

CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

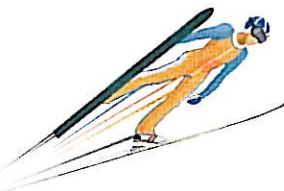
Thursday, February 25, 2010

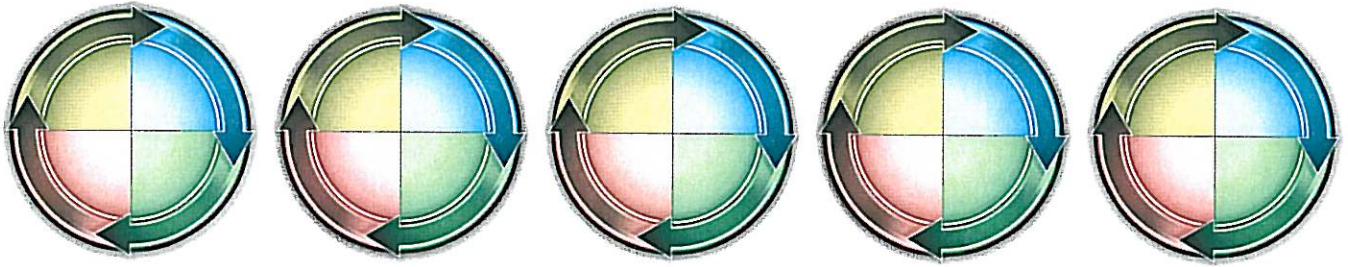
11:00 a.m. – Watermaster Board Meeting

(Lunch will be served)

AT THE CHINO BASIN WATERMASTER OFFICES

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



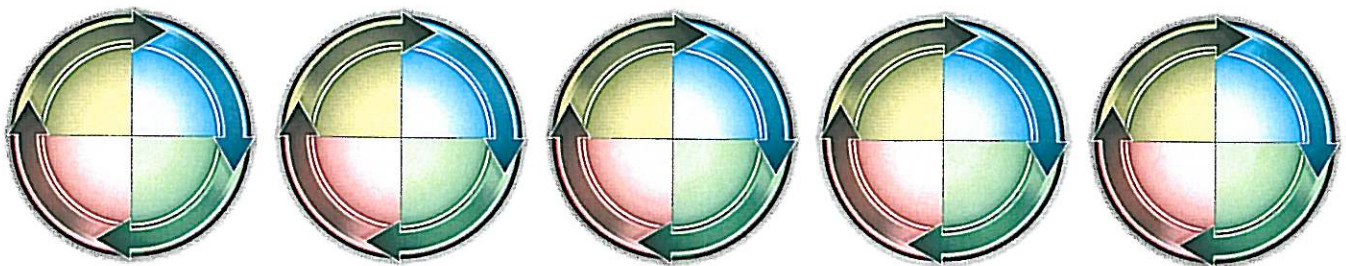


CHINO BASIN WATERMASTER

Thursday, February 25, 2010

11:00 a.m. – Watermaster Board Meeting

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**

11:00 a.m. – February 25, 2010

WITH

*Mr. Ken Willis, Chair, Appropriative Pool
Mr. Michael Camacho, Vice-Chair, Municipals*

At The Offices Of

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

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

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

A. MINUTES

1. Minutes of the Annual Watermaster Board Meeting held January 28, 2010 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2009 *(Page 9)*
2. Watermaster Visa Check Detail for the month of December 2009 *(Page 13)*
3. Combining Schedule for the Period July 1, 2009 through December 31, 2009 *(Page 15)*
4. Treasurer's Report of Financial Affairs for the Period December 1, 2009 through December 31, 2009 *(Page 17)*
5. Budget vs. Actual July through December 2009 *(Page 19)*

II. BUSINESS ITEM

A. CHINO BASIN WATERMASTER ANNUAL AUDIT

Consider Approval to Receive and File the Chino Basin Watermaster Annual Audit Performed by Mayer Hoffman McCann P.C *(Page 21)*

B. INFORMATION REQUESTS FROM HOGAN & HARTSON

Consider Recommendations Contained in Staff Report Regarding Information Requests from Hogan & Hartson on Behalf of the Overlying Non-Agricultural Pool *(Page 55)*

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana Critical Habitat Comment Letter
2. Chino Airport

B. ENGINEERING REPORT

1. Recharge Master Plan Progress Report

C. CEO/STAFF REPORT

1. Legislative Update
2. Recharge Update
3. GAMA Report Summary
4. Dr. David Sunding Contract
5. Budget Update

IV. INFORMATION

1. Newspaper Articles (*Page 71*)

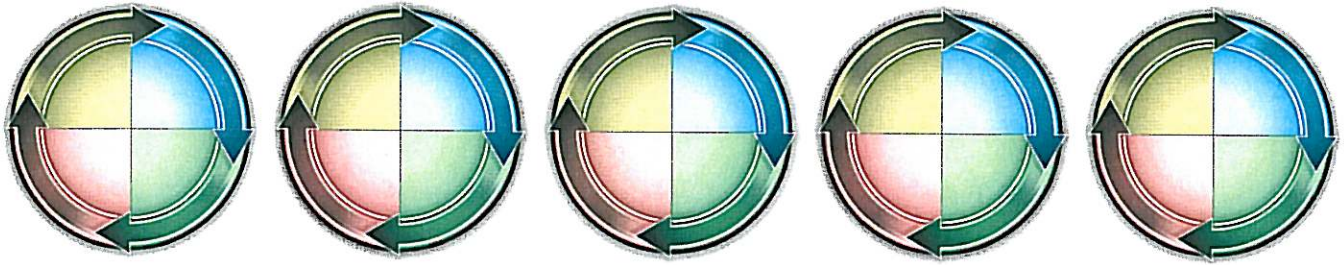
V. POOL MEMBER COMMENTS

VI. OTHER BUSINESS

VII. FUTURE MEETINGS

Thursday, February 25, 2010	9:30 a.m.	Special Appropriative Pool Meeting @ CBWM
Thursday, February 25, 2010	11:00 a.m.	Watermaster Board Meeting @ CBWM
Thursday, March 4, 2010	1:00 p.m.	Appropriative Meeting @ CBWM
Thursday, March 4, 2010	2:30 p.m.	Non-Agricultural Pool Meeting @ CBWM
Thursday, March 11, 2010	9:00 a.m.	Agricultural Pool Meeting @ IEUA
Thursday, March 18, 2010	8:00 a.m.	IEUA DYY Meeting @ CBWM
Thursday, March 18, 2010	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, March 25, 2010	11:00 a.m.	Watermaster Board Meeting @ CBWM
Thursday, March 25, 2010	1:00 p.m.	Recharge Master Plan Workshop @ CBWM

Meeting Adjourn

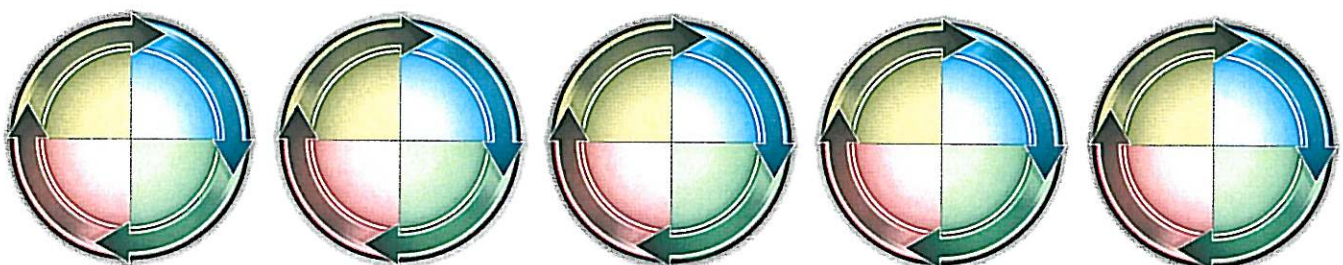


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Annual Watermaster Board Meeting held on January 28, 2010



Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL WATERMASTER BOARD MEETING
January 28, 2010

The Annual Watermaster Board Meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on January 28, 2010 at 11:00 a.m.

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis, Chair
Michael Camacho
Charles Field
David DeJesus
Michael Whitehead
Bob Bowcock
Tom Haughey
Geoffrey Vanden Heuvel
Paul Hofer

West End Consolidated Water Company
Inland Empire Utilities Agency
Western Municipal Water District
Three Valleys Municipal Water District
Fontana Water Company
Vulcan Materials Company
City of Chino
Agricultural Pool
Agricultural Pool

Watermaster Staff Present

Kenneth R. Manning
Sheri Rojo
Ben Pak
Danielle Maurizio
Sherrilynne Molino

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

Watermaster Consultants Present

Scott Slater
Michael Fife

Brownstein, Hyatt, Farber & Schreck
Brownstein, Hyatt, Farber & Schreck

Others Present

Terry Catlin
Mark Kinsey
Mike Sovich
John Mura
Jeff Pierson
Bob Feenstra
Tom Harder
Ron Craig
Gil Aldaco
Eunice Ulloa
Ken Jeske
Mohammed El-Amamy
Scott Burton
Raul Garibay
Curtis Stubbings
Dave Penrice
Bob Lawhn
Brian Geye
Jorge Rosa
Steve Arbelbide
David Starnes
Kevin Sage
Roger Han

Inland Empire Utilities Agency
Monte Vista Water District
Three Valleys Municipal Water District
City of Chino Hills
Ag Pool – Crops
Dairy
Jurupa Community Services District
City of Chino Hills
City of Chino
Chino Basin Water Conservation District
City of Ontario
City of Ontario
City of Ontario
City of Pomona
Praxair, Inc.
Aqua Capital Management
RRI Etiwanda
Auto Club Speedway
Southern California Edison
California Steel Industries
Swan Lake Mobile Home Park
Vulcan Materials Company
Praxair

Dave Crosley
 Robert DeLoach
 Marty Zvirbulis
 Kathy Tiegs
 Chuck Hays
 Dennis Poulsen
 Ken Jeske
 Allen W. Hubsch
 Marguerite Battersby
 Geoff Willis
 Ben Lewis
 Jill Willis

City of Chino
 Cucamonga Valley Water District
 Cucamonga Valley Water District
 Cucamonga Valley Water District
 City of Fontana
 California Steel Industries
 City of Ontario
 Hogan & Hartson
 Sheppard Mullin Richter & Hampton LLP
 Sheppard Mullin Richter & Hampton LLP
 Golden State Foods
 Best Best & Krieger

Chair Willis called the Annual Watermaster Board meeting to order at 11:05 a.m.

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

No public comments were made.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

INTRODUCTIONS - CALENDAR YEAR 2010 WATERMASTER BOARD MEMBERS

Bob Bowcock	Non-Agricultural Pool
Michael Camacho	Inland Empire Utilities Agency
Tom Haughey	City of Chino
Charles Field	Western Municipal Water District
Paul Hofer	Agricultural Pool (Crops)
Bob Kuhn	Three Valleys Municipal Water District
Geoffrey Vanden Heuvel	Agricultural Pool (Dairy)
Michael Whitehead	Fontana Water Company
Ken Willis	West End Consolidated Water Company

RECOGNITION OF OUTGOING WATERMASTER BOARD MEMBERS

1. Mr. Jim Curatalo, Cucamonga Valley Water District
 Mr. Willis read the commendation presented to Mr. Curatalo and thanked him for the two years served on the Watermaster Board. Mr. Curatalo thanked his fellow Board members and Watermaster staff and wished the new Board members the best for their new term.

I. CALENDAR YEAR 2010 OFFICERS – Action

A. ELECTION OF OFFICERS

1. Nominations will be heard for Watermaster Board Chair
 Ken Wills from West End Consolidated Water Company was nominated and voted as Board Chair unanimously.
2. Nominations will be heard for Watermaster Board Vice-Chair
 Michael Camacho from Inland Empire Utilities Agency was nominated and voted as Board Vice-Chair unanimously.
3. Nominations will be heard for Watermaster Board Secretary/Treasurer
 Michael Whitehead from Fontana Water Company was nominated and voted Secretary/Treasurer unanimously.

II. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Advisory Committee meeting held on December 17, 2009

B. FINANCIAL REPORTS

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

C. CHINO BASIN WATERMASTER INVESTMENT POLICY

Resolution 10-01 – Resolution of the Chino Basin Watermaster, San Bernardino County, California, re-authorizing the Watermaster's Investment Policy

D. LOCAL AGENCY INVESTMENT FUND

Resolution 10-02 – Resolution Authorizing Investment of Monies in the Local Agency Investment Fund (LAIF)

E. NOTICE OF INTENT

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

F. NOTICE OF AVAILABILITY

Notice of Availability Pursuant to Judgment Exhibit "G"

G. WATER TRANSACTION

Consider Approval for Notice of Sale or Transfer – The City of Upland will purchase 6,500 acre-feet of water from the West End Consolidated Water Company. This purchase is made first from West End's OSY account of 947.714 acre-feet, second from the carryover account of 947.714 acre-feet, and the remainder from the excess carryover account in the amount of 4,604.752 acre-feet. Date of application: November 9, 2009¹

Motion by Camacho, second by Willis and by unanimous vote

Moved to approve Consent Calendar item A through E and G, as presented

Mr. Bowcock pulled item F - Notice of Availability for discussion. Mr. Manning stated it is noted in the Peace II Agreement there was an arrangement made by the parties between the Overlying Non-Agricultural Pool and the Appropriative Pool that Watermaster will be notified by Overlying Non-Agricultural Pool members by December 31st of each year if there will be water made available to Watermaster to purchase under terms of that agreement. Mr. Manning stated by January 31st of each year, Watermaster would provide a Notice of Availability to each of the Appropriators; this year none of the Overlying Non-Agricultural Pool members made Watermaster aware of any water available for sale. Mr. Manning noted even though there is no water being made available; Watermaster is required to provide this Notice of Availability. Mr. Manning acknowledged this is the first time this Notice of Availability would be called upon to be placed into the package as official notice. Mr. Bowcock stated he agrees with the Notice of Availability and recognized that none of the Overlying Non-Agricultural Pool members has any water available for Watermaster this year. A brief discussion ensued and it was acknowledged the Notice of Availability notice was officially placed in the package.

¹ Mark Wiley, Water Operations Manager, City of Upland, on January 21, 2010 changed the discrepant .18 acre-foot of water from the 4604.752 changing it to 4604.572 to allow the final number to remain the same at 6,500 acre-feet

Motion by Camacho, second by Willis and by unanimous vote

Moved to approve Consent Calendar item F regarding the Notice of Availability, as presented

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. Santa Ana Critical Habitat

Counsel Slater offered history regarding this item and stated this item was reported on at all the Pool meetings and Watermaster is still planning on submitting a comment letter by February 5, 2010 which is the due date for comments.

2. Auction Process

Counsel Slater stated there have been meetings of the Appropriative Pool members to decide what to do regarding the postponement of the November auction. The Appropriative Pool members have had substantive discussions and are moving forward with different ideas. One of the outcomes of the last meeting was to engage Dr. David Sunding to perform an economic analysis of some of the different options being discussed. Counsel Slater stated Watermaster staff did have a conference call with Dr. Sunding recently and explained the needs for this project and he is moving ahead with a preliminary analysis. Counsel Slater stated discussions are also taking place with FTI, who was hired as the auction administrator and noted those discussions are related to possible options regarding the restructuring of FTI's contract. Mr. Manning noted Dr. Sunding did not have a quote prepared for his work. The first step would be a cursory overlook at the issue of Metropolitan Water District water rate increases, which should be minor in cost; and the second cost is unknown at this point in time. Chair Willis inquired as to Dr. Sunding's background and a discussion regarding his credentials ensued. Mr. Vanden Heuvel inquired about cost and contract. Counsel Slater noted a contract has not been received to date. However, discussions have taken place with Dr. Sunding as to what the tasks will be. Counsel Slater also clarified Dr. Sunding will be working for Watermaster; although any Pool is free to hire him. A discussion regarding Dr. Sunding's fees and payment ensued and Mr. Manning noted the cost may or may not go through the Watermaster process because the CEO's signing authority is for \$10,000. Mr. Manning went through the process that Dr. Sunding will go through to perform this task. Counsel Slater offered comment on Watermaster members' decision points on Dr. Sunding's upcoming reports. Mr. Vanden Heuvel noted his concerns regarding payments and direction given to Dr. Sunding and that he would feel more comfortable if Dr. Sunding was retained by the Appropriative Pool. Dr. Sunding would be accountable to the Appropriative Pool and give them his advice, and that way clarity is maintained. Mr. Vanden Heuvel reiterated his thoughts and concerns as a Watermaster Board member. Mr. Kinsey offered observations on Mr. Vanden Heuvel's comments and agreed with the suggestion of the Appropriative Pool taking the lead on this endeavor. Mr. Bowcock inquired how the water is being held and Mr. Kinsey stated the water is being held in trust by Watermaster for the benefit of the Appropriators. A lengthy discussion regarding the study contents, economic terms, costs, export, and parties involved, loss rate, and auction financial benefit ensued. Mr. Manning clarified the words "trust account" and acknowledged Mr. Kinsey means the word "trust" as a term of art. Mr. Vanden Heuvel inquired if the first payment has been made to the Non-Agricultural Pool members. Mr. Manning stated the first checks were mailed in January. A discussion regarding other water auctions ensued. Mr. Hubsch stated in the view of the Non-Agricultural Pool the water has not been purchased by Watermaster appropriately and is still in possession of and owned by the Non-Agricultural Pool. Mr. Hubsch commented on the Notice of Availability and this being the first time it has ever been required with regard to Peace II requirements. Chair Willis noted this is only an information item on the agenda.

3. Chino Airport

Counsel Slater stated this item will be covered in the closed session. Counsel Slater noted that the discussions/negotiations regarding the Chino Airport Contamination Plume continue and a Notice of Intent to Sue has been filed with San Bernardino County in order to allow us to directly negotiate and for the Chino Airport to involve their insurance sources. Mr. Bowcock inquired if the Watermaster has authorized the Notice of Intent to Sue or will that be sought in closed session. Mr. Manning noted the Notice of Intent to Sue was authorized by the Watermaster Board several months ago.

B. CEO/STAFF REPORT

1. Legislative Update

Mr. Manning stated that legislatively the most noteworthy topic from this month is the state of the address the governor gave recently. At that address the governor had a lot of points about having the water bond as a primary focus of this New Year. The governor also made a commitment to education to not make major cuts in the areas of education, which means he is going to look at filling in the gap of about \$20 billion dollars from other potential funds. This could mean our parties will be looking at additional financial impacts somehow. Mr. Manning referenced a news article in the meeting packet from the San Gabriel Tribune blog that was published right after Christmas that appears to be of interest and summarizes how some people feel about water.

2. Recharge Update

Mr. Manning stated the recharge numbers for November, 2009, are on the back table for your review. It appears December will be a much better month as far as recharge is concerned and the December report will be available by the next Advisory Committee meeting.

3. Policy Manual

Mr. Manning stated this item has been discussed in the last several months. A group of producers have been reviewing the Policy Manual and have made recommendations. Watermaster is in the process of going through the recommendations and working on format and revisions. A workshop on the Policy Manual was held on January 25, 2010 and was well attended. Mr. Manning noted the Policy Manual will go into the package in February for discussion/possible action.

4. Chino Basin Watermaster Thirty-Second Annual Report

Mr. Manning stated Chino Basin Watermaster Thirty-Second Annual Report is now available on the back table for you to take a copy and is in the Watermaster Board members meeting packets. As a reminder, Watermaster is trying to cut costs and is no longer mailing such reports unless arrangements are made to do so.

Added Comment:

Mr. Manning stated the USGS has put out the results from the GAMA Study that was done in the upper watershed. It will be made available shortly and since it just came out he will review it and come back with a report at a future meeting.

IV. INFORMATION

1. Newspaper Articles

No comment was made regarding this item.

V. BOARD MEMBER COMMENTS

Mr. Bowcock introduced Allen Hubsch from Hogan & Hartson law firm and stated this morning that the Non-Agricultural Pool elected to hire its own counsel. Mr. Hubsch confirmed the Non-Agricultural Pool members hired his firm. Mr. Hubsch stated he would like to clarify a couple of points for the record.

The Non-Ag Pool would like to recognize the Notice of Availability that had been circulated uniquely this year. The Non-Ag Pool would like to reflect that the pool did have a significant amount of water in storage at December 31, 2009, and chose not to make it available. There was a statement made on the auction process that the water has been paid for. However, payment has been tendered but it was tendered improperly according to the Non-Agricultural Pool because the Notice of Intent to Purchase was not properly delivered. As a result of the Non-Agricultural Pool's position, the notice was never properly tendered and none of the members of the Non-Agricultural Pool who were present at the meeting this morning has accepted the tendered payment. Mr. Hubsch requested he be allowed to participate in the closed session today and cited a portion of the Rules and Regulations.

Counsel Slater stated the Notice of Availability being in this particular meeting package and not any other meeting package comes directly from an amendment to the Judgment. Counsel Slater stated it was an attachment item to the Peace Agreement - Exhibit G and summarized the meaning of the exhibit. Counsel Slater noted that if the Non-Agricultural Pool elects to make water available; there is a process under which that water would be required. There is no requirement for the Non-Agricultural Pool members to say that they don't intend to make water available. However, there is a requirement if the Non-Agricultural Pool members wish to dispose of their water that they identified. Counsel Slater reiterated that this is found in Exhibit G paragraph 9(a) and counsel read the paragraph 9(a) verbatim. Counsel Fife stated this year Watermaster included a notice in the meeting package stating that there is no water available; the Non-Agricultural Pool members have not identified any water to be purchased by the Appropriators in accordance with the Judgment Amendment. A discussion regarding when this rule became effective and counsel noted it became effective upon the entry of the Judgment's final order on December 27, 2007, being applicable in 2008 not 2007. Ms. Battersby introduced herself and noted she is the legal counsel for California Steel Industries. Ms. Battersby stated she supports Mr. Hubsch's request to be present in the closed session today regarding the Non-Ag Notice of Intent and she would also like to be present during that closed session. Chair Willis stated the members will go into closed session without Mr. Hubsch and Ms. Battersby. A lengthy discussion regarding Non-Agricultural Pools' legal counsel being present in the closed session ensued. Both Mr. Hubsch and Ms. Battersby claimed a lawsuit might be pending. Chair Willis confirmed his decision to not allow the two lawyers into the closed session after Counsel Slater read and discussed the applicable rule 2.6 which pertains to confidential sessions.

VI. OTHER BUSINESS

Mr. Feenstra offered comment regarding the potentially involved parties of the Ontario and Chino Airports plumes. They have met with residents and are offering potable water as well as other water for uses for cooking, showering, etc. Mr. Feenstra asked that this item be placed on the next Agricultural Pool agenda.

The regular open Watermaster Board meeting was convened to hold its confidential session at 11:56 a.m.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster committee meeting for the purpose of discussion and possible action.

1. Non-Agricultural Pool Purchase and Sale Agreement
2. Chino Airport PRP Negotiations

The closed session was convened at 1:05 p.m.

Mr. Manning stated there were some action items taken by the Board and they are as follows:

1. Mr. DeLoach and Mr. Catlin were present in their respective positions; Mr. DeLoach is the chairman of the Advisory Committee and Mr. Catlin is the alternate to IEUA and the Board authorized them to stay in closed session.

2. The Board has asked that in relationship to the issue with the Chino Airport and the Notice of Intent under RCRA that staff provide a chronology of events so they can appropriately evaluate Watermaster's position on an on-going basis.
3. Watermaster staff supply them with copies of the Board minutes of August 27, 2009, so that they can look at them.

These are the only formal actions taken by the Watermaster Board.

VII. FUTURE MEETINGS

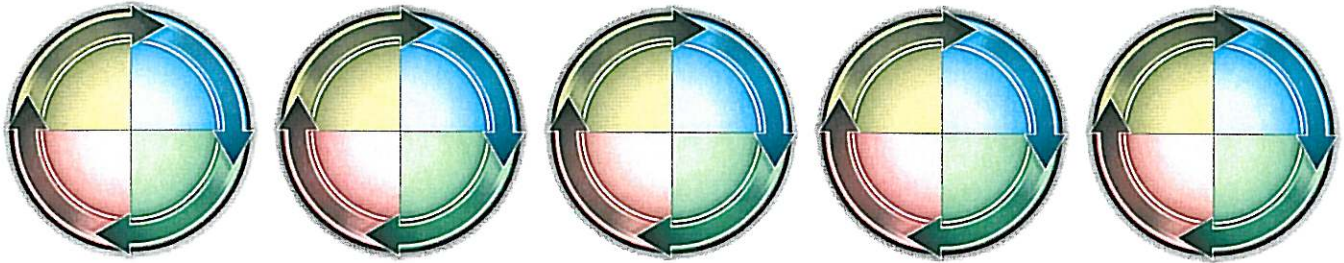
January 25, 2010	10:00 a.m.	Policy Manual Workshop @ CBWM
January 26, 2010	9:00 a.m.	GRCC Meeting @ CBWM
January 28, 2010	9:30 a.m.	Special Non-Agricultural Pool Meeting @ CBWM
January 28, 2010	11:00 a.m.	Annual Watermaster Board Meeting @ CBWM
February 4, 2010	1:00 p.m.	Joint Appropriative & Non-Agricultural Pool Mtg. @ CBWM
February 11, 2010	9:00 a.m.	Agricultural Pool Meeting @ IEUA
February 18, 2010	8:00 a.m.	IEUA DYY Meeting @ CBWM
February 18, 2010	9:00 a.m.	Advisory Committee Meeting @ CBWM
February 25, 2010	11:00 a.m.	Watermaster Board Meeting @ CBWM

The Annual Watermaster Board meeting was dismissed by Chair Willis at 1:07 p.m.

Secretary: _____

Minutes Approved: _____

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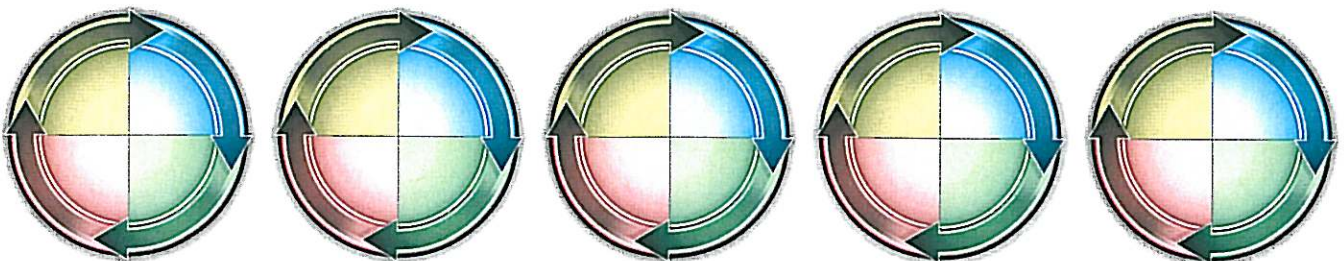


CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2009
2. Watermaster Check Detail for the month of December 2009
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5. Budget vs. Actual July through December 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: February 25, 2010
TO: Board Members
SUBJECT: Cash Disbursement Report

SUMMARY

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

Recommendation – Staff recommends the Cash Disbursements for December 2009 be received and filed as presented.

Fiscal Impact – Funds disbursed were included in the FY 2009-2010 Watermaster Budget.

BACKGROUND

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

DISCUSSION

Total cash disbursements during the month of December 2009 were \$387,348.52. The most significant expenditures during the month were Wildermuth Environmental Inc. in the amount of \$151,770.46, Brownstein Hyatt Farber Schreck in the amount of \$41,458.77, and MWH Laboratories in the amount of \$13,360.00.

Actions:

- 2-04-10 Appropriative Pool – Unanimously approved
- 2-04-10 Non-Agricultural Pool – Majority vote did not approve
- 2-11-10 Agricultural Pool – Unanimously approved
- 2-18-10 Advisory Committee - Unanimously approved by Appropriative Pool – Non-Ag Pool voted no
- 2-25-10 Watermaster Board

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CHINO BASIN WATERMASTER
Cash Disbursement Detail Report
December 2009

Type	Date	Num	Name	Amount
Dec 09				
General Journal	12/1/2009	09/11/12	PAYROLL	-9,581.28
General Journal	12/1/2009	09/11/12	PAYROLL	-28,612.72
Bill Pmt -Check	12/3/2009	13749	CALPERS	-1,663.96
Bill Pmt -Check	12/3/2009	13750	DIRECTV	-79.99
Bill Pmt -Check	12/3/2009	13751	GUARANTEED JANITORIAL SERVICE, INC.	-1,730.00
Bill Pmt -Check	12/3/2009	13752	KONICA MINOLTA BUSINESS SOLUTIONS	-686.87
Bill Pmt -Check	12/3/2009	13753	PARK PLACE COMPUTER SOLUTIONS, I...	-3,450.00
Bill Pmt -Check	12/3/2009	13754	PUBLIC EMPLOYEES' RETIREMENT SYS...	-13,172.97
Bill Pmt -Check	12/3/2009	13755	VISION SERVICE PLAN	-64.98
Bill Pmt -Check	12/3/2009	13756	W.C. DISCOUNT MOBILE AUTO DETAILI...	-100.00
Bill Pmt -Check	12/3/2009	13757	YUKON DISPOSAL SERVICE	-142.88
Bill Pmt -Check	12/8/2009	13758	APPLIED COMPUTER TECHNOLOGIES	-3,955.75
Bill Pmt -Check	12/8/2009	13759	ARROWHEAD MOUNTAIN SPRING WATER	-53.32
Bill Pmt -Check	12/8/2009	13760	CAMACHO, MICHAEL	-250.00
Bill Pmt -Check	12/8/2009	13761	DAILY BULLETIN	-216.00
Bill Pmt -Check	12/8/2009	13762	GOLDMAN COMMUNICATIONS INC.	-312.50
Bill Pmt -Check	12/8/2009	13763	HSBC BUSINESS SOLUTIONS	-643.67
Bill Pmt -Check	12/8/2009	13764	JAMES JOHNSTON	-810.00
Bill Pmt -Check	12/8/2009	13765	KUHN, BOB	-125.00
Bill Pmt -Check	12/8/2009	13766	MET LIFE SMALL BUSINESS CENTER	-50.00
Bill Pmt -Check	12/8/2009	13767	MWH LABORATORIES	-13,360.00
Bill Pmt -Check	12/8/2009	13768	PAYCHEX	-320.07
Bill Pmt -Check	12/8/2009	13769	PRINTING RESOURCES	-297.02
Bill Pmt -Check	12/8/2009	13770	VANDEN HEUVEL, GEOFFREY	-125.00
Bill Pmt -Check	12/8/2009	13771	WHITEHEAD, MICHAEL	-125.00
Bill Pmt -Check	12/8/2009	13772	WILLIS, KENNETH	-125.00
Bill Pmt -Check	12/8/2009	13773	PUBLIC EMPLOYEES' RETIREMENT SYS...	-6,578.54
Bill Pmt -Check	12/8/2009	13774	SAGE, KEVIN	-125.00
Bill Pmt -Check	12/8/2009	13775	STANDARD INSURANCE CO.	-551.10
Bill Pmt -Check	12/8/2009	13776	STATE COMPENSATION INSURANCE FU...	-1,120.91
Bill Pmt -Check	12/9/2009	13777	BROWNSTEIN HYATT FARBER SCHRECK	-41,458.77
Bill Pmt -Check	12/9/2009	13778	CUCAMONGA VALLEY IAAP	-50.00
Bill Pmt -Check	12/9/2009	13779	RAUCH COMMUNICATION CONSULTAN...	-620.00
Bill Pmt -Check	12/9/2009	13780	OLEGARIO ROCHA	-460.00
Bill Pmt -Check	12/10/2009	13781	PETTY CASH	-469.37
Bill Pmt -Check	12/10/2009	13782	CA SOCIETY OF MUNICIPAL FINANCE O...	-110.00
Bill Pmt -Check	12/10/2009	13783	MIJAC ALARM	-396.00
Bill Pmt -Check	12/10/2009	13784	REID & HELLYER	-6,074.30
Bill Pmt -Check	12/10/2009	13785	SAFEGUARD DENTAL & VISION	-7.68
Bill Pmt -Check	12/10/2009	13786	THE STANDARD INSURANCE COMPANY	-156.56
Bill Pmt -Check	12/10/2009	13787	UNION 76	-91.04
Bill Pmt -Check	12/10/2009	13788	VERIZON	-442.63
Bill Pmt -Check	12/10/2009	13789	W.C. DISCOUNT MOBILE AUTO DETAILI...	-100.00
Bill Pmt -Check	12/10/2009	13790	WATER EDUCATION FOUNDATION	-874.00
Bill Pmt -Check	12/10/2009	13791	WESTERN DENTAL SERVICES, INC.	-28.06
General Journal	12/12/2009	09/12/03	PAYROLL	-7,065.39
General Journal	12/12/2009	09/12/03	PAYROLL	-26,879.51
Bill Pmt -Check	12/15/2009	13792	ACWA SERVICES CORPORATION	-219.03
Bill Pmt -Check	12/15/2009	13793	BANC OF AMERICA LEASING	-3,274.88
Bill Pmt -Check	12/15/2009	13794	BANK OF AMERICA	-2,201.27
Bill Pmt -Check	12/15/2009	13795	BLACK & VEATCH CORPORATION	-8,863.75
Bill Pmt -Check	12/15/2009	13796	CUCAMONGA VALLEY WATER DISTRICT	-5,792.00
Bill Pmt -Check	12/15/2009	13797	FIRST AMERICAN REAL ESTATE SOLUTI...	-125.00
Bill Pmt -Check	12/15/2009	13798	GUARANTEED JANITORIAL SERVICE, INC.	-865.00
Bill Pmt -Check	12/15/2009	13799	INLAND EMPIRE UTILITIES AGENCY	-1,416.74
Bill Pmt -Check	12/15/2009	13800	MCI	-1,230.47
Bill Pmt -Check	12/15/2009	13801	PREMIERE GLOBAL SERVICES	-378.54
Bill Pmt -Check	12/15/2009	13802	STAPLES BUSINESS ADVANTAGE	-226.57
Bill Pmt -Check	12/15/2009	13803	UNITED PARCEL SERVICE	-26.52
Bill Pmt -Check	12/15/2009	13804	VERIZON WIRELESS	-529.43
Bill Pmt -Check	12/15/2009	13805	WILDERMUTH ENVIRONMENTAL INC	-151,770.46
Bill Pmt -Check	12/17/2009	13806	OLEGARIO ROCHA	-420.00
Bill Pmt -Check	12/21/2009	13807	JAMES JOHNSTON	-250.00
Bill Pmt -Check	12/21/2009	13808	STAULA, MARY L	-136.61
General Journal	12/26/2009	09/12/05	PAYROLL	-9,141.99
General Journal	12/26/2009	09/12/05	PAYROLL	-26,767.42
Dec 09				-387,348.52

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CHINO BASIN WATERMASTER
Check Detail
December 2009

Type	Num	Date	Name	Account	Paid Amount
Bill Pmt -Ch...	13794	12/15/2009	BANK OF AMER...	1012 · Bank of America Gen'l Ckg	
Bill	1024...	11/30/2009		6191 · Conferences	-1,475.57
				6147 · Other Admin Expenses	-65.22
				6061.4 · Other Contract Services	-77.56
				6312 · Meeting Expenses	-180.80
				6212 · Meeting Expense	-180.79
				7104.6 · Grdwtr Level-Supplies	-221.33
TOTAL					-2,201.27

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

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATIVE	POOL AGRICULTURAL NON-AGRIC.	POOL REPLENISHMENT	GROUNDWATER SB222	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2009-2010
Administrative Revenues	111,000	-	-	-	-	-	-	111,000	0
Administrative Assessments	7,115,654	-	225,016	-	-	-	-	7,340,670	\$7,340,839
Interest Revenue	18,574	-	842	-	-	-	3	20,844	191,540
Mutual Agency Project Revenue	-	-	-	-	-	-	-	-	148,410
Grant Income	-	-	-	-	-	-	-	-	0
Miscellaneous Income	-	-	-	-	-	-	-	-	0
Total Revenues	7,134,228	-	225,858	-	-	-	3	7,472,514	7,680,789
Administrative & Project Expenditures	307,127	-	-	-	-	-	-	307,127	580,238
Watermaster Administration	28,196	-	-	-	-	-	-	28,196	61,901
Watermaster Board-Advisory Committee	-	-	-	-	-	-	-	-	229,860
Pool Administration	13,864	-	2,891	-	-	-	-	16,755	1,557,820
Optimum Basin Mgmt Administration	663,575	-	-	-	-	-	-	663,575	4,109,362
OBMP Project Costs	1,747,736	-	-	-	-	-	-	1,747,736	1,131,233
Debt Service	567,042	-	-	-	-	-	-	567,042	375
Education Funds Use	-	-	-	-	-	-	-	-	10,000
Mutual Agency Project Costs	-	-	-	-	-	-	-	-	-
Total Administrative/OBMP Expenses	3,942,629	2,978,353	70,569	2,891	-	-	-	3,401,000	7,680,789
Net Administrative/OBMP Expenses	(224,323)	(2,978,353)	-	-	-	-	-	(3,202,676)	-
Allocate Net Admin Expenses To Pools	2,411,311	156,729	59,465	8,129	-	-	-	2,635,634	-
Allocate Net OBMP Expenses To Pools	1,684,720	639,210	87,381	-	-	-	-	2,411,311	-
Allocate Debt Service to App Pool	567,042	-	-	-	-	-	-	567,042	-
Agricultural Expense Transfer*	769,244	(769,244)	-	-	-	-	-	-	-
Total Expenses	3,191,599	-	98,401	-	-	-	-	3,401,000	7,680,789
Net Administrative Income	3,942,629	1,425	127,457	-	-	-	3	4,071,514	-
Other Income/(Expense)	-	-	-	-	-	-	-	-	-
Replenishment Water Assessments	-	-	-	-	7,073,804	-	-	7,073,804	0
Interest Revenue	-	-	-	-	13,504	-	-	13,504	0
Water Purchases	-	-	-	-	-	-	-	-	0
Balance Adjustment	-	-	-	-	(1,019,746)	-	-	(1,019,746)	0
Groundwater Replenishment	-	-	-	-	6,067,562	-	-	6,067,562	0
Net Other Income	-	-	-	-	6,067,562	-	-	6,067,562	0
Net Transfers To/(From) Reserves	10,139,076	-	1,425	127,457	6,067,562	-	3	10,139,076	-
Working Capital, July 1, 2009	5,942,967	-	470,719	256,577	4,166,457	158,251	995	10,995,966	-
Working Capital, End Of Period	9,885,596	-	472,144	384,034	10,234,019	158,251	998	21,135,042	21,135,042
08/09 Assessable Production	84,716,450	-	32,142,764	4,393,990	-	-	-	121,253,204	-
08/09 Production Percentages	69.867%	-	26.505%	3.624%	-	-	-	100.000%	-

*Fund balance transfer as agreed to in the Peace Agreement.

0 Financial Statements 05-1009 12/23/09 December Before Interest Adjustment

Prepared by Sheri Rojo, Chief Financial Officer /Assistant General Manager

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

DEPOSITORIES:			
Cash on Hand - Petty Cash			\$ 500
Bank of America			
Governmental Checking-Demand Deposits		\$ 623,087	
Zero Balance Account - Payroll			623,087
Local Agency Investment Fund - Sacramento			14,894,199
			<u>15,517,786</u>
TOTAL CASH IN BANKS AND ON HAND	12/31/2009		
TOTAL CASH IN BANKS AND ON HAND	11/30/2009		7,200,489
PERIOD INCREASE (DECREASE)			<u>8,317,297</u>

CHANGE IN CASH POSITION DUE TO:			
Decrease/(Increase) in Assets:			
Accounts Receivable			\$ (12,518)
Assessments Receivable			8,751,187
Prepaid Expenses, Deposits & Other Current Assets			(46,911)
Accounts Payable			(185,628)
Accrued Payroll, Payroll Taxes & Other Current Liabilities			(42,629)
Transfer to/(from) Reserves			(146,204)
PERIOD INCREASE (DECREASE)			<u>8,317,297</u>

	Petty Cash	Gov't'l Checking Demand	Zero Balance Account Payroll	Local Agency Investment Funds	Totals
\$	500	\$ 205,790	\$ -	\$ 6,994,199	\$ 7,200,489
Balances as of 11/30/2009	-	8,704,645	-	-	8,704,645
Deposits	-	(8,008,048)	108,048	7,900,000	-
Transfers	-	(279,300)	(108,048)	-	(387,348)
Withdrawals/Checks					
Balances as of 12/31/2009	\$ 500	\$ 623,087	\$ -	\$ 14,894,199	\$ 15,517,786
PERIOD INCREASE OR (DECREASE)	\$ -	\$ 417,297	\$ -	\$ 7,900,000	\$ 8,317,297

SUMMARY OF FINANCIAL TRANSACTIONS:

Balances as of 11/30/2009				
Deposits				
Transfers				
Withdrawals/Checks				
Balances as of 12/31/2009				
PERIOD INCREASE OR (DECREASE)				

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

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
12/17/2009	Deposit	L.A.I.F.	\$ 1,300,000				
12/23/2009	Deposit	L.A.I.F.	\$ 6,600,000				
TOTAL INVESTMENT TRANSACTIONS			\$ 7,900,000				

* The earnings rate for L.A.I.F. is a daily variable rate; 0.6% was the effective yield rate at the Quarter ended December 31, 2009.

**INVESTMENT STATUS
December 31, 2009**

Financial Institution	Principal Amount	Number of Days	Interest Rate	Maturity Date
Local Agency Investment Fund	\$ 14,894,199			
TOTAL INVESTMENTS	\$ 14,894,199			

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

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

Respectfully submitted,

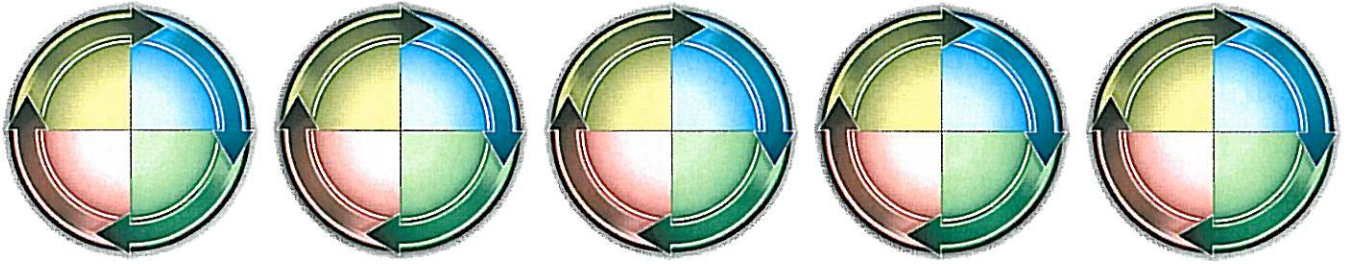
Sheri M. Rojo, CPA
Chief Financial Officer & Assistant General Manager
Chino Basin Watermaster

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

	<u>Jul - Dec 09</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4010 · Local Agency Subsidies	111,000	148,410	-37,410	75%
4110 · Admin Asmnts-Approp Pool	7,115,654	7,185,411	-69,757	99%
4120 · Admin Asmnts-Non-Agri Pool	225,016	155,427	69,589	145%
4700 · Non Operating Revenues	20,844	191,540	-170,696	11%
Total Income	<u>7,472,514</u>	<u>7,680,788</u>	<u>-208,274</u>	<u>97%</u>
Gross Profit	7,472,514	7,680,788	-208,274	97%
Expense				
6010 · Salary Costs	244,692	487,838	-243,146	50%
6020 · Office Building Expense	47,238	102,500	-55,262	46%
6030 · Office Supplies & Equip.	18,200	43,500	-25,300	42%
6040 · Postage & Printing Costs	33,639	84,300	-50,661	40%
6050 · Information Services	67,913	148,500	-80,587	46%
6060 · Contract Services	68,136	98,000	-29,864	70%
6080 · Insurance	15,934	16,730	-796	95%
6110 · Dues and Subscriptions	17,205	17,000	205	101%
6140 · WM Admin Expenses	1,703	3,000	-1,297	57%
6150 · Field Supplies	271	2,800	-2,529	10%
6170 · Travel & Transportation	14,905	37,800	-22,895	39%
6190 · Conferences & Seminars	11,593	26,500	-14,907	44%
6200 · Advisory Comm - WM Board	9,314	18,078	-8,764	52%
6300 · Watermaster Board Expenses	18,882	43,823	-24,941	43%
8300 · Appr PI-WM & Pool Admin	13,864	23,069	-9,205	60%
8400 · Agri Pool-WM & Pool Admin	15,169	25,114	-9,945	60%
8467 · Ag Legal & Technical Services	48,650	98,000	-49,350	50%
8470 · Ag Meeting Attend -Special	6,750	12,000	-5,250	56%
8471 · Ag Pool Expense	0	65,000	-65,000	0%
8500 · Non-Ag PI-WM & Pool Admin	2,891	6,677	-3,786	43%
6500 · Education Funds Use Expens	0	375	-375	0%
9500 · Allocated G&A Expenditures	-234,302	-488,230	253,928	48%
Subtotal G&A Expenditures	<u>422,647</u>	<u>872,374</u>	<u>-449,727</u>	<u>48%</u>
6900 · Optimum Basin Mgmt Plan	589,008	1,399,371	-810,363	42%
6950 · Mutual Agency Projects	0	10,000	-10,000	0%
9501 · G&A Expenses Allocated-OBMP	74,567	148,448	-73,881	50%
Subtotal OBMP Expenditures	<u>663,575</u>	<u>1,557,819</u>	<u>-894,244</u>	<u>43%</u>
7101 · Production Monitoring	49,881	107,047	-57,166	47%
7102 · In-line Meter Installation	20,440	56,179	-35,739	36%
7103 · Grdwtr Quality Monitoring	101,619	214,362	-112,743	47%
7104 · Gdwtr Level Monitoring	138,856	366,956	-228,100	38%

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

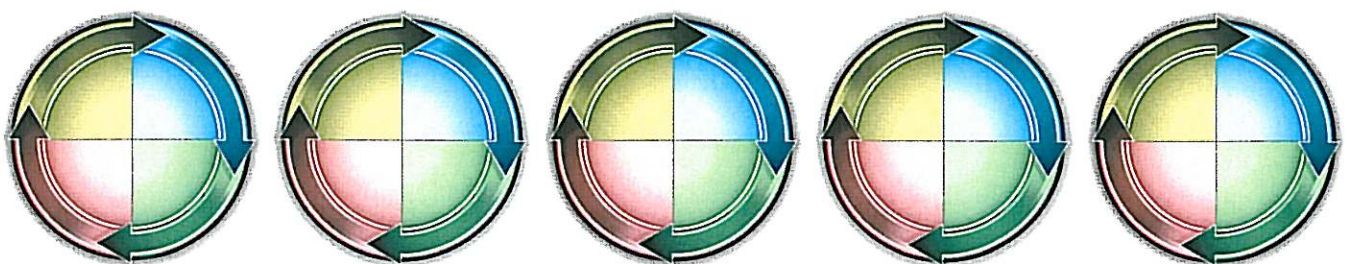
	<u>Jul - Dec 09</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
7105 · Sur Wtr Qual Monitoring	2,659	43,912	-41,253	6%
7107 · Ground Level Monitoring	57,816	550,059	-492,243	11%
7108 · Hydraulic Control Monitoring	167,560	567,022	-399,462	30%
7109 · Recharge & Well Monitoring Prog	2,413	9,152	-6,739	26%
7200 · PE2- Comp Recharge Pgm	878,760	1,478,560	-599,800	59%
7300 · PE3&5-Water Supply/Desalte	28,016	96,003	-67,987	29%
7400 · PE4- Mgmt Plan	56,265	91,985	-35,720	61%
7500 · PE6&7-CoopEfforts/SaltMgmt	55,399	163,727	-108,328	34%
7600 · PE8&9-StorageMgmt/Conj Use	28,317	29,550	-1,233	96%
7690 · Recharge Improvement Debt Pymt	567,042	1,131,233	-564,191	50%
7700 · Inactive Well Protection Prgm	0	5,066	-5,066	0%
9502 · G&A Expenses Allocated-Projects	159,735	339,782	-180,047	47%
Subtotal Project Expenditures	2,314,778	5,250,595	-2,935,817	44%
Total Expense	3,401,000	7,680,788	-4,279,788	44%
Net Ordinary Income	4,071,514		4,071,514	100%
Other Income/Expense				
Other Income				
4225 · Interest Income	13,504			
4210 · Approp Pool-Replenishment	4,887,364			
4220 · Non-Ag Pool-Replenishment	9,478			
4600 · Groundwater Sales	2,176,962			
Total Other Income	7,087,308			
Other Expense				
5010 · Groundwater Replenishment	16,746			
5100 · Other Water Purchases	1,003,000			
9999 · To/(From) Reserves	10,139,076			
Total Other Expense	11,158,822			
Net Other Income	-4,071,514			
Net Income	0		0	0%



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

A. CHINO BASIN WATERMASTER ANNUAL AUDIT





CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: February 25, 2009
TO: Watermaster Board Members
SUBJECT: Fiscal Year 2008/2009 Audit

SUMMARY

Issue – Annual Audit
Recommendation – Receive and File
Financial Impact – zero

Background

Chino Basin Watermaster is required to have an audit every year. Attached is our fiscal year 2008/2009 audit report which was an unqualified opinion, which means that the financial statements were prepared in conformity with GAAP. There were no findings and the audit went smoothly.

The fiscal year 2008/2009 financial results are consistent with the prior year with the exception for the increase in fund balance which relates to money collected to purchase replenishment water that Watermaster was unable to secure to satisfy the outstanding replenishment obligation. That money will be held until such a time that a purchase can be made to satisfy that obligation.

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Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

In planning and performing our audit of the financial statements of Chino Basin Watermaster (Watermaster) as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Watermaster's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as described above.

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

Mayer Hoffman McCann P.C.

Irvine, California
December 11, 2009

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Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

We have audited the financial statements of the Chino Basin Watermaster (the "Watermaster") for the year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 12, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

Audit fieldwork was performed in August 2009. As communicated to the Board of Directors in a letter dated August 20, 2009, significant risks of material misstatement addressed by our auditing procedures included:

- Risk of material fraud or misstatement associated with cash receipts and disbursements.
- Risk of improper classification of expenses.
- Risk of improper timing in recording revenues.
- Risk of material fraud or misstatement associated with significant assets and liabilities.

Significant Audit Findings

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

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Watermaster are described in note one to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009.



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

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

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

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

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 11, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Watermaster's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require that the consulting accountant contact us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants during the audit.



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

Other Audit Findings or Issues

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

* * * * *

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

Mayer Hoffman McCann P.C.

Irvine, California
December 11, 2009

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CHINO BASIN WATERMASTER
Basic Financial Statements and Supplemental Data
Year ended June 30, 2009
(With Independent Auditors' Report Thereon)

CHINO BASIN WATERMASTER
Basic Financial Statements and Supplemental Data
Year ended June 30, 2009

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Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

Independent Auditors' Report

We have audited the accompanying basic financial statements of the Chino Basin Watermaster as of and for the year ended June 30, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the management of Chino Basin Watermaster. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year partial comparative information has been derived from the Chino Basin Watermaster's basic financial statements for the year ended June 30, 2008 and, in our report dated December 11, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chino Basin Watermaster as of June 30, 2009, and respective changes in financial position and cash flows of the Chino Basin Watermaster for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Mayer Hoffman McCann P.C.

Irvine, California
December 11, 2009



CHINO BASIN WATERMASTER

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MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND

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

This section of the Watermaster's annual financial report presents our analysis of the Watermaster's financial performance during the fiscal year ended on June 30, 2009. Please read it in conjunction with the basic financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Watermaster's basic financial statements, which are comprised of two components: Financial Statements (pages 6-8) and Notes to the Financial Statements (pages 9-20). This report also contains other supplementary information in addition to the basic financial statements (pages 21-22).

Required Financial Statements

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

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

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

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

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

SUMMARY OF FINANCIAL INFORMATION

Statement of Net Assets

June 30, 2009
(With comparative totals for June 30, 2008)

	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>% Change</u>
Assets				
Current	\$ 11,596,978	\$ 7,080,314	\$ 4,516,664	64%
Capital	<u>53,176</u>	<u>59,223</u>	<u>(6,047)</u>	-10%
Total Assets	11,650,154	7,139,537	4,510,617	63%
Liabilities				
Current	469,002	798,580	(329,578)	-41%
Non current	<u>185,186</u>	<u>142,995</u>	<u>42,191</u>	30%
Total Liabilities	654,188	941,575	(287,387)	-31%
Net Assets				
Invested in capital assets	53,176	59,223	(6,047)	-10%
Restricted for Water Purchases	4,111,568	-	4,111,568	100%
Unrestricted	<u>6,831,222</u>	<u>6,138,739</u>	<u>692,483</u>	11%
Total Net Assets	<u>\$10,995,966</u>	<u>\$6,197,962</u>	<u>\$ 4,798,004</u>	77%

For the year ended June 30, 2009 and June 30, 2008, Watermaster's Total Net Assets was \$10,995,966 and \$6,197,962 respectively.

Total Assets increased by \$4,510,617 in FY 2009, which was mostly due to the Cumulative Unmet Replenishment Obligation (CURO). Parties who extract water in excess of their rights are assessed on an annual basis to cover the cost of purchasing replenishment water. In 2008/2009, Watermaster collected the money but was unable to satisfy the purchase obligation of the replenishment water. The obligation to purchase the water will carry forward into the future and Watermaster will seek opportunities to secure the required replenishment water.

Total Liabilities decreased by \$287,387 in FY 2009 primarily due to the timing of payables which were accrued in FY 2007 and paid in FY 2008.

Statement of Revenues, Expenses, and Changes in Net Assets

	June 30, 2009 (With comparative totals for June 30, 2008)			
	2009	2008	Difference	% Change
Operating Revenues				
Administrative assessments	\$8,166,124	\$ 7,602,975	\$ 563,149	7%
Mutual agency project revenue	51,217	237,370	(186,153)	-78%
Replenishment water	6,437,643	3,402,393	3,035,250	89%
Miscellaneous revenue	-	35,054	(35,054)	-100%
Total Operating Revenues	14,654,984	11,277,792	3,377,192	30%
Operating Expenses				
Watermaster administration	510,988	510,175	813	0%
Depreciation	25,577	25,131	446	2%
Pool, Advisory and Board	250,870	219,545	31,325	14%
Optimum Basin Management Plan	6,913,336	6,485,337	427,999	7%
Mutual agency project costs	10,000	10,000	-	0%
Groundwater replenishment	2,326,075	3,325,123	(999,048)	-30%
Total Operating Expenses	10,036,846	10,575,311	(538,465)	-5%
Income from operations	4,618,138	702,481	3,915,657	557%
Non-Operating Revenues				
Interest	179,866	186,184	(6,318)	-3%
Total Non-Operating Revenues	179,866	186,184	(6,318)	-3%
Change in net assets	4,798,004	888,665	3,909,339	440%
Net assets at beginning of year	6,197,962	5,309,297	888,665	17%
Total net assets at end of year	\$ 10,995,966	\$ 6,197,962	\$ 4,798,004	77%

REVIEW OF REVENUES AND EXPENSES

Annual administrative assessments are determined by dividing the adopted budget by the assessable production. Administrative assessment revenue increased \$563,149 in FY 2009, or 7% from the previous year due to budgeted increases in OBMP expenses and recharge basin operations and maintenance expenses. Replenishment water assessment revenue increased by \$3,035,250 in FY 2009, or 89% due to production increases in excess of production rights.

Overall operating expenses (excluding replenishment activities) increased over the prior year from \$7,250,188 to \$7,710,771 up by 6% from the prior year. More specifically, administrative expenses remained relatively constant over the previous year. The increase occurred in the area of Optimal Basin Management Plan, which increased by \$427,999 in FY 2009 or 7% due to higher legal, engineering and other expenditures in 2009 than in 2008.

Non-operating revenue represented interest income of \$ 179,866 and \$186,184 for the years ending June 30, 2009 and June 30, 2008, which decreased due to falling interest rates.

CONTACTING THE WATERMASTER

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

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CHINO BASIN WATERMASTER

Statement of Net Assets

June 30, 2009

(with comparative totals for June 30, 2008)

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and investments (note 2)	\$ 11,365,542	\$ 6,146,595
Accounts receivable (note 9)	197,973	910,462
Prepaid expenses	<u>33,463</u>	<u>23,257</u>
Total current assets	<u>11,596,978</u>	<u>7,080,314</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation (note 3)	<u>53,176</u>	<u>59,223</u>
Total noncurrent assets	<u>53,176</u>	<u>59,223</u>
Total assets	<u>11,650,154</u>	<u>7,139,537</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	389,088	793,256
Accrued salaries and benefits	<u>79,914</u>	<u>5,324</u>
Total current liabilities	<u>469,002</u>	<u>798,580</u>
Noncurrent liabilities:		
Compensated absences (note 4)	<u>185,186</u>	<u>142,995</u>
Total noncurrent liabilities	<u>185,186</u>	<u>142,995</u>
Total liabilities	<u>654,188</u>	<u>941,575</u>
<u>Net Assets</u>		
Net assets:		
Invested in capital assets	53,176	59,223
Restricted for water purchases	4,111,568	-
Unrestricted	<u>6,831,222</u>	<u>6,138,739</u>
Total net assets	<u>\$ 10,995,966</u>	<u>\$ 6,197,962</u>

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2009

(with comparative totals for June 30, 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Administrative assessments (note 1)	\$ 8,166,124	\$ 7,602,975
Mutual agency project revenue	51,217	237,370
Replenishment water	6,437,643	3,402,393
Miscellaneous revenue	-	35,054
	<u>14,654,984</u>	<u>11,277,792</u>
Operating expenses:		
Watermaster administration	510,988	510,175
Depreciation	25,577	25,131
Pool, advisory and Board administration	250,870	219,545
Optimum Basin Management Plan	6,913,336	6,485,337
Mutual agency project costs	10,000	10,000
Groundwater replenishment	2,326,075	3,325,123
	<u>10,036,846</u>	<u>10,575,311</u>
Income (loss) from operations	<u>4,618,138</u>	<u>702,481</u>
Nonoperating revenues:		
Interest income	<u>179,866</u>	<u>186,184</u>
Total nonoperating revenues	<u>179,866</u>	<u>186,184</u>
Change in net assets	4,798,004	888,665
Net assets at beginning of year	<u>6,197,962</u>	<u>5,309,297</u>
Total net assets at end of year	<u>\$ 10,995,966</u>	<u>\$ 6,197,962</u>

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER
Statement of Cash Flows
Year ended June 30, 2009
(with comparative totals for June 30, 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from customers	\$ 15,316,256	\$ 10,970,386
Cash received from other agencies	51,217	237,370
Cash paid to employees for services	(1,196,994)	(1,217,790)
Cash paid to suppliers of goods and services	<u>(9,111,868)</u>	<u>(8,864,515)</u>
Net cash provided by (used for) operating activities	<u>5,058,611</u>	<u>1,125,451</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	<u>(19,530)</u>	<u>-</u>
Net cash provided by (used for) capital financing activities	<u>(19,530)</u>	<u>-</u>
Cash flows from investing activities:		
Interest received	<u>179,866</u>	<u>186,184</u>
Net cash provided by (used for) investing activities	<u>179,866</u>	<u>186,184</u>
Net increase (decrease) in cash	5,218,947	1,311,635
Cash and investments at the beginning of year	<u>6,146,595</u>	<u>4,834,960</u>
Cash and investments at the end of year	<u>\$ 11,365,542</u>	<u>\$ 6,146,595</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 4,618,138	\$ 702,481
Adjustments to reconcile operating income (loss) to net cash used for operating activities:		
Depreciation	25,577	25,131
(Increase) decrease in accounts receivable	712,489	(70,036)
(Increase) decrease in prepaid expenses	(10,206)	2,327,954
Increase (decrease) in account payable	(404,168)	(1,836,620)
Increase (decrease) in accrued salaries and benefits	74,590	(51,424)
Increase (decrease) in compensated absences	<u>42,191</u>	<u>27,965</u>
Net cash provided by (used for) operating activities	<u>\$ 5,058,611</u>	<u>\$ 1,125,451</u>

Noncash investing, capital and financing activities:

There were no significant noncash investing, capital or financing activities during the fiscal year ended June 30, 2009.

See accompanying notes to the basic financial statements.

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

Year ended June 30, 2009

(1) Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

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

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

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

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

Watermaster expenditures are allocated to the pools based on the prior year's production volume (or the same percentage used to set the annual assessments). Allocations for fiscal year 2008-09 expenses are based on the 2007-08 production volume.

	2007-08	
	<u>Acre Feet</u>	<u>%</u>
Production Volume:		
Appropriative Pool	103,078	75.005
Agricultural Pool	30,910	22.492
Non-Agricultural Pool	<u>3,440</u>	<u>2.503</u>
Total Production Volume	<u>137,428</u>	<u>100.000</u>

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

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

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

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

Basis of Accounting

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

The Watermaster applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principals Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure.

Cash and Investments

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

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

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

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

Cash Equivalents

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

Capital Assets

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

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

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

Use of Estimates

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

Appropriative Interest Revenue Allocation

On August 30, 1979, the Appropriative Pool unanimously approved assessment procedures whereby any interest earned from the Watermaster assessments paid by Appropriative Pool members would reduce the total current assessment due from those members. Fiscal year 2006-07 interest revenue was allocated to the Appropriative Pool, resulting in a reduction of the 2007-08 assessments. The amount of administrative assessment received for the year ended June 30, 2009 was \$8,166,124.

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

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

Prior Year Data

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

(2) Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	<u>\$11,365,542</u>
Total cash and investments	<u>\$11,365,542</u>

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

Cash on hand	\$ 500
Deposits with financial institutions	470,843
Investments	<u>10,894,199</u>
Total cash and investments	<u>\$11,365,542</u>

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments. (Continued)

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

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

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

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

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments. (Continued)

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>Total Amount</u>	<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>
Local Agency Investment Fund	<u>\$10,894,199</u>	<u>10,894,199</u>	<u>-</u>	<u>-</u>
Total	<u>\$10,894,199</u>	<u>10,894,199</u>	<u>-</u>	<u>-</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Local Agency Investment Fund	<u>\$10,894,199</u>	N/A	<u>-</u>	<u>-</u>	<u>10,894,199</u>
Total	<u>\$10,894,199</u>		<u>-</u>	<u>-</u>	<u>10,894,199</u>

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments. (Continued)

Custodial Credit Risk

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

Investment in State Investment Pool

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

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(3) Capital Assets

Capital asset activity for the year ended June 30, 2009 is as follows:

	<u>Balances at July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2009</u>
Computer equipment and software	\$ 75,244	19,530	-	94,774
Office furniture and fixtures	42,291	-	-	42,291
Leasehold improvements	23,443	-	-	23,443
Automotive equipment	<u>90,484</u>	<u>-</u>	<u>-</u>	<u>90,484</u>
Total costs of depreciable assets	<u>231,462</u>	<u>19,530</u>	<u>-</u>	<u>250,992</u>
Less accumulated depreciation:				
Computer equipment and software	(65,054)	(9,001)	-	(74,055)
Office furniture and fixtures	(30,573)	(6,380)	-	(36,953)
Leasehold improvements	(11,723)	(2,345)	-	(14,068)
Automotive equipment	<u>(64,889)</u>	<u>(7,851)</u>	<u>-</u>	<u>(72,740)</u>
Total accumulated depreciation	<u>(172,239)</u>	<u>(25,577)</u>	<u>-</u>	<u>(197,816)</u>
Net capital assets	<u>\$ 59,223</u>	<u>(6,047)</u>	<u>-</u>	<u>53,176</u>

(4) Compensated Absences

Permanent Watermaster employees earn from 10 to 20 vacation days a year, depending upon their length of employment and 12 sick days a year. Employees may carry vacation days forward up to the equivalent number of days earned in the immediately preceding twenty-four (24) month period. There is no maximum accumulation of sick leave; and upon retirement or resignation at age 55 or greater, employees with continuous employment for a minimum of twenty (20) years are compensated for all accumulated sick leave at 50% of their rate of pay at termination. Other employees are paid based upon length of employment and age at time of retirement or resignation. The amount of compensated absences outstanding as of June 30, 2009 was \$185,186.

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(5) Deferred Compensation Plan

The Watermaster has established deferred compensation plans for all employees of Watermaster in accordance with Internal Revenue Code Section 457, whereby employees authorize the Watermaster to defer a portion of their salary to be deposited in individual investment accounts. Participation in the plans is voluntary and may be revoked at any time upon advance written notice. The amount of compensation subject to deferral until retirement, disability, or other termination by a participant may not exceed the maximum legal amounts for deferred compensation plans. Amounts withheld by Watermaster under this plan are deposited regularly with California Public Employees' Retirement System. The Watermaster makes no contribution under the plan. As of June 30, 2009, the deferred compensation plan assets were held in trust accounts for the sole benefit of the employees and their beneficiaries, and accordingly have been excluded from Watermaster's reported assets.

(6) Operating Lease

The Watermaster entered into a new lease for rent of office space on September 1, 2003, expiring August 30, 2013. The amount paid under this lease was \$65,940 for the year ended June 30, 2009. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2010	\$ 65,940
2011	65,940
2012	65,940
2013	65,940
2014	<u>10,990</u>
Total	<u>\$274,750</u>

(7) Defined Benefit Pension Plan (PERS)

Plan Description

The Watermaster contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. Effective May 2009, the Watermaster changed from a 2% at 55 Risk Pool during year ending June 30, 2008 to a 2.5% at 55 Risk Pool. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

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

Contributions

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

For each of the fiscal years shown below, the Watermaster has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. The Watermaster's covered payroll for PERS was \$916,078 for the year ended June 30, 2009, while the Watermaster's total payroll for all employees was \$916,078 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2008 to June 30, 2009.

Three-Year Trend Information

Annual Pension cost (Safety)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	10.947%	\$145,515	100%	-
6/30/08	10.345%	144,250	100%	-
6/30/09	11.346%	176,576	100%	-

CHINO BASIN WATERMASTER

Notes to the Basic Financial Statements

(Continued)

(8) Project Commitments

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

(9) Receivables from Inland Empire Utilities Agency

Chino Basin Watermaster works closely with Inland Empire Utilities Agency on a variety of regionally beneficial and required projects. The Agreement for Cooperative Efforts Common Monitoring Programs between Chino Basin Watermaster (Watermaster) and Inland Empire Utilities Agency (IEUA) was entered into in 2004. The agreement called for work to be performed by Watermaster and its consultants for which IEUA would reimburse Watermaster an agreed upon percentage of costs, depending on the type of work performed. The work undertaken in the Annual Monitoring Program (AMP) is required by the Regional Water Quality Control Board and is comprised of the following monitoring programs: water quality and water level monitoring in support of the triennial ambient Water Quality update, water quality and water level monitoring in support of the Hydraulic Control Monitoring Program. For 2004/2005 and 2005/2006, IEUA reimbursed Watermaster the amount invoiced. The receivable in 2008 was in dispute; however, the amount was received during fiscal year ending June 30, 2009.

SUPPLEMENTARY INFORMATION

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CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE
 PERIOD JULY 1, 2008 THROUGH JUNE 30, 2009

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATION AND SPECIAL PROJECTS APPROPRIATE	AGRICULTURAL NON-AGRIC.	POOL REPLENISHMENT	GROUNDWATER OPERATIONS SB222	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2008-2009
Administrative Revenues	-	-	-	-	-	-	-	-	-
Administrative Assessments	-	7,993,307	-	172,817	-	-	-	8,166,124	\$ 7,992,648
Interest Revenue	-	111,927	10,198	2,825	-	-	27	124,977	174,368
Mutual Agency Project Revenue	-	48,935	-	1,282	-	-	-	51,217	148,410
Grant Income	-	-	-	-	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-	-	-
Total Revenues	-	8,155,169	10,198	176,924	-	-	27	8,342,318	8,315,426
Administrative & Project Expenditures	536,190	-	-	-	-	-	-	536,190	619,960
Watermaster Administration	58,265	-	-	-	-	-	-	58,265	61,201
Watermaster Board-Advisory Committee	-	-	-	-	-	-	-	-	-
Pool Administration	-	20,294	167,194	5,117	-	-	-	192,605	196,523
Optimum Basin Mgmt Administration	-	1,930,126	-	-	-	-	-	1,930,126	2,023,380
OBMP Project Costs	-	3,721,316	-	-	-	-	-	3,721,316	4,142,393
Debt Service	-	1,261,894	-	-	-	-	-	1,261,894	1,261,594
Education Funds Use	-	-	-	-	-	-	375	375	375
Mutual Agency Project Costs	-	10,000	-	-	-	-	-	10,000	10,000
Total Administrative/OBMP Expenses	584,455	6,923,336	167,194	5,117	-	-	375	7,710,771	8,315,426
Net Administrative/OBMP Expenses	(594,455)	(6,923,336)	-	-	-	-	-	-	-
Allocate Net Admin Expenses To Pools	594,455	-	-	-	-	-	-	-	-
Allocate Net OBMP Expenses To Pools	-	5,661,442	133,703	14,879	-	-	-	-	-
Allocate Debt Service to App Pool	-	4,344,583	1,273,351	43,508	-	-	-	-	-
Agricultural Expense Transfer*	-	1,261,894	-	-	-	-	-	-	-
Total Expenses	7,825,418	1,552,774	(1,552,774)	-	-	-	-	-	-
Net Administrative Income	529,751	21,474	63,504	113,420	-	-	375	7,710,771	8,315,426
Other Income/(Expense)	-	(11,276)	-	-	-	-	(348)	631,547	-
Replenishment Water Assessments	-	-	-	-	6,437,643	-	-	6,437,643	-
Interest Revenue	-	-	-	-	54,889	-	-	54,889	-
Water Purchases	-	-	-	-	(2,326,075)	-	-	(2,326,075)	-
Balance Adjustment	-	-	-	-	-	-	-	-	-
Groundwater Replenishment	-	-	-	-	-	-	-	-	-
Net Other Income	-	-	-	-	4,166,457	-	-	4,166,457	-
Revenues Over (Under) Expenditures	529,751	(11,276)	113,420	4,166,457	-	-	(348)	4,798,004	-
Working Capital, July 1, 2008	5,413,216	481,995	143,157	-	-	158,251	1,343	6,197,962	-
Working Capital, End Of Period	5,942,967	470,719	256,577	4,166,457	-	158,251	995	10,995,966	\$ 10,995,966
07/08 Assessable Production	103,077,958	30,909,693	3,439,822	-	-	-	-	137,427,473	-
07/08 Production Percentages	75.005%	22.492%	2.503%	-	-	-	-	100.000%	-

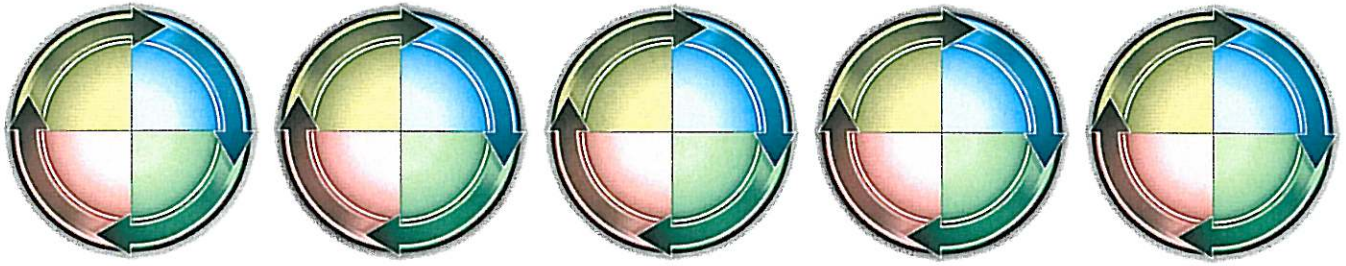
*Fund balance transfer as agreed to in the Peace Agreement.

CHINO BASIN WATERMASTER

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

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

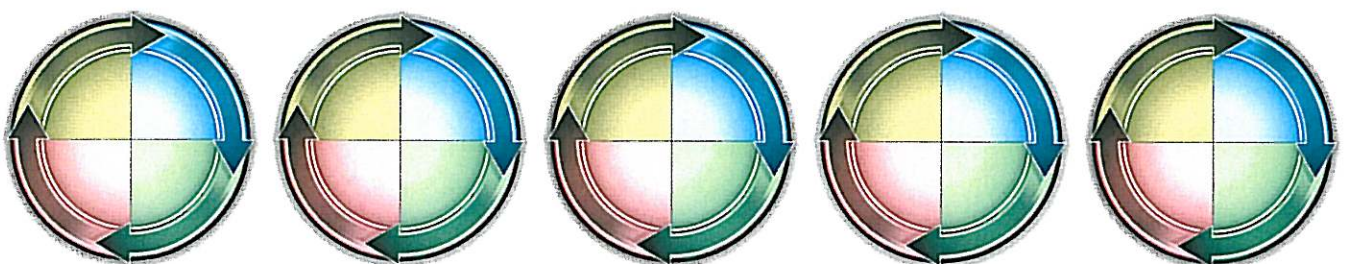
	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL APPROPRIATIVE		AGRICULTURAL NON-AGRIC.	POOL	GROUNDWATER REPLENISHMENT	GROUNDWATER OPERATIONS		EDUCATION FUNDS	GRAND TOTALS	BUDGET 2007-2008
			POOL	POOL				SB222 FUNDS	FUNDS			
Administrative Revenues	-	-	7,480,677	-	-	122,298	-	-	-	-	\$ 7,602,975	\$ 7,540,370
Interest Revenue	-	-	161,051	20,700	-	4,370	-	-	63	-	186,184	181,500
Mutual Agency Project Revenue	-	237,370	-	-	-	-	-	-	-	-	237,370	145,500
Miscellaneous Income	-	-	35,013	-	-	41	-	-	-	-	35,054	-
Total Revenues	-	237,370	7,676,741	20,700	-	126,709	-	-	63	-	8,061,583	7,867,370
Administrative & Project Expenditures	534,931	-	-	-	-	-	-	-	-	-	534,931	627,797
Watermaster Administration	54,884	-	-	-	-	-	-	-	-	-	54,884	60,645
Watermaster Board-Advisory Committee	-	-	-	-	-	-	-	-	-	-	-	-
Pool Administration	-	-	20,280	137,820	6,561	-	-	-	-	-	164,661	162,333
Optimum Basin Mgmt Administration	-	2,462,439	-	-	-	-	-	-	-	-	2,462,439	2,852,337
OBMP Project Costs	-	4,022,898	-	-	-	-	-	-	-	-	4,022,898	4,153,883
Education Funds Use	-	-	-	-	-	-	-	-	375	-	375	375
Mutual Agency Project Costs	-	10,000	-	-	-	-	-	-	-	-	10,000	10,000
Total Administrative/OBMP Expenses	589,815	6,495,337	20,280	137,820	6,561	-	-	-	375	-	7,250,188	7,867,370
Net Administrative/OBMP Income	(589,815)	(6,257,967)	-	-	-	-	-	-	-	-	-	-
Allocate Net Admin Income To Pools	589,815	6,257,967	449,956	128,272	11,587	-	-	-	-	-	-	-
Allocate Net OBMP Income To Pools	-	-	4,774,055	1,360,969	122,943	-	-	-	-	-	-	-
Agricultural Expense Transfer	-	-	1,612,751	(1,612,751)	-	-	-	-	-	-	-	-
Total Expenses	6,857,043	14,309	14,309	141,091	-	-	-	-	375	-	7,250,188	7,867,370
Net Administrative Income	819,698	6,391	6,391	(14,382)	-	-	-	-	(312)	-	811,395	-
Other Income/(Expense)	-	-	-	-	-	-	3,402,393	-	-	-	3,402,393	-
Replenishment Water Purchases	-	-	-	-	-	-	-	-	-	-	-	-
MZ1 Supplemental Water Assessments	-	-	-	-	-	-	-	-	-	-	-	-
Water Purchases	-	-	-	-	-	-	-	-	-	-	-	-
Balance Adjustment	370,656	-	-	1,011	-	-	(371,667)	-	-	-	-	-
Groundwater Replenishment	-	-	-	-	-	-	(3,325,123)	-	-	-	(3,325,123)	-
Net Other Income	370,656	-	-	1,011	-	-	(294,357)	-	-	-	77,270	-
Revenues Over (Under) Expenditures	1,190,354	6,391	6,391	(13,371)	-	-	(294,397)	-	(312)	-	888,665	-
Working Capital, July 1, 2007	4,222,862	475,604	475,604	156,528	294,397	158,251	1,655	1,655	1,655	5,309,297	5,309,297	-
Working Capital, End Of Period	5,413,216	481,995	481,995	143,157	-	158,251	1,343	1,343	\$ 6,197,962	6,197,962	6,197,962	-
06/07 Assessable Production	130,826,204	37,295,410	37,295,410	3,369,080	-	-	-	-	-	171,490,694	171,490,694	-
06/07 Production Percentages	76.288%	21.748%	21.748%	1.965%	-	-	-	-	-	100.000%	100.000%	-



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

B. INFORMATION REQUESTS FROM HOGAN & HARTSON





CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
Chief Executive Officer

STAFF REPORT

DATE: February 25, 2010
TO: Committee Members
Watermaster Board Members
SUBJECT: Information Requests from Hogan & Hartson on behalf of the Overlying (Non-Agricultural) Pool

SUMMARY

Recommendation – As described in staff report

Background

Over the past few weeks the law firm of Hogan & Hartson, on behalf of the Non-Agricultural Pool, has sent numerous letters to Watermaster requesting various informational items. A relevant selection of this correspondence is included with this staff report.

Consistent with past practice, Watermaster staff has responded promptly to these requests. However, certain of these requests demand information or Watermaster actions that are out of the ordinary and whose relevance to matters before Watermaster is unclear.

On February 11, 2010, the Watermaster Board approved the creation of an ad hoc litigation committee whose purpose would be to provide staff and legal counsel with advice regarding matters associated with the apparent dispute with the Non-Agricultural Pool concerning the Purchase and Sale Agreement.

On February 18, 2010, Watermaster staff and counsel met with the ad hoc litigation committee and reviewed the information requests from Hogan & Hartson. Those requests which are out of the ordinary or which would require a significant expenditure of funds or staff time were identified and the ad hoc litigation committee recommended that they be brought to the Board in open session for discussion and direction to staff and legal counsel.

The following items were identified as relevant for Board consideration:

(1) February 10, 2010 Letter re Preservation of Evidence

The February 10, 2010 letter re preservation of evidence demands that Watermaster preserve all documents, tangible things and electronically stored information potentially relevant to the implementation of the Peace II Agreement.

In response to a January 18, 2010 email from Mr. Bowcock, Watermaster staff has already taken actions to cease destruction of meeting tapes as required by longstanding Watermaster policy, and has directed Mr. Patrick Park, Watermaster's IT consultant, to adjust Watermaster's computer system so that items such as deleted emails which are normally discarded every seven days will be preserved. The February 10, 2010 letter however, demands further actions such as the hiring of a specialized consultant whose purpose would be, among other things, to make a copy of Watermaster's computer system and maintain a chain of custody so that all data, including meta-data could be guaranteed to be preserved. Watermaster has contacted consultants who specialize in this area and believe that such a task would cost on the order of \$20,000. Because such consultant services have not been budgeted, a budget transfer or amendment may be necessary.

Recommendation: Continue to preserve meeting tapes and hire a consultant in order to appropriately respond to the Hogan & Hartson preservation letter.

(2) February 2, 2010 Public Records Act Request

On February 2, 2010, Hogan & Hartson submitted a Public Records Act request to Watermaster. As a judicial branch entity, Watermaster is not subject to the Public Records Act. However, as with the Brown Act, Watermaster Rules and Regulations suggest that Watermaster should attempt to comply with such requests.

Watermaster has provided all items requested by the February 2, 2010 letter, except for item (4) – legal counsel invoices from all of calendar year 2009. Watermaster staff and legal counsel have indicated to Hogan & Hartson a willingness to provide such invoices, but the Public Records Act allows, and ethical rules require, that counsel redact from such invoices the descriptions of activities whose release would violate the attorney-client or attorney work-product privilege. Again, legal counsel is willing to perform such redaction. However, there are approximately 200 pages of such invoices that will require redaction. This activity will take approximately 5-10 hours of legal counsel time. The ad hoc litigation committee thus recommended that this item be brought to the Board for authorization for legal counsel to expend this time.

Recommendation: Direct legal counsel to react invoices consistent with Public Records Act and provide invoices to Hogan & Hartson.

(3) February 10, 2010 Information and Documents Request

On February 2, 2010, Hogan & Hartson requested information concerning the destruction of the tape of the January 7, 2010 Joint Appropriative Pool and Non-Agricultural Pool meeting. On February 5, 2010, Watermaster provided a detailed written account of Watermaster's tape destruction policies and practices and a specific description of the fate of the January 7 meeting tape. This description was provided via email to Hogan & Hartson and the chair of the Non-Agricultural Pool, as well as the chairs of the other two Pools, the chair of the Advisory Committee, and the Board chair. A copy of this email correspondence is included here.

In its letter of February 10, 2010, Hogan & Hartson requested: "access to the computer system on which the minutes of the January 7 Non-Agricultural Pool Meeting were prepared, so that we can, among other things, examine the metadata associated with the electronic file of such minutes."

This computer system is the same computer system used for all Watermaster functions, thus this request amounts to access to Watermaster's entire computer system. Staff has refused this request.

The ad hoc litigation committee recommended that this item be brought to the Board for further direction.

Recommendation: Because staff has fully responded to the information request, deny the request to access Watermaster's computer system.

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HOGAN & HARTSON

February 2, 2010

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VIA FAX & E-MAIL

Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, California 91730
Attn: Scott Slater, Esq.
FAX (909)-484-3890
E-mail sslater@bhfs.com

Re: California Public Records Act

Dear Scott:

As you know, the Non-Agricultural Pool Committee recently voted to retain my firm as counsel. I am trying to obtain important information relating to the period prior to my firm's retention, so that I can advise the Committee. Please provide the following as soon as possible, preferably before the next meeting of the Non-Agricultural Pool Committee:

- 1) The Rules and Regulations of the Non-Agricultural Pool Committee and the Rules and Regulations of the Appropriative Pool Committee. According to the Rules and Regulations of Watermaster, the Pool Committees have separate rules and regulations. The agendas and minutes of the pool committees mention them from time to time.
- 2) Transcripts of all meetings of the Board and any committee held at any time during calendar year 2009, to the extent in existence. I understand that transcripts are prepared from time to time, when a party requests them.
- 3) Transcripts of all Court hearings held at any time during calendar years 2007, 2008 and 2009. I understand that your Watermaster counsel arranges for transcripts of all Court hearings.
- 4) All invoices submitted by Brownstein, Hyatt, Farber & Schreck to Watermaster for work performed at any time during calendar year 2009.
- 5) A copy of the notice, if any, of the Board meeting on August 27, 2009, showing to whom the notice was addressed, to what address the notice was sent, and in what

Chino Basin Watermaster
February 2, 2010
Page 2 of 2

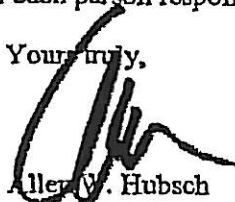
manner the notice was given. I understand that Watermaster staff has informed Mr. Bowcock that the notice was given by an e-mail.

6) A copy of all read-receipts for e-mail notice of the August 27, 2009 board meeting, showing who read the notice, and when. I understand that Watermaster staff has informed Mr. Bowcock that staff sends such notices with read-receipts, and retains the read-receipts.

7) Copies of any consents by members of the Non-Agricultural Pool to receive notices by e-mail, and copies of any court orders that authorize Watermaster staff to give such notices by e-mail.

This request is made on behalf of the Non-Agricultural Pool Committee and pursuant to the California Public Records Act. Pursuant to the CPRA, your response to this request is due within 10 days of today's date. If you deny the request, pursuant to the CPRA, your denial must state the names and titles of each person responsible for the denial.

Yours truly,



Allen V. Hubsch

cc: Bob Bowcock

HOGAN & HARTSON

February 10, 2010

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Attn: Scott Slater, Esq.
FAX (909)-484-3890
E-mail sslater@bhfs.com

Re: Preservation of Evidence

Dear Scott:

As you know, this firm represents the Non-Agricultural Pool Committee (the "Non-Ag Pool Committee") of the Chino Basin Watermaster. The Chair and other representatives of the Non-Ag Pool Committee have been requesting, at various times and in various ways over the past several weeks, that Watermaster staff preserve documents and information relevant to implementation of the Peace II Agreement. At last week's joint meeting of the Appropriate Pool and the Non-Agricultural Pool Committees, I formalized the request, on the record, that Watermaster staff initiate a litigation hold, and image certain computers. After the joint Committee meeting, I repeated the request in a meeting with Michael Fife. This letter will repeat the request.

On behalf of the Non-Ag Committee, I hereby demand that you preserve all documents, tangible things and electronically stored information potentially relevant to the implementation of the Peace II Agreement. As used in this document, "you" and "your" refers to Watermaster staff, including its officers, directors, agents, attorneys, accountants, employees, partners or other persons occupying similar positions or performing similar functions.

As a special master created and appointed by the Superior Court, you have a special public duty to maintain and preserve your records, and to make them readily available to the parties to the Judgment, and to the committees established by the Judgment.

In addition, as a public or local agency, you have statutory duties to maintain and preserve your records, and to make them available to interested parties and the public. The violation of these statutory duties by you, whether by erasure, destruction, concealment or

otherwise, may subject you to criminal prosecution.

Much of the information subject to disclosure in connection with the Court review is electronically stored on your computer systems and other media and devices (including personal digital assistants, voice-messaging systems, online repositories and cell phones).

Electronically stored information (hereinafter "ESI") should be afforded the broadest possible definition and includes (by way of example and not as an exclusive list) potentially relevant information electronically, magnetically or optically stored as:

- Digital communications (e.g., e-mail, voice mail, instant messaging);
- Word processed documents (e.g., Word or WordPerfect documents and drafts);
- Spreadsheets and tables (e.g., Excel or Lotus 123 worksheets);
- Accounting Application Data (e.g., QuickBooks, Money, Peachtree data files);
- Image and Facsimile Files (e.g., .PDF, .TIFF, .JPG, .GIF images);
- Sound Recordings (e.g., .WAV and .MP3 files);
- Databases (e.g., Access, Oracle, SQL Server data, SAP);
- Contact and Relationship Management Data (e.g., Outlook, ACT!);
- Calendar and Diary Application Data (e.g., Outlook PST, Yahoo, blog tools);
- Online Access Data (e.g., Temporary Internet Files, History, Cookies);
- Presentations (e.g., PowerPoint, Corel Presentations)
- Network Access and Server Activity Logs;
- Project Management Application Data;
- Computer Aided Design/Drawing Files; and,
- Back Up and Archival Files (e.g., Zip, .GHO)

ESI resides not only in areas of electronic, magnetic and optical storage media reasonably accessible to you, but also in areas you may deem not reasonably accessible. You are obliged to preserve potentially relevant evidence from both these sources of ESI, even if you do not anticipate producing such ESI.

Chino Basin Watermaster
February 10, 2010
Page 3 of 7

Preservation Requires Immediate Intervention

If and to the extent you have not already done so, you must act immediately to preserve potentially relevant ESI including, without limitation, ESI which the Non-Ag Pool Committee may use to support its Court review, and ESI which you may use to support your defense in this case.

Adequate preservation of ESI requires more than simply refraining from efforts to destroy or dispose of such evidence. You must also intervene to prevent loss due to routine operations and employ proper techniques and protocols suited to protection of ESI. Be advised that sources of ESI are altered and erased by continued use of your computers and other devices.

Booting a drive, examining its contents or running any application will irretrievably alter the evidence it contains and may constitute unlawful spoliation of evidence. Alteration and erasure may result from your failure to act diligently and responsibly to prevent loss or corruption of ESI.

Suspension of Routine Destruction

If and to the extent that you have not already done so, you are directed to immediately initiate a litigation hold for potentially relevant ESI, documents and tangible things, and to act diligently and in good faith to secure and audit compliance with such litigation hold. You are further directed to immediately identify and modify or suspend features of your information systems and devices that, in routine operation, operate to cause the loss of potentially relevant ESI. Examples of such features and operations include:

- Purging the contents of e-mail repositories by age, capacity or other criteria;
- Using data or media wiping, disposal, erasure or encryption utilities or devices;
- Overwriting, erasing, destroying or discarding back up media;
- Re-assigning, re-imaging or disposing of systems, servers, devices or media;
- Running antivirus or other programs effecting wholesale metadata alteration;
- Releasing or purging online storage repositories;
- Using metadata stripper utilities;
- Disabling server or IM logging; and,
- Executing drive or file defragmentation or compression programs.

Guard Against Deletion

You should anticipate that your employees, officers or others may seek to hide, destroy or alter ESI and you should act to prevent or guard against such actions. Especially where machines have been used for Internet access or personal communications, you should anticipate that users may seek to delete or destroy information they regard as personal, confidential or embarrassing and, in so doing, may also delete or destroy potentially relevant ESI.

Preservation by Imaging

You should take affirmative steps to prevent anyone with access to your data, systems and archives from seeking to modify, destroy or hide electronic evidence on network or local hard drives (such as by deleting or overwriting files, using data shredding and overwriting applications, defragmentation, re-imaging or replacing drives, encryption, compression, steganography or the like). With respect to local hard drives, one way to protect existing data on local hard drives is by the creation and authentication of a forensically qualified image of all sectors of the drive. Such a forensically qualified duplicate may also be called a bitstream image or clone of the drive. Be advised that a conventional back up of a hard drive is not a forensically qualified image because it only captures active, unlocked data files and fails to preserve forensically significant data that may exist in such areas as unallocated space, slack space and the swap file.

With respect to the hard drives and storage devices of each of the persons named below, as well as each other person likely to have information pertaining to the instant action on their computer hard drive(s), demand is made that you immediately obtain, authenticate and preserve forensically qualified images of the hard drives in any computer system (including portable and home computers) used by that person during the period from June 1, 2009 to January 31, 2010, as well as recording and preserving the system time and date of each such computer.

Ken Manning
Sherri Lynne Molino
Scott Slater
Michael Fife

Once obtained, each such forensically qualified image should be labeled to identify the date of acquisition, the person or entity acquiring the image and the system and medium from which it was obtained. Each such image should be preserved without alteration.

Preservation in Native Form

You should anticipate that certain ESI, including but not limited to spreadsheets and databases, may be sought in the form or forms in which it is ordinarily maintained. Accordingly, you should preserve ESI in such native forms, and you should not select methods to preserve ESI

Chino Basin Watermaster
February 10, 2010
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that remove or degrade the ability to search your ESI by electronic means or make it difficult or burdensome to access or use the information efficiently.

You should additionally refrain from actions that shift ESI from reasonably accessible media and forms to less accessible media and forms if the effect of such actions is to make such ESI not reasonably accessible

Metadata

You should further anticipate the need to disclose and produce system and application metadata and act to preserve it. System metadata is information describing the history and characteristics of other ESI. This information is typically associated with tracking or managing an electronic file and often includes data reflecting a file's name, size, custodian, location and dates of creation and last modification or access. Application metadata is information automatically included or embedded in electronic files but which may not be apparent to a user, including deleted content, draft language, commentary, collaboration and distribution data and dates of creation and printing. Be advised that metadata may be overwritten or corrupted by careless handling or improper steps to preserve ESI. For electronic mail, metadata includes all header routing data and Base 64 encoded attachment data, in addition to the To, From, Subject, Received Date, CC and BCC fields.

Servers

With respect to servers like those used to manage electronic mail (e.g., Microsoft Exchange, Lotus Domino) or network storage (often called a user's "network share"), the complete contents of each user's network share and e-mail account should be preserved. There are several ways to preserve the contents of a server depending upon, e.g., its RAID configuration and whether it can be downed or must be online 24/7. If you question whether the preservation method you pursue is one that we will accept as sufficient, please call to discuss it.

Home Systems, Laptops, Online Accounts and Other ESI Venues

Though we expect that you will act swiftly to preserve data on office workstations and servers, you should also determine if any home or portable systems may contain potentially relevant data. To the extent that officers, board members or employees have sent or received potentially relevant e-mails or created or reviewed potentially relevant documents away from the office, you must preserve the contents of systems, devices and media used for these purposes (including not only potentially relevant data from portable and home computers, but also from portable thumb drives, CD-R disks and the user's PDA, smart phone, voice mailbox or other forms of ESI storage.). Similarly, if employees, officers or board members used online or browser-based e-mail accounts or services (such as AOL, Gmail, Yahoo Mail or the like) to send or receive potentially relevant messages and attachments, the contents of these account mailboxes (including Sent, Deleted and Archived Message folders) should be preserved.

Ancillary Preservation

You must preserve documents and other tangible items that may be required to access, interpret or search potentially relevant ESI, including logs, control sheets, specifications, indices, naming protocols, file lists, network diagrams, flow charts, instruction sheets, data entry forms, abbreviation keys, user ID and password rosters or the like.

You must preserve any passwords, keys or other authenticators required to access encrypted files or run applications, along with the installation disks, user manuals and license keys for applications required to access the ESI.

You must preserve any cabling, drivers and hardware, other than a standard 3.5" floppy disk drive or standard CD or DVD optical disk drive, if needed to access or interpret media on which ESI is stored. This includes tape drives, bar code readers, Zip drives and other legacy or proprietary devices.

Paper Preservation of ESI is Inadequate

As hard copies do not preserve electronic searchability or metadata, they are not an adequate substitute for, or cumulative of, electronically stored versions. If information exists in both electronic and paper forms, you should preserve both forms.

Agents, Attorneys and Third Parties

Your preservation obligation extends beyond ESI in your care, possession or custody and includes ESI in the custody of others that is subject to your direction or control. Accordingly, you must notify any current or former agent, attorney, employee, custodian or contractor in possession of potentially relevant ESI to preserve such ESI to the full extent of your obligation to do so, and you must take reasonable steps to secure their compliance.

System Sequestration or Forensically Sound Imaging

We suggest that removing ESI systems, media and devices from service and properly sequestering and protecting them may be an appropriate and cost-effective preservation step.

In the event you deem it impractical to sequester systems, media and devices, we believe that the breadth of preservation required, coupled with the modest number of systems implicated, dictates that forensically sound imaging of the systems, media and devices is expedient and cost effective. As we anticipate the need for forensic examination of one or more of the systems and the presence of relevant evidence in forensically accessible areas of the drives, we demand that you employ forensically sound ESI preservation methods. Failure to use such methods poses a significant threat of spoliation and data loss.

By "forensically sound," we mean duplication, for purposes of preservation, of all data

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stored on the evidence media while employing a proper chain of custody and using tools and methods that make no changes to the evidence and support authentication of the duplicate as a true and complete bit-for-bit image of the original. A forensically sound preservation method guards against changes to metadata evidence and preserves all parts of the electronic evidence, including in the so-called "unallocated clusters," holding deleted files.

Preservation Protocols

We are desirous of working with you to agree upon an acceptable protocol for forensically sound preservation and can supply a suitable protocol, if you will furnish an inventory of the systems and media to be preserved. If you will promptly disclose the preservation protocol you intend to employ, perhaps we can identify any points of disagreement and resolve them. A successful and compliant ESI preservation effort requires expertise. If you do not currently have such expertise at your disposal, we urge you to engage the services of an expert in electronic evidence and computer forensics. Perhaps our respective experts can work cooperatively to secure a balance between evidence preservation and burden that's fair to both sides.

Do Not Delay Preservation

I am available to discuss reasonable preservation steps; however, you should not defer preservation steps pending such discussions if ESI may be lost or corrupted as a consequence of delay. Should your failure to preserve potentially relevant evidence result in the corruption, loss or delay in production of evidence to which we are entitled, such failure would constitute spoliation of evidence, and we will not hesitate to seek sanctions.

Confirmation of Compliance

Please confirm by February 16, 2010, that you have taken the steps outlined in this letter to preserve ESI and tangible documents potentially relevant to this action. If you have not undertaken the steps outlined above, or have taken other actions, please describe what you have done to preserve potentially relevant evidence.

Yours truly,



Allen V. Hubsch

cc: Bob Bowcock

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HOGAN & HARTSON

February 10, 2010

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VIA FAX & E-MAIL

Chino Basin Watermaster
9641 San Bernardino Road
Rancho Cucamonga, California 91730
Attn: Scott Slater, Esq.
FAX (909)-484-3890
E-mail sslater@bhfs.com

Re: Information and Documents Request

Dear Scott:

This letter will follow up on my letter of February 2, my meeting with Michael Fife on February 4 and my e-mails of February 5. On behalf of the Non-Agricultural Pool, I requested the following documents and information on February 2, and am awaiting receipt:

- 1) All invoices submitted by Brownstein, Hyatt, Farber & Schreck to Watermaster staff for work performed at any time during calendar year 2009.
- 2) A CD containing transcripts of all Court hearings held at any time during calendar years 2007, 2008 and 2009. I understand that Watermaster staff maintains a CD that includes the transcripts and all pleadings and orders, and that staff would make a copy of that CD for me.
- 3) A copy of the notice, if any, of the Board meeting on August 27, 2009, showing to whom the notice was addressed, to what address the notice was sent, and in what manner the notice was given. In lieu of such copy, Watermaster staff agreed to provide a declaration from Sherri Lynne Molino regarding changes that have been made to the service list since August 21, 2009, identifying which persons and addresses have been added, deleted or changed between August 21 and today.
- 4) Information and documents regarding the date on which the Non-Agricultural Pool's June 30, 2007 storage water was transferred (if such transfer has occurred), and into whose name the water was transferred on that date.

Chino Basin Watermaster
February 10, 2010
Page 2 of 2

We have also requested access to the computer system on which the minutes of the January 7 Non-Agricultural Pool Meeting were prepared, so that we can, among other things, examine the metadata associated with the electronic file of such minutes.

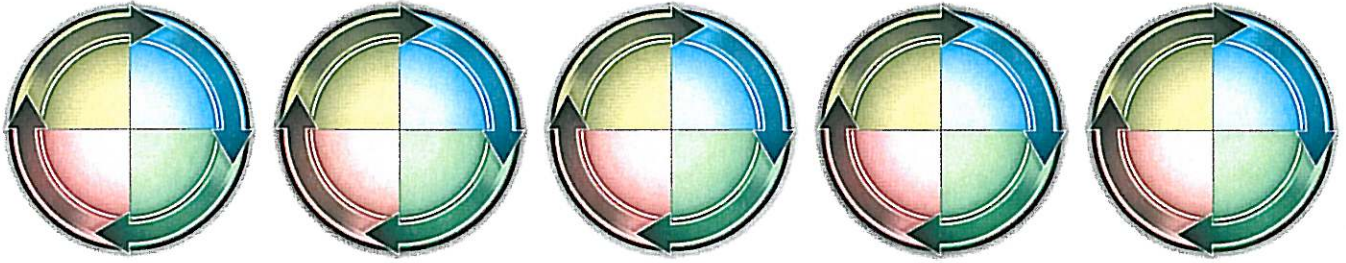
At our meeting on February 4, Sheri Rojo acknowledged that the fees and expenses of the Agricultural Pool (including without limitation attorneys' fees) have been assessed to all three pools, including the Non-Agricultural Pool, and that the Non-Agricultural Pool has therefore been paying a portion of the Agricultural Pool's fees and expenses (including attorneys' fees). No refunds have been made to the Non-Agricultural Pool. The Non-Agricultural Pool would like a full accounting of these funds. The accounting should show the amount for each budget year, and the cumulative amount, so that we can better evaluate this issue.

Our request dated February 2 was made pursuant to the California Public Records Act. Pursuant to the CPRA, your response to that request is due on or before February 12. If you deny the request, pursuant to the CPRA, your denial must state the names and titles of each person responsible for the denial.

Yours truly,



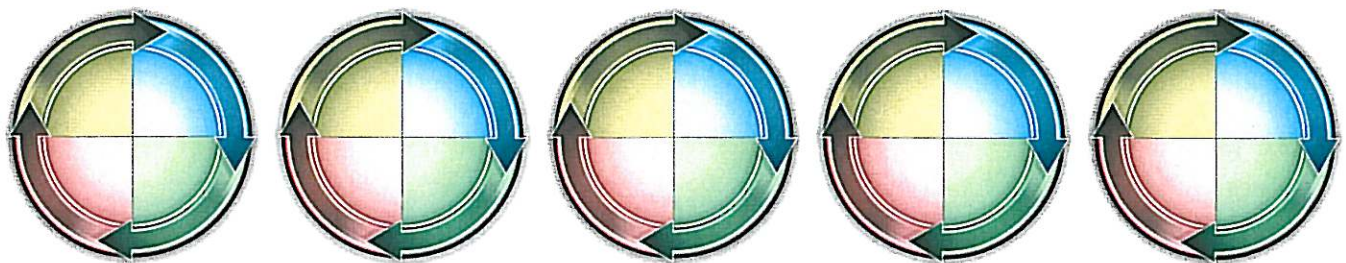
Allen W. Hubsch



CHINO BASIN WATERMASTER

IV. INFORMATION

1. Newspaper Articles





Streets flooded

Storm pummels Inland Valley

Mediha Fejzagic DiMartino, Staff Writer

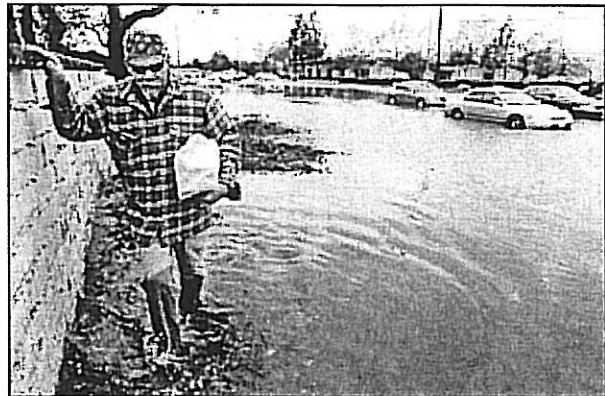
Created: 01/19/2010 09:38:47 PM PST
Photo Gallery: Tuesday's storm

Rescue workers were kept busy Tuesday helping Inland Valley residents who misjudged the power of heavy rains that continued to pound the area.

The region was bombarded with heavy rainfall that resulted in flooded roadways in local communities and heavy snowfall at local ski resorts.

San Antonio Heights was pounded with 1.8 inches of rain during a 24-hour period that ended at 4 p.m. The National Weather Service reported Mt. Baldy had from 6 to 12 inches of snow.

Tuesday was the second day of what forecasters predict will be a four-day series of storms.



Dan Maki of Ontario trudges along a flooded Philadelphia Street in Ontario on Tuesday afternoon, trying to return to his mother's house after going to the store for her. The second storm to hit the Inland Valley in as many days resulted in stalled vehicles in high water along Philadelphia Street at Parco Avenue in Ontario on Tuesday afternoon. (Will Lester/Staff Photographer)

The day was highlighted by the Montclair and Los Angeles County fire departments working together to rescue two boys from the San Antonio Channel near Grand and East End avenues on the Los Angeles County-San Bernardino County line near Pomona.

A call from a passerby came in at 2:46 p.m. that two boys - ages 10 and 12 - were stuck in fast-moving water about two feet deep, according to the county Fire Department.

"We put down some ropes and told them to wrap them around themselves," Montclair fire division Chief Steve Jackson said.

After the firefighters assisted the boys up the ladder, the pair appeared cold but unharmed.

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They were transported to a hospital as a precaution.

"Just stay out of the water," said Steve Zermeno, an inspector with the L.A. County Fire Department. "Even if it's just a foot of water and it looks fun. Those channels are very slippery and because they are used for flash floods, water can build up very rapidly. Don't even think about getting in."

The Ontario Fire Department said numerous vehicles were caught in flooded intersections just north of the 60 Freeway. Seven cars were stuck in floodwater about 1:30 p.m. at Philadelphia Street and Parco Avenue.

"All the water (from Tuesday's thunderstorm) dumped down into Philadelphia and flooded the area," Ontario fire Battalion Chief Rick Rodgers said.

Firefighters rescued an elderly couple by driving their fire engine to the flooded vehicle and plucking them to safety, Rodgers said. The rest of the people stuck in the vehicles were able to climb out.

Nearby, at the flooded intersection of Francis Street and Grove Avenue, Johnny Gonzalez of Ontario helped pull cars out with his four-wheel-drive Jeep Wrangler.

"I love it," Gonzalez said after he helped pull out a utility truck stuck in water two to three feet deep. "We don't have rain like this all the time."

Gonzalez, after being asked what recommendation he could give to drivers so as not to get stuck, said, "Don't get in the water if you don't have a boat."

Omar Friedman said the city needs to immediately fix the intersection's water problems.

"Every time it rains we get the same thing," Friedman said, observing a Mitsubishi Lancer stuck in the water with a driver inside that was soon towed by Gonzalez.

"Everyone gets stuck here," he said. "It's crazy."

The intersection of Grove and Francis is always a big problem during rain season, Rodgers said.

"(Flooding) happens every year," he said.

During thunderstorms, vehicles need to "route around" the intersection, as well as Walnut Street and Philadelphia, Rodgers said.

As of 2:15 p.m., Grove was open. But Francis, west of Grove, and Philadelphia, east and west of Grove, was still closed due to the high water.

Staff writers Wes Woods and Lori Consalvo contributed to this report.

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Drought's not over, but rain helps a bit

Mediha Fejzagic DiMartino, Staff Writer

Created: 01/20/2010 10:14:48 PM PST

Never mind the flooded streets. The drought isn't over just yet.

"This rain doesn't come close to ending it," said Ken Manning, CEO of the Chino Basin Watermaster. "We need five years like this in order to be over the drought."

The Inland Valley has received three to four inches of rain so far this week, a significant amount but not enough to compensate for the past few relatively dry winters.

But Manning said he will take whatever he can get.

"I'm absolutely elated that it's raining," he said. "When I see rain, I think of it as free water for residents of Chino Basin. It saves us from having to import the water and putting the strain on the Sacramento Delta."

The Watermaster board oversees the process of capturing the storm runoff and sinking it into the ground for future use in an area from Pomona to Fontana and from the mountains to the Santa Ana River. The agency has been anticipating the most recent series of downpours, Manning said.

"This is what we prepare for all year," he said. "We have a very good setup to capture anything that falls north from the 10 Freeway. South of the 10 we are not quite as efficient."

Rainfall and storm runoff is collected in the local catch basins. When the basins fill up, the remainder flows south to Orange County via the Santa Ana River.

Ideally, Manning's perfect storm would last only a day and be followed by a week of sunshine, allowing water to percolate into underground storage, and then be followed by similar cycles.

"Our basins would be much more efficient," he said.

To maximize water retention, the Watermaster is looking to improve its facilities and build a number of new or large basins.

The final list of proposed projects will be unveiled in the next couple of months, Manning said. An \$11.1 billion overhaul of the state water system will be on the ballot in November. If approved, it will allocate 25 percent of matching funding to all new water management construction projects.

"It's a good storm," Manning said. "But we have a lot of work to do to capture water and get into storage both underground and above ground in the state of California."

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6. Retired fire official convicted of felony animal cruelty for puppy...
7. Victim of deadly shooting in Upland identified
8. Suspect in Chino body dump case arrested in Pomona
9. Crash victims already missed by friends
10. Body of woman found at Fontana residence

Upland passes water-conserving landscape ordinance

Sandra Emerson, Staff Writer
Created: 01/26/2010 05:03:23 PM PST

UPLAND - The City Council has passed a tentative ordinance that will place tighter water conservation standards on new construction and large landscape renovations within the city.

The state Water Conservation in Landscaping Act of 2006 required all cities and counties to adopt updated water-efficient landscape ordinances or adopt the state model ordinance.

This Upland ordinance establishes a maximum water usage amount for new construction or large landscaping in order to prevent water waste, such as runoff, over-watering and over-spraying.

Forty to 60 percent of water use in a household is for landscaping, said Karen Peterson, Upland senior planner.

"With this ordinance, landscaping throughout the city will change, but not significantly," Peterson said.

A water-efficient landscape does not need to have the desert look or be limited to native plants.

Residents will be able to chose their plants as long as the overall-landscaping does not use excessive amounts of water, Peterson said.

Upland's ordinance is based on the Chino Basin Model Landscape Ordinance which was developed by the Inland Empire Utilities Agency's Landscape Alliance Board.

The board is comprised of local officials and water agency representatives from several cities surrounding Upland.

Staff will need to develop educational materials for the public, revise existing application materials, go through training and develop auditing

and monitoring procedures, according to the staff report.

Homes that are part of the city's residential rehabilitation project and historical homes are exempt from the ordinance. Projects that do not require a permanent irrigation system are also exempt.

Required to comply:

- Non-residential private and public agency projects: New construction and rehabilitation of landscapes of 2,500 square feet or more.

- Residential projects: new construction and rehabilitation of landscapes for developer installed residential projects of 2,500 square feet or more.

- Residential projects: new construction of landscapes for homeowner-installed residential projects of 5,000 square feet or more. Construction of landscapes smaller than 5,000 square feet and rehabilitation projects of any size are exempt.

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Antonio Montoya



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Capture, reuse precious resource

Created: 01/30/2010 04:39:59 PM PST

In Southern California, storms are short and water shortages are long. It might not seem like it after the recent spate of storms, but we still have long-term water problems.

There's a better way than the current system in which Southern California hunkers down for the few days of deluge each year, allowing precious storm water to tear down our streets, clog up storm drain screens, rush down river basins carrying trash and endangering lives.

True, there is some forward thinking, especially here in the Inland Valley where Chino Basin Watermaster has been improving rainwater-capturing capacity.

"We have a very good set-up to capture anything that falls north from the 10 Freeway," said Ken Manning, Watermaster CEO. South of the freeway, the catch basins are less efficient.

Any water captured to replenish the basin means that much less water has to be imported from Northern California.

The city of Los Angeles has started a modest rainwater collection project which is currently being piloted in a small portion of the city. Pasadena is exploring, in cooperation with the L. A. County Flood Control District, getting

rainwater into underground aquifers through the installation of giant cisterns.

These programs are great, but literally just drops in the bucket when it comes to the region's water needs.

So good for Rep. Grace Napolitano, D-Santa Fe Springs, for holding a congressional hearing on water in Southern California, not in the Central Valley, as important as that region is on water issues.

The vast majority of the water that is used in California is indeed used in the Central Valley. That's where the centuries-old arguments and power plays about water rights are central to economic life.

While we may use far less water than our rural neighbors to the north, our lives are and will continue to be greatly impacted by water's availability.

Napolitano, who represents Pomona, clearly gets it - the recent rains are "certainly a nice relief," she said at Metropolitan Water District headquarters, but they "are not the long-term solutions to addressing the issues that underlie our water dilemma."

There are huge infrastructure, legal and political issues at play here.

Meanwhile many residents are making their own water solutions. Xeriscapers - those who garden

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for our Mediterranean climate - have become the leading-edge crusaders for living within our water means. Many have installed their own rain-capture barrels. They are akin to the early adapters of rooftop solar panels for electricity a decade ago, paving the way for the rest of us to go green - or even a little browner - in their wake.

Now it's time for more comprehensive approach. Storm tracks like the recent one dump enough rain on the average suburban homestead to irrigate it all year long. Imagine what a wide-scale effort across the region could do.

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Water agencies meet, discuss self-sufficiency

Liset Marquez, Staff Writer

Created: 02/08/2010 10:31:50 PM PST
 ONTARIO - With dwindling water supplies, agencies throughout California are grappling with how to survive under the current drought conditions.

Regional water experts convened Monday to discuss options to be more self-sufficient, such as groundwater, recycling and conservation.

"I don't know if there is one solution to self-sufficiency. There is no silver bullet, but you and your water agencies will have to figure out yourself," Chino Basin Watermaster CEO Ken Manning said to the others in attendance.

An issue of concern to many water agencies was "fixing the Delta" or paying for infrastructure investments needed in the Sacramento-San Joaquin Delta. A judge has halted much of the water pumping there to protect the tiny delta smelt fish.

A \$11.1 billion bond has been created to overhaul the state's water system and will be on the ballot in November.

"The whole idea on the bond and selling an \$11 billion bond in this environment is not going to be easy," Manning said.

If passed by voters, the Safe, Clean and Reliable Drinking Water Supply Act of 2010 would pay for new dams, groundwater cleanup, conservation and habitat restoration. A significant component of the bond is dedicating \$2.25 billion in funding to Delta sustainability.

The court order has already affected many water agencies, which have had their rates increased by their major supplier, said Chris Frahm, a San Diego-based attorney who lobbies for the California Groundwater Coalition, which represents groundwater managers from agencies across the state.

In some cases, farmers could no longer afford to water their crops and orchards, Frahm said. This has resulted in lost jobs, she said.

The bond has received support from several state water agencies but has been opposed by other groups, including the Planning and Conservation League, Frahm said.

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


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The league's opposition stems from potential impacts to the environment, the state's economic crisis as well as the billions of dollars in past bonds that have not been spent, she said.

"If we don't do something to fix the Delta now, it will potentially have severe impacts to the water supply," Frahm said.

For the first time, Frahm said, the bond will direct a substantial amount of the money to groundwater infrastructure.

About 20 years ago, the belief was to import water and build pipes bigger and bigger as a means to meet population growth, she said. But since then, the focus has been on building local resources rather than importing from the Delta.

The bond would help groundwater agencies improve facilities, Frahm said.

The question is who is going to be willing to pay for the Delta fix, Manning said.

Gathering voter support will mean educating the public on the necessity of the bond and what it means to the water resources in the state, said Andrew Stone, executive director of New Hampshire-based

American Ground Water Trust.

But water matters are often complex, and in order for customers to understand, water agencies simplify the issues, he said. By doing that, customers don't fully understand the system and what it takes to import or clean water, he said.

"The biggest challenge we have is that we don't pay enough for water," Stone said.

Stone said they need to understand that if water rates are raised by a few percent, many of the water problems could be solved.

If the Delta is the ultimate solution, "we're looking at 10 to 15 years before we have that fixed," said Rick Iger, a principal engineer with GEI Consultants' Bookman-Edmonston division.

The conference was also an opportunity to educate water agencies on the limitations they face as public agencies to supporting the bond, Frahm said. Water agencies are not allowed to campaign or spend any public resources on the bond, Frahm said.

But as a water agency, they do have an obligation to educate the public and customers about what the measure entails, she said.

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The bond, because of its environmental impacts and the current economy, will be hotly contested, Frahm said.

If it does not pass, Frahm said she believes the bond will not go away.

The water conference was organized by the Association of Ground Water Agencies and the American Ground Water Trust.

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