373	WAGE WORKS	-7.20
Bill Pmt -Check	6/16/2009	13374	WESTERN DENTAL SERVICES, INC.	-28.06
Bill Pmt -Check	6/22/2009	13375	REID & HELLYER	-12,323.30
Bill Pmt -Check	6/24/2009	13376	BLACK & VEATCH CORPORATION	-10,312.50
Bill Pmt -Check	6/24/2009	13377	BROWNSTEIN HYATT FARBER SCHRECK	-57,615.79
Bill Pmt -Check	6/24/2009	13378	COMPUTER NETWORK	-217.50
Bill Pmt -Check	6/24/2009	13379	CUCAMONGA VALLEY WATER DISTRICT	-5,495.00
Bill Pmt -Check	6/24/2009	13380	GEOTECHNICAL SERVICES	-3,895.92
Bill Pmt -Check	6/24/2009	13381	KONICA MINOLTA BUSINESS SOLUTIONS	-590.67
Bill Pmt -Check	6/24/2009	13382	NORDBAK'S PROMOTIONAL PRODUCTS	-227.61
Bill Pmt -Check	6/24/2009	13383	WAGE WORKS	-6,800.00
Bill Pmt -Check	6/24/2009	13384	WILDERMUTH ENVIRONMENTAL INC	-251,452.32
Bill Pmt -Check	6/24/2009	13385	HOME DEPOT	-119.00
Bill Pmt -Check	6/25/2009	13386	EL TORITO	-329.28
Bill Pmt -Check	6/30/2009	13387	PETTY CASH	-588.91
Bill Pmt -Check	6/30/2009	13388	PUBLIC EMPLOYEES' RETIREMENT SYS...	-5,391.28
Bill Pmt -Check	6/30/2009	13389	PUBLIC EMPLOYEES' RETIREMENT SYS...	-11,943.32

CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
June 2009

Type	Date	Num	Name	Amount
Jun 09				<u>-471,495.51</u>

11:49 AM
07/02/09

CHINO BASIN WATERMASTER
Check Detail
June 2009

Type	Num	Date	Name	Account	Paid Amount
Bill Pmt -Check	13355	6/16/2009	BANK OF AMER...	1012 · Bank of America Gen'l Ckg	
Bill	4024...	5/31/2009		6909.1 · OBMP Meetings	-43.68
				6141 · Meeting Expenses	-2,692.02
				6312 · Meeting Expenses	-244.23
				6212 · Meeting Expense	-212.23
TOTAL					-3,192.16

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CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2008 THROUGH MAY 31, 2009

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL	POOL	POOL	POOL	POOL	POOL	POOL	GROUNDWATER REPLENISHMENT	GROUNDWATER OPERATIONS 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			85,175	8,433			2,014					24	95,646	174,368
Mutual Agency Project Revenue			466,371	-			11,973						478,344	148,410
Grant Income													-	0
Miscellaneous Income													-	0
Total Revenues	-	-	8,544,853	8,433		186,804						24	8,740,114	8,163,832
Administrative & Project Expenditures														
Watermaster Administration	483,130												483,130	619,960
Watermaster Board-Advisory Committee	53,394												53,394	61,201
Pool Administration			18,978	152,121		4,789							175,888	166,523
Optimum Basin Mgmt Administration		1,644,261											1,644,261	1,913,484
OBMP Project Costs		4,693,942											4,693,942	5,392,289
Education Funds Use												375	375	375
Mutual Agency Project Costs		10,000											10,000	10,000
Total Administrative/OBMP Expenses	536,524	6,348,203	18,978	152,121		4,789						375	7,060,990	8,163,832
Net Administrative/OBMP Income	(536,524)	(6,348,203)											-	-
Allocate Net Admin Income To Pools			402,422	120,673		13,429							-	-
Allocate Net OBMP Income To Pools			4,761,492	1,427,815		158,896							-	-
Agricultural Expense Transfer			1,679,135	(1,679,135)									-	-
Total Expenses	6,862,027	21,474	177,114			9,690						375	7,060,990	8,163,832
Net Administrative Income	1,682,826	(13,041)										(351)	1,679,124	-
Other Income/(Expense)														
Replenishment Water Assessments									6,437,643				6,437,643	0
Interest Revenue									34,126				34,126	0
Water Purchases									(2,326,075)				(2,326,075)	0
Balance Adjustment													-	0
Groundwater Replenishment									4,145,694				4,145,694	0
Net Other Income													-	0
Net Transfers To/(From) Reserves			1,682,826	(13,041)		9,690			4,145,694			(351)	5,824,818	-
Working Capital, July 1, 2008			5,413,216	481,995		143,157			294,397			1,343	6,492,359	
Working Capital, End Of Period			7,096,042	468,954		152,847			4,440,091			992	12,317,177	
07/08 Assessable Production			103,077,958	30,909,693		3,439,822							137,427,473	
07/08 Production Percentages			75.006%	22.492%		2.503%							100.000%	

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
MAY 1 THROUGH MAY 31, 2009**

DEPOSITORIES:		
Cash on Hand - Petty Cash	\$	500
Bank of America		
Governmental Checking-Demand Deposits	\$	(132,273)
Zero Balance Account - Payroll		
Local Agency Investment Fund - Sacramento		<u>11,840,455</u>
TOTAL CASH IN BANKS AND ON HAND		\$ 11,708,682
TOTAL CASH IN BANKS AND ON HAND		14,673,367
		\$ <u>(2,964,685)</u>

CHANGE IN CASH POSITION DUE TO:

Decrease/(Increase) in Assets:		
Accounts Receivable	\$	15,659
Assessments Receivable		-
Prepaid Expenses, Deposits & Other Current Assets		(425)
(Decrease)/Increase in Liabilities		(2,462,895)
Accounts Payable		-
Accrued Payroll, Payroll Taxes & Other Current Liabilities		(517,024)
Transfer to/(from) Reserves		-
PERIOD INCREASE (DECREASE)		\$ <u>(2,964,685)</u>

	Petty Cash	Govt'l Checking Demand	Zero Balance Account Payroll	Local Agency Investment Funds	Totals
\$	500	\$ 332,412	\$ -	\$ 14,340,455	\$ 14,673,367
Deposits	-	16,500	-	-	16,500
Transfers	-	2,392,203	107,797	(2,500,000)	-
Withdrawals/Checks	-	(2,873,388)	(107,797)	-	(2,981,185)
Balances as of 5/31/2009	\$ 500	\$ (132,273)	\$ -	\$ 11,840,455	\$ 11,708,682
PERIOD INCREASE OR (DECREASE)	\$ -	\$ (464,685)	\$ -	\$ (2,500,000)	\$ (2,964,685)

SUMMARY OF FINANCIAL TRANSACTIONS:

Balances as of 4/30/2009		
Deposits		
Transfers		
Withdrawals/Checks		
Balances as of 5/31/2009		
PERIOD INCREASE OR (DECREASE)		

**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
MAY 1 THROUGH MAY 31, 2009**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
5/18/2009	Withdrawal	L.A.I.F.	\$ 2,500,000				
TOTAL INVESTMENT TRANSACTIONS			\$ 2,500,000	-			

* The earnings rate for L.A.I.F. is a daily variable rate; 1.91% was the effective yield rate at the Quarter ended March 31, 2009.

**INVESTMENT STATUS
May 31, 2009**

Financial Institution	Principal Amount	Number of Days	Interest Rate	Maturity Date
Local Agency Investment Fund	\$ 11,840,455			
TOTAL INVESTMENTS	\$ 11,840,455			

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,



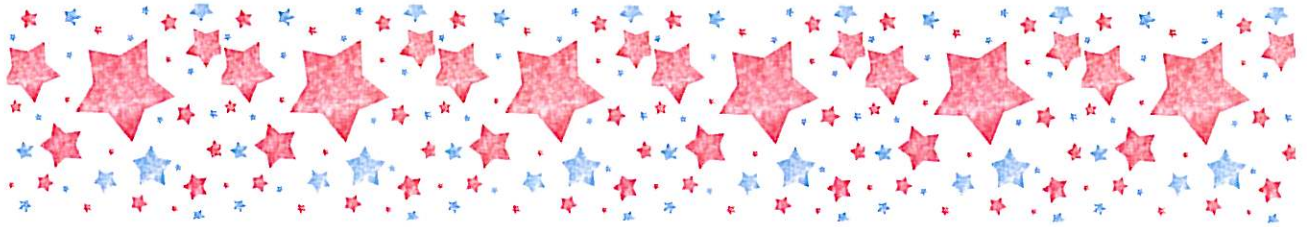
Sheri M. Rojo, CPA
Chief Financial Officer & Assistant General Manager
Chino Basin Watermaster

CHINO BASIN WATERMASTER
Profit & Loss Budget vs. Actual
July 2008 through May 2009

	<u>Jul '08 - May 09</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	478,344	148,410	329,934	322.31%
4110 · Admin Asmnts-Approp Pool	7,993,307	7,860,411	132,896	101.69%
4120 · Admin Asmnts-Non-Agri Pool	172,817	132,237	40,580	130.69%
4700 · Non Operating Revenues	95,646	174,368	-78,722	54.85%
Total Income	<u>8,740,114</u>	<u>8,315,426</u>	<u>424,688</u>	<u>105.11%</u>
Gross Profit	8,740,114	8,315,426	424,688	105.11%
Expense				
6010 · Salary Costs	452,454	484,302	-31,848	93.42%
6020 · Office Building Expense	78,854	102,000	-23,146	77.31%
6030 · Office Supplies & Equip.	33,566	46,500	-12,934	72.19%
6040 · Postage & Printing Costs	62,765	87,380	-24,615	71.83%
6050 · Information Services	126,570	144,000	-17,430	87.9%
6060 · Contract Services	58,280	98,000	-39,720	59.47%
6080 · Insurance	15,706	17,730	-2,024	88.58%
6110 · Dues and Subscriptions	14,803	16,750	-1,947	88.38%
6140 · WM Admin Expenses	2,133	4,000	-1,867	53.33%
6150 · Field Supplies	864	2,500	-1,636	34.54%
6170 · Travel & Transportation	33,488	39,200	-5,712	85.43%
6190 · Conferences & Seminars	25,667	26,500	-833	96.86%
6200 · Advisory Comm - WM Board	15,247	19,181	-3,934	79.49%
6300 · Watermaster Board Expenses	38,147	42,020	-3,873	90.78%
8300 · Appr PI-WM & Pool Admin	18,978	24,008	-5,030	79.05%
8400 · Agri Pool-WM & Pool Admin	21,430	24,820	-3,390	86.34%
8467 · Ag Legal & Technical Services	122,690	128,000	-5,310	95.85%
8470 · Ag Meeting Attend -Special	8,000	12,000	-4,000	66.67%
8500 · Non-Ag PI-WM & Pool Admin	4,789	7,695	-2,906	62.24%
6500 · Education Funds Use Expens	375	375		100.0%
9500 · Allocated G&A Expenditures	-422,221	-448,902	26,681	94.06%
	<u>712,587</u>	<u>878,059</u>	<u>-165,472</u>	<u>81.16%</u>
6900 · Optimum Basin Mgmt Plan	1,495,425	1,755,421	-259,996	85.19%
6950 · Mutual Agency Projects	10,000	10,000		100.0%
9501 · G&A Expenses Allocated-OBMP	148,836	137,959	10,877	107.88%
	<u>1,654,261</u>	<u>1,903,380</u>	<u>-249,119</u>	<u>86.91%</u>
7101 · Production Monitoring	97,499	107,515	-10,016	90.68%
7102 · In-line Meter Installation	53,312	87,931	-34,619	60.63%
7103 · Grdwtr Quality Monitoring	160,776	210,458	-49,682	76.39%
7104 · Gdwtr Level Monitoring	360,291	372,538	-12,248	96.71%
7105 · Sur Wtr Qual Monitoring	4,160	46,717	-42,557	8.91%

CHINO BASIN WATERMASTER
 Profit & Loss Budget vs. Actual
 July 2008 through May 2009

	<u>Jul '08 - May 09</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7107 · Ground Level Monitoring	357,668	651,468	-293,800	54.9%
7108 · Hydraulic Control Monitoring	520,833	713,949	-193,116	72.95%
7200 · PE2- Comp Recharge Pgm	1,213,924	1,245,266	-31,342	97.48%
7300 · PE3&5-Water Supply/Desalte	73,016	108,477	-35,461	67.31%
7400 · PE4- Mgmt Plan	237,449	272,515	-35,066	87.13%
7500 · PE6&7-CoopEfforts/SaltMgmt	59,141	76,411	-17,270	77.4%
7600 · PE8&9-StorageMgmt/Conj Use	19,013	61,909	-42,896	30.71%
7690 · Recharge Improvement Debt Pymt	1,261,894	1,261,594	300	100.02%
7700 · Inactive Well Protection Prgm	0	6,296	-6,296	0.0%
9502 · G&A Expenses Allocated-Projects	274,964	310,943	-35,979	88.43%
	<u>4,693,942</u>	<u>5,533,987</u>	<u>-840,045</u>	<u>84.82%</u>
Total Expense	<u>7,060,790</u>	<u>8,315,426</u>	<u>-1,254,636</u>	<u>84.91%</u>
Net Ordinary Income	1,679,325		1,679,325	100.0%
Other Income/Expense				
Other Income				
4225 · Interest Income	34,126			
4210 · Approp Pool-Replenishment	6,427,596			
4220 · Non-Ag Pool-Replenishment	10,047			
Total Other Income	<u>6,471,769</u>			
Other Expense				
5010 · Groundwater Replenishment	2,326,075			
9999 · To/(From) Reserves	5,824,819			
Total Other Expense	<u>8,150,894</u>			
Net Other Income	<u>-1,679,125</u>			
Net Income				

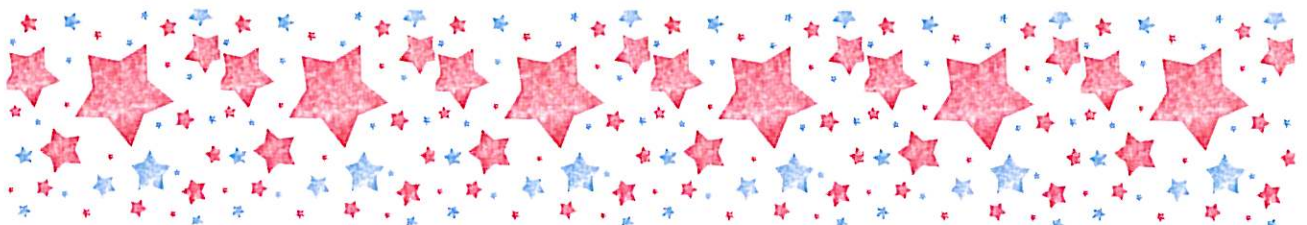


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

C. INTERVENTION INTO AGRICULTURAL POOL

1. Intervention into the Agricultural Pool from Guillermo Hurtado through the Well Used by Alfredo Jara's Mountain Green Nursery





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: July 9, 2009
July 21, 2009
July 23, 2009

TO: Committee Members
Watermaster Board Members

SUBJECT: Intervention into Agricultural Pool

SUMMARY

Recommendation – Staff recommends approval of the Intervention of Guillermo Hurtado into the Agricultural Pool.

BACKGROUND

According to Paragraph 60 of the Judgment:

"[Any] person newly proposing to produce water from the Chino Basin may become a party to this Judgment upon filing a petition in intervention. Said intervention must be confirmed by order of this Court. Such intervener shall thereafter be a party bound by this judgment and entitled to the rights and privileges accorded under the Physical Solution herein, through the pool to which the Court shall assign such intervener."

According to Watermaster's Rules and Regulations section 2.27:

"Watermaster will receive and make recommendations regarding petitions for intervention and accumulate them for filing with the Court from time to time (Judgment paragraph. 60 and Order re Intervention Procedures, July 14, 1978.)"

Watermaster received a petition to Intervene into the Judgment from Guillermo Hurtado on June 25, 2009. Hurtado recently drilled a well on his property, though the well will be used by Alfredo Jara's Mountain Green Nursery. Jara is renting property from Hurtado and owns the nursery stock. Jara also owns a parcel adjoining Hurtado's parcel on the east side. (Hurtado does not plan to use any of the well water.) The estimated annual water production is less than five acre-feet.

Staff recommends approval of the intervention into the Agricultural Pool.

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Date: 6/25/09

Chino Basin Watermaster
9641 San Bernardino Rd.
Rancho Cucamonga, CA 91730
Attn: Kenneth R. Manning, CEO

Subject: Intervention into Chino Basin Watermaster

Dear Mr. Manning:

I, or the company I represent (see below), request intervention into the Chino Basin Watermaster Judgment. I/we request that the Watermaster attorneys process the Intervention paperwork through the Court.

Number of wells: 1

Location(s) of wells (including addresses, parcel numbers, and landmarks): _____

11401 Monte Vista Ave, Chino CA

Property Owner (Well Owner) Information:

Name: Guillermo Hurtado

Address: P.O. Box 1536, Duarte, CA 91009

Phone: (626) 378-3605 Email: _____

Property Occupant (Well User) Information (if different from Owner):

Name: Alfredo Jara "Mountain Green Nursery"

Address: 13156 Pipeline Ave Chino CA 91710

Phone: 909 284-0364 Email: _____

Representative Handling Intervention:

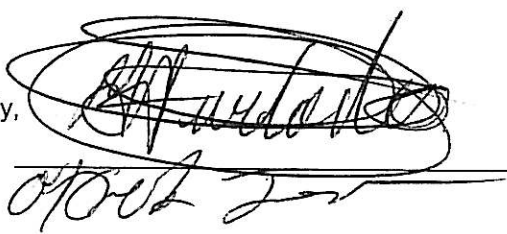
Name: _____ Title: _____

Address: _____

Phone: _____ Email: _____

Sincerely,

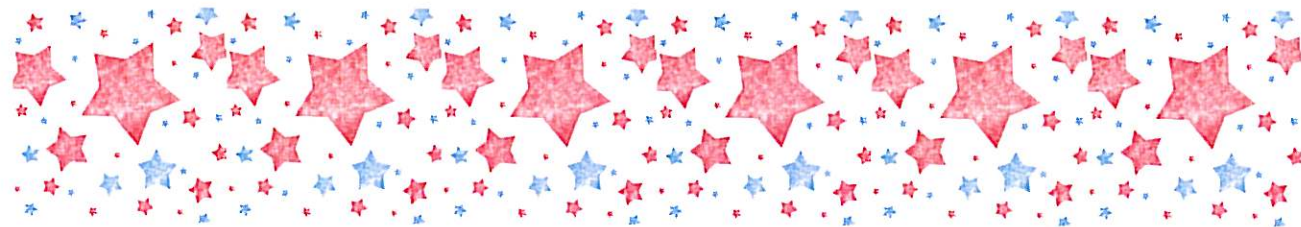
Signed:



Printed:

Guillermo Hurtado
Alfredo Jara

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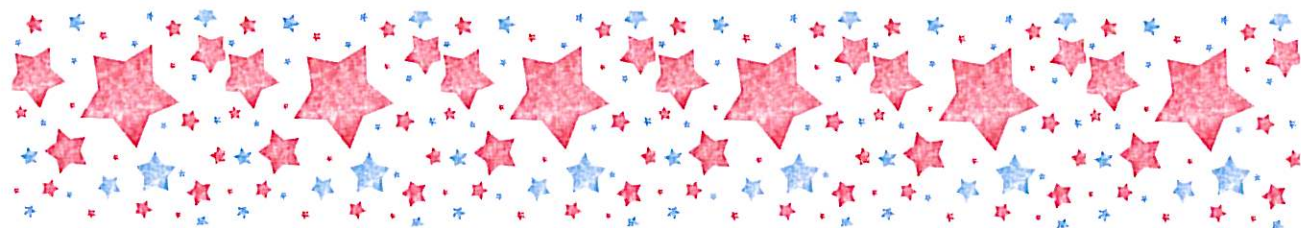


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

D. WATER TRANSACTION

1. **Consider Approval for Notice of Sale or Transfer** – Monte Vista Water District will purchase 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona's net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage.
2. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the company's anticipated Chino Basin replenishment obligation for Fiscal Year 2008-09
3. **Consider Approval for Notice of Sale or Transfer** – On June 3, 2009, Watermaster received Form 5, "Application to Transfer Annual Production Right or Safe Yield," with CalMat Company/Vulcan Materials Company as transferor and Aqua Capital Management LP as transferee in the amount of 317.844 acre-feet annual right, all water in its annual account will be transferred as well (the transfer does not include CalMat's water in storage as of June 30, 2008 of 315.637 acre-feet)
4. **Consider Approval for Notice of Sale or Transfer** – Chino Basin Watermaster will purchase 3,400 acre-feet of water from the Marygold Mutual Water Company. Water will purchase the water at \$295.00 per acre-foot, which is the MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009).



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

June 4, 2009

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

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **May 11, 2009**

Date of this notice: **June 4, 2009**

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

- A. Notice of Sale or Transfer – Monte Vista Water District will purchase 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona’s net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage.

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

Appropriative Pool:	June 11, 2009
Non-Agricultural Pool:	June 11, 2009
Agricultural Pool:	June 16, 2009

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

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

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

Watermaster address:

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

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

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: June 4, 2009

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

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CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
CHIEF EXECUTIVE OFFICER

DATE: June 4, 2009
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

Summary –

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

Issue –

- **Notice of Sale or Transfer –** Monte Vista Water District will purchase 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona's net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage.

Recommendation –

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

Fiscal Impact –

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

Background

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

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

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

- Monte Vista Water District will purchase 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona's net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage.

Notice of the water transaction identified above was mailed on June 4, 2009 along with the materials submitted by the requestors.

DISCUSSION

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

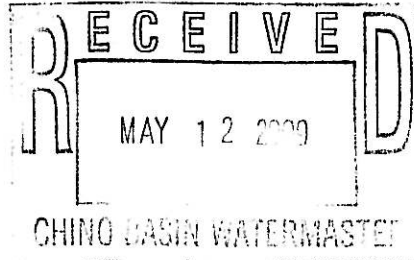
Monte Vista

Dedicated to Quality, Service and Innovation

May 11, 2009

Mark N. Kinsey
GENERAL MANAGER

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



Purchase of Water in Storage: Fiscal Year 2008-09

Dear Mr. Manning:

This letter is to notify Watermaster of the purchase of 3,500 acre-feet of water from the City of Pomona. This purchase is made first from Pomona's net underproduction, if any, in Fiscal Year 2008-09, with any remainder to be recaptured from storage.

This purchase will be utilized by the District to offset projected Fiscal Year 2008-09 or future fiscal year obligations within the Chino Basin. Attached is an executed application for lease or transfer of a right to produce water from storage and a recapture plan for consideration by Watermaster. Please agendize this item at the earliest possible opportunity.

If you have any questions or require additional information concerning this matter, please call me at 624-0035, extension 170. Thank you.

Sincerely,

Monte Vista Water District

A handwritten signature in black ink, appearing to read "Mark N. Kinsey".

Mark N. Kinsey
General Manager

Attachments

Water District

10575 Central Avenue, Post Office Box 71 • Montclair, CA 91763 • (909) 624-0035 • FAX (909) 624-4725 • www.mvwd.org

Sandra S. Rose
PRESIDENT

Maynard B. Lenhart
VICE PRESIDENT

Tony Lopez
DIRECTOR

Philip L. Erwin
DIRECTOR

G. Michael Milhiser
DIRECTOR

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

Transfer from Local Storage Agreement: **15, 15.1, 15.2
15.3, 15.4**

Date Requested: **January 30, 2009**

Transferring Party: **City of Pomona**

Date Approved:

Address: **505 South Garey Avenue
Box 660
Pomona, California 91769**

Amount Requested (AF): **3,500**

Telephone: **(909) 620-2283**

Amount Approved (AF):

Fax: **(909) 620-2030**



S/7/09

Applicant: Tim D'Zmura, PE, Public Works Director/City Engineer/Building Official

Action authorized pursuant to City of Pomona Resolution No. 2009-44,
adopted by City Council on April 20, 2009.

Attach Recapture Form 4

Receiving Party: **Monte Vista Water District**

Address: **10575 Central Avenue
Montclair, California 91763**

Telephone: **(909) 624-0035**

Fax: **(909) 624-0037**

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

Water Quality and Water Levels:

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

Static water levels range from 504' to 533' below ground levels. Nitrate concentrations range between 19 to 70 ppm.

Form 3

Application for Sale or Transfer of Right to Produce Water from Storage

Material Physical Injury:

Is the applicant aware of any potential material physical injury to a part to the Judgment or the Basin that may be caused by the action covered by the application? Yes No

If yes, what are the proposed mitigation measures, if any, that might reasonably be imposed to ensure that the action does not result in material physical injury to a part to the Judgment or the Basin?

N/A

Additional information attached? Yes No



Applicant: Mark N. Kinsey, General Manager

To be completed by Watermaster:

Date of approval from Non-Agricultural Pool:

Date of approval from Agricultural Pool:

Date of approval from Appropriative Pool:

Hearing date, if any:

Date of Advisory Committee approval:

Date of Board approval:

Agreement Number:

**APPLICATION OR AMENDMENT TO APPLICATION
TO
RECAPTURE WATER IN STORAGE**

APPLICANT

Monte Vista Water District
Name of Party

January 30, 2009
Date Requested

Date Approved

10575 Central Avenue
Street Address

3,500 Acre-feet
Amount Requested

Acre-feet
Amount Approved

Montclair **CA** **91763**
City State Zip Code

500 – 1,000 AF/month
Projected Rate of
Recapture

4-7 months
Projected Duration of
Recapture

Telephone: (909) 624-0035

Facsimile: (909) 624-0037

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

IDENTITY OF PERSON THAT STORED THE WATER: City of Pomona

PURPOSE OF RECAPTURE

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

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

Recapture by pumping.

PLACE OF USE OF WATER TO BE RECAPTURED

For use within the Monte Vista Water District and City of Chino Hills service areas.

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

Recapture to occur at regular production wells.

WATER QUALITY AND WATER LEVELS

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

Static water levels range from 504' to 533' below ground levels. Nitrate water quality data for District wells range from 19 to 70 ppm.

MATERIAL PHYSICAL INJURY

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

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

No mitigation is required.

ADDITIONAL INFORMATION ATTACHED Yes [X] No []

Mark N. Kinsey 
Applicant

TO BE COMPLETED BY WATERMASTER

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

APPLICATION TO TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Fiscal Year 2008-09

Commencing on July 1, 2008 and terminating on June 30, 2009, the City of Pomona ("Transferor") hereby transfers to Monte Vista Water District ("Transferee") the quantity of 3,500 acre-feet of corresponding Annual Production Right (Appropriative Pool) or Safe Yield (Non-Agricultural Pool) adjudicated to Transferor or its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al.," RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

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

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

WATER QUALITY AND WATER LEVELS

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

Dynamic water levels at District wells range from 538' to 596' below ground level with average drawdown of 40'. Static water levels range from 504' to 533' below ground level. Nitrate concentrations for District wells range between 19-70 ppm.

MATERIAL PHYSICAL INJURY

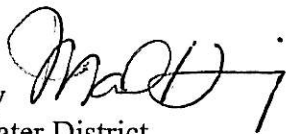
Is the Applicant aware of any potential Material Physical Injury to a party to the Judgment or the Basin that may be caused by the action covered by the application? Yes [] No [X]

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

No mitigation is required.

ADDITIONAL INFORMATION ATTACHED Yes [X] No []

Tim D'Zmura, PE
Public Works Director/City Engineer/
Building Official

Mark N. Kinsey 
Monte Vista Water District

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

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

No mitigation is required.

ADDITIONAL INFORMATION ATTACHED Yes [X] No []

Tim D'Zmura, PE
Public Works Director/City Engineer/
Building Official
Transferor

Mark N. Kinsey
Monte Vista Water District
Transferee

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

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MONTE VISTA WATER DISTRICT

Recapture Plan

Location of where the recaptured water will be extracted by the District is within Management Zone 1 of the Chino Basin and will be accomplished by any or all of the 13 wells owned and operated by the District. The approximate daily production capacity of these wells is noted below.

The 3,500 AF transfer will be utilized for delivery to the District's retail customers, for delivery to the City of Chino Hills, or to offset the District's Fiscal Year 2008-09 replenishment obligation.

<u>Well</u>	<u>Production Acre-Feet/Day</u>
4	4.2
5	6.1
6	5.2
10	5.2
19	9.0
20	5.8
26	9.0
27	9.0
28	9.0
30	9.0
31	9.0
32	9.0
33	4.5

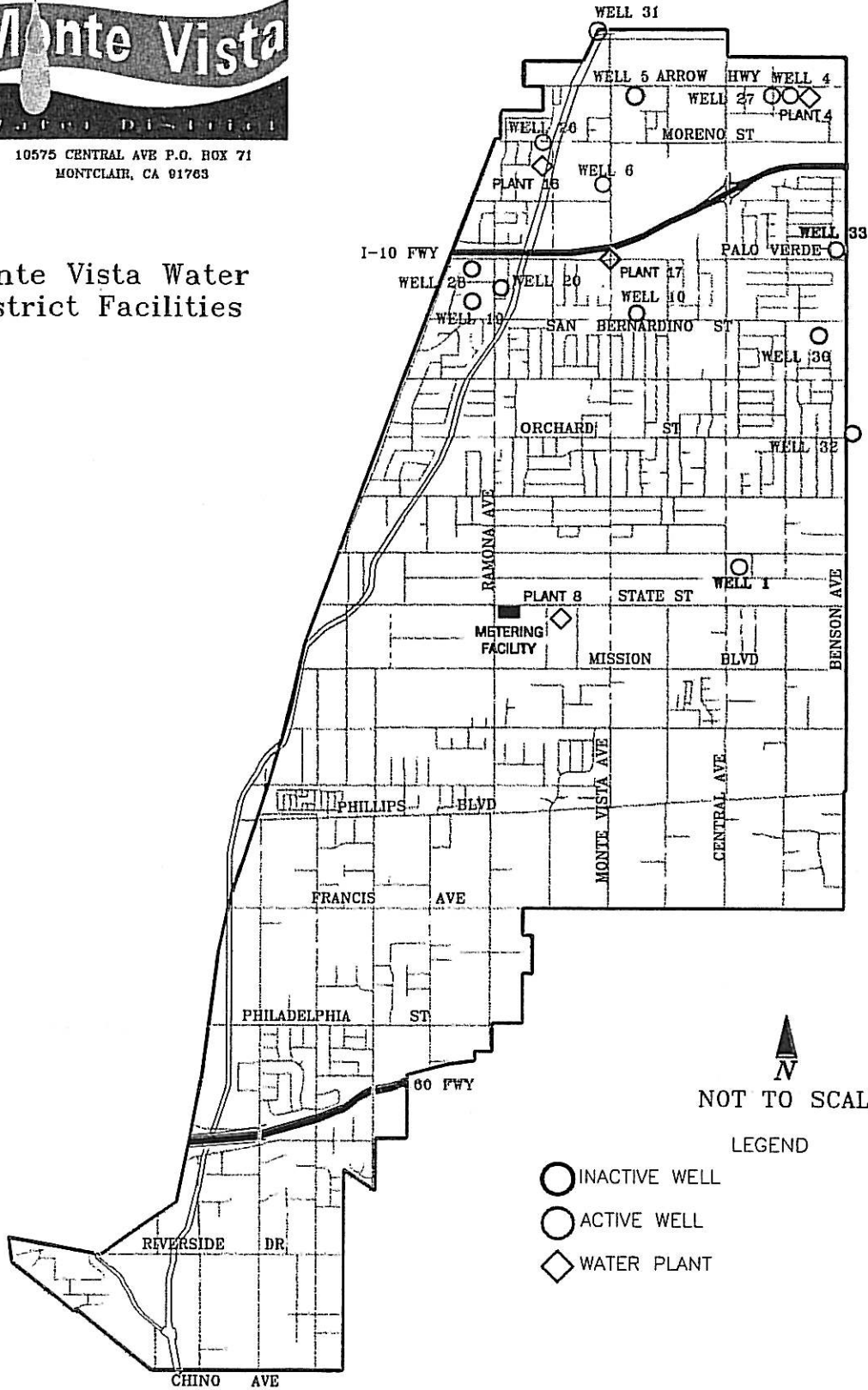
Daily Total	94.0
-------------	------

A map showing the location of these wells is attached. The rate of extraction can vary significantly, depending upon system demand and seasonal changes.



10575 CENTRAL AVE P.O. BOX 71
MONTCLAIR, CA 91763

Monte Vista Water District Facilities



- LEGEND
- INACTIVE WELL
 - ACTIVE WELL
 - ◇ WATER PLANT

CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

June 4, 2009

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

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **May 21, 2009**

Date of this notice: **June 4, 2009**

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

- A. Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2008/2009.

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

Appropriative Pool:	June 11, 2009
Non-Agricultural Pool:	June 11, 2009
Agricultural Pool:	June 16, 2009

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

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

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

Watermaster address:

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

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

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: June 4, 2009

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

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CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
CHIEF EXECUTIVE OFFICER

DATE: June 4, 2009
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

Summary –

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

Issue –

- Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2008/2009.

Recommendation –

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

Fiscal Impact –

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

Background

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

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

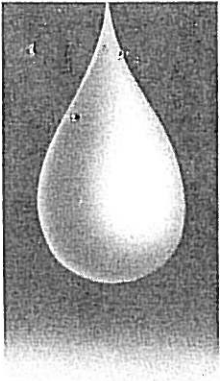
The following application for water transaction is attached with the notice of application.

- Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2008/2009.

Notice of the water transaction identified above was mailed on June 4, 2009 along with the materials submitted by the requestors.

DISCUSSION

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

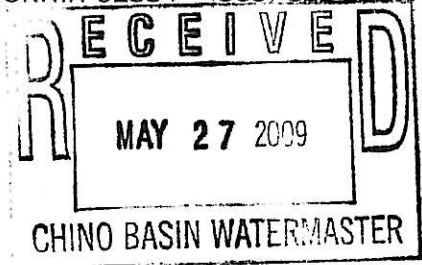


FONTANA WATER COMPANY

A DIVISION OF SAN GABRIEL VALLEY WATER COMPANY

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

May 21, 2009



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

Subject: Purchase of Annual Production Right
Chino Basin-Fiscal Year 2008/2009

Dear Mr. Manning:

Please take notice that Fontana Water Company ("Company") has agreed to purchase from The Nicholson Trust annual production right in the amount of 5.619 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2008/2009.

Enclosed is a fully executed Chino Basin Watermaster Form No. 5, along with the company's Recapture Plan for consideration by Watermaster. Please agendize this proposed transfer at the earliest possible opportunity.

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

Very truly yours,

Michael J. McGraw
General Manager

MJM:bf
Enclosures

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APPLICATION
TO
TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Fiscal Year 2008 - 2009

Commencing on July 1, 2008 and terminating on June 30, 2009, The Nicholson Trust ("Transferor") hereby transfers to Fontana Water Company ("Transferee") the quantity of 5.619 acre-feet of corresponding Annual Production Right (Appropriative Pool) or Safe Yield (Non-Agricultural Pool) adjudicated to Transferor or its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al.," RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

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

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

WATER QUALITY AND WATER LEVELS

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

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


MATERIAL PHYSICAL INJURY?

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

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

N/A

ADDITIONAL INFORMATION ATTACHED


The Nicholson Trust
Robert H. Nicholson, Jr., Trustee

Yes [] No []


Michael J. McGraw, General Manager
Fontana Water Company

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

FONTANA WATER COMPANY
Recapture Plan

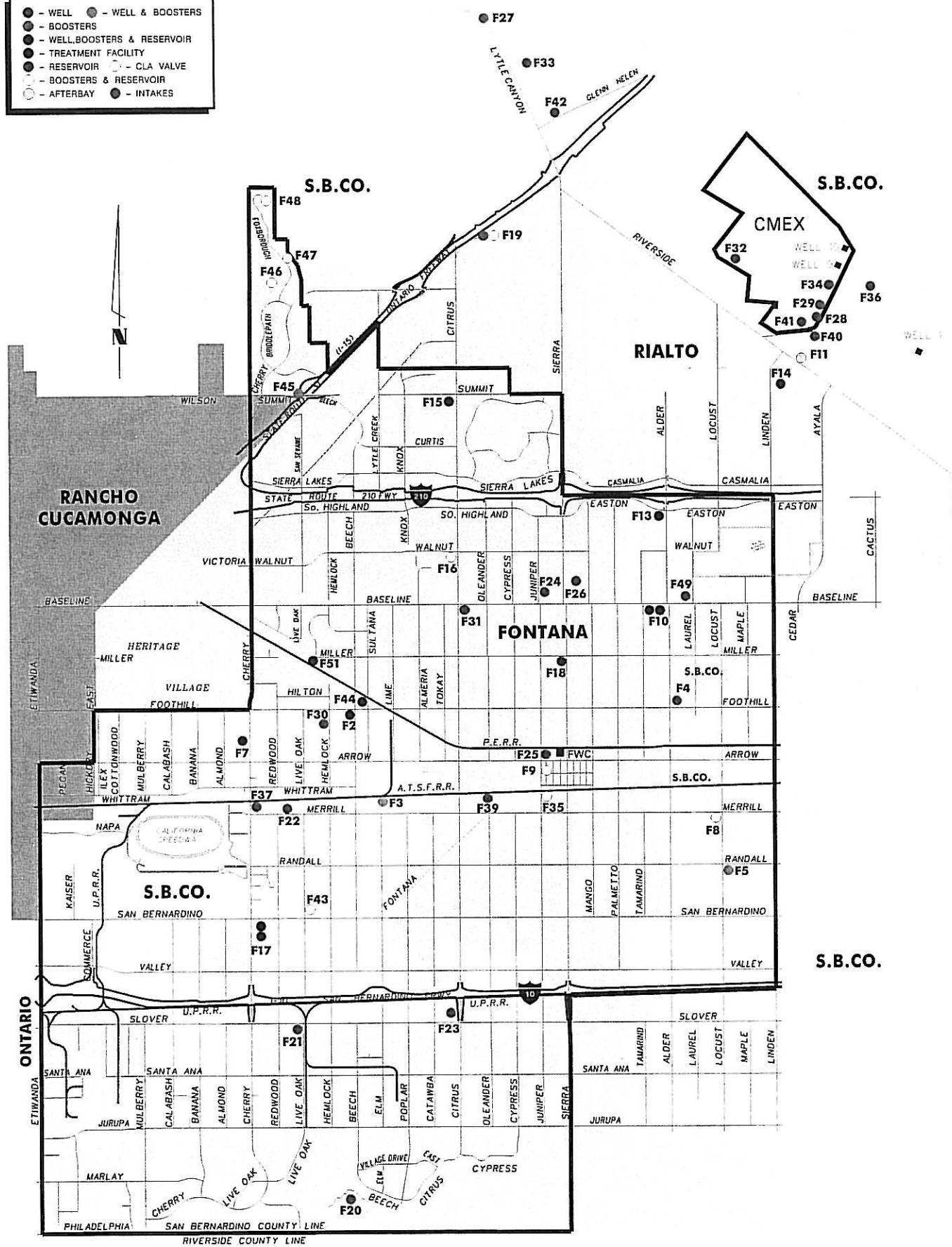
The subject water is a transfer of annual production right from The Nicholson Trust to Fontana Water Company (FWC) of 5.619 acre-feet to satisfy a portion of FWC's replenishment obligation for FY 2008/2009. Recapture of the stored water is accomplished by the production of any or all of the 16 wells owned and operated by FWC within Management Zone 3 of the Chino Groundwater Basin. The approximate daily production capacity of these wells is as follows:

<u>Well</u>	-	<u>Production Acre-Feet/Day</u>
F23A	-	10.6
F21A	-	5.7
F37A	-	5.7
F7A	-	11.0
F7B	-	11.0
F22A	-	8.2
F24A	-	8.4
F26A	-	8.6
F31A	-	7.3
F2A	-	10.6
F30A	-	5.1
F44A	-	11.0
F44B	-	10.6
F44C	-	10.6
F17B	-	5.7
F17C	-	7.1
Daily Total		137.2

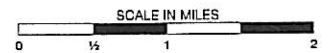
The attached map shows the location of these wells within FWC's service area. Prior to 1992, water produced from the majority of these wells was pumped within Management Zone 3 by Fontana Union Water Company with safe yield rights in the Chino Groundwater Basin. However, as a result of a bankruptcy settlement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

LEGEND

- - WELL
- - WELL & BOOSTERS
- - BOOSTERS
- - WELL, BOOSTERS & RESERVOIR
- - TREATMENT FACILITY
- - RESERVOIR
- - CLA VALVE
- - BOOSTERS & RESERVOIR
- - AFTERBAY
- - INTAKES



FONTANA WATER COMPANY
SYSTEM NO. 3610041



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

June 4, 2009

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

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **June 1, 2009**

Date of this notice: **June 4, 2009**

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

- A. Notice of Sale or Transfer – On June 3, 2009, Watermaster received Form 5, “Application to Transfer Annual Production Right or Safe Yield,” with CalMat Company/Vulcan Materials Company as Transferor and Aqua Capital Management LP as Transferee in the amount of 317.844 acre-feet – a permanent transfer of its share of safe yield. In addition to the 317.844 acre-feet annual right, all water in its annual account will be transferred as well. (The transfer does not include CalMat’s water in storage as of June 30, 2008 of 315.637 acre-feet)

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

Appropriative Pool: June 11, 2009

Non-Agricultural Pool: June 11, 2009

Agricultural Pool: June 16, 2009

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

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

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

Watermaster address:

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

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

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: June 4, 2009

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

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CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
CHIEF EXECUTIVE OFFICER

DATE: June 4, 2009
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

SUMMARY

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

Issue -

- Notice of Sale or Transfer – On June 3, 2009, Watermaster received Form 5, "Application to Transfer Annual Production Right or Safe Yield," with CalMat Company/Vulcan Materials Company as Transferor and Aqua Capital Management LP as Transferee in the amount of 317.844 acre-feet--a permanent transfer of its share of safe yield. In addition to the 317.844 acre-feet annual right, all water its annual account will be transferred as well. (The transfer does not include CalMat's water in storage as of June 30, 2008 of 315.637 acre-feet.) This Staff Report provides a summary and analysis of the proposed transfer.

Recommendation –

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

Fiscal Impact –

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

BACKGROUND

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

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

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

- Notice of Sale or Transfer – On June 3, 2009, Watermaster received Form 5, "Application to Transfer Annual Production Right or Safe Yield," with CalMat Company/Vulcan Materials Company as Transferor and Aqua Capital Management LP as Transferee in the amount of 317.844 acre-feet—a permanent transfer of its share of safe yield. In addition to the 317.844 acre-feet annual right, all water its annual account will be transferred as well. (The transfer does not include CalMat's water in storage as of June 30, 2008 of 315.637 acre-feet.) This Staff Report provides a summary and analysis of the proposed transfer.

Notice of the water transaction identified above was mailed on June 4, 2009 along with the materials submitted by the requestors.

DISCUSSION

Under Exhibit G, paragraph 6, of the Judgment: "Rights herein decreed are appurtenant to that land and are only assignable with the land for overlying use thereon; provided however, . . . (b) the members of the Pool shall have the right to Transfer or lease their quantified production rights within the Pool or to Watermaster in conformance with the procedures described in the Peace Agreement between the Parties therein, dated June 29, 2000 for the term of the Peace Agreement." The Peace Agreement and Peace II Agreement thus modified the strict appurtenancy requirement to allow Transfers of the water rights under certain conditions.

In the 1978 Judgment, Conrock Company was adjudicated rights of 317.844 acre-feet within the Overlying (Non-Agricultural) Pool. Conrock Company became CalMat Company, and then later became Vulcan Materials Company. Aqua Capital Management intervened into the Judgment in November 2008, at which time it purchased real property from CCG Ontario LLC. In December 2008, CCG Ontario LLC permanently transferred its annual water rights of 630.274 acre-feet to Aqua Capital Management, along with all its water in storage.

CalMat Company/Vulcan Materials Company and the Aqua Capital Management have submitted Form 5, "Application to Transfer Annual Production Right or Safe Yield," The Application indicates that the amount of water rights to be permanently transferred is 317.844 acre-feet. In addition to the 317.844 acre-feet annual right, all water in the Annual Account will be transferred as well. (The transfer does not include CalMat's water in storage as of June 30, 2008 of 315.637 acre-feet.) According to the letters submitted by companies, the "transfer from CalMat to Aqua does not involve any additional groundwater extractions not provided for under the Judgment."

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



June 1, 2009

Western Division

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

Re: Application to Permanently Transfer Safe Yield from CalMat Co. to Aqua Capital Management LP

Dear Mr. Manning:

CalMat Co.(CalMat) is a party to the Chino Basin Judgment and currently owns 317.844 AFY of adjudicated safe yield.

CalMat has agreed to transfer all of its adjudicated water rights (317.844 AFY), to Aqua Capital Management LP (Aqua). This transfer does not include CalMat's water in storage as of June 30, 2008 (315.637 AF). The transfer is subject to Watermaster approval and the associated close of escrow.

I have executed Form 5 (Application to Transfer Annual Production Right or Safe Yield). The completed form will be submitted by Aqua. CalMat retains the right to withdraw the Application at any time prior to the actual transfer of such water rights.

The transfer from CalMat to Aqua does not involve any additional groundwater extractions not provided for under the Judgment. As a result, the transfer will not result in any "material physical injury" to any party.

Thank you for your assistance. Please agendize this request for the June Pool meetings. If you have any questions regarding the foregoing, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael Linton".

Michael Linton
VP Properties and Land Development
CalMat Co.

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AQUA CAPITAL MANAGEMENT LP
444 Regency Parkway, Suite 300
Omaha, NE 68114

June 1, 2009

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

Re: Application to Permanently Transfer Safe Yield from Vulcan Materials Company to Aqua Capital Management LP

Dear Mr. Manning:

Aqua Capital Management LP (Aqua), a member of the Chino Basin Non-Agricultural Pool, hereby submits this request to approve Calmat Co.'s request to transfer its remaining adjudicated rights (317.844 AFY) of overlying groundwater rights. Aqua's request is based on the following facts:

A. The Judgment allocates water rights based on each party's land ownership. As an owner of real property overlying the Chino Groundwater Basin ("Basin") Calmat Co. (Calmat) is a party to the Judgment and currently owns 317.844 AFY of adjudicated safe yield.

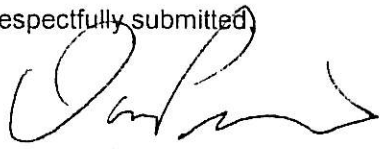
B. Calmat has agreed to transfer all of its adjudicated water rights (317.844 AFY), to Aqua. This transfer does not include Calmat's water in storage as of June 30, 2008 (315.637 AF). Form 5 (Application to Transfer Annual Production Right or Safe Yield) is attached.

C. The transfer from Calmat to Aqua does not involve any additional groundwater extractions not provided for under the Judgment. As a result, the transfer will not result in any "material physical injury" to any party.

Based on the foregoing, Aqua respectfully requests that the Watermaster approve Calmat's request to transfer its remaining adjudicated rights (317.844 AFY) of overlying groundwater rights to Aqua. Aqua Capital Management LP shall continue to comply with all provisions of the Judgment.

Please agendaize this request for the June Pool meetings. If you have any questions regarding the foregoing, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D. Penrice', written in a cursive style.

David Penrice
Chief Executive Officer

APPLICATION
TO
TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD

Fiscal Year 2008-2009

Calmat Co., a Delaware corporation ("Transferor"), hereby requests to permanently transfer to Aqua Capital Management LP, a Delaware limited partnership ("Transferee"), the quantity of 317.844 acre-feet per year of corresponding Safe Yield (Non-Agricultural Pool) adjudicated to Transferor or its predecessor in interest in the Judgment rendered in the Case of "CHINO BASIN MUNICIPAL WATER DISTRICT vs. CITY OF CHINO, et al.," RCV 51010 (formerly Case No. SCV 164327).

Said Transfer shall be conditioned upon:

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

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

WATER QUALITY AND WATER LEVELS

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

None

MATERIAL PHYSICAL INJURY

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

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

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Calmat Co.

Aqua Capital Management LP

Michael Linden

Transferor

Transferee

Name: *Michael Linden*

Name:

Its: *VP*

Its:

Date: *5/1/09*

Date:

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

ML

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Calmat Co.

Aqua Capital Management LP



Transferor

Name:

Its:

Date:

Transferee

Name: David Penrice

Its: CEO

Date: 6/1/09

TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

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DATE OF BOARD APPROVAL: _____ Agreement # _____

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CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

June 5, 2009

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

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: June 5, 2009

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

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **June 2, 2009**

Date of this notice: **June 5, 2009**

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

- A. Notice of Sale or Transfer – Chino Basin Watermaster will purchase 3,400 acre-feet of water from the Marygold Mutual Water Company. Watermaster will purchase the water at \$295.00 per acre-foot, which is the MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company’s water in storage. This transfer will solely offset Fontana Water Company’s current (Assessment Year 2008-2009) replenishment obligation.

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

Appropriative Pool:	June 11, 2009
Non-Agricultural Pool:	June 11, 2009
Agricultural Pool:	June 16, 2009

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

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

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

Watermaster address:

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

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

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CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
CHIEF EXECUTIVE OFFICER

DATE: June 5, 2009
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

Summary –

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

Issue –

- Notice of Sale or Transfer – Chino Basin Watermaster will purchase 3,400,000 acre-feet of water from the Marygold Mutual Water Company. Watermaster will purchase the water at \$295.00 per acre-foot, which is the MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) replenishment obligation.

Recommendation –

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

Fiscal Impact –

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

Background

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

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

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

- Notice of Sale or Transfer – Chino Basin Watermaster will purchase 3,400,000 acre-feet of water from the Marygold Mutual Water Company. Watermaster will purchase the water at \$295.00 per acre-foot, which is the MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) replenishment obligation.

Notice of the water transaction identified above was mailed on June 5, 2009 along with the materials submitted by the requestors.

DISCUSSION

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

Chino Basin Watermaster has a total replenishment obligation (due to overproduction within the Basin) of 20,833.80 AF for Assessment Year 2008-09. Due to the fact that MWD does not expect to have replenishment water available this fiscal year and perhaps not next fiscal year either, Watermaster wishes to use the option to purchase water from appropriators to fulfill the replenishment obligation. Watermaster is taking advantage of Marygold Mutual Water Company's offer to sell 3,400,000 AF of water to Watermaster. The transfer will be made from Marygold Mutual Water Company's water in storage. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) replenishment obligation. The 85/15 Rule does not apply to this transfer because 85/15 payments and credits were already established in the Assessment Package. This transfer is functioning in a similar manner as replenishment Watermaster purchases from MWD/IEUA.



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

June 2, 2009

Justin Brokaw
Marygold Mutual Water Company
9725 Alder Street
Bloomington, CA 92316-1637

RE: Purchase of replenishment water from Marygold Mutual Water Company to Watermaster

Dear Mr. Brokaw:

Chino Basin Watermaster has a total replenishment obligation (due to overproduction within the Basin) of 20,833.80 AF for Assessment Year 2008-09. Due to the fact that MWD does not expect to have replenishment water available this fiscal year and perhaps not next fiscal year either, Watermaster wishes to use the option to purchase water from appropriators to fulfill the replenishment obligation.

Watermaster would like to take advantage of Marygold Mutual Water Company's offer to sell 3,400,000 AF of water to Watermaster. Watermaster will purchase the water at \$295.00 per acre-foot, which is the 2009 MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's stored water. This transfer will solely offset Fontana Water Company's current (Assessment Year 2008-2009) replenishment obligation.

Please sign the attached forms (listed below). Once Watermaster has received these completed forms, the transaction will be Noticed and agendized in the same manner that any other water transfer would be handled.

If you have any questions, please feel free to contact myself or Danni Maurizio.

Sincerely,

Kenneth R. Manning,
Chief Executive Officer

Attachments:

- Marygold Mutual Water Company's Acceptance of Watermaster's Water Transfer Terms
- Form 3: Application for Sale or Transfer of Right to Produce Water from Storage
- Form 4: Application or Amendment to Application to Recapture Water in Storage



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

June 2, 2009

MARYGOLD MUTUAL WATER DISTRICT'S ACCEPTANCE OF WATERMASTER'S WATER TRANSFER TERMS

Chino Basin Watermaster will purchase 3,400,000 AF of water from Marygold Mutual Water Company. Watermaster will purchase the water at \$295.00 per acre-foot, which is the 2009 MWD replenishment rate (not including IEUA and OCWD fees). The transfer will be made from Marygold Mutual Water Company's stored water.

If these terms are acceptable to Marygold Mutual Water Company, please sign below and return to Watermaster at your earliest convenience.

Signature: Justin Brotan

Printed Name: Justin Brotan

Title: General Manager

Date Signed: 6-4-09

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

TRANSFER FROM LOCAL STORAGE AGREEMENT # -

Marygold Mutual Water Company
Name of Party
9725 Alder Street
Street Address
Bloomington CA 92316-1637
City State Zip Code
Telephone: 909- 877-0516
Applicant

06/02/09
Date Requested Date Approved
3,400,000 Acre-feet
Amount Requested Amount Approved
Facsimile: 909- 877-6609

TRANSFER TO:

Attach Recapture Form 4

Chino Basin Watermaster
Name of Party
9641 San Bernardino Road
Street Address
Rancho Cucamonga CA 91730
City State Zip Code
Telephone: 909-484-3888

Facsimile: 909-484-3890

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

WATER QUALITY AND WATER LEVELS

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

This transfer will have no affect on water quality or water levels. The water has already been pumped from the Basin by overproducers and this transfer will help fulfill Watermaster's replenishment obligation.

MATERIAL PHYSICAL INJURY

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

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

-
-
-
-

ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]

Applicant



TO BE COMPLETED BY WATERMASTER:

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

**APPLICATION OR AMENDMENT TO APPLICATION
TO
RECAPTURE WATER IN STORAGE**

APPLICANT

<u>Chino Basin Watermaster</u> Name of Party	<u>06/02/09</u> Date Requested	<u> </u> Date Approved
<u>9641 San Bernardino Road</u> Street Address	<u>3,400.000</u> Acre-feet Amount Requested	<u> </u> Acre-feet Amount Approved
<u>Rancho Cucamonga</u> <u>CA</u> <u>91730</u> City State Zip Code	<u>N/A</u> Projected Rate of Recapture	<u>N/A</u> Projected Duration of Recapture
Telephone: <u>909-484-3888</u>	Facsimile: <u>909-484-3890</u>	

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

IDENTITY OF PERSON THAT STORED THE WATER: Marygold Mutual Water Company

PURPOSE OF RECAPTURE

- Pump when other sources of supply are curtailed
- Pump to meet current or future demand over and above production right
- Pump as necessary to stabilize future assessment amounts
- Other, explain Watermaster is purchasing from Marygold Mutual to meet its replenishment obligation.

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

The water has already been pumped from the Basin by overproducers located throughout the Basin.

PLACE OF USE OF WATER TO BE RECAPTURED

The water has already been pumped from the Basin by overproducers located throughout the Basin.

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

WATER QUALITY AND WATER LEVELS

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

This transfer will have no affect on water quality or water levels. The water has already been pumped from the Basin by overproducers and this transfer will help fulfill Watermaster's replenishment obligation.

MATERIAL PHYSICAL INJURY

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

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

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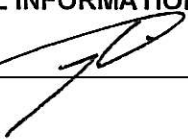
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ADDITIONAL INFORMATION ATTACHED

Yes [] No [X]



Applicant

TO BE COMPLETED BY WATERMASTER

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

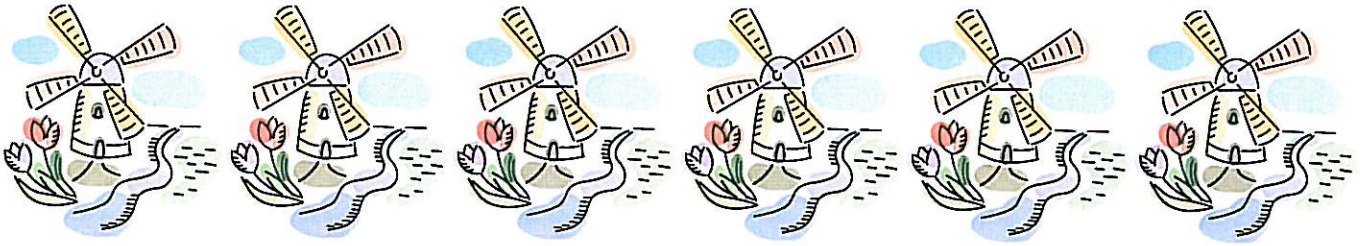
DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____ Agreement # _____

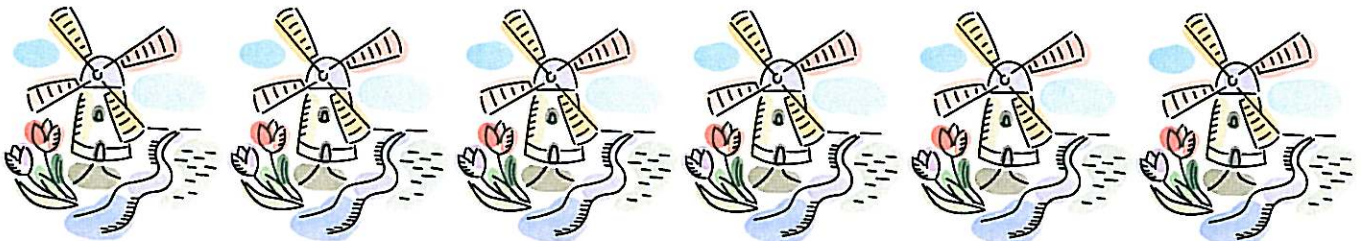


CHINO BASIN WATERMASTER

II. BUSINESS ITEM

A. OVERLYING NON-AGRICULTURAL POOL AUCTION ISSUES

1. Storage & Recovery Agreement
2. Broad Benefit
3. Determination on Material Physical Injury





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: June 11, 2009
June 16, 2009

TO: Pool Committee Members

SUBJECT: Non-Agricultural Pool Stored Water Auction

SUMMARY

Summary: Action items required in order for the Non-Agricultural Pool stored water auction to move forward as reported and discussed at prior pool meetings.

Recommendation: Staff recommends: (1) adoption of proposed allocation of auction funds in order to provide broad mutual benefit; (2) adopt findings regarding potential for material physical injury; (3) approval of the draft storage and recovery agreement through an auction process; and (4) retain a qualified auction consultant, subject to approved terms.

Background

One part of the Peace II Measures is the Purchase and Sale Agreement for the Purchase of Water by Watermaster from the Overlying (Non-Agricultural) Pool. (See Exhibit "G" to Watermaster Resolution 07-05 (Resolution 07-05 is Exhibit "1" to the Peace II Agreement).)

Section "C" of the Purchase and Sale Agreement says that within 24 months of the final Court approval of the Peace II Measures (December 21, 2007), Watermaster will provide written notice of intent to purchase the water held in storage by the Non-Agricultural Pool as of June 30, 2007. The amount of water held in storage by the Non-Agricultural Pool as of June 30, 2007 is approximately 40,000 acre-feet. Under section "E" of the Purchase and Sale Agreement, 10% of this quantity will be dedicated to desalter production without compensation to the Non-Agricultural Pool. Under section "F" of the Purchase and Sale Agreement, Watermaster will take possession of the remaining water and make use of the water in a manner consistent with Section 5.3(e) of the Peace Agreement.

Section 5.3(e) of the Peace Agreement says that members of the Non-Agricultural Pool may transfer or lease their quantified production rights within the Pool or to Watermaster to use for desalter replenishment or for use in the storage and recovery program. All transfers made under Peace Agreement Section 5.3 are subject to the requirements stated in 5.3(a) that no transfer shall be approved unless it is consistent with the Judgment and the Peace Agreement and will not cause Material Physical Injury. In addition, under Peace Agreement section 5.2(c)(iv)(b), Watermaster will give first priority to Storage and Recovery Programs that provide broad mutual benefits.

Watermaster staff has been working with the members of the Appropriative Pool to develop a proposed approach for disposition of the water obtained through the Purchase and Sale Agreement. A proposal has emerged whereby a storage account containing the water will be put up for auction according to terms and conditions as described in the storage and recovery account agreement. Before the auction can take place, the Watermaster Board must approve its willingness to enter in to the storage and recovery agreement with the successful bidder, whoever that might be. Pursuant to the Peace Agreement, as a precondition to this Board action, the Board will also be required to find that the storage and recovery agreement will not cause Material Physical Injury, and must find that the agreement will provide broad mutual benefit. Staff recommendations regarding these finds as well as the storage and recovery agreement itself are described below.

1. Recommendation Regarding Broad Mutual Benefit

As a precondition to Board and Court approval of the Storage and Recovery Agreement, there must be a finding that the program will provide broad mutual benefit. Pursuant to Sections 5.2(b)(xi) and 5.3(c)(iv) of the Peace Agreement, Watermaster must provide first priority to Storage and Recovery Agreements that will offer broad mutual benefits to the parties to the Judgment. The members of the Overlying (Non-Agricultural) Pool and the Appropriative Pool are exclusively entitled to all the compensation received from the Storage and Recovery Agreement. (Peace Agreement Section 5.2(c)(v).)

With regard to the Purchase and Sale Agreement with the Overlying (Non-Agricultural) Pool, the members of the Non-Ag Pool will receive the compensation as set forth in the Purchase and Sale Agreement. The members of the Appropriative Pool will obtain the revenue received from any third party in excess of the purchase price under the Purchase and Sale Agreement.

To meet the broad mutual benefit standard, Watermaster staff proposes that the revenues received from the auction that are in excess of the purchase price set forth in the Purchase and Sale Agreement be escrowed in an interest bearing account and earmarked by Watermaster for the following purpose:

“Upon receipt of a written recommendation from the Appropriative Pool and further Board approval, Watermaster may authorize the use of excess revenues received from the Purchase and Sale Agreement for capital improvements to be spread equitably among management zones and that are: (i) designed, approved and scheduled for timely implementation under the Court approved Recharge Master Plan or any approved yield enhancement/preservation program and (ii) will facilitate Watermaster’s recharge goals of maintaining hydrologic balance within each Management Zone and the Basin. “Capital improvements” means physical facilities that will be actually used in the production, storage, treatment and distribution of water that will recharge the Chino Basin, including but not limited to recharge basins, injection wells, pipelines and water supplies. The qualifying capital improvements may facilitate recharge directly or indirectly through approved in-lieu strategies.”

Watermaster staff recommends that the Pools recommend to the Advisory Committee and Board that approval of the auction storage and recovery agreement be conditioned upon the use of the auction proceeds consistent with the above proposal.

2. Material Physical Injury Analysis

As a precondition to Board and Court approval of the Storage and Recovery Agreement, there must be finding that no unmitigated Material Physical Injury exists. Watermaster staff considered the following uses of the water being sold and stored pursuant to the proposed Auction Floor Agreement (“AFA”) with respect to determining the potential for Material Physical Injury due to the proposed storage and recovery agreement:

- Storage – The AFA Party would obtain a storage account pursuant to the AFA and place the water in storage for subsequent use.
- Use by a Judgment Party to offset a replenishment obligation pursuant to the Judgment – The AFA Party would, by means provided for in the Judgment and the Peace Agreement, provide the water to a Judgment Party, and the Judgment Party would use the water to offset a replenishment obligation.
- Physical export of the water by an AFA Party or Judgment Party – The AFA Party or Judgment Party would produce the AFA Party's water through new or existing facilities and convey that water out of the Chino Basin through surface facilities for subsequent use on lands that do not overlie or are not tributary to the Chino Basin.
- Exchange export by a Judgment Party – The AFA Party would provide water to a Judgment Party, substituting that water for water that would otherwise be imported to the Basin; the avoided imported water would then be provided to some other non-Judgment entity at the direction of the AFA Party.
- Other unknown uses –Uses other than those listed above.

The potential for material physical injury from these proposed AFA related water uses is analyzed below. The basis for these findings is WEI's recent groundwater management alternative analyses, including the Peace II Agreement, investigations required by the December 2007 Court Order, and the proposed Dry-Year Yield Program expansion.

No significant changes in groundwater quality are expected from the first four uses listed above. Liquefaction potential and rising water will be unchanged with the first use, and liquefaction potential and rising water will be reduced with the second through fourth uses. No findings can be made regarding "other unknown uses." Groundwater level changes and the potential for subsidence will be addressed in this material physical injury analysis.

Storage. Currently, the water being sold under the AFA is in storage and is not causing material physical injury. Neither granting a new storage agreement to the AFA Party nor the maintenance of this water in storage will cause material physical injury to the Basin or a Party, provided that it is managed pursuant to the Judgment and the Peace Agreement.

Use by a Judgment Party to Offset a Replenishment Obligation Pursuant to the Judgment. Under this use, the AFA Party would, by means provided for in the Judgment and the Peace Agreement, provide some or all of the AFA Party's water to a Judgment Party, and the Judgment Party would use the water to offset a replenishment obligation. The net effect to the Basin will be a slight lowering of groundwater levels but only slightly more than would have occurred if the Overlying Non-Agricultural Pool Parties had produced their water. This lowering of groundwater levels will be less than 10 feet and will be in addition to the lowering of groundwater levels caused by re-operation. No material physical injury will occur to the Basin, provided that this lowering of groundwater levels does not contribute to subsidence in Management Zone 1 (MZ1).

As to the individual Parties, there will be no material physical injury, provided that this lowering of groundwater levels is addressed in the ongoing Recharge Master Plan Update, in future Recharge Master Plan updates, and in Watermaster's continuing assessment of the balance of recharge and discharge pursuant to the Peace Agreement, and provided that this lowering of groundwater levels does not contribute to subsidence in MZ1.

As to subsidence in MZ1, strict adherence to the long-term MZ1 subsidence management plan will ensure that subsidence is controlled in the managed area. Potential subsidence north of the managed area is an unresolved issue, and the use of water provided by an AFA Party to offset a Judgment Party's production in this area of MZ1 will require a specific and detailed production and replenishment proposal and additional analysis outside the scope of this material physical analysis.

Physical Export of the Water by an AFA Party or Judgment Party. Under this use, an AFA Party or Judgment Party would produce the AFA Party's water through new or existing facilities, convey that water out of the Chino Basin through surface facilities for subsequent use on lands that do not overlie or are not tributary to the Chino Basin. To the Basin as a whole, the impacts would be identical to the previous water use alternative. The loss of return flows from the export of this water would be compensated by return flows from supplemental water.

As to individual Parties, there will be no material physical injury, provided that this lowering of groundwater levels is addressed in the ongoing Recharge Master Plan Update, in future Recharge Master Plan updates, and in Watermaster's continuing assessment of the balance recharge and discharge pursuant to the Peace Agreement, and provided that this lowering of groundwater levels does not contribute to subsidence in MZ1.

As to subsidence in MZ1, strict adherence to the long-term MZ1 subsidence management plan will ensure that subsidence is controlled in the managed area. Potential subsidence north of the managed area is an unresolved issue, and the production and export of an AFA Party's water from this area in MZ1 by the AFA Party or a Judgment Party will require a specific and detailed production and replenishment proposal and additional analysis outside the scope of this material physical analysis.

Exchange Export by a Judgment Party. Under this use, the AFA Party would provide water from its storage account to a Judgment Party, substituting that water for water that would otherwise be imported into the Basin; the avoided imported water would then be provided to some other non-Judgment entity at the direction of the AFA Party. To the Basin as a whole, the impacts would be identical to the physical export alternative.

As to individual Parties, there will be no material physical injury, provided that this lowering of groundwater levels is addressed in the ongoing Recharge Master Plan Update, in future Recharge Master Plan updates, and in Watermaster's continuing assessment of the balance recharge and discharge pursuant to the Peace Agreement, and provided that this lowering of groundwater levels does not contribute to subsidence in MZ1.

As to subsidence in MZ1, strict adherence to the long-term MZ1 subsidence management plan will ensure that subsidence is controlled in the managed area. Potential subsidence north of the managed area is an unresolved issue, and the production of an AFA Party's water from this area in MZ1 by an AFA Party and its exchange to a Judgment Party will require a specific and detailed production and replenishment proposal and additional analysis outside the scope of this material physical analysis.

Other Unknown Uses. No material physical injury findings can be made regarding any other uses.

Conclusion: No material physical injury will result from the anticipated known uses of the stored water so long as the storage and recovery agreement is conditioned upon adherence to the Judgment, the Peace Agreement, and the MZ1 Plan for the Management of Subsidence. The storage and recovery agreement should also contain a condition such that any proposed production of the stored water in the northern MZ1 area not covered by the Subsidence Management Plan will require Watermaster approval of a separate and detailed production proposal. Lowered water levels resulting from the withdrawal of the stored water should be addressed through the update to the Recharge Master Plan.

3. Storage and Recovery Agreement

Included with this staff report is a draft template storage and recovery agreement. This agreement contains conditionality with regard to prevention of Material Physical Injury as described below. The agreement is based on the terms that have been under discussion by the members of the Appropriative Pool for several months.

This agreement will need Court approval. Assuming approval by the Watermaster Board at its June meeting, staff and legal counsel will be prepared to submit the agreement to the Court for approval in the July time-frame.

Throughout the process of development of the terms of the storage and recovery agreement, the issue of whether the stored water may be available for export has been highlighted and thus it is relevant to address it at length here.

Staff and legal counsel believe there is a reasonable basis to conclude that the stored water may be exported without the imposition of a replenishment assessment.

The Judgment does not prohibit exports. When allocating storage capacity, Watermaster must give priority to the overlying needs of the parties over exports. (Judgment Paragraph 12.) In fact, Watermaster has consistently adhered to the goal by facilitating local storage opportunities. Today more than 200,000 acre-feet of water is stored within the Basin for local, predominantly overlying use.

The only reference to the export of water derives from the Appropriative Pool Pooling Plan. (Judgment Exhibit H.) The Plan establishes a requirement that Watermaster replenish water that is exported from the Basin by Appropriators. However, it already exempts certain exports from the requirement. Thus, the condition is not absolute as it applies to the members of the Appropriative Pool.

In the instant case, the water stored by the Overlying (Non-Agricultural) Pool derives from overlying water rights. The Pooling Plan for the Overlying (Non-Agricultural) Pool does not contain an export limitation. That is, absent a court adjudication, overlying water rights are generally not transferable. They also cannot be stored.

The Judgment did provide members of the Pool with right to make assignments to appropriators. Later, the Peace Agreement and further Judgment amendment expanded the transferability of the Overlying (Non-Agricultural) Pool water rights, and the Peace II Agreement extended this right further still. Moreover, the Judgment has always allowed members of the Overlying (Non-Agricultural) Pool to store water as Carry-Over. (Exhibit G Paragraph 7). It also should be noted that the Judgment actually facilitates the prospect of Carry-Over and storage by expressly authorizing members of the Pool to receive imported water and to Carry-Over the unused quantity. Modernly, we generally refer to such activity as "in lieu" storage. (Exhibit G Paragraph 8).

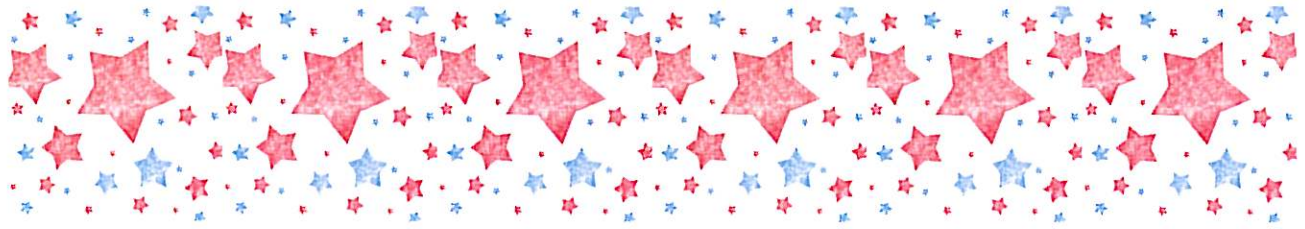
Regardless, up until the Peace Agreement, the exportation of stored water originating from the Overlying (Non-Agricultural) Pool was simply not addressed. Generally, the replenishment condition on exports was linked to the quantity of water physically exported in 1976. Staff's view is that the Judgment simply sought to protect the Basin's safe yield and its historical forms of recharge. Indeed, the subject of recharge remains a key concern for Watermaster in the future, but the likelihood that the return flows from the applied water that could be beneficially used by the members of the Pool had the water not been stored, would be relatively miniscule.

On the basis of the above, staff recommends that the Pools recommend approval of the draft storage and recovery agreement as a template agreement for use with the successful auction bidder as conditioned with respect to avoidance of Material Physical Injury as described above and conditioned upon the use of auction proceeds as described above.

Professional Consulting Services:

Auctions have long been relied upon to create an open and transparent process to establish a fair market value price for an asset. Auction of real property assets have occurred within a fairly routine and generic process. However, in the case of the auction of the Overlying (Non-Agricultural) Pool water and the related storage and recovery agreement, the characterization of the asset and the procedure is more complex. While there have been auctions of water and water rights, Watermaster staff and counsel believe that Watermaster should retain professional support to assist in publicizing and conducting the auction. The assets are of extreme importance to the stakeholders and professional help is prudent. Watermaster has contacted public and private professionals to obtain their opinion as to qualified parties to conduct these services and it has obtained conceptual and specific proposals as to conducting the services and as for success fees. Watermaster will present a summary of its findings in closed session. Staff recommends that subject to reaching an agreement on terms, Watermaster should retain a qualified provider of auction and publicity services

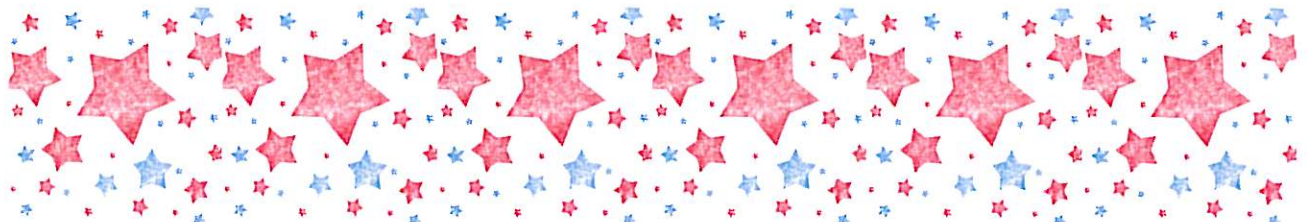
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CHINO BASIN WATERMASTER

II. BUSINESS ITEM

A. WATERMASTER AUCTION





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: July 23, 2009
TO: Committee Members
Watermaster Board Members
SUBJECT: Watermaster Auction

SUMMARY

Staff recommend: Retention of FTI and Mr. Harold Lea to provide the desired auction services with authorization to execute a "Consulting Confidentiality and Non-Disclosure Agreement"

Background:

Watermaster Staff has previously reported on the need to retain a qualified consultant to assist Watermaster in marketing and conducting a successful auction of up to 36,000 acre-feet of water and 40,000 acre-feet of basin storage capacity. Staff has contacted public and private professionals to obtain their opinion as to qualified parties to conduct these services and it has obtained conceptual and specific proposals for conducting the services, including their fees.

Watermaster has received four proposals. Staff previously shared the proposed provider's statement of qualifications and proposed terms with the Appropriative Pool. Staff has sought the retention of a "neutral" competent provider with professional experience conducting auctions.

The Pool provided direction to Staff to negotiate further terms consistent with its direction. In the event the proposed terms were acceptable to Staff, the final proposed terms were to be presented to the Appropriative Pool for approval and reduced to a written contract that could be approved and executed by Watermaster.

Analysis:

The terms among the providers were economically competitive. The upfront irrevocable financial commitment is less with FTI. Their success fees are capped for up to 5 buyers identified by Watermaster. The promised scope of services is broader.

Although FTI has not conducted an auction of water or water rights per se, FTI has successfully completed numerous auctions of other unique and sophisticated assets. It has a demonstrated software capability that will increase the likelihood of a successful auction. They have the personnel and resources to devote to this opportunity.

A minimum non-refundable expense of \$66,000 will be incurred in conducting the auction. The balance of the financial burden of the consultant is a success fee that will be exclusively drawn from the auction proceeds, which would otherwise be made available to the members of the Appropriative Pool. Consequently, a failed auction, one that fails to net a return in excess of \$600 would cost Watermaster \$66,000. The minimum expense of \$66,000 is not currently budgeted by Watermaster. Should the auction not conclude in a timely manner, Watermaster will do a budget amendment to generate the funds to cover this expense, as well as the funds required to make the first payment to the Non-Ag Pool to purchase the water.

The success fee escalates depending upon the level of success for each significant price increment. For example, a success fee for a sale at \$620 (slightly above the \$600 reserve price) would generate a 1% commission on the \$20 above the threshold. ($1\% \times \$20 \times 36,000 = \$7,200$.) This (in addition to the upfront expense) equates to approximately a 0.04% commission on the entire auctioned amount (\$21,600,000.) No commission is due from the auction of the storage capacity. Conversely, at the highest end of the range, a sale in excess of \$950 per acre foot would generate a 30% commission but only for that portion in excess the threshold. At \$950 per acre foot, the total commission equates to approximately 5% on the entire auctioned amount (\$34,200,000).

Although the incentive structure is not unique to the FTI proposal, staff does believe that it properly aligns the interest of the consultant with Watermaster by offering strong incentives for the maximum return.

CONSULTING, CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

This **CONSULTING, CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT** (“**Agreement**”) is made and entered into as of July __, 2009 by and between Chino Basin Watermaster (“**Watermaster**”) and FTI Consulting, Inc., a Maryland corporation (“**Consultant**”).

RECITALS

A. Watermaster desires to retain Consultant to assist Watermaster in marketing and conducting a successful auction of up to 36,000 acre-feet of water and 40,000 acre-feet of basin storage capacity.

B. Watermaster wishes to retain the services of Consultant to provide certain financial advisory and consulting services, as well as provide certain software to assist with Watermaster’s proposed auction. Watermaster may disclose to Consultant, or authorize its attorneys, agents or other consultants to disclose to Consultant, non-public information relating to Watermaster, which information Watermaster considers personal, confidential, unique and proprietary (“**Confidential Information**”).

C. Watermaster is willing to retain Consultant and to provide such Confidential Information to Consultant on an as needed basis and on the condition that Consultant strictly maintain the confidentiality of all Confidential Information and not disclose such information except as permitted by this Agreement.

NOW THEREFORE, the parties, intending to be legally bound hereby, agree as follows:

1. Description of Services. Consultant shall use its special experience, expertise, knowledge and skill to provide certain financial advisory and consulting services as described in Exhibit A, attached hereto, as well as the provision of certain software as more specifically described herein (“**Services**”). Consultant shall provide the Services in a first-class and high quality manner, consistent with similar service providers. The Services may be performed by Consultant or by any subsidiary of Consultant, as Consultant shall reasonably determine. Consultant may also provide Services through its or its subsidiaries’ agents or independent contractors. References herein to Consultant and its employees shall be deemed to apply, unless the context shall otherwise indicate, to employees of each such subsidiary and to any such agents or independent contractors and their employees.

(a) Use and Purpose of Advice and Reports. Any advice given or reports issued by Consultant are provided solely for Watermaster’s use and benefit and only in connection with the purposes described in this Agreement. Consultant assumes no responsibility to any third party to which any advice or report is disclosed or otherwise made available.

(b) **Provision of Information and Assistance.** Consultant's performance of the Services is dependent upon Watermaster providing Consultant with such information and assistance as Consultant may reasonably require from time to time.

(c) **Punctual and Accurate Information.** Watermaster shall use reasonable skill, care and attention to ensure that all information Consultant may reasonably require is provided on a timely basis and is accurate, complete and relevant for the purpose for which it is required. Watermaster shall notify Consultant if it subsequently learns that the information provided was incorrect or inaccurate or otherwise should not be relied upon.

(d) **No Assurance on Financial Data.** While Consultant's work may include an analysis of financial and accounting data, the Services shall not include an audit, compilation or review of any kind of any financial statements or components thereof. Watermaster's will be responsible for any and all financial information provided to Consultant during the term of this Agreement. Moreover, the circumstances of the Services may cause Consultant's advice to be limited in certain respects based upon, among other matters, the extent of sufficient and available data and the opportunity for supporting investigations. Consultant expresses no opinion or other form of assurance on financial statements of Watermaster.

(e) **Prospective Financial Information.** In the event the Services involve prospective financial information, Consultant's work will not constitute an examination or compilation, or apply agreed-upon procedures, in accordance with standards established by the American Institute of Certified Public Accountants or otherwise, and Consultant expresses no assurance of any kind on such information. There will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

2. **Software License.** Consultant grants Watermaster, its employees and contractors ("Users") a non-exclusive and non-transferable right and license to access, use, and perform Consultant's Internet-based auction software ("Software") during the term of this Agreement.

3. **Compensation.**

(a) **Advisory Fee.** As compensation for the Services, Watermaster shall pay Consultant a fixed fee of Sixty Six Thousand Dollars (\$66,000.00), one half of which shall be paid within 30 days of the execution of this Agreement, and the remaining half shall be paid within 30 days of Watermaster conducting its auction.

(b) **Success Fee and Performance Bonus.** If a sale is consummated with a bid accepted during the auction, Watermaster shall pay Consultant a one time success fee equal to Ten Thousand Dollars (\$10,000.00) success fee, plus a one time performance bonus calculated in the manner set forth in Exhibit B attached hereto.

(c) **Allocated and Direct Expenses.** Consultant will bill Watermaster for reasonable allocated and direct expenses which are likely to be incurred during the term of this Agreement. Allocated expenses include the cost of items which are not included in the fixed fee, including administrative support and other overhead expenses that are not billed as direct reimbursable expenses. Allocated expenses shall be calculated at 6.0% of Consultant's standard professional

rates. Direct expenses include reasonable and customary out-of-pocket expenses which are billed directly to the engagement such as certain telephone, overnight mail, messenger, travel, meals, accommodations, and other expenses specifically related to the Services.

(d) Judicial or Administrative Proceeding. If Consultant and/or any of its employees are required to testify or provide evidence at or in connection with any judicial or administrative proceeding relating to the Services, Consultant shall be compensated by Watermaster at Consultant's regular hourly rates and shall be reimbursed for reasonable allocated and direct expenses (including attorney fees) with respect thereto.

4. Status of Consultant.

(a) Independent Contractor. The parties acknowledge and agree that Consultant is an independent contractor of Watermaster and not an employee or partner of Watermaster, and each of the parties to this Agreement agrees to take actions consistent with the foregoing. Consultant shall not have the power or authority to enter into agreements or make any other commitments in the name or on behalf of the Watermaster. Consultant agrees that, as an independent contractor, it is not eligible for and will not participate in any employee benefit plan in connection with the Services provided hereunder. Watermaster will not provide any workers' compensation coverage or benefits to Consultant, or any of Consultant's employees, agents, or consultants, and Consultant will not look to Watermaster to provide any such coverage or benefits.

(b) Taxes. Watermaster shall not withhold federal, state or local income tax, payroll tax or social security tax of any kind on behalf of Consultant, and Consultant shall pay any and all taxes due with respect to payments made under this Agreement.

5. Termination of Agreement.

(a) Upon Notice. This Agreement may be terminated by either party for any reason upon 30 days written notice to the other party. Within five days of the effective date of any termination of this Agreement, Watermaster shall promptly pay Consultant any unpaid fees payable hereunder.

(b) Notices. Each notice under this Agreement shall be in writing and may be given personally to Consultant or to Watermaster (as the case may be) or may be mailed to Watermaster or to Consultant at their respective addresses written below. Any such notice sent by mail shall be deemed served four business days after it is posted in U.S. Mail or placed with a reputable international courier, and in providing such service it shall be sufficient to prove that the envelope containing the notice was properly addressed and mailed as a prepaid letter.

6. Confidentiality. Consultant agrees that for a period of five years from the date of any disclosures hereunder, all Confidential Information that is disclosed to Consultant by Watermaster or its employees, attorneys, agents or other consultants in documents, discussions or otherwise, shall, except as specified below, be considered personal, unique, proprietary, confidential and the property of Watermaster. Consultant agrees that it shall hold the Confidential Information in strict confidence and shall not: (i) use the Confidential Information except for the specific purpose of advising Watermaster and its employees, attorneys, agents and

consultants, (ii) make copies of the Confidential Information except for the specific purposes described above, (iii) disclose such Confidential Information to any of Consultant's, subsidiaries, affiliates, employees or agents except on a need to know basis, or (iv) disclose such Confidential Information in any manner, and in any form, to any third party, including, but not limited to, any governmental agency, without the specific prior written consent of either Watermaster or its attorneys in each instance.

(a) Consultant acknowledges and understands that Consultant's unauthorized disclosure of any Confidential Information would be extremely prejudicial to Watermaster and may breach the attorney-client privilege or the attorney work product doctrine. This prohibition of disclosure of Confidential Information shall survive the termination of this Agreement. Any breach by Consultant of any provisions of this paragraph shall entitle Watermaster to terminate its consulting contract with Consultant and, without prejudice to any rights and remedies as may be available to Watermaster at law or in equity by reason of such breach, Watermaster shall be entitled to equitable relief including injunction and Watermaster shall be entitled to have and recover from Consultant, Watermaster's reasonable attorneys' fees and costs in connection with any action arising out of any breach by Consultant of any provisions of this Agreement. Consultant hereby agrees to indemnify, defend and hold Watermaster and its affiliates, partners, employees and agents harmless from any and all loss, damage or liability, which results from or arises in connection with Consultant's breach of its obligations under this Agreement.

(b) It is agreed that the Confidential Information shall not be considered confidential or shall cease to be confidential if and to the extent that: (i) the Confidential Information, as shown by competent evidence, was already known to Consultant at the time of its receipt; or (ii) the Confidential Information is or becomes, through no fault of Consultant, in the public domain; or (iii) the Confidential Information lawfully has been or hereafter becomes available to Consultant from a source other than Watermaster, provided that Consultant is not under any obligation of non-disclosure or restricted use thereon imposed by such other source.

(c) If any of the Confidential Information is required by Consultant to be disclosed pursuant to a binding court order or administrative subpoena, Consultant may disclose such information, provided that it has given Watermaster at least ten days prior written notice of its intent to comply with such court order or subpoena and has not taken any action to oppose or frustrate any attempt by Watermaster to obtain an appropriate protective order. If the information is disclosed under conditions of nondisclosure or seal imposed by the court or administrative body, the provisions of this Agreement shall continue to apply to any future disclosures by Watermaster.

(d) Consultant agrees to make known to all of its employees, agents, subsidiaries and contractors to whom Confidential Information may be disclosed, the conditions of this Agreement and to ensure that they are under obligation to be bound hereby.

(e) Upon completion of the use of the Confidential Information by Consultant, or within ten days request by Watermaster, Consultant shall either destroy or return all Confidential Information and any copies, notes, or transcripts made thereof to Watermaster.

(f) Consultant acknowledges that disclosure of information in violation of this Agreement would cause irreparable harm to Watermaster and monetary damages would be inadequate to compensate for such breach. Therefore, Watermaster shall be entitled to injunctive or other equitable relief as well as any remedies available at law in the event of a breach or threatened breach hereof.

7. **Conflict of Interest.** Based on the list of interested parties (“**Potentially Interested Parties**”) previously provided by Watermaster, Consultant has undertaken a limited review of its records to determine Consultant’s professional relationships with Watermaster. From the results of such review, Consultant was not made aware of any conflicts of interest or additional relationships that it believes would preclude it from performing the Services.

Consultant is a large consulting firm with numerous offices throughout the United States. Consultant is regularly engaged by new clients, which may include one or more of the Potentially Interested Parties. Consultant shall not knowingly accept an engagement that directly conflicts with this Agreement without the prior written consent Watermaster.

8. **Miscellaneous.**

(a) **Interpretation.** Whenever required by the context of this Agreement, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the obligations, conduct, acts or omissions of Watermaster and Consultant, shall include both parties’ officers, agents, employees, attorneys, successors, trustees, former trustees, beneficiaries or assigns. It is expressly agreed and understood that this Agreement is the product of negotiations between the parties and that this Agreement was mutually drafted by the parties.

(b) **Incorporation of Recitals.** The recitals set forth at the beginning of this Agreement are material and are incorporated herein as operative provisions.

(c) **No Assignment.** Neither party shall assign, transfer or otherwise dispose of this Agreement in whole or in part to any individual, firm or corporation without the prior written consent of the other party.

(d) **Severability.** If any term, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, the remainder of this Agreement shall remain in effect.

(e) **Integration; Amendment; Waiver.** This Agreement, including all exhibits attached hereto, constitutes the entire agreement between the parties related to the subject matter herein and may not be altered or amended except in writing signed by Consultant and Watermaster. The failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right to enforce the same. No waiver by any party to this Agreement of any provision (or of a breach of any provision) of this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed or construed either as a further or continuing waiver of any such provision or breach or as a waiver of any other provision (or of a breach of any other provision) of this Agreement.

(f) **Attorneys' Fees and Costs.** If either party to this Agreement shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party its actual attorneys' fees and costs.

(g) **Controlling Law.** This Agreement shall be governed by, construed in accordance with and enforced under the laws of the State of California (except to the extent such laws concern conflicts or choice of laws).

(h) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original (including copies sent to a party by facsimile transmission or in PDF) as against the party signing such counterpart, but which together shall constitute one and the same instrument.

(i) **Exhibits Incorporated by Reference.** The exhibits attached to this Agreement are incorporated by reference as though set forth in full.

IN WITNESS WHEREOF, the parties have executed, or caused the execution of, this Agreement as of the day and date first above written.

Chino Basin Watermaster

Date: _____

By: _____

Name: _____

Title: _____

FTI Consulting, Inc.,
a Maryland corporation

Date: _____

By: _____

Harold Lea, Senior Managing Director

Attached Exhibits

Exhibit A – Services

Exhibit B – Performance Bonus

Exhibit A

Services

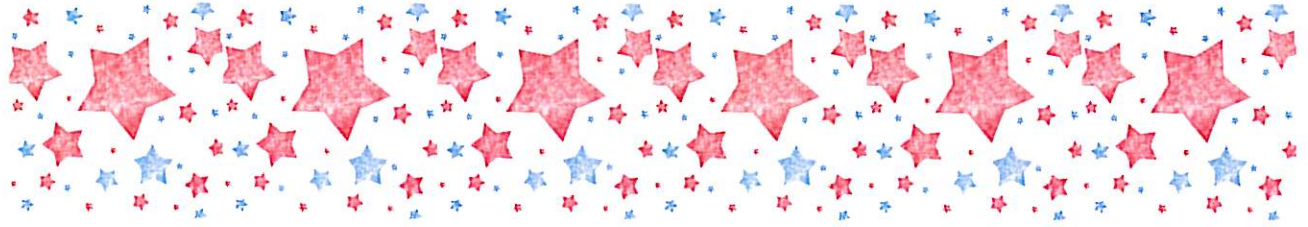
The Services include the following:

- (a)** Requirements gathering through discussions with Watermaster and potential bidders, up to two days included.
- (b)** Planning session to discuss auction parameters and strategy.
- (c)** Tailored auction rules designed to insure price discovery and an effective outcome.
- (d)** Bidder applications, to be developed jointly with Watermaster. Application and information communication methods to be determined by Consultant and Watermaster. For an additional fee, Consultant can develop a CBWM branded website for information distribution and bidder application submissions.
- (e)** One bidder orientation and training session at Watermaster's headquarters or at another facility provided by Watermaster.
- (f)** All necessary bidder usernames and passwords, plus reasonable bidder telephone support following training.
- (g)** Comprehensive online auction software necessary to run the auction
- (h)** Consultant will provide software customization necessary for the auction to fit Watermaster's specific needs.
- (i)** Software will be provided by us using Consultant's secure servers, resulting in no IT burden to Watermaster.
- (j)** Consultant staff will be both onsite and participating by telephone to run the auction software and answer questions during the auction.
- (k)** Post-auction report for CBWM (and at its discretion, also bidders). Report to contain all price increments, bidding activity and clearing prices.

Exhibit B

Performance Bonus

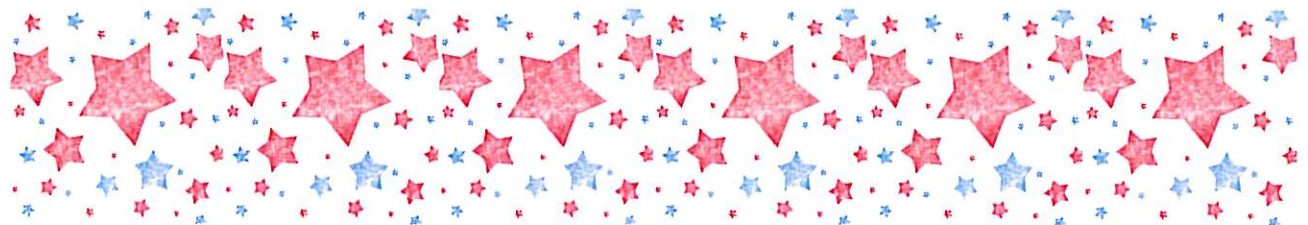
Sale Price	Incremental Benefit to CBWM ⁽¹⁾	Performance % to FTI	Performance Fee to FTI ⁽¹⁾
Reserve price ("RP") to RP/Acre Foot ("AF")+ \$24AF	0-\$864,000	1% Tier 1 "T1"	\$360-\$8,640 (T1)
RP+\$25AF to RP+\$49AF	\$900,000-\$1,764,000	5% Tier 2 "T2"	\$8,640 (T1)+ \$1,800-\$43,200
RP+\$50AF to RP+\$199AF	\$1,800,000-\$7,164,000	10% Tier 3 "T3"	\$8,640 (T1) + \$43,200 (T2) + \$3,600-\$536,400
RP+\$200AF to \$249AF	\$7,200,000-\$8,964,000	15% Tier 4 "T4"	\$8,640 (T1) + \$43,200 (T2) + \$536,400 (T3) + \$5,400-\$264,600
RP +\$250AF to \$299AF	\$9,000,000-\$10,764,000	20% Tier 5 "T5"	\$8,640 (T1) + \$43,200 (T2) + \$536,400 (T3) + \$264,600 (T4) + \$7,200-\$352,800
RP +\$300AF to \$349AF	\$10,800,000 - \$12,564,000	25% Tier 6 "T6"	\$8,640 (T1) + \$43,200 (T2) + \$536,400 (T3) + \$264,600 (T4) + \$352,800 (T5) + \$9,000-\$441,000
RP +\$350AF and above	\$12,600,000	30% Tier 7 "T7"	\$8,640 (T1) + \$43,200 (T2) + \$536,400 (T3) + \$264,600 (T4) + \$352,800 (T5) + \$441,000 (T6) + \$10,800-



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

B. BUDGET TRANSFER





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: July 9, 2009
July 20, 2009
July 23, 2009

TO: Committee Members
Watermaster Board Members

SUBJECT: Budget Transfer T-09-07-01

SUMMARY: Budget transfer OBMP-Condition Subsequent No. 7, Hydraulic Control Monitoring Program, Water Quality Committee, and Storage Program to OBMP-Data and CEO Requests, OBMP-SOB Report, Groundwater Quality Monitoring Program, Recharge Master Plan.

BACKGROUND

Watermaster, working with Wildermuth Environmental, Inc. (WEI), prepared a planning level cost estimate in March 2008 for engineering work that was to be performed in Fiscal Year 2008/09. This cost estimate was incorporated into the Watermaster budget after a series of reviews and revisions by Watermaster and WEI staff. The budget workshop was held on April 29, 2008 and was ultimately approved by the Watermaster Board on May 22, 2008. The budget for FY 2008/09 spawned 16 task orders (TOs) of engineering services provided by WEI to Watermaster. Watermaster staff reviewed and approved the task orders.

DISCUSSION

At the end of each quarter, Watermaster staff convenes a meeting with its consultant, WEI, to review the status of the technical work accomplished to date, milestones achieved, and performance as to schedule and budget. Watermaster also reviews the task orders to determine if there was previously unanticipated work that Watermaster requested WEI to do or may ask WEI to do in upcoming quarters. Likewise, Watermaster and WEI determine if there are tasks within each task order that may not be performed or may not require the anticipated level of effort.

The following Task Orders had and/or are projected to have less activity than was initially estimated:

- **TO5 – Condition Subsequent No. 7.** The level of effort for fulfilling Condition Subsequent No. 7 was not as great as anticipated last spring when the budget was finalized. The Task Order was completed in January 2009.
- **TO11 – Hydraulic Control Monitoring Program.** The level of effort for performing the HCMP was not as great as anticipated last spring when the budget was finalized. The reductions in cost are primarily reduced laboratory costs from what was estimated, and improved efficiencies in the field program and the report preparation.
- **TO13 – Engineering Support for Desalters.** The level of effort for providing engineering support for the desalters was not as great as projected last spring when the budget was finalized. It was anticipated that we would be participating in meetings with the CDA and other parties every other week throughout the year. The project was delayed because of delays in state funding.
- **TO16 – Water Quality Committee.** Watermaster anticipated more interaction with the potentially responsible parties (PRPs) for the Ontario International Airport volatile organic chemical (VOC) plume and the PRP for the Chino Airport plume. Watermaster also budgeted for four Water Quality Committee meetings – these meetings have not occurred,
- **TO17 – Storage Program.** A portion of this task order was to provide engineering support and modeling projects for proposed storage agreements with the San Diego County Water Authority. These agreements and the associated engineering work will not occur in FY 2008/09.

Four other Task Orders have engineering tasks that are out-of-scope, changed conditions, or were not budgeted correctly in the spring of 2008.

- **TO3 – Miscellaneous Data and CEO Requests.** WEI assisted Watermaster and other parties in two Court Hearings – February 2, 2009 and April 27, 2009. The preparation for and testimony at these hearings was not anticipated when the budget was developed. Peace II CEQA-related tasks associated with pumping optimization that were not anticipated when the budget was finalized in Spring 2008.
- **TO4 – State of the Basin Report.** WEI is requesting an increase of \$40,000 to complete the report. The hydrology section of the report will now include pumping in the Temescal Basin, in attempting to determine how groundwater pumping in that basin may affect baseflow in the Santa Ana River.
- **TO8 – Groundwater Quality Monitoring Program.** WEI is requesting an increase of \$15,000 to complete the field program. Unanticipated issues with CBDC: resolved gaps in the historical record by pulling data from the State of California database. Also researched, QA/QC'd and entered water quality data associated with the chromic acid discharge and hexavalent chromium issue in groundwater in the dairy area.
- **TO12 – Recharge Master Plan.** A necessary component of the Recharge Master Plan is a production optimization study. This production optimization effort was not included in the original scope of the recharge master plan. This study is required to demonstrate that the increased production by appropriators projected to occur by 2020 – and thereafter – is sustainable and to determine how best to replenish overproduction given the new projected production.

RECOMMENDATIONS

Approve attached budget transfer request T-09-07-01.



**CHINO BASIN WATERMASTER
BUDGET TRANSFERS**

Fiscal Year 2008-2009

T-09-07-01

To: **All Parties**

From: Sheri Rojo Date: 7/2/2009

Describe reason for the transfer between budget categories here: To transfer funds to cover anticipated cost overages in accounts referenced below.

Budgetary account reduction

<i>Line Item Description</i>	<i>Account Number</i>	<i>Current Budget</i>	<i>Amount</i>
OBMP - Condition Subsequent No. 7	6906	\$ 74,810	\$ (25,000)
Hydraulic Control Monitoring Program	7108	\$ 667,630	\$ (190,000)
Engineering Support for Desalters	7303	\$ 85,512	\$ (30,000)
Water Quality Committee	7502	\$ 75,000	\$ (5,000)
Storage Program	7602	\$ 52,468	\$ (50,000)

Budgetary account addition

OBMP - Miscellaneous Data and CEO Reports	6906	\$ 200,705	\$ 115,000
OBMP - SOB Report	6906	\$ 100,092	\$ 40,000
Groundwater Quality Monitoring Program	7103.3	\$ 138,124	\$ 15,000
Recharge Master Plan	7202	\$ 443,447	\$ 130,000
			\$ -

Should be zero

Transfer Procedure

- Staff brings the transfer request to the Appropriate Pool for information purposes if the transfer is under \$25,000. Transfers over \$25,000 within the same budget category require Pools, Advisory Committee and Board approval. Transfers between budget categories, regardless of amount must be approved by the Pools, Advisory Committee and Board.
- Once the form has been completed by the CFO, and approved by the board if required, the Chief Financial Officer will prepare and process the budget transfer in the accounting system.
- A log will be maintained by the CFO detailing the transfer.
- A fiscal year file will also be kept to hold all budget amendment forms for auditor review.

Finance Use Only

Date Board Approved _____

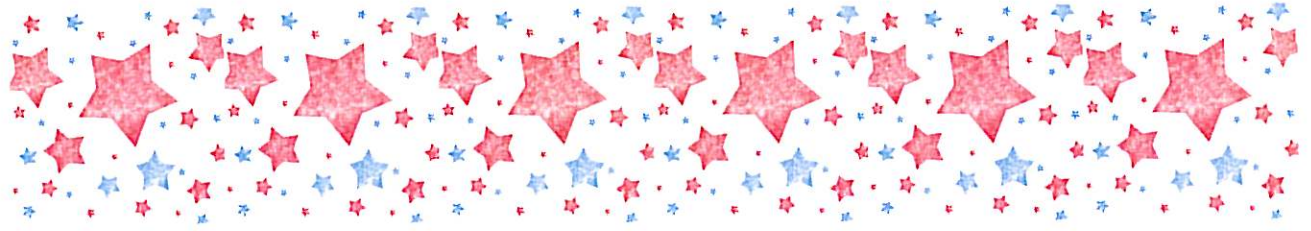
Date Posted _____

Posted By _____

Approved by _____

Date approved _____

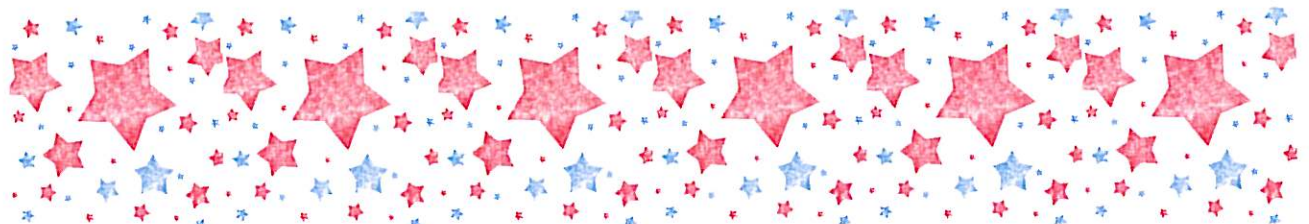
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CHINO BASIN WATERMASTER

II. BUSINESS ITEM

C. REVISED FORMS





CHINO BASIN WATERMASTER

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KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: July 9, 2009
July 21, 2009
July 23, 2009

TO: Committee Members
Watermaster Board Members

SUBJECT: Revised Rules & Regulations Forms for Water Transfers and Land Use Conversions

RECOMMENDATION

Staff recommends:

1. Approval of revised CONSOLIDATED WATER TRANSFER FORMS 3, 4, AND 5: Application for Sale or Transfer of Right to Produce Water from Storage; Application or Amendment to Application to Recapture Water in Storage; and Application to Transfer Annual Production Right or Safe Yield.
2. Approval of revised FORM 11: Notice of Annual Land Use Conversion.
3. Implementation of these forms following approval by the Committees and Board.

BACKGROUND

Forms 1-11 were approved in July 2001. The water transfer forms (Forms 3, 4, and 5) and the land use conversion form (Form 11) are the most commonly used forms. Based on comments made by members of the Appropriative Pool during the last year, these forms are being revised to make them more user-friendly. Draft versions of the forms were presented at the June Advisory Committee meeting, in order to give Appropriative Pool members an opportunity to review the new forms and make suggestions. No suggestions were received; therefore the forms remain the same as presented at the Advisory Committee meeting.

Depending on the type of water transfer, one, two, or three of the original forms needed to be submitted, as well as a cover letter. All three of the forms requested much of the same/repeat information, while not requesting some necessary information. There are generally many re-submittals of the water transfer forms until they are properly completed. The three forms have now been consolidated into one user-

friendly form. All of the required information is now included within the form, therefore a cover letter is no longer necessary. Requirements for application of the 85/15 Rule are now described on the form. Also, water sales price and 85/15 information are now requested at transfer request time, but will not be disclosed until the end of the fiscal year. This eliminates the need for a special request to be sent out at the conclusion of the fiscal year for this information.

The original land use conversion form requested past information, even for those Appropriators with no new conversions or reversions. In fact, the original form did not address reversions at all. The newly revised land use conversion form is more user-friendly by only requesting current fiscal year activity—old conversion/reversion amounts are not requested. And it now specifically requests reversion information, if any reversions occurred.

FISCAL IMPACT

None.

**WATER TRANSFER INFORMATION NEEDED
FOR THE WATER ACTIVITY REPORTS AND
THE ASSESSMENT PACKAGE**

FISCAL YEAR 20__ - 20__

DATE REQUESTED: _____

AMOUNT REQUESTED: _____ Acre-Feet

SALES PRICE: \$ _____ / Acre-Foot

(Needed for Assessment Package)

IF 85/15 RULE APPLIES, 15% GOES TO:

Seller Buyer N/A

TRANSFER FROM (SELLER / TRANSFEROR):

TRANSFER TO (BUYER / TRANSFEREE):

Name of Party

Name of Party

I declare under penalty of perjury that the date, quantity, \$/AF, and party to receive the 15% credit in the Assessment Package entered above is accurate, and if asked to do so, my city/agency/company would provide copies of documentation to validate the transaction.

Seller / Transferor Representative Signature

Buyer / Transferee Representative Signature

Seller / Transferor Representative Name (Printed)

Buyer / Transferee Representative Name (Printed)

**THIS PAGE IS TO BE KEPT CONFIDENTIAL UNTIL
THE FISCAL YEAR IS OVER AND THE
WATER ACTIVITY REPORTS ARE CREATED.**

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**CONSOLIDATED WATER TRANSFER FORMS:
 FORM 3: APPLICATION FOR SALE OR TRANSFER OF RIGHT TO PRODUCE WATER FROM STORAGE
 FORM 4: APPLICATION OR AMENDMENT TO APPLICATION TO RECAPTURE WATER IN STORAGE
 FORM 5: APPLICATION TO TRANSFER ANNUAL PRODUCTION RIGHT OR SAFE YIELD**

FISCAL YEAR 20__ - 20__

DATE REQUESTED: _____

AMOUNT REQUESTED: _____ Acre-Feet

<p>TRANSFER FROM (SELLER / TRANSFEROR):</p> <hr/> <p>Name of Party</p> <hr/> <p>Street Address</p> <hr/> <p>City State Zip Code</p> <hr/> <p>Telephone</p> <hr/> <p>Facsimile</p>	<p>TRANSFER TO (BUYER / TRANSFEREE):</p> <hr/> <p>Name of Party</p> <hr/> <p>Street Address</p> <hr/> <p>City State Zip Code</p> <hr/> <p>Telephone</p> <hr/> <p>Facsimile</p>
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Have any other transfers been approved by Watermaster between these parties covering the same fiscal year? Yes No

PURPOSE OF TRANSFER:

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

WATER IS TO BE TRANSFERRED FROM:

- Annual Production Right (Appropriative Pool) or Operating Safe Yield (Non-Agricultural Pool)
- Storage
- Annual Production Right / Operating Safe Yield first, then any additional from Storage
- Other, explain _____

WATER IS TO BE TRANSFERRED TO:

- Annual Production Right / Operating Safe Yield (common)
- Storage (rare)
- Other, explain _____

SAID TRANSFER SHALL BE CONDITIONED UPON:

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

ADDITIONAL INFORMATION ATTACHED

Yes No

Seller / Transferor Representative Signature

Buyer / Transferee Representative Signature

Seller / Transferor Representative Name (Printed)

Buyer / Transferee Representative Name (Printed)

TO BE COMPLETED BY WATERMASTER STAFF:

DATE OF WATERMASTER NOTICE: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____

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**NOTICE
OF
ANNUAL LAND USE CONVERSION**

FISCAL YEAR 20__ - 20__

Name of Party			
Street Address			Telephone
City	State	Zip Code	Facsimile

Are there new conversions this fiscal year? Yes No

If yes, how many clusters of parcels? (Attach Land Use Conversion Addendum for each.) _____

Are there new reversions this fiscal year? Yes No

If yes, provide and attach the following information for each new reversion:

- | | | |
|--------------------|------------------|------------------------------------|
| • Number of Acres | • Street Address | • Fiscal Year Originally Converted |
| • Parcel Number(s) | • City | • Reason for Reversion |

Check the appropriate box below to certify that:

- There are no new conversions or reversions. The land use conversion values used in the previous year's Assessment Package are correct and are to be used again this fiscal year.
- There are new conversions and/or reversions, and they are summarized below (if none, enter zero):

NEW Conversions: _____ Acres inside Conversion Area 1
 _____ Acres outside Conversion Area 1
 (as allowed in the 1995 Land Use Conversion Judgment Amendment)

NEW Reversions: _____ Acres inside Conversion Area 1
 _____ Acres outside Conversion Area 1
 (as allowed in the 1995 Land Use Conversion Judgment Amendment)

ADDITIONAL INFORMATION ATTACHED: Yes No

Signature Date

Name (Printed)

TO BE COMPLETED BY WATERMASTER STAFF:

DATE FINALIZED: _____

FINALIZED BY STAFF PERSON: _____

NEW CONVERSIONS APPROVED: _____ Acres inside Conversion Area 1
_____ Acres outside Conversion Area 1
(as allowed in 1995 Land Use Conversion Judgment Amendment)

NEW REVERSIONS APPROVED: _____ Acres inside Conversion Area 1
_____ Acres outside Conversion Area 1
(as allowed in 1995 Land Use Conversion Judgment Amendment)