



CHINO BASIN WATERMASTER



NOTICE OF MEETINGS

Thursday, February 4, 2010

1:00 p.m. – Joint Appropriative & Non-Ag Pool Meeting

AT THE CHINO BASIN WATERMASTER OFFICES

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





CHINO BASIN WATERMASTER

Thursday, February 4, 2010

1:00 p.m. – Joint Appropriative & Non-Ag Pool Meeting

AGENDA PACKAGE



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

1:00 p.m. – February 4, 2010

*Mr. Mark Kinsey, Chair, Appropriative Pool
Mr. John Mura, Vice-Chair, Appropriative Pool
Mr. Bob Bowcock, Chair, Non-Agricultural Pool
Mr. Kevin Sage, Vice-Chair Non-Agricultural Pool*

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 Non-Agricultural Pool Election Meeting held January 7, 2010
(Page 1)
2. Minutes of the Annual Appropriative Pool Election Meeting held January 7, 2010 (Page 3)
3. Minutes of the Annual Joint Appropriative & Non-Agricultural Pool Meeting held
January 7, 2010 (Page 5)
4. Minutes of the Special Non-Agricultural Pool Conference Call Meeting held January 18,
2010 (Page 9)

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of December 2009 (Page 11)
2. Watermaster Visa Check Detail for the month of December 2009 (Page 15)
3. Combining Schedule for the Period July 1, 2009 through December 31, 2009 (Page 17)
4. Treasurer's Report of Financial Affairs for the Period December 1, 2009 through December
31, 2009 (Page 19)
5. Budget vs. Actual July through December 2009 (Page 21)

C. CHINO BASIN WATERMASTER ANNUAL AUDIT

Chino Basin Watermaster Annual Audit Performed by Mayer Hoffman McCann P.C. (Page 23)

II. BUSINESS ITEM

A. CHINO BASIN WATERMASTER DRAFT POLICY MANUAL

Discussion and Possible Action on the Chino Basin Watermaster Draft Policy Manual (Page 53)

B. DR. DAVID SUNDING CONTRACT

Discussion and Possible Action on Dr. David Sunding Contract to Perform an Economic Analysis. *Note: Contract will be provided under separate cover (Page 131)*

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

IV. INFORMATION

- 1. Newspaper Articles (Page 133)

V. POOL MEMBER COMMENTS

VI. OTHER BUSINESS

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. Overlying Non-Agricultural Pool Water Sale
- 2. FTI Contract

VIII. FUTURE MEETINGS

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

Meeting Adjourn



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Annual Non-Agricultural Pool Election Meeting held on January 7, 2010
2. Annual Appropriative Pool Election Meeting held on January 7, 2010
3. Annual Joint Appropriative and Non-Agricultural Pool Meeting held on January 7, 2010
4. Special Non-Agricultural Pool Conference Call held on January 18, 2010



Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL NON-AGRICULTURAL POOL ELECTION MEETING
January 7, 2010

The Annual Non-Agricultural Pool Election Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on January 7, 2010 at 1:00 p.m.

NON-AGRICULTURAL POOL MEMBERS PRESENT

Bob Bowcock	Vulcan Materials Company (Calmat Division)
Mohammad El-Amamy	City of Ontario
David Penrice	Aqua Capital Management

APPROPRIATIVE POOL MEMBERS PRESENT

Mark Kinsey, Chair	Monte Vista Water District
Ken Jeske	City of Ontario
Robert DeLoach	Cucamonga Valley Water District
Josh Swift	Fontana Water Company
Robert Young	Fontana Union Water Company
Charles Moorrees	San Antonio Water Company
Raul Garibay	City of Pomona
J. Arnold Rodriguez	Santa Ana River Water Company
John Mura	City of Chino Hills
Dave Crosley	City of Chino
Anthony La	City of Upland
Ben Lewis	Golden State Water Company

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis	City of Upland
Michael Camacho	Inland Empire Utilities Agency

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Assistant General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sheri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Brownstein, Hyatt, Farber & Schreck
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

David De Jesus	Three Valleys Municipal Water District
Rick Hansen	Three Valleys Municipal Water District
Marty Zvirbulis	Cucamonga Valley Water District
Kevin Sage	Vulcan Materials Company (Calmat Division)
Gil Aldaco	City of Chino
Tom Harder	Groundwater Consulting
Timotheus Hampton	City of Pomona

Chair Bowcock called the Annual Non-Agricultural Pool Election Meeting to order at 1:05 p.m.

I. **ANNUAL ELECTIONS – Action**

A. **Calendar-Year 2010 Non-Agricultural Pool Officers**

Nominations will be heard for Pool Chair, followed by nominations for Pool Vice-Chair, to serve during Calendar-Year 2010.

Chair	<u>Bob Bowcock, Vulcan Materials Company</u>
Vice-Chair	<u>Kevin Sage, Vulcan Materials Company</u>
Secretary/Treasurer	<u>Watermaster Chief Executive Officer</u>

B. **Calendar-Year 2010 Advisory Committee Members**

Pool member(s) will be asked to elect representatives and alternates to serve on the Advisory Committee during Calendar-Year 2010.

Member: Bob Bowcock Alternate: Kevin Sage

C. **Calendar-Year 2010 Advisory Committee Officers**

Based on the rotation sequence established among the pools, the members of the Non-Agricultural Pool will be asked to appoint a designated representative, Chair of the Advisory Committee during Calendar-Year 2010. If the appointed representative is unable to attend an Advisory Committee meeting, a remaining pool officer may serve as his/her alternate.

Chair	Appropriative Pool _____
Vice-Chair	Non-Agricultural Pool <u>Bob Bowcock</u>
2 nd Vice-Chair	Agricultural Pool _____

D. **Calendar-Year 2010 Pool Representation on Watermaster Board**

The Pool members will be asked to select one representative to serve on the Watermaster Board during Calendar-Year 2010 and one alternate representative.

Member: Bob Bowcock Alternate: Kevin Sage

The Annual Non-Agricultural Pool Election meeting was dismissed by Chair Bowcock at 1:04 p.m.

Secretary: _____

Minutes Approved: _____

Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL APPROPRIATIVE POOL ELECTION MEETING
January 7, 2010

The Annual Appropriative Pool Election Meeting was held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on January 7, 2010 at 1:00 p.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Mark Kinsey, Chair	Monte Vista Water District
Ken Jeske	City of Ontario
Robert DeLoach	Cucamonga Valley Water District
Josh Swift	Fontana Water Company
Robert Young	Fontana Union Water Company
Charles Moorrees	San Antonio Water Company
Raul Garibay	City of Pomona
J. Arnold Rodriguez	Santa Ana River Water Company
John Mura	City of Chino Hills
Dave Crosley	City of Chino
Anthony La	City of Upland
Ben Lewis	Golden State Water Company

NON-AGRICULTURAL POOL MEMBERS PRESENT

Bob Bowcock	Vulcan Materials Company (Calmat Division)
Mohammad El-Amamy	City of Ontario
David Penrice	Aqua Capital Management

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis	City of Upland
Michael Camacho	Inland Empire Utilities Agency

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Assistant General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sheri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Brownstein, Hyatt, Farber & Schreck
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

David De Jesus	Three Valleys Municipal Water District
Rick Hansen	Three Valleys Municipal Water District
Marty Zvirbulis	Cucamonga Valley Water District
Kevin Sage	Vulcan Materials Company (Calmat Division)
Gil Aldaco	City of Chino
Tom Harder	Groundwater Consulting
Timotheus Hampton	City of Pomona

Chair Jeske called the Annual Appropriative Election Pool Meeting to order at 1:05 p.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. ANNUAL ELECTIONS - ACTION

A. Calendar Year 2010 Appropriative Pool Officers

Nominations will be heard for the Appropriative Pool Chair to serve during calendar year 2010.

Chair	<u>Mark Kinsey, Monte Vista Water District</u>
Vice-Chair	<u>John Mura, City of Chino Hills</u>
Secretary/Treasurer	<u>Watermaster Chief Executive Officer</u>

Chair Jeske turned the meeting over to the newly appointed Chair Kinsey.

B. Calendar Year 2010 Advisory Committee Members & Officers

According to the rotation sequence established among the pools, the appropriators will be asked to appoint a designated representative to serve on the Advisory Committee during calendar year 2010.

Chair	Appropriative Pool	<u>Robert DeLoach, Cucamonga Valley Water District</u>
Vice-Chair	Non-Agricultural Pool	<u>Bob Bowcock, Vulcan Materials Company</u>
2 nd Vice-Chair	Agricultural Pool	_____

C. Calendar Year 2010 Pool Representation on the Watermaster Board

Based on the Court-adopted Rotation Schedule for Representatives to the Watermaster, during calendar year 2010, the following will represent the Appropriative Pool on the Watermaster Board.

City of Chino 2010-2012	New Member: _____
	Alternate: _____

Minor Rep 2010-2012	New Member: <u>Ken Willis, West End Consolidated Water Company</u>
	Alternate: <u>Tom Thomas, West End Consolidated Water Co.</u>

The Annual Appropriative Pool Election Pool meeting was dismissed by Chair Kinsey at 1:13 p.m.

Secretary: _____

Minutes Approved: _____

Draft Minutes
CHINO BASIN WATERMASTER
ANNUAL JOINT APPROPRIATIVE & NON-AGRICULTURAL POOL MEETING
January 7, 2010

The Annual Joint Appropriative and Non-Agricultural Pool Meeting were held at the offices of Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, CA, on January 7, 2010 at 1:00 p.m.

APPROPRIATIVE POOL MEMBERS PRESENT

Mark Kinsey, Chair	Monte Vista Water District
Ken Jeske	City of Ontario
Robert DeLoach	Cucamonga Valley Water District
Josh Swift	Fontana Water Company
Robert Young	Fontana Union Water Company
Charles Moorrees	San Antonio Water Company
Raul Garibay	City of Pomona
J. Arnold Rodriguez	Santa Ana River Water Company
John Mura	City of Chino Hills
Dave Crosley	City of Chino
Anthony La	City of Upland
Ben Lewis	Golden State Water Company

NON-AGRICULTURAL POOL MEMBERS PRESENT

Bob Bowcock	Vulcan Materials Company (Calmat Division)
Mohammad El-Amamy	City of Ontario
David Penrice	Aqua Capital Management

WATERMASTER BOARD MEMBERS PRESENT

Ken Willis	City of Upland
Michael Camacho	Inland Empire Utilities Agency

Watermaster Staff Present

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Assistant General Manager
Ben Pak	Senior Project Engineer
Danielle Maurizio	Senior Engineer
Sheri Lynne Molino	Recording Secretary

Watermaster Consultants Present

Michael Fife	Brownstein, Hyatt, Farber & Schreck
Mark Wildermuth	Wildermuth Environmental Inc.

Others Present

David De Jesus	Three Valleys Municipal Water District
Rick Hansen	Three Valleys Municipal Water District
Marty Zvirbulis	Cucamonga Valley Water District
Kevin Sage	Vulcan Materials Company (Calmat Division)
Gil Aldaco	City of Chino
Tom Harder	Groundwater Consulting
Timotheus Hampton	City of Pomona

Chair Kinsey called the Annual Joint Appropriative and Non-Agricultural Pool Meeting to order at 1:15 p.m.

AGENDA - ADDITIONS/REORDER

There were no additions or reorders made to the agenda.

I. CONSENT CALENDAR**A. MINUTES**

1. Minutes of the Joint Appropriative Pool Meeting held December 3, 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

*Motion by DeLoach, second by Jeske, and by unanimous vote – Non-Ag concurred
Moved to approve Consent Calendar item A through E, as presented*

II. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT****1. December 11, 2009 Court Hearing**

Counsel Fife stated all the items that legal counsel has to report on today have been discussed at the Advisory Committee and Watermaster Board meeting; however, these updates were not presented to this Pool. Counsel Fife stated a hearing on December 11, 2009, took place. This was a surprise hearing in that notice for this hearing was not given by the court until one week prior to the hearing date. The purpose of the hearing was for the new judge to introduce himself and to find out what he needed to expect from our case. Counsel Fife noted the judge seems excited about working on our case. Another hearing was scheduled by Judge Reichert for September 24, 2010 at 10:30 a.m. to decide on the motion to approve the updated Recharge Master Plan which is the next Condition Subsequent out of the December 21, 2007, order approving the Peace II Agreement.

2. Santa Ana Critical Habitat

Counsel Fife stated this item came up in December, 2009, after the Appropriative and Non-Agricultural Pool meeting took place. Counsel Fife stated there is a map of the Santa Ana Sucker Critical Habitat Re-Proposed 2009 area on the back table which proposes to expand the designation of the critical habitat for the sucker. This notice was published in the federal register on December 9, 2009, and the notice is long and was not printed for distribution. Counsel Fife reviewed the map in detail. Counsel Fife noted comments are due by February 5, 2010 and counsel is encouraging CBWM to comment. Counsel Fife stated he has heard there are going to be extensive comments coming from a coalition of parties who could be seriously affected by the proposed expansion area for critical habitat. A discussion regarding joinders from other parties and the schedule for this process ensued.

3. Auction Process

Counsel Fife stated the water auction was postponed and a meeting took place last month with some of the parties to discuss what next steps should be taken next. Those discussions are continuing and another meeting will be held next Wednesday at 3:00 p.m. to continue discussing this matter. Counsel Fife stated any party who would like to participate in those meetings, the next meeting is on January 20, 2010 starting at 3:00 p.m. Feedback has been received from the parties who were at the previous meeting and staff will come forward with recommendations at a future meeting.

B. CEO/STAFF REPORT1. Legislative Update

Mr. Manning stated legislatively the most noteworthy topic from this month is the governor had his state of the state address yesterday. At that address the governor had a lot of points about having the water bond as a primary focus of this next 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 looking at additional impacts somehow. The governor's draft budget will not be out until early next week. Mr. Manning referenced a handout from the San Gabriel Tribune blog that was put out right after Christmas that appears to be of interest and summarizes how some people feel about water. A discussion regarding the blog ensued.

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 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. Those recommendations will go through the Watermaster process in February. Watermaster is in the process of going through the recommendations and working on format.

III. INFORMATION1. Newspaper Articles

No comment was made regarding this item.

IV. POOL MEMBER COMMENTS

Mr. Penrice stated he is looking for some clarification regarding the water auction items. Mr. Penrice stated that as a member of the Non-Agricultural Pool he is attempting to figure out when the Notice of Intent to Purchase given to the Non-Agricultural Pool. Mr. Manning stated he would need to check the records and get back to him with the exact date.

V. OTHER BUSINESS

No comment was made regarding this item.

VI. FUTURE MEETINGS

January 7, 2010	1:00 p.m.	Annual Non-Agricultural Pool Elections @ CBWM
January 7, 2010	1:05 p.m.	Annual Appropriative Pool Elections @ CBWM
January 7, 2010	1:15 p.m.	Annual Joint Appropriative & Non-Ag Pool Meeting @ CBWM
January 14, 2010	9:00 a.m.	Annual Agricultural Pool Meeting @ IEUA
January 21, 2010	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
January 21, 2010	9:00 a.m.	Annual Advisory Committee Meeting @ CBWM
January 26, 2010	9:00 a.m.	GRCC Meeting @ CBWM
January 28, 2010	11:00 a.m.	Annual Watermaster Board Meeting @ CBWM

The Annual Joint Appropriative Pool and Non-Agricultural Pool meeting was dismissed by Chair Kinsey at 1:25 p.m.

Secretary: _____

Minutes Approved: _____

Draft Minutes
CHINO BASIN WATERMASTER
NON-AGRICULTURAL POOL CONFERENCE CALL MEETING
January 18, 2010

The Non-Agricultural Pool Conference Call Meeting was held on January 18, 2010 at 9:00 a.m.

NON-AGRICULTURAL POOL MEMBERS PRESENT ON CALL

Bob Bowcock, Chair	Vulcan Materials Company (Calmat Division)
Mohammad El-Amamy	City of Ontario
Chris Stubbings	Praxair, Inc.
Dave Penrice	Aqua Capital Management
Lisa Hamilton	General Electric Company
David Starnes	Swan Lake Mobile Home Park
Jim Barr	Reliant Energy

Watermaster Staff Present at Watermaster

Kenneth R. Manning	Chief Executive Officer
Sheri Rojo	CFO/Asst. General Manager
Ben Pak	Senior Project Engineer
Sherri Lynne Molino	Recording Secretary

Board Members Present on Call

Bob Kuhn	Three Valleys Municipal Water District
----------	--

Watermaster Consultants Present on Call

Michael Fife	Brownstein, Hyatt, Farber & Schreck
--------------	-------------------------------------

Others Present on Call

Kevin Sage	Vulcan Materials Company (Calmat Division)
David DeJesus	Three Valleys Municipal Water District
Chris Helm	Praxair, Inc. consultant
Ken Jeske	City of Ontario

Chair Bowcock called the Non-Agricultural Pool Conference Call Meeting to order at 9:05 a.m.

AGENDA - ADDITIONS/REORDER

No additions or reorders were made to the agenda.

A roll call was taken by the recording secretary.

I. BUSINESS ITEM

A. Sale of Non-Agricultural Pool Water to the Appropriative Pool

There was an inquiry if this meeting was noticed and if an agenda was sent out with the notice. Mr. Manning stated this meeting was noticed and an agenda was included in the email. Chair Bowcock noted there will be no action taken regarding the one business item listed on the agenda today; this meeting is for discussion purposes only. Clarification on the parties' names and who they were representing was discussed. Chair Bowcock offered background on why this meeting was called and clarified the issues that will be addressed today.

Mr. Penrice discussed the letter he received recently that was written by Mr. Manning dated January 14, 2010. Chair Bowcock offered comment on the contents of the letter which was sent to the members of the Overlying Non-Agricultural Pool. A discussion regarding the letter ensued.

Chair Bowcock asked that Counsel Fife review the chronology regarding the Notice of Intent to Purchase due to a question that was brought up by Mr. Penrice at the January 7, 2010, Appropriative and Non-Agricultural Pool meeting. Counsel Fife gave a detailed chronological account regarding the Notice of Intent to Purchase from the Purchase and Sale Agreement. Counsel Fife reiterated, several times during his recap of events, that the Notice of Intent to Purchase notice satisfied the terms of the Purchase and Sale Agreement on August 27, 2009 but that there was also a full year of Watermaster process that is relevant to the notice. A question regarding Chino Basin Watermaster's website address was presented and Mr. Manning gave the website address. Counsel Fife continued with his account of sequence of events. When Counsel Fife was finished, Chair Bowcock asked if there were any questions. Mr. Penrice presented a question regarding the notice for the Notice of Intent to Purchase. Counsel Fife stated the Notice of Intent was issued in written form and was included in the package for the August 27, 2009, meetings. Mr. Penrice presented other questions regarding the notice and the 2,652 acre-feet of water. Counsel Fife stated the notice was presented in written form at the August 27, 2009, Watermaster Board meeting and was approved by the Watermaster Board with representation from the Non-Agricultural Pool being present. Counsel Fife noted the 2,652 acre-feet of water was included in the notice which stated the water would be used for Desalter replenishment. A discussion regarding this matter ensued. Mr. Penrice inquired about a punch list that was distributed at one of the past meetings. Counsel Fife noted he did not have that list in front of him and would have to get it and review it before any reply could be given. A discussion regarding the punch list ensued. Chair Bowcock affirmed the participation of the Non-Agricultural Pool during this process and noted he and/or Mr. Sage did not engage in the closed sessions regarding this item. Mr. Penrice asked for clarification on a trust account for the water. Mr. Manning explained where the word trust account came from. A discussion regarding the use of the words "trust account" ensued. Counsel Fife offered further comments on the chronology of events. Mr. Manning offered further comments on this matter. A lengthy discussion regarding this matter ensued.

Chair Bowcock inquired if a confidential session should be called and there was no reply.

II. CONFIDENTIAL SESSION - POSSIBLE ACTION

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

No confidential session was called.

The Non-Agricultural Pool conference call meeting was dismissed by Chair Bowcock at 10:08 a.m.

Secretary: _____

Minutes Approved: _____



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
3. Combining Schedule for the Period July 1, 2009 through December 31, 2009
4. Treasurer's Report of Financial Affairs for the Period December 1, 2009 through December 31, 2009
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 4, 2010
TO: Committee 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
2-04-10 Non-Agricultural Pool
2-11-10 Agricultural Pool
2-18-10 Advisory Committee
2-25-10 Watermaster Board

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION

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

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION

5:37 PM
01/28/10

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

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION

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	MANAGEMENT	POOL	POOL	POOL	POOL	POOL	REPLENISHMENT	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2009-2010
Administrative Revenues											
Administrative Assessments			7,115,654	-	225,016					7,340,670	\$7,340,839
Interest Revenue			18,574	1,425	842				3	20,844	191,540
Mutual Agency Project Revenue			-	-	-					-	148,410
Grant Income			-	-	-					-	0
Miscellaneous Income			-	-	-					-	0
Total Revenues	111,000	-	7,134,228	1,425	225,858	-	-	-	3	7,472,514	7,680,789
Administrative & Project Expenditures											
Watermaster Administration	307,127									307,127	580,238
Watermaster Board-Advisory Committee	28,196									28,196	61,901
Pool Administration		13,864		70,569	2,891					87,324	229,860
Optimum Basin Mgmt Administration		663,575								663,575	1,557,820
OBMP Project Costs		1,747,736								1,747,736	4,109,362
Debt Service		567,042								567,042	1,131,233
Education Funds Use											375
Mutual Agency Project Costs											10,000
Total Administrative/OBMP Expenses	335,323	2,978,353	13,864	70,569	2,891					3,401,000	7,680,789
Net Administrative/OBMP Expenses	(224,323)	(2,978,353)									
Allocate Net Admin Expenses To Pools		156,729		59,465	8,129						
Allocate Net OBMP Expenses To Pools		2,411,311		639,210	87,381						
Allocate Debt Service to App Pool		567,042									
Agricultural Expense Transfer*		769,244		(769,244)							
Total Expenses	3,191,599	-	3,942,629	1,425	127,457				3	4,071,514	-
Net Administrative Income											
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											0
Groundwater Replenishment						(1,019,746)				(1,019,746)	0
Net Other Income						6,067,562				6,067,562	0
Net Transfers To/(From) Reserves											
		10,139,076	3,942,629	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		156,251	995	10,995,966	
Working Capital, End Of Period			9,885,595	472,144	394,034	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			69.667%	26.509%	3.624%					100.000%	

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

© Financial Statements 05-10-09 12 (Continuing December Before Interest) 03/Sheet1

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

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION

**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		-
Local Agency Investment Fund - Sacramento		14,894,199
		<u>623,087</u>
TOTAL CASH IN BANKS AND ON HAND		\$ 15,517,786
TOTAL CASH IN BANKS AND ON HAND		7,200,489
		<u><u>\$ 8,317,297</u></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)
(Decrease)/Increase in Liabilities		(185,628)
Accounts Payable		(42,629)
Accrued Payroll, Payroll Taxes & Other Current Liabilities		(146,204)
Transfer to/(from) Reserves		-
		<u><u>\$ 8,317,297</u></u>

	Petty Cash	Govt'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	\$ 8,704,645
Deposits	-
Transfers	(8,008,048)
Withdrawals/Checks	(279,300)
Balances as of 12/31/2009	\$ 8,317,297

**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

I. CONSENT CALENDAR

C. CHINO BASIN WATERMASTER ANNUAL AUDIT





Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

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



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

We have audited the financial statements of the Chino Basin Watermaster (the "Watermaster") for the year ended June 30, 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.

Maury Hoffman, M.Com, P.C.

Irvine, California
December 11, 2009

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to the Basic Financial Statements	9
Supplementary Information:	
Combining Schedule of Revenues, Expenses and Changes in Working Capital - For the period July 1, 2008 through June 30, 2009	21
Combining Schedule of Revenues, Expenses and Changes in Working Capital - For the period July 1, 2007 through June 30, 2008	22



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

949-263-5520 fx

www.mhm-pc.com

Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

BACKGROUND

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

This section of the Watermaster's annual financial report presents our analysis of the Watermaster's financial performance during the fiscal year ended on June 30, 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)

	2009	2008	Difference	% Change
Assets				
Current	\$ 11,596,978	\$ 7,080,314	\$ 4,516,664	64%
Capital	53,176	59,223	(6,047)	-10%
Total Assets	11,650,154	7,139,537	4,510,617	63%
Liabilities				
Current	469,002	798,580	(329,578)	-41%
Non current	185,186	142,995	42,191	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	6,831,222	6,138,739	692,483	11%
Total Net Assets	\$10,995,966	\$6,197,962	\$ 4,798,004	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)

	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>% Change</u>
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	<u>14,654,984</u>	<u>11,277,792</u>	<u>3,377,192</u>	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	<u>10,036,846</u>	<u>10,575,311</u>	<u>(538,465)</u>	-5%
Income from operations	<u>4,618,138</u>	<u>702,481</u>	<u>3,915,657</u>	557%
Non-Operating Revenues				
Interest	179,866	186,184	(6,318)	-3%
Total Non-Operating Revenues	<u>179,866</u>	<u>186,184</u>	<u>(6,318)</u>	-3%
Change in net assets	4,798,004	888,665	3,909,339	440%
Net assets at beginning of year	<u>6,197,962</u>	<u>5,309,297</u>	<u>888,665</u>	17%
Total net assets at end of year	<u><u>\$ 10,995,966</u></u>	<u><u>\$ 6,197,962</u></u>	<u><u>\$ 4,798,004</u></u>	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.

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION

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	<u>-</u>	<u>35,054</u>
Total operating revenues	<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	<u>2,326,075</u>	<u>3,325,123</u>
Total operating expenses	<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.

	<u>2007-08</u>	
	<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.

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

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

CHINO BASIN WATERMASTER
Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

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

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

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

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION

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 APPROPRIATIVE		AGRICULTURAL NON-AGRIC.		SPECIAL PROJECTS		GROUNDWATER OPERATIONS		GRAND TOTALS	BUDGET 2008-2009
	WATERMASTER ADMINISTRATION	MANAGEMENT	POOL	MANAGEMENT	POOL	POOL	POOL	POOL	REPLENISHMENT	SB222 FUNDS	EDUCATION FUNDS	GRAND TOTALS		
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	-	-	49,935	-	-	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														
Watermaster Administration	536,190	-	-	-	-	-	-	-	-	-	-	-	536,190	619,960
Watermaster Board-Advisory Committee	58,265	-	-	-	-	-	-	-	-	-	-	-	58,265	61,201
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	4,142,383
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	594,455	6,923,336	20,294	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	-	445,873	133,703	14,879	-	-	-	-	-	-	-	-	-
Allocate Net OBMP Expenses To Pools	-	5,661,442	4,344,583	1,273,351	43,508	-	-	-	-	-	-	-	-	-
Allocate Debt Service to App Pool	-	1,261,894	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural Expense Transfer*	-	1,552,774	(1,552,774)	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	7,625,418	21,474	63,504	(11,276)	113,420	-	-	-	-	375	(348)	-	7,710,771	8,315,426
Net Administrative Income	529,751	-	-	-	-	-	-	-	-	-	-	-	631,547	-
Other Income/(Expense)														
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	-	-	-	-	-	-	-	4,166,457	-	-	-	-	4,166,457	-
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	-	-	-	-	4,798,004	-
Working Capital, July 1, 2008	5,413,216	481,995	143,157	-	158,251	1,343	-	6,197,962	-	-	-	-	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	-	-	-	-	\$ 10,995,966	-
07/08 Assessable Production	103,077,958	30,909,693	3,439,822	-	-	-	-	137,427,473	-	-	-	-	137,427,473	-
07/08 Production Percentages	75.005%	22.492%	2.503%	-	-	-	-	100.000%	-	-	-	-	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 REPLENISHMENT	GROUNDWATER OPERATIONS	EDUCATION FUNDS	GRAND TOTALS	BUDGET 2007-2008
Administrative Revenues	-	-	7,480,677	-	122,298	-	-	\$ 7,602,975	\$ 7,540,370
Administrative Assessments	-	-	161,051	20,700	4,370	-	63	186,184	181,500
Interest Revenue	-	237,370	-	-	-	-	-	237,370	145,500
Mutual Agency Project Revenue	-	-	35,013	-	41	-	-	35,054	-
Miscellaneous Income	-	-	-	-	-	-	-	-	-
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	7,260,188	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	(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)	-	-	(3,325,123)	-
Groundwater Replenishment	-	-	-	-	(3,325,123)	-	-	(3,325,123)	-
Net Other Income	370,656	-	-	1,011	(294,397)	-	-	77,270	-
Revenues Over (Under) Expenditures	1,190,354	6,391	(13,371)	(294,397)	-	-	(312)	888,665	-
Working Capital, July 1, 2007	4,222,862	475,604	156,528	294,397	158,251	-	1,655	5,309,297	-
Working Capital, End Of Period	5,413,216	481,995	143,157	-	158,251	-	1,343	6,197,962	-
06/07 Assessable Production	130,826,204	37,295,410	3,369,080	-	-	-	-	171,490,694	-
06/07 Production Percentages	76.288%	21.748%	1.965%	-	-	-	-	100.000%	-



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

A. CHINO BASIN WATERMASTER DRAFT POLICY MANUAL





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 4, 2010
TO: Committee Members
SUBJECT: Draft Policy Manual Adoption

SUMMARY

Recommendation – Staff recommends adoption of the Draft Policy Manual format along with Sections 1 -Purpose of Organization, and 2 - Governance.

Financial Impact - None

Background

For a number of months staff has been working on a document that consolidates all of the adopted or working policies/practices that Watermaster uses for its administration.

At present, Watermaster administers the agency using a number of adopted or working policies/practices that are delineated in a variety of foundation documents and/or the adoption of customary public agency practices. Those would include the Judgment, Rules and Regulations, Board actions, the Peace Agreement and Peace II.

It was the feeling of staff that the consolidation of all of these policies/practices into one document would assist not only them, but Watermaster Parties as they maneuver through the often complicated Watermaster process.

At the same time, a group of Appropriators were discussing the issue of Watermaster governance that eventually consolidated around a series of proposed policy changes that the group thought would make the administration of Watermaster more logical and efficient. Staff recommended that the two separate but parallel discussions merge in the document being presented.

The Watermaster Draft Policy Manual incorporates the suggestion made by the group subcommittee of Appropriators and the existing policies and practices being employed.

Staff would like for the Pools, Advisory Committee and Board to understand that this is a document that is fluid in nature. It will be added to and amended over time as policies or practices change.

It has been suggested that the adoption of the Draft Policy Manual in entirety would be a difficult task for the Watermaster parties to get their arms around in such a short period of time. Therefore Staff in its recommendation is asking for adoption over a two month period with the format and Section 1 adoption in February and Sections 2, 3, and 4 adopted in March.

Actions:

2-04-10 Appropriative Pool
2-04-10 Non-Agricultural Pool
2-11-10 Agricultural Pool
2-18-10 Advisory Committee
2-25-10 Watermaster Board



Chino Basin Watermaster

Draft Policy Manual

February 2010

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION

Table of Contents

Section 1: Purpose of Organization

- 1.1 Purpose of Policies
- 1.2 Mission Statement
- 1.3 Objectives of the Watermaster

Section 2: Governance

- 2.1 Board Meetings
- 2.2 Watermaster Meetings Agenda
- 2.3 Elections/ Appointments
- 2.4 Norms of Conduct and Communication
- 2.5 Committee and Pool Meetings
- 2.6 Advisory Committee and Pool Policies
- 2.7 Actions and Directions
- 2.8 Pool, Committee, and Board Minutes
- 2.9 Board Member Compensation
- 2.10 Ethics
- 2.11 Ethics Training
- 2.12 Conflicts of Interest
- 2.13 Interaction with Management
- 2.14 Fiscal and Contract Management Reporting

Section 3: CEO and Staff

- 3.1 CEO and Staff/General Policy
- 3.2 CEO Authority and Limits Set by the Board

Section 4: Financial Integrity

- 4.1 General Fiscal Policy
- 4.2 Annual Assessment Package Preparation
- 4.3 Annual Budget
- 4.4 Delinquent Accounts
- 4.5 Expense Authorization
- 4.6 Employment of Outside Consultants
- 4.7 Purchase Policy
- 4.8 Cell Phone Policy
- 4.9 Credit Card Policy
- 4.10 Budget Transfers and Amendments
- 4.11 Investment Policy
- 4.12 Capitalization Policy
- 4.13 Fixed Assets Accounting
- 4.14 Disposal of Surplus Property Policy
- 4.15 Records Retention Policy
- 4.16 Audit

Appendix A: Definitions of Records Retention and Disposal Policy

Appendix B: Records Retention & Storage Summary

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION



SECTION 1: PURPOSE OF ORGANIZATION

In 1978, the San Bernardino County Superior Court entered a Judgment establishing a new entity, the Chino Basin Watermaster ("Watermaster"). The Watermaster is a consensus-based organization facilitating development and utilization of the Chino Groundwater Basin, and consists of various entities pumping water from the Basin including cities, water districts, water companies, agricultural, commercial and other private concerns.

The Watermaster is comprised of three stakeholder groups, called Pools, represented by separate Pool Committees:

- *Overlying Agricultural Pool Committee*, representing dairymen, farmers, and the State of California;
- *Overlying Non-Agricultural Pool Committee*, representing area industries;
- *Appropriative Pool Committee*, representing local cities, public water districts, and private water companies.

Engineering, legal and other working committees were formed within Watermaster to define specific problem areas in the Basin. Safe yield and socio-economic studies were carried out to develop an agreement on the allocation of producer water rights.

Completing the governance arrangements, representatives from the three Pools formed an Advisory Committee to oversee the regular activities of Watermaster. The Pool Committees handle business affecting their own Pool members, and make recommendations to the Advisory Committee, and the Advisory Committee then makes recommendations to the Board. In 1998, at the request of the Advisory Committee, the Court appointed a new nine member Watermaster Board, and also ordered implementation of a comprehensive Optimum Basin Management Plan (OBMP), with periodic reports to be submitted to the Court and the major parties.

A Peace Agreement was reached in 2000, establishing a detailed arrangement for managing and financing the Optimal Basin Management Program. The Court approved the agreement and received and filed the environmental document covering the entire arrangement. A refinement and deepening of the original Agreement, called the Peace II Agreement, has received court approval and is currently in progress.



DRAFT

Chino Basin Watermaster			
WATERMASTER POLICY			
Subject	Policy Number	Date Adopted	Date Revised
PURPOSE OF POLICIES	1.1		

Purpose

1.1.1 It is the intent of the Chino Basin Watermaster to maintain a Policies Manual. Contained therein shall be a comprehensive listing of the Watermaster's current policies, being the rules and regulations enacted by Watermaster over time.

Background

1.1.2 The Watermaster was created and is governed by a judgment enacted in 1978 to adjudicate the Chino Basin. Although the Watermaster is not technically a governmental agency, it practices the principles of public agencies in spirit, with such values as public trust, transparency, and operating for the common good. Pursuant to the 1978 Judgment, ¶13, the Watermaster, upon recommendation of the Advisory Committee, "shall make and adopt, after public hearing, appropriate rules and regulations for conduct of Watermaster affairs... therefore, Watermaster may amend said rules from time to time upon recommendation, or with approval of the Advisory Committee after hearing noticed to all active Parties."

Policy

1.1.3 This Manual of Policies will serve as a resource for Board Members, Advisory Committee, Pool Members, staff and members of the public in determining the manner in which matters of Watermaster business are to be conducted.

1.1.4 If any policy or portion of a policy contained within the Manual of Policies is in conflict with rules, regulations or legislation having authority over the Watermaster, said rules, regulations or legislation shall prevail.

Chino Basin Watermaster WATERMASTER POLICY			
Subject MISSION STATEMENT	Policy Number	Date Adopted	Date Revised
	1.2		

Purpose

1.2.1 The purpose of the mission statement is to serve as a guiding philosophy to be followed in Watermaster operations by Board Members, Advisory Committee Members, Pool Members, and Watermaster staff.

Background

1.2.2 This mission statement is guided by the Chino Basin Watermaster Judgment, Case No. RCV 51010 (formerly Case No. SCV 164327).

Policy

1.2.3 The Chino Basin Watermaster's mission is "To manage the Chino Groundwater Basin in the most beneficial manner and to equitably administer and enforce the provisions of the Chino Basin Watermaster Judgment."

1.2.4 Additionally, the Watermaster is progressively and actively implementing the Basin's Optimum Basin Management Program which includes extensive monitoring, further developing recharge capabilities, storage and recovery projects, managing salt loads, developing new yield such as reclaimed and storm water recharge and continuing to work with other agencies and entities to enhance this significant natural resource.

Chino Basin Watermaster WATERMASTER POLICY			
Subject OBJECTIVES OF THE WATERMASTER	Policy Number	Date Adopted	Date Revised
	1.3		

Purpose

1.3.1 The purpose of this policy is to define the objectives of the Watermaster and its operations.

Background

1.3.2 Objectives 1.3.3 and 1.3.4 are expressed in various sections of the Judgment and Peace I agreement. Objectives 1.3.5 and 1.3.6 are sound practices for effective organizations.

Policy

The objectives of the Watermaster are as follows:

1.3.3 Administer the Basin’s adjudicated water rights, ensuring optimal and most beneficial development and utilization of the Chino Basin (Article V of the Peace I Agreement, June 29, 2000).

1.3.4 Coordinate local involvement in efforts to preserve and restore the quantity and quality of groundwater in the Chino Basin.

1.3.5 Implement Watermaster responsibilities and conduct business in a collaborative, responsible, and cost effective manner.

1.3.6 Establish a professional and safe work environment for Watermaster employees that attracts the highest quality employees, encourages effective collaboration, and maintains respect for individuals.

SECTION 2: GOVERNANCE

Chino Basin Watermaster WATERMASTER POLICY			
Subject	Policy Number	Date Adopted	Date Revised
BOARD MEETINGS	2.1		

Purpose

2.1.1 The purpose of this policy is to set forth rules and practices governing Board meetings for the Watermaster.

Background

2.1.2 Meetings of the Watermaster have been dictated by the Judgment in various sections.

Policy

2.1.3 Regular Board Meetings of the Watermaster Board shall be held on the fourth Thursday of each calendar month at 11 a.m. at the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga, California. The date, time and place of regular Board meetings may be reconsidered annually at the annual organizational meeting of the Board (see Policy 2.6 for the Pools and Committee meetings schedule), or at anytime throughout the year if agreed to by a majority of the members of the Board.

2.1.4 Special Meetings of the Watermaster Board may be called at any time by written or electronic mail request by a majority of the Board. Watermaster staff shall then give notice thereof at least twenty-four (24) hours before the time of each such meeting in the case of personal delivery (including faxes and electronic mail), and ninety-six (96) hours in the case of mail (follows Pools and Advisory Committee policies in Rules and Regulations, Article II § 2.3). Notice shall include an agenda for the Special Meeting.

2.1.5 In the event of an emergency situation involving matters upon which prompt action is necessary due to the disruption or threatened disruption of public facilities, the Board may hold an Emergency Special Meeting without complying with the 24-hour notice suggested in 2.1.4, above. An emergency situation means a crippling disaster which severely impairs public health, safety, or both, as determined by a majority of the Board.

2.1.6 The Watermaster may hold Confidential Sessions as needed, as specified in the Rules and Regulation, Article II, § 2.6.

2.1.7 Any meeting may be adjourned to a time and place specified in the order of adjournment. Less than a quorum may so adjourn from time to time. A copy of the order or notice of adjournment shall be conspicuously posted forthwith on or near the door of the place where the meeting was held (Rules and Regulations, Article II § 2.4).

2.1.8 The Board shall hold an annual organizational meeting at its regular meeting in January. At this meeting the Board will elect a Chairperson, Vice-Chair and Secretary/Treasurer from among its members to serve during the coming calendar year (follows Pools and Advisory Committee policies in Judgment ¶ 37(a)).

2.1.9 The Chairperson of the meetings described herein shall determine the order in which agenda items shall be considered for discussion and/or action by the Board.

2.1.10 The Chairperson and the CEO shall ensure that appropriate information is available for the audience at meetings of the Board, and that physical facilities for said meetings are functional and appropriate.

2.1.11 Watermaster Board shall endeavor to conduct meetings in accordance with the provisions of the California Open Meetings Law (Brown Act), however, in the event of conflict, the procedures in the Rules and Regulations sections of the Judgment shall prevail (Rules and Regulations, Article II § 2.2).

Chino Basin Watermaster WATERMASTER POLICY			
Subject WATERMASTER MEETINGS AGENDA	Policy Number	Date Adopted	Date Revised
	2.2		

Purpose

2.2.1 The purpose of this policy to set forth meeting agenda policies for the Watermaster, including Board, Board Sub-Committee, Advisory Committee and Pool meetings.

Background

2.2.2 This policy follows best practices suggested by the California Special Districts Association policy manual, policy number 5020.

Policy

2.2.3 The CEO, in cooperation with the meeting Chairperson, shall prepare an agenda for each regular and special meeting of the Board, Board Sub-Committee, Advisory Committee or Pool. Any Board or applicable Committee or Pool Member may call the CEO and request any item to be placed on the applicable agenda no later than 5:00 P.M. on the day prior to the closing of the agenda for the next meeting date.

2.2.4 Any member of the public may request that a matter directly related to Watermaster business be placed on the agenda of a regularly scheduled meeting of the Advisory Committee which can then refer the issue to a Pool or take action to make a recommendation to the Board, subject to the following conditions:

- a. The request must be in writing and be submitted to the CEO together with supporting documents and information, if any, at least seven business days prior to the date of the meeting.
- b. The CEO shall be the sole judge of whether the public request is or is not a "matter directly related to Watermaster business." The public member requesting the agenda item may appeal the CEO's decision at the next regular meeting of the Board. Any Board member may request that the item be placed on the agenda of the Board's next regular meeting.
- c. No matter, which is legally a proper subject for consideration in closed session will be accepted under this policy.

d. Watermaster may place limitations on the total time to be devoted to a public request issue at any meeting, and may limit the time allowed for any one person to speak on the issue at the meeting.

2.2.5 This policy does not prevent the Board Advisory Committee or Pool from taking public comment testimony at regular and special meetings on matters which are not on the agenda which a member of the public may wish to bring before Watermaster. However, no discussion or action on such matters shall be made at that meeting.

2.2.6 The Watermaster staff will prepare an agenda for each regular and special meeting, which includes, but is not limited to, all matters on which there may be discussion and/or action by the Advisory Committee, Pool or Board. The agenda shall be available at least 96 hours in advance of a regular meeting and 24 hours in advance of a special meeting for public review at the Watermaster office and on the website for public information at the same time. All information made available to the Advisory Committee, Pool or Board (except confidential information allowed by State law per legal counsel authority) shall be available for public review prior to the applicable Advisory Committee, Pool or Board meeting.

2.2.7 The agenda for all regular meetings shall contain an agenda report for each action item. Each agenda report shall list the staff recommendation, prior Watermaster actions, recommendations of Pool Committees and the Advisory Committee if applicable, fiscal impact including a listing of any necessary budget changes, and necessary background information. Any informational item shall be separately listed on the agenda with a report containing as much background information as possible and at a minimum clearly stating the topic and any issue that is the purpose of the informational discussion. Informational items are not action items and no action may be taken. Emergency items may be added to an agenda at the meeting by a 2/3 majority vote upon making findings of an emergency.

2.2.8 Closed session items may be included on the agenda if the topic is clearly stated in the agenda. Pool and Advisory Committee Chairpersons or their alternates may attend and be present in any Watermaster Board closed session. Any reportable action, as defined by the Brown Act, taken by any Committee or the Board in closed session shall be clearly reported upon the conclusion of the closed session and listed in the meeting minutes. Closed session topics for the Advisory Committee and Board may include potential or filed litigation or claims, water purchase valuation, personnel review and actions, compensation negotiations, and contract negotiations. Pool Committees may have more discretion in determining topics for closed session, however any

reportable actions must be clearly reported upon conclusion of the closed session and must be listed in the meeting minutes.

DRAFT

**Chino Basin Watermaster
WATERMASTER POLICY**

Subject ELECTIONS / APPOINTMENTS	Policy Number	Date Adopted	Date Revised
	2.3	9/26/2000	

Purpose

2.3.1 The purpose of this policy to set forth Board elections and appointments for the Watermaster.

Background

2.3.2 The following rotation schedule was approved on September 26, 2000 by the Watermaster Appropriative Pool.

Policy

ROTATION SCHEDULE FOR REPRESENTATIVES TO THE WATERMASTER

Existing and Proposed Representation of the Parties to the Judgement

Interim	APPROPRIATORS			NON-AG	AGRICULTURAL POOL			MUNICIPALS		
34-month	{24}			{13 ind.}	{3 Groups}			{3 Overlying Districts}		
Mar-98	Ontario	MVWD	CVWD	Industry	Dairy	Crops	IEUA	TVMWD	WMWD	
1999	Ontario	MVWD	CVWD	Industry	Dairy	Crops	IEUA	TVMWD	WMWD	
2000	Ontario	MVWD	CVWD	Industry	Dairy	Crops	IEUA	TVMWD	WMWD	
Term cycles	(2yr)	(2yr)	(2yr)	(3yr)	(3yr)	(3yr)	(3yr)	(3yr)	(3yr)	
Reappoint	<i>Big</i>	<i>Medium</i>	<i>Small</i>							
Jan-01	FWC	MVWD	CVWD	Industry	Dairy	Crops	IEUA	TVMWD	WMWD	
Jan-02	FWC	Chino	Ontario	Industry	Dairy	State	IEUA	TVMWD	WMWD	
Jan-03	Pomona	Chino	Minor Rep	Industry	Crop	State	IEUA	TVMWD	WMWD	
Jan-04	Pomona	FUWC	Chino Hills	Industry	Crop	State	IEUA	TVMWD	WMWD	
Jan-05	Jurupa	FUWC	Chino Hills	Industry	Crop	Dairy	IEUA	TVMWD	WMWD	
Jan-06	Jurupa	MVWD	Minor Rep	Industry	State	Dairy	IEUA	TVMWD	WMWD	
Jan-07	Ontario	MVWD	Minor Rep	Industry	State	Dairy	IEUA	TVMWD	WMWD	
Jan-08	Ontario	CVWD	Upland	Industry	State	Crop	IEUA	TVMWD	WMWD	
Jan-09	FWC	CVWD	Upland	Industry	Dairy	Crop	IEUA	TVMWD	WMWD	
Jan-10	FWC	Chino	Minor Rep	Industry	Dairy	Crop	IEUA	TVMWD	WMWD	
Jan-11	Pomona	Chino	Minor Rep	Industry	Dairy	State	IEUA	TVMWD	WMWD	
Jan-12	Pomona	FUWC	Chino Hills	Industry	Crop	State	IEUA	TVMWD	WMWD	
Jan-13	Jurupa	FUWC	Chino Hills	Industry	Crop	State	IEUA	TVMWD	WMWD	
Jan-14	Jurupa	MVWD	Minor Rep	Industry	Crop	Dairy	IEUA	TVMWD	WMWD	
Jan-15	Ontario	MVWD	Minor Rep	Industry	State	Dairy	IEUA	TVMWD	WMWD	

The noted rotation sequence perpetuates indefinitely until and unless there is a Court approved change

Approved by the Appropriative Pool
September 26, 2000

Chino Basin Watermaster WATERMASTER POLICY			
Subject	Policy Number	Date Adopted	Date Revised
NORMS OF CONDUCT AND COMMUNICATION	2.4		

Purpose

2.4.1 The purpose of this policy to set forth norms of conduct and communication policies for the Watermaster.

Background

2.4.2 The following policies are suggested in the California Special Districts Association policy manual, policy number 5030, and in Article II § 2.12 of the Rules and Regulations where indicated.

Policy

2.4.3 Meetings of the Watermaster Board, Advisory Committee and Pools shall be conducted by the Chairperson in a manner consistent with the policies of the Watermaster. Except as may be provided herein, the procedures of the conduct of any meeting shall be governed by the latest revised edition of Roberts' Rules of Order (Rules and Regulations, Article II § 2.12). However, such rules, adopted to expedite the transaction of the business in an orderly fashion, are deemed to be procedural only and failure to strictly observe such rules shall not affect the jurisdiction or invalidate any action taken at a meeting that is otherwise held in conformity with law.

2.4.4 All meetings shall commence at the time stated on the agenda.

2.4.5 The conduct of meetings shall, to the fullest possible extent, enable Advisory Committee members, Pool members and Board members to:

- a. Consider problems to be solved, weigh evidence related thereto, and make decisions intended to solve the problems; and,
- b. Receive, consider and take any needed action on items properly agendized.

2.4.6 Provisions for permitting any individual or group to address a Pool, the Advisory Committee, or Board concerning any item on the agenda of a special meeting, or to address a Pool, the Advisory Committee or Board at a regular meeting on any subject that lies within the jurisdiction of the Watermaster, shall be as follows:

- a. Five minutes may be allotted to each speaker and a maximum of 20 minutes to each subject matter, or a time as deemed appropriate by the Chairperson.
- b. No disruptive conduct shall be permitted at any Watermaster Board, Advisory Committee or Pool meeting. Persistence in disruptive conduct shall be grounds for summary termination, by the Chairperson, of that person's privilege of address.

2.4.7 Willful disruption of any of the meetings of the Board or Committees shall not be permitted. If the Chairperson finds that there is in fact willful disruption of any meeting, he/she may order the disrupting parties out of the room and subsequently conduct the Board or Committee's business without them present.

- a. After clearing the room of disruptive individuals, the Chairperson may permit those persons who, in his/her opinion, were not responsible for the willful disruption to remain in the meeting room.
- b. Duly accredited representatives of the news media, whom the Chairperson finds not to have participated in the disruption, shall be permitted to remain in the meeting.

DRAFT

Chino Basin Watermaster WATERMASTER POLICY			
Subject COMMITTEE AND POOL MEETINGS	Policy Number	Date Adopted	Date Revised
	2.5		

Purpose

2.5.1 The purpose of this policy is to describe and define Advisory Committee and Pool meetings for the Watermaster.

Background

2.5.2 The meeting times and places are set by the Advisory Committee and Pools are subject to change in the future.

Policy

2.5.3 Advisory Committee and Pool meetings are generally held as follows:

Advisory Committee: The third Thursday of each month at 9:00 a.m. at the Chino Basin Watermaster office

Agricultural Pool: The second Thursday of each month at 9:00 a.m. at Inland Empire Utilities Agency headquarters

Non-Agricultural Pool: The first Thursday of each month at 1:00 p.m. at the Chino Basin Watermaster office

Appropriate Pool: The first Thursday of each month at 1:00 p.m. at the Chino Basin Watermaster office

2.5.4 The Personnel Committee and Water Quality Committee meet when needed at the Chino Basin Watermaster Office. Other meetings, such as Advisory Committee and Pool ad hoc committees, may also be held as deemed necessary. Advisory Committee and Pool meetings shall be agendized and posted as regular or special meetings, ad hoc meetings are not subject to meeting protocol standards, however, no action may be taken at such meetings which are solely for the purpose of providing information exchange and discussion.

2.5.5 The Advisory Committee and Pools shall conduct meetings in accordance with the provisions of the California Open Meetings Law (Brown Act). However, in the event of

conflict, the procedures in the Rules and Regulations sections of the Judgment shall prevail (Rules and Regulations, Article II § 2.2). Ad hoc committee meetings are not subject to this provision.

2.5.6 Watermaster legal counsel attends meetings as requested by the Board or the CEO. All legal counsel directives shall go through the Board or the CEO. The CEO may delegate to other employees the authority to request legal counsel for certain routine matter, such as review of contracts and agreements.

DRAFT

Chino Basin Watermaster WATERMASTER POLICY			
Subject ADVISORY COMMITTEE AND POOL POLICIES	Policy Number	Date Adopted	Date Revised
	2.6		

Purpose

2.6.1 The purpose of this policy is to describe and define Advisory Committee and Pool policies for the Watermaster.

Background

2.6.2 The policies for the Advisory Committee and Pools are set forth in various sections of the Judgment.

Policy

2.6.3 The Watermaster is authorized to have three Pool Committees and one Advisory Committee, as follows:

- (a) (Overlying) Agricultural Pool: consists of the State of California and all overlying producers who produce water for other than industrial or commercial purposes (Judgment ¶ 43 (a)).
- (b) (Overlying) Non-agricultural Pool: consists of overlying producers who produce water for industrial or commercial purposes (Judgment ¶ 43 (b)).
- (c) Appropriative Pool: consists of owners of appropriative rights (Judgment ¶ 43 (c)).
- (d) The Advisory Committee composition shall not exceed ten voting representatives from each pool (as appointed by the respective Pools). Additionally, WMWD, PVMWD* and SBVMWD shall each be entitled to one non-voting representative on the Advisory Committee (Judgment, ¶ 32). *PVMWD became Three Valleys Municipal Water District (TMVWD) in 1986.

2.6.4 The Pools and Advisory Committee shall hold an annual organizational meeting at its regular meeting in January. At this meeting the Board will elect a Chairperson, Vice-Chair and Secretary/Treasurer from among its members to serve during the coming calendar year (Judgment ¶ 37(a)).

2.6.5 Special meetings of the Pools or Advisory Committee may be called at any time by the Chairperson or by three members of the respective Pool or Advisory Committee, which

shall give notice thereof at least twenty-four (24) hours before the time of each such meeting in the case of personal delivery (including faxes and electronic mail), and ninety-six (96) hours in the case of mail (Judgment ¶37(c)).

2.6.6 Any Pool or Advisory Committee meeting may be adjourned to a time and place specified in the order of adjournment. Less than a quorum may so adjourn from time to time. A copy of the order or notice of adjournment shall be conspicuously posted forthwith on or near the door of the place where the meeting was held (Judgment ¶ 37(e)).

2.6.7 The voting of each Pool Committee shall be as follows:

- a. (Overlying) Agricultural Pool:
 - i. Voting power shall be determined by majority vote of the members in attendance (Judgment, Exhibit F).
- b. (Overlying) Non-agricultural Pool:
 - i. Voting power shall be determined by majority vote of the members in attendance unless a volume vote is requested, then 2.6.7(b)ii will apply.
 - ii. Volume vote shall be based on 50% operating safe yield and 50% of the prior year's production. The total voting weight shall equal 1,484 votes. Voting power shall be determined by a majority vote of the votes in attendance.
- c. Appropriative Pool:
 - i. Voting power shall be determined by majority vote of the members in attendance unless a volume vote is requested, then 2.6.7(c)ii will apply.
 - ii. Volume vote shall be based on 50% operating safe yield and 50% of the prior year's production. The total voting weight shall equal 1,000 votes. Voting power shall be determined by a majority vote of the votes in attendance.

2.6.8 The voting power by pool on the Advisory Committee shall be 100 votes allocated as followed:

- | | |
|--------------------------------------|-----|
| a. (Overlying) Agricultural Pool | 20% |
| b. (Overlying) Non-Agricultural Pool | 5% |
| c. Appropriative Pool | 75% |

2.6.9 The representative and voting rules for each pool serving on the Advisory Committee are as follows:

- a. Non-Agricultural Pool: The exact number of Non-Agricultural Pool representatives serving on the advisory committee shall be determined by the pool committee. The

voting power of the pool shall be exercised in the Advisory Committee as a unit, based upon the vote of a majority of said representatives (Judgment, Exhibit G(3)).

b. Agricultural Pool: The exact number of Agricultural Pool representatives serving on the Advisory Committee shall be determined by the pool committee (Judgment, Exhibit F(5)) The voting power of the Agricultural Pool shall be exercised in the Advisory Committee as a unit, based upon the vote of a majority of said representatives.

c. Appropriative Pool: Each major appropriator, i.e., the owner of an adjudicated appropriative right in excess of 3,000 acre feet, (or each appropriator that produces in excess of 3,000 acre feet based on the prior year's production) shall be entitled to one representative. The remaining members representing the Appropriative Pool on the Advisory Committee shall be elected at large by the remaining members of the pool. The voting power of the Appropriative Pool on the Advisory Committee shall be apportioned between the major appropriator representatives in proportion to their respective voting power in the Pool Committee. The remaining two representatives shall exercise equally the voting power proportional to the Pool Committee voting power of all remaining appropriators. If any representative fails to attend an Advisory Committee meeting, the voting power of that representative shall be allocated among the representatives of the Appropriator Pool in attendance in the same proportion as their own respective voting powers (Judgment, Exhibit H(4) and court order dated September 18, 1996).

2.6.10 Quorum: At Least five members of the Overlying Agricultural Pool constitutes a quorum. At least one member of the Overlying Non Agricultural Pool is required to constitute a quorum. A majority of the voting power of the Advisory or Appropriative Pool Committee shall constitute a quorum. A minimum quorum must be present for the purposes of voting on transaction of affairs of such Advisory and Pool Committee; provided that at least one representative of each Pool Committee shall be required to constitute a quorum of the Advisory Committee. No Pool Committee representative may purposely absent himself or herself, without good cause, from an Advisory Committee meeting to deprive it of a quorum (Judgment ¶ 35).

2.6.11 Powers of the Pool Committees: Each Pool Committee has the power and responsibility for developing policy recommendations for the administration of its particular pool. All actions and recommendations of any Pool Committee which require Watermaster implementation will first be noticed to the other two pools. If no objection is received in writing within thirty days, the action or recommendation will be transmitted directly to Watermaster for action. If an objection is received, it will be

reported to the Advisory Committee before being presented to the Watermaster (Judgment ¶ 38(a)).

2.6.12 Powers of the Advisory Committee: The Advisory Committee has the duty and the authority to recommend, review, and act upon all discretionary determinations made by the Watermaster. A recommendation with 80 votes or more in the Advisory Committee will be considered a mandate for action by the Watermaster. If the Watermaster is unwilling or unable to act according to the recommendation, Watermaster will hold a public hearing, which will be followed by written findings and decisions, and such actions will be subject to review by the court (Judgment ¶ 38 (b) [2]).

2.6.13 Committee Review: Proposed actions of the Watermaster that did not originate in the Pools or Advisory Committee will be given to the Advisory Committee and its members at least 30 days before the Watermaster meeting at which such action is authorized.

DRAFT

Chino Basin Watermaster WATERMASTER POLICY			
Subject ACTIONS AND DIRECTIONS	Policy Number	Date Adopted	Date Revised
	2.7		

Purpose

2.7.1 The purpose of this policy is to describe the actions and directions of the Board.

Background

2.7.2 This policy comes from parts of the Judgment, the California Special Districts Association policy manual, and best practices currently in place at Watermaster.

Policy

2.7.3 Actions by the Board include but are not limited to the following:

- a. Adoption or rejection of regulations or policies;
- b. Adoption or rejection of a resolution;
- c. Adoption or rejection of the consent calendar, Assessment Package, water transactions, and other relevant Watermaster business.
- d. Approval or rejection of any contract or expenditure;
- e. Approval or rejection of any proposal which commits Watermaster funds or facilities, including employment and dismissal of personnel; and,
- f. Approval or disapproval of matters that require or may require the Watermaster or its employees to take action and/or provide services.

2.7.4 Action can only be taken by the vote of the majority of the Board. Five (5) Members represent a quorum for the conduct of business. A member abstaining in a vote is considered as absent for that vote. A member abstaining due to a conflict of interest does not count towards a quorum (Judgment ¶ 35 and Rules and Regulations, Article II § 2.8).

2.7.5 The Board may give directions regarding ministerial procedure that are not formal action. Such directions do not require formal procedural process. Such directions include the Board's ministerial instructions to the CEO.

- a. The Chairperson shall determine by consensus a Board directive and shall state it for clarification. Any two Board members may challenge the statement of the Chairperson, and voice vote may be requested.

A formal motion may be made to place a disputed directive on a future agenda for Board consideration or, if necessary, for Advisory Committee recommendation.

DRAFT

Chino Basin Watermaster WATERMASTER POLICY			
Subject POOL, COMMITTEE, AND BOARD MINUTES	Policy Number	Date Adopted	Date Revised
	2.8		

Purpose

2.8.1 The purpose of this policy is to govern the taking, recording, and safekeeping of Watermaster meeting minutes.

Background

2.8.2 The following policies are best practices adopted by the California Special Districts Association policy manual, policy number 5040; Rules and Regulations, Article II § 2.11; and based on current Watermaster practices.

Policy

2.8.3 The Secretary of the Board shall keep minutes of all regular and special meetings of the Board, Advisory Committee, and Pool meetings.

- a. Copies of a meeting's minutes shall be distributed as applicable to the Pool, Advisory Committee, or Board members as part of the agenda packet for the next regular meeting of the Pool, Advisory Committee or Board, at which time it will consider approving the minutes as presented or with modifications. Unless a reading of the minutes is ordered by a majority of the members, minutes may be approved without reading. Watermaster shall also publish a copy of its minutes on its website (Rules and Regulations, Article II § 2.11).
- b. Unless directed otherwise, an audio tape recording of regular and special meetings of the Advisory Committee and Board will be made. The device upon which the recording is stored shall be kept in a fireproof vault or in fire-resistant, locked cabinet until transcribed. Members of the public may inspect recordings of meetings without charge on a playback machine that will be made available by the Watermaster.
- c. Motions and resolutions shall be recorded in the minutes as having passed or failed, and individual votes will be recorded unless the action was unanimous. All resolutions adopted by the Board shall be numbered consecutively, starting new at the beginning of each year. In addition to other information that the Pool, Advisory Committee or Board

may deem to be of importance, the following information (if relevant) shall be included in each meeting's minutes:

1. Date, place and type of each meeting.
2. Board members present and absent by name.
3. Administrative staff present by name.
4. Call to order.
5. Time and name of late arriving Board members.
6. Time and name of early departing Board members.
7. Names of Board members absent during any agenda item upon which action was taken.
8. Summary record of staff reports.
9. Summary record of public comment regarding matters not on the agenda, including names of commentators.
10. Approval of the minutes or modified minutes of preceding meetings.
11. Approval of financial reports.
12. Record by number (a sequential range is acceptable) of all checks that were paid.
13. Complete information as to each subject of the Advisory Committee or Board's deliberation, and record of each action taken by a Pool, the Advisory Committee, and Board.
14. Record of the vote of each Board member on every action item for which the vote was not unanimous, record of whether Advisory Committee actions constitute an 80 vote mandate, and record of Advisory Committee or Pool volume votes when so requested.
15. Resolutions described as to their substantive content and sequential numbering.
16. Record of all contracts and agreements, and their amendment, approved by the Board.
17. Approval of the annual budget; Assessment Package.
18. Approval of all policies, rules and/or regulations.
19. Approval of dispositions of Watermaster assets.
20. Approval of purchases of Watermaster assets.
21. Time of meeting's adjournment.

Chino Basin Watermaster WATERMASTER POLICY			
Subject BOARD MEMBER COMPENSATION	Policy Number	Date Adopted	Date Revised
	2.9	6/11/98	

Purpose

2.9.1 It is recognized that each member of the Watermaster Board expends a considerable amount of time and effort serving on committees and attending meetings, including but not limited to meetings of the Watermaster Board, and should be compensated accordingly.

Background

2.9.2 On June 11, 1998 the Watermaster Board adopted Resolution 98-8 regarding Board member compensation. Compensation for members of the Watermaster for regular or special meetings is allowed per the Rules and Regulations, Article II § 2.13.

Policy

2.9.3 The amount of compensation to be received by members of the Watermaster Board shall be \$125.00 for each day of attendance at meetings of the Watermaster Board, or attendance at meetings or conferences related to approved activities of the Watermaster. The compensation shall be limited to eight meetings per month.

- a. For each day of attendance at a regular, adjourned regular, special, or emergency meetings attended on behalf of the Watermaster, or other meetings or conferences provided that such attendance has been requested by the Chino Basin Watermaster Board.
- b. For a day's service otherwise rendered by a Watermaster Board member provided that such day's service has been authorized by the Watermaster Board.
- c. Any Watermaster Board member desiring to do so, may waive his or her right to receive compensation for attendance at any or all regular, adjourned regular, special, emergency meetings, and authorized meetings or conferences related to approved activities of the Watermaster. A Waiver of Compensation Form is on file at the business office of the Chino Basin Watermaster and will be furnished upon request.

- d. Amendments to Compensation. The Watermaster Advisory Committee and the Watermaster Board may from time to time review those amounts set forth in Section 2.9.3 and may increase said amounts; however, under no circumstances shall the compensation for members of the Board be increased more than once per calendar year.
- e. Day's Service. The term "day's service" shall mean each attendance at a meeting and/or conference specific in Section 2.9.1 provided that the total compensation shall not exceed one meeting for any one day and eight days service in any calendar month. Further that if two meetings in one day are held consecutively, only one meeting shall be compensated.
- f. Compensation Pay Period. The Watermaster Board members shall be paid monthly based upon attendance as recorded in the meeting minutes by Watermaster staff and/or a duly executed expense report submitted by the Board member, or alternate. The Watermaster CFO will be responsible for review of the submittal.
- g. Reimbursement of Expenses. Each member of the Watermaster Board shall be entitled to reimbursement of reasonable out-of-pocket expenses incurred by such member in performing services related to approved activities within the Basin, including gas mileage expenses incurred in traveling by personal automobile to and returning from a meeting or conference, at the prevailing rate.

Chino Basin Watermaster WATERMASTER POLICY			
Subject ETHICS	Policy Number	Date Adopted	Date Revised
	2.10		

Purpose

2.10.1 The Chino Basin Watermaster is committed to providing excellence in leadership that results in the provision of the highest quality services to its member agencies and partnership in basin management.

Background

2.10.2 The following policies are best practices adopted by the California Special Districts Association policy manual, policy number 4010, and have been modified in cases where current Watermaster practices differ.

Policy

2.10.3 In order to assist in the governance of the behavior between and among members of the Board and Watermaster staff, the following rules shall be observed.

- a. The dignity, style, values and opinions of each Board member shall be respected.
- b. Responsiveness and attentive listening in communication is encouraged.
- c. The primary responsibility of the Board is the administering and upholding of the judgment, and the formulation and evaluation of policy. Routine matters concerning the operational aspects of the Watermaster are to be delegated to professional staff members of the Watermaster.
- d. The needs of the Watermaster's member agencies should be the priority of the Board. When a Board member believes he/she may have a conflict of interest, the legal counsel shall be requested to make a determination if one exists or not.
- e. Board members should commit themselves to emphasizing the positive, avoiding negative forms of interaction.

- f. Board members should commit themselves to focusing on issues and not personalities. The presentation of the opinions of others should be encouraged. Cliques and voting blocks based on personalities rather than issues should be avoided.
- g. Differing viewpoints are healthy in the decision-making process. Individuals have the right to disagree with ideas and opinions, but without being disagreeable. Once the Board takes action, Board members should commit to supporting said action and not to create barriers to the implementation of said action.
- h. Board members should practice the following procedures:
 - 1. In seeking clarification on informational items, Board members may directly approach professional staff members to obtain information needed to supplement, upgrade, or enhance their knowledge to improve decision-making.
 - 2. In handling complaints from members or other stakeholders of the Watermaster, said complaints should be referred directly to the CEO.
 - 3. In handling items related to safety, concerns for safety or hazards should be reported to the CEO or to the Watermaster office. Emergency situations should be dealt with immediately by seeking appropriate assistance.
 - 4. In presenting items for discussion at Board meetings, see Policy 2.2.
 - 5. In seeking clarification for policy-related concerns, especially those involving personnel, legal action, basin management, finances, and assessments, said concerns should be referred directly to the CEO or legal counsel.
- i. If approached by Watermaster personnel concerning specific Watermaster policy, Board members should direct inquiries to the appropriate staff supervisor or CEO. The chain of command should be followed.

2.10.4 The work of the Watermaster is a team effort. All individuals should work together in the collaborative process, assisting each other in conducting the affairs of the Watermaster.

- a. When responding to constituent requests and concerns, Board members should be courteous, responding to individuals in a positive manner and routing their questions through appropriate channels and to responsible management personnel.
- b. Board members should develop a working relationship with the CEO wherein current issues, concerns and Watermaster projects can be discussed comfortably and openly.
- c. Board members should function as a part of the whole. Issues should be brought to the attention of the Board as a whole, rather than to individual members selectively.
- d. Board members are responsible for monitoring the Watermaster's progress in attaining its goals and objectives, while pursuing its mission.

2.10.5 The Watermaster is a partnership in basin management. Board members should function in partnership awareness of the duties, role and policy making responsibility of the Advisory Committee and management of the respective Pools by the Pool Committees. Advisory Committee members should function in awareness of the regional oversight perspective, administrative authority and management responsibility of the Board, and the advocacy responsibility of the Pools. Pool members should function in awareness of the responsibilities and authorities of the Advisory Committee and Board while advocating for the Pool; the Agricultural Pool for overlaying agricultural rights, the Non-Agricultural Pool for overlaying commercial and industrial rights holders, and the Appropriative Pool for appropriative rights holders on behalf of their customers and ratepayers.

Chino Basin Watermaster WATERMASTER POLICY			
Subject ETHICS TRAINING	Policy Number	Date Adopted	Date Revised
	2.11		

Purpose

2.11.1 The purpose of this policy is to establish formal ethics training policies for the Watermaster. It is recognized that certain members of the Board will be required to received ethics training in compliance with State laws including AB 1234 (Salinas), therefore, this policy follows those guidelines.

Background

2.11.2 This policy follows best practices in the California Special Districts Association policy manual, policy number 4095 and guidelines in AB 1234, modified as appropriate for Watermaster’s unique governance structure.

Policy

2.11.3 All Board members and designated executive staff of Chino Basin Watermaster shall receive two hours of training in general ethics principles and ethics laws relevant to public service within one year of election or appointment to the Board and at least once every two years thereafter, pursuant to Government Code § 53234 through § 53235.2.

2.11.4 This policy shall also apply to all staff members that the Board designates and to members of all committees and other bodies that are subject to the Ralph M. Brown Open Meeting Act.

2.11.5 All ethics training shall be provided by entities whose curricula have been approved by the California Attorney General and the Fair Political Practices Commission.

2.11.6 Board members shall obtain proof of participation after completing the ethics training and provide a copy to the Watermaster Secretary of the Board. Applicable costs for attending the training will be reimbursed by the Watermaster.

- a. Watermaster staff shall maintain records indicating both the dates that Board members completed the ethics training and the name of the entity that provided the training. These records shall be maintained for at least five years after Board members receive the training, and are public records subject to disclosure under the California Public Records Act.

2.11.7 Watermaster staff shall provide the Board with information on available training that meets the requirements of this policy at least once every year.

2.11.8 Ethics training may consist of either a training course or a set of self-study materials with tests, and may be taken at home, in person or online.

DRAFT

Chino Basin Watermaster WATERMASTER POLICY			
Subject CONFLICTS OF INTEREST	Policy Number	Date Adopted	Date Revised
	2.12		

Purpose

2.12.1 The purpose of this policy is to define conflicts of interest and related policy.

Background

2.12.2 This policy comes directly from the Rules and Regulations, Article II, § 2.10.

Policy

2.12.3 Watermaster is an interest based governing structure in which various interests must be represented in decision-making. It is expected and preferred that each interest be allowed to participate in Watermaster decisions except as provided in these Rules and Regulations. Each member of the Watermaster Board or the Advisory Committee shall vote on matters before the Board or Advisory Committee unless that member has a conflict of interest as described in the Rule or other provision of general law. No member of the Watermaster Board or Advisory Committee may vote, participate in meetings or hearings pertaining to, or otherwise use his or her position to influence a Watermaster decision in which he knows or has reason to know he/she has both a direct personal and financial interest.

- a. Subject to the qualification provided for in section 2.12.1(b) herein, a member of the Watermaster Board or Advisory Committee is deemed to have a direct personal and financial interest in a decision where it is reasonably foreseeable that the decision will have a material effect on the Watermaster member, members of his or her immediate family, or the Watermaster member's other business, property, and commercial interests.
- b. To be classified as a direct personal and financial interest, the particular matter must be distinguishable from matters of general interest to the respective Pool (Appropriate, Non-Agricultural, or Agricultural) or party to the Judgment, which the Watermaster member has been appointed to represent on the Watermaster Board or Advisory Committee. The member must stand to personally gain discrete and particular advantage from the outcome of the decision beyond that generally realized by any other person or the interests he or she represents. Moreover, Watermaster representatives are expressly intended to act in a representative capacity for their constituents. A member of the Board or Advisory Committee shall not be considered to have a discrete and particular financial advantage unless a decision may result in their obtaining a financial benefit that is not enjoyed by any other class of person. In those instances where the Board member or

Advisory Committee member does have a conflict of interest, that respective interest may be represented by that interest's designated alternate and the Board or Advisory Committee member with the identified conflict of interest may address the Board or Committee or participate in the hearing or meeting as a party to the Judgment.

DRAFT

Chino Basin Watermaster WATERMASTER POLICY			
Subject INTERACTION WITH MANAGEMENT	Policy Number	Date Adopted	Date Revised
	2.13		

Purpose

2.13.1 The purpose of this policy is to set forth best practices in the Board interactions with management.

Background

2.13.2 This policy follows best practices in the California Special Districts Association policy manual, policy number 4010, and has been modified in cases where current Watermaster practices differ.

Policy

2.13.3 With the exception of the Board's relationship with General Counsel, the Board's sole official connection to the operational organization, its achievements and conduct will be through the Chief Executive Officer.

2.13.4 Only official passed resolutions and motions of the Board are binding on the CEO except in rare instances when the Board has specifically authorized such exercise of authority. In seeking clarification on informational items, Board members may directly approach professional staff members to obtain information to supplement, upgrade, or enhance their knowledge to improve decision making. Any Board members require substantial work must come to the CEO for direction. The CEO is the Board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO. The Board, as a whole, will not give direction to a person who reports directly or indirectly to the CEO. The Board, as a whole, will not evaluate, either formally or informally, any staff other than the CEO. The Board will evaluate the CEO's performance annually.

Chino Basin Watermaster WATERMASTER POLICY			
Subject FISCAL AND CONTRACT MANAGEMENT REPORTING	Policy Number	Date Adopted	Date Revised
	2.14		

Purpose

2.14.1 The purpose of this policy is to set forth best practices in the management of budget and contracts.

Background

2.14.2 This policy follows latest Watermaster practices and is intended to provide sound fiscal and contract management and accurate, timely reporting and review.

Policy

2.14.3 Watermaster CEO shall be responsible for managing the budget and contracts to accomplish the efforts of Watermaster in a cost-effective way and to accurately report as well as receive review and authorizations from the Pools, Advisory Committee and Board.

2.14.4 Each year Watermaster staff shall prepare a task list description, timetable and budget for each major engineering and legal contract to be submitted with the proposed budget for review.

2.14.5 Budget status and contract status/expenditure reviews shall be prepared and agendaized for Pool and Advisory Committee review at the following schedule: Concurrent with the annual assessment plan, mid-year review normally conducted at the February meetings, and year end, normally in August meetings. Watermaster staff will include any necessary recommendations for changes in the agendaized reviews. Contracts and activities shall be managed consistent with the approved budget as amended from time to time.

SECTION 3: CEO AND STAFF

Chino Basin Watermaster WATERMASTER POLICY			
Subject	Policy Number	Date Adopted	Date Revised
CEO AND STAFF / GENERAL POLICY	3.1		

Purpose

3.1.1 The purpose of this policy is to establish CEO responsibilities for staff.

Background

3.1.2 This policy is established by current practices of the Watermaster.

Policy

3.1.3 The CEO will insure that conditions for employees are maintained and conducted in a fair, dignified and respectful manner. Also, the CEO shall not:

Operate without written personnel rules which:

- a. Clarify rules for staff.
- b. Provide for effective handling of grievances.
- c. Protect against wrongful conditions, such as grossly preferential treatment for personal reasons.

3.1.4 The CEO shall not retaliate against any staff member for non-disruptive expression of dissent.

3.1.5 The CEO shall acquaint staff with rules and his/her interpretation of their protections and responsibilities under this policy.

Chino Basin Watermaster WATERMASTER POLICY			
Subject CEO AUTHORITY AND LIMITS SET BY THE BOARD	Policy Number	Date Adopted	Date Revised
	3.2		

Purpose

3.2.1 The purpose of this policy is to set CEO authority and limits to award contracts.

Background

3.2.2 This policy conforms with the Watermaster purchasing policy and establish practices.

Policy

3.2.3 The CEO has authority to award contracts under \$10,000 unless an emergency exists. See purchasing policy for further purchasing authority.

DRAFT

SECTION 4: FINANCIAL INTEGRITY

Chino Basin Watermaster WATERMASTER POLICY			
Subject	Policy Number	Date Adopted	Date Revised
GENERAL FISCAL POLICY	4.1		

Purpose

4.1.1 The purpose of this policy is to establish CEO responsibilities for financial management.

Background

4.1.2 This policy is guided by current Watermaster practices.

Policy

4.1.3 Consistent with Watermaster policies established in the Financial Integrity Section of this policy manual, the CEO of the Watermaster shall ensure that Chino Basin Watermaster meets all laws, regulations, and sound financial management practices.

Chino Basin Watermaster WATERMASTER POLICY			
Subject ANNUAL ASSESSMENT PACKAGE PREPARATION	Policy Number	Date Adopted	Date Revised
	4.2		

Purpose

4.2.1 The purpose of this policy is to establish the process of the annual Assessment Package.

Background

4.2.2 Pursuant to the Judgment ¶ 53 the “Watermaster shall have the power to levy assessments against the parties (other than minimal pumpers) based upon production during the preceding period of assessable production, whether quarterly, semi-annually or annually, as may be determined most practical by Watermaster or the affected Pool Committee.”

Policy

4.2.3 Watermaster shall give written notice of all applicable assessments to each party on or before ninety (90) days after the end of the production period to which such assessment is applicable. Each assessment shall be payable on or before thirty (30) days after notice, and shall be the obligation of the party or successor owning the water production facility at the time written notice of the assessment is given, unless prior arrangement for payment by others have been made in writing and filed with Watermaster (Judgment ¶ 55). See 4.4 regarding the handling of delinquent accounts for further details.

Chino Basin Watermaster WATERMASTER POLICY			
Subject ANNUAL BUDGET	Policy Number	Date Adopted	Date Revised
	4.3		

Purpose

4.3.1 The purpose of this policy is to establish the process of the annual budget.

Background

4.3.2 Pursuant to the Judgment ¶ 30, the Watermaster submits a budget to the Advisory Committee each fiscal year on or before March 1. The Advisory Committee shall review and submit said budget and their recommendations to the Watermaster board on or before April 1, following. Watermaster shall hold a public hearing on said budget at its April quarterly meeting and adopt the annual budget.

Policy

4.3.3 The administrative budget shall be in sufficient detail to make the proper allocations of expenses among the several pools. The budget shall contain comparative information and explanations to sufficiently allow users to understand the budget. Budget transfers and amendments will be done according to policy 4.10.

**Chino Basin Watermaster
WATERMASTER POLICY**

Subject	Policy Number	Date Adopted	Date Revised
DELINQUENT ACCOUNTS	4.4	11-20-08	

Purpose

4.4.1 The purpose of this policy is to establish how delinquent accounts will be handled by the Watermaster.

Background

4.4.2 The delinquent assessment policy was adopted by Watermaster on 11/20/2008.

Policy

4.4.3 As authorized within the judgment, Watermaster shall levy delinquent assessments at an interest rate of 10% per annum (or such greater rate as shall equal the average cost of borrowed funds to the Watermaster) from the date the assessment is due. Watermaster is authorized to add a delinquent assessment penalty equal to 2% of the assessment, starting on the 31st day following the day the assessment is due:

4.4.4 If the assessment goes unpaid, such assessment, assessment penalty and interest may be collected in a show-cause proceeding instituted by Watermaster, in which case the Court may allow Watermaster its reasonable costs of collection, including attorney fees.

4.4.5 The Watermaster Chief Executive Officer shall have authority to waive interest and penalty if the combined amount does not exceed \$200 and makes a finding that the nonpayment was as the result of excusable neglect. If the combined interest and penalty exceed \$200, the authority to forgive such charges is exclusively with the Watermaster Board after a recommendation has been given by the Advisory Committee.

Chino Basin Watermaster WATERMASTER POLICY			
Subject EXPENSE AUTHORIZATION	Policy Number	Date Adopted	Date Revised
	4.5		

Purpose

4.5.1 The purpose of this policy is to establish expense authorization at the Watermaster.

Background

4.5.2 The following policies are best practices adopted by the California Special Districts Association policy manual, policy number 3040, and have been modified in cases where current Watermaster practices differ.

Policy

4.5.3 All purchases made for the Watermaster by staff shall be authorized by the CEO or CFO and shall be in conformance with the approved Watermaster budget and purchasing policy.

4.5.4 Any commitment of Watermaster funds for a purchase or expense greater than \$10,000 shall first be submitted to the Board for approval, or shall be in conformance with prior Board action and/or authorizations. See Purchasing Policy 4.7.

4.5.5 A "petty cash" fund shall be maintained in the Watermaster office having a balance-on-hand maximum of \$500.00.

- a. Petty cash may be advanced to Watermaster staff or Board members upon their request and the execution of a receipt for same, for the purpose of procuring item(s) or service(s) appropriately relating to Watermaster business. After said item(s) or service(s) have been obtained, a receipt for same shall be submitted to the Watermaster CFO and any remaining advanced funds shall be returned.
- b. No personal checks shall be cashed in the petty cash fund.
- c. The petty cash fund shall be included in the Watermaster's annual independent accounting audit.

4.5.6 Whenever employees or Board members of the Watermaster incur "out-of-pocket" expenses for item(s) or service(s) appropriately relating to Watermaster business as verified by valid receipts, said expended cash shall be reimbursed upon request from the Watermaster's petty cash fund or by check request if needed. In those instances when a receipt is not obtainable, the requested reimbursement shall be approved by the CEO or CFO prior to remuneration.

DRAFT

Chino Basin Watermaster WATERMASTER POLICY			
Subject	Policy Number	Date Adopted	Date Revised
EMPLOYMENT OF OUTSIDE CONSULTANTS	4.6		

Purpose

4.6.1 The purpose of this policy to is to set policy on the employment of outside consultants.

Background

4.6.2 Pursuant to the Judgment ¶ 20, the “Watermaster may employ or retain such administrative, engineering, geological, accounting, legal or other specialized personnel and consultants as may be deemed appropriate in the carrying out of its powers....” This policy codifies policies and procedures currently practiced at the Watermaster.

Policy

4.6.3 The Watermaster employs outside contractors or consultants for various services including but not limited to legal services, basin management, engineering, planning, personnel and environmental review projects, or for auditing purposes.

4.6.4 Consultants will be recommended by the CEO and may be subject to approval by the Board. The CEO and/or Board will make their selection based on the consultant’s experience and qualifications. The consultant will also be required to provide an explanation of scope of work, hours to complete and applicable cost estimate for their services that will be used in their evaluation in the selection process. Consultants for engineering and architectural services shall be evaluated based upon qualification and not on cost of services per state law.

Chino Basin Watermaster WATERMASTER POLICY			
Subject PURCHASING POLICY	Policy Number	Date Adopted	Date Revised
	4.7	2-28-08	

Purpose

4.7.1 The basic purchasing policy of the Chino Basin Watermaster is to obtain quality supplies, services, vehicles and equipment needed for the proper operation of its various operations at the lowest possible cost. This will be accomplished through the use of quotes and competitive bidding when feasible.

Background

4.7.2 The purchasing policy was originally adopted by Watermaster on 2/28/08.

Policy

4.7.3 Purchasing functions are to be conducted by the appropriate staff member, or as designated by the CEO, except as provided for herein. The purchasing function shall be supervised by the Chief Financial Officer.

4.7.4 Ethics and Standards of Behavior - All purchasing functions will be conducted with absolute integrity. The very highest ethical standards will be maintained in all material activities and the CFO will remain constantly aware of the responsibilities in spending public funds.

4.7.5 Purchasing Authority - There are three levels of authority for normal purchases: supervising staff, CEO, and the Board. Generally, authority is established by the dollar amount of the purchase.

4.7.6 In general, a formal purchase order, signed by the requesting staff and the Chief Financial Officer, is required for all purchases where any single item exceeds \$1,000, except as defined in the Section 4.7.6c. For purchases exceeding \$1,000, but where no single item exceeds \$1,000, a formal purchase order is not required. However, purchase orders may be issued regardless of amount when required by the vendor, or when the complexity of the contract demands a formal document for clarity.

- a. Purchases up to \$10,000 must be approved by the CEO prior to issuance of a purchase order.

- b. The Pools, Advisory Committee, and the Board will approve purchases, contracts, or agreements of more than \$10,000 as follows:
 - 1. Specifications and other relative data shall be sent to the CEO, or his authorized representative, for approval. When possible, a formal bid process is to be used for these purchases.
- c. Exceptions to standard purchasing procedures are allowed during emergencies. An emergency is defined as a breakdown in machinery, equipment, or facilities resulting in the interruption of an essential service, or a distinct threat to public health, safety, or welfare. In the case of an emergency requiring the immediate purchase of supplies, materials, equipment or contractual services, the CEO may authorize the Chief Financial Officer or his designee to secure in the open market, at the lowest obtainable price, any supplies, materials, equipment, or contractual services required, regardless of the amount of the expenditure.

During an emergency condition, supplies, materials, equipment, or contractual services may be purchased. After the CEO or designee has concluded that the purchase is essential to prevent delays which may affect the life, health, or safety of citizens. As soon as possible, the supervisor will provide a completed purchase requisition to the Chief Financial Officer or designee, as well as a full written explanation of the circumstances. In the case of a disaster or for civil defense, nothing contained in this document shall limit the authority of the CFO and/or the CEO to make purchases and take such other emergency steps as are, or may be, authorized by the Board.

4.7.7 Record Keeping - The Finance Department is responsible for the maintenance of purchasing records. During the course of a Contract, Watermaster will maintain supporting documentation and records. At the conclusion of the Contract, the original bids, specifications, and other pertinent data will be held as required pursuant to document retention policy 4.15.

Chino Basin Watermaster WATERMASTER POLICY			
Subject CELL PHONE POLICY	Policy Number	Date Adopted	Date Revised
	4.8		

Purpose

4.8.1 The Watermaster recognizes the need for employees to occasionally use personal or business cell phones in the conduct of Watermaster business. The purpose of this policy is to set best practices for conduct and safety when using cell phones.

Background

4.8.2 The following policies are best practices adopted by the California Special Districts Association policy manual, policy number 2275, and have been modified in cases where current Watermaster practices differ.

Policy

4.8.3 Cellular telephones, owned by the District or by the employee, may be used by employees during hours of work for essential personal calls, or for an occasional personal call.

- a. Essential personal calls are defined as calls of minimal duration and frequency that are urgent in nature and cannot be made at another time or from a different telephone. Examples of essential personal calls are calls to arrange for care of a child or other family emergency, to alert a family member of an unexpected delay due to a change in work schedule, or to arrange for transportation or service in the event of car trouble, etc.
- b. To the extent possible, personal cellular telephone usage should be confined to rest and lunch breaks, and in locations such that the conversation is not disrupting to other employees or Watermaster business.

4.8.4 Personal and Watermaster-owned cellular telephone usage will not be permitted by employees who are engaged in a continuous operation, such as a member on a utility crew engaged in the construction or repair of Watermaster facilities.

4.8.5 Personal and Watermaster-owned cellular telephones will be turned off or set to vibration mode during meetings, training sessions or during work hours if the employee's work station is in close proximity to others.

4.8.6 Employees are expected to operate Watermaster vehicles and equipment in a safe and prudent manner. Therefore, if use of a cellular telephone is necessary while driving a Watermaster vehicle or operating potentially hazardous equipment, hands-free cellular telephone accessories shall be used. Refraining from using cellular telephones in a hand-held position while operating Watermaster vehicles and equipment will lower the employee's risk of causing or becoming involved in an accident, and complies with California law (VC §23123.5 – Vehicle Code).

4.8.7 Camera phones shall not be used in situations where any individual may have an expectation of privacy. This includes but is not limited to restrooms, locker rooms and training rooms.

4.8.8 Text messaging devices shall not be used by employees to communicate with each other during working hours unless specifically authorized for Watermaster purposes by a supervisor.

4.8.9 The CEO has the authority to reimburse employees a nominal amount for use of a personal cell phone for Watermaster business.

DRAFT

Chino Basin Watermaster WATERMASTER POLICY			
Subject CREDIT CARD POLICY	Policy Number	Date Adopted	Date Revised
	4.9		

Purpose

4.9.1 The purpose of this policy is to prescribe the internal controls for management of Watermaster credit cards. This policy applies to all individuals who are authorized to use Watermaster credit cards and/or who are responsible for managing credit card accounts and/or paying credit card bills.

Background

4.9.2 The following policies are best practices adopted by the California Special Districts Association policy manual, policy number 2275, and have been modified in cases where current Watermaster practices differ.

Policy

4.9.3 A Watermaster credit card shall be issued to the CEO and the CFO. Credit cards shall not be issued or used by members of the Board.

- a. All credit card bills shall be paid in a timely manner to avoid late fees and finance charges.
- b. All credit card expenses shall be reasonable and necessary to the furtherance of Watermaster business. No personal expenses shall be charged on a Watermaster credit card. If there is an overlap on a transaction between personal and Watermaster business, the employee shall pay for the transaction personally and then request reimbursement by the Watermaster.
- c. All credit card transactions shall have third-party documents (receipts) attached and the Watermaster purpose annotated by the cardholder.
- d. The CEO shall review and approve credit-card transactions. A summary of the credit card charges will be included in the monthly Board package.

Chino Basin Watermaster WATERMASTER POLICY			
Subject	Policy Number	Date Adopted	Date Revised
Budget Transfers and Amendments	4.10	2/28/08	

Purpose

4.10.1 Define procedures for budget transfers and amendments for the Chino Basin Watermaster.

Background

4.10.2 The Chino Basin Watermaster budget has four main budget categories:

- General and Administrative Expenses
- Optimal Basin Management Program Expenses
- Project Expenditures
- Other Income/Expenses.

4.10.3 Budget Transfers and Amendments

- a. The CEO has authority to transfer funds within the main budget categories up to \$25,000 without Board approval. However, to allow for full transparency in the process, the Pools, Advisory Committee, and the Board will be informed of all budget transfers less than \$25, 000.
- b. Budget transfers greater than \$25,000 within the same categories must be formally approved by the Pools, the Advisory Committee, and the Board.
- c. If there are insufficient funds within same category, the CEO may propose a transfer from one main category to another. All budget transfers from one main category to another, regardless of the amount, require approval by the Pools, the Advisory Committee, and the Board.
- d. If there are no budgeted funds available to transfer to the line item, the CEO will submit a Budget Amendment request to the Pools, Advisory Committee, and then the Board for approval.

Chino Basin Watermaster WATERMASTER POLICY			
Subject INVESTMENT POLICY	Policy Number	Date Adopted	Date Revised
	4.11	1-28-10	

Purpose

4.11.1 It shall be the policy of the Watermaster to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Watermaster and conforming to all statutes and judgments governing the investment of Watermaster funds.

Background

4.11.2 Resolution # 10-01, Adopted 1-28-10

Policy

4.11.3 Watermaster shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board members at a public meeting.

4.11.4 It shall be the policy of the Watermaster to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Watermaster and conforming to all statutes and judgments governing the investment of Watermaster funds.

4.11.5 Scope - This investment policy applies to all financial assets of the Watermaster. These funds are accounted for in the annual Watermaster audit.

4.11.6 Prudence - Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Watermaster, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard California Government Code (53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers (the CEO and his/her designees) acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of

personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.11.7 Objectives - When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

- a. *Safety*: Safety of principal is the foremost objective of the investment program. Investments of the Watermaster shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- b. *Liquidity*: The investment portfolio will remain sufficiently liquid to enable the Watermaster to meet all operating requirements which might be reasonably anticipated.
- c. *Return on Investments*: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.
- d. *Delegation of Authority*: Authority to manage the investment program is derived from the Judgment ¶ 23, and from California Government Code § 53600, et seq. Management responsibility for the investment program is hereby delegated to the Advisory Committee, who with the CEO shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions, such as the Chief Financial Officer. No person may engage in an investment transaction except as provided under the terms of this policy and pursuant to Watermaster rules and regulations § 2.16, derived from the Judgment ¶ 23. The Board shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code § 53600.3, the CEO is a trustee and a fiduciary subject to the prudent investor standard.

4.11.8 Ethics and Conflict of Interest - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

4.11.9 Authorized and Suitable Investments - The Watermaster is empowered by California Government Code 53601 et seq. to invest in the following:

- a. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed \$500,000 in any one Bank at a time.
- b. Local Agency Investment Fund (LAIF) in Sacramento, California. Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as provided above.

4.11.10 Collateralization - All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis.

4.11.11 Diversification - The Watermaster will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

4.11.12 Reporting - The Watermaster Chief Financial Officer shall prepare Monthly Investment Reports which reflect investment transactions for review by the Pool Committees and the Advisory Committee prior to presentation to the Watermaster Board at their next regularly scheduled meeting.

4.11.13 Following formats used in prior years, said Investment Report will reflect the following information.

- a. Funds held in each Bank at the beginning and ending of the reporting period; and
- b. Investments deposited and/or redeemed by type and by Bank (including interest rates, days invested and maturity yield rates) during the reporting period; and
- c. Investments outstanding at the close of the reporting period (including interest rates, days invested and maturity date); and

- d. Elements effecting the change in Watermaster's cash position; and
- e. A statement signed by the Chief Financial Officer as to the ability of the cash on hand to meet foreseen expenditures during the next six months.

4.11.14 Investment Policy Adoption - The Investment Policy shall be adopted by resolution of the Watermaster on an annual basis. The Policy Statement will be reviewed by each Pool Committee. Should any Pool Committee recommend revisions to the Policy Statement, it shall be amended prior to presentation to the Advisory Committee for their review and comment. If necessary, the Policy Statement will be further amended to reflect the comments of the Advisory Committee. The final Policy Statement will then be presented to the Watermaster Board for adoption at the next regularly scheduled meeting.

DRAFT

Chino Basin Watermaster			
WATERMASTER POLICY			
Subject CAPITALIZATION POLICY	Policy Number	Date Adopted	Date Revised
	4.12		

Purpose

4.12.1 The purpose of this policy is to provide criteria for determining when assets and associated costs are to be capitalized and depreciated.

Background

4.12.2 The following policies are best practices adopted by the California Special Districts Association policy manual, policy number 3032, and have been modified in cases where current Watermaster practices differ.

Policy

4.12.3 Single-item purchases with at least an anticipated useful life of at least three years and exceeding \$5,000 each shall be capitalized as a fixed asset. The purchase of these fixed assets shall be included on the Watermaster's statement of net assets and depreciated over the asset's estimated useful life. The purchase of fixed assets for less than \$5,000 shall be expensed.

4.12.4 Other expenditures of \$5,000 or more that provide a significant increase in future service potential of a fixed asset shall also be capitalized as part of the existing asset.

- a. To meet the criteria for a capital expenditure, the purchase should extend the useful life of an asset, increase the quantity of service provided by an asset, or increase the quality of service by an asset.
- b. Capital expenditures may include the following: additions (enlargements, expansions or extensions of existing assets), replacements and improvements, and rearrangement and/or relocation of an asset.

4.12.5 Expenditures for normal repairs and maintenance shall not be considered as capital expenditures.

4.12.6 Depreciation will be computed over the estimated useful lives of the assets as follows:

<u>Fixed Asset</u>	<u>Useful Life (years)</u>
Office Furniture and Fixtures	7
Computer Equipment and Software	5
Leasehold Improvements	10
Automotive Equipment	7

DRAFT

Chino Basin Watermaster WATERMASTER POLICY			
Subject FIXED ASSETS ACCOUNTING	Policy Number	Date Adopted	Date Revised
	4.13		

Purpose

4.13.1 The purpose of this policy is to ensure proper accounting control resulting in the maintaining of accurate financial reports of fixed assets.

Background

4.13.2 Pursuant to the Judgment ¶19 and Peace Agreement § 5.1 (h), the “Watermaster may purchase, lease, acquire and hold all necessary facilities and equipment; provided, that it is not the intent of the Judgment that Watermaster acquire any interest in real property or substantial capital assets.”

Policy

4.13.3 An accounting, or inventory, of all fixed assets shall be conducted on an annual basis. After the conclusion of said inventory, the CFO shall certify its completeness and report the results thereof to the Board at its next regular monthly meeting.

4.13.4 Applicable purchases for inclusion in said accounting shall be the following:

- a. Equipment, tools, and vehicles that individually have an original total cost of more than \$5,000.
- b. All land, building acquisitions and leasehold improvements; and
- c. Additions or major improvements to the Watermaster's service infrastructure.

4.13.5 Permanent inventory records shall be maintained in either a paper file or electronic (computer database) format. Said records shall be updated whenever a change in the status of a particular fixed asset occurs (e.g., original purchase, sale, destruction, loss, theft, etc.).

4.13.6 Information to be maintained in said inventory records shall include at least the following:

- a. Description
- b. Manufacturer's serial number (if applicable);
- c. Original cost;
- d. Acquisition date;
- e. Life expectancy; and,
- f. Classification code (e.g., office equipment, vehicle, etc.).

DRAFT

Chino Basin Watermaster WATERMASTER POLICY			
Subject DISPOSAL OF SURPLUS PROPERTY POLICY	Policy Number	Date Adopted	Date Revised
	4.14		

Purpose

4.14.1 The purpose of this policy is to establish the proper disposal of surplus property.

Background

4.14.2 The following policies are best practices adopted by the California Special Districts Association policy manual, policy number 3085, and have been modified in cases where current Watermaster practices differ.

Policy

4.14.3 Sale of Surplus Equipment.

- a. The Board takes action to declare equipment surplus.
- b. Item is advertised (at least two weeks prior to sale and in at least two major local newspapers) for sale with notation of location/hours/days of when it can be seen and deadline date for submission of sealed bids. (Advertisement also notes that the Watermaster reserves the right to reject any or all bids, equipment sold AS IS.)
- c. Sealed bids are opened by the CEO or designees, who also has the authority to accept or reject the highest bid.
- d. Bidders are notified of Watermaster's action.
- e. Junked Certificates are obtained for vehicles that are sold to protect the Watermaster from liability.

4.14.4 Participation in other Agency Surplus Sales

- a. Following board action declaring the surplus items, Watermaster may request a member of the appropriate pool to include our surplus items in an upcoming sale that they may conduct, with said proceeds being remitted to Watermaster, less a reasonably agreed to processing fee.

Chino Basin Watermaster WATERMASTER POLICY			
Subject RECORDS RETENTION (See Appendix A)	Policy Number	Date Adopted	Date Revised
	4.15	04/07/1993	

Purpose

4.15.1 The purpose of this policy is to provide guidelines to staff regarding the retention or disposal of Chino Basin Watermaster records; provide for the identification, maintenance, safeguarding and disposal of records in the normal course of business; ensure prompt and accurate retrieval of records; and, ensure compliance with legal and regulatory requirements.

Background

4.15.2 The following policy was adopted on April 7, 1993

Policy

4.15.3 Vital and important records, regardless of recording media, are those having legal, financial, operational, or historical value to the Watermaster.

4.15.4 The CEO is authorized by the Board to interpret and implement this policy, and to cause to be destroyed any or all such records, papers and documents that meet the qualifications governing the retention and disposal of records, specified below.

4.15.5 Pursuant to the provisions of California Government Code §60200 through 60203, California Water Code §21403, and the guidelines prepared by the State Controller's office and the Controller's Advisory Committee for Special Districts, the following qualifications will govern the retention and disposal of records of the Chino Basin Watermaster.

- a. Duplicate records, papers and documents may be destroyed at any time without the necessity of Board authorization or copying to photographic or electronic media.
- b. Originals of records, papers and documents more than two years old that were prepared or received in any manner other than pursuant to State or Federal statute may be destroyed without the necessity of copying to photographic or electronic media.

- c. In no instances are records, papers or documents to be destroyed where there is a continuing need for such records for such matters as pending litigation, special projects, etc.
- d. Any accounting record except the journals and ledgers which are more than five years old and which were prepared or received in any manner other than pursuant to State statute may be authorized for destruction, provided that:
 1. There is no continuing need for said record, i.e., long-term transactions, special projects, pending litigations, etc., and;
 2. There exists in a permanent file, an audit report or reports covering the inclusive period of said record, and that;
 3. Said audit report or reports were prepared pursuant to procedures outlined in Government Code § 26909 and other State or Federal audit requirements, and that;
 4. Said audit or audits contain the expression of an unqualified opinion.
- e. Any accounting record created for a specific event or action may be destroyed upon authorization five years after said event has in all respects terminated. Any source document detailed in a register, journal, ledger or statement may be authorized for destruction five years from the end of the fiscal period to which it applies. The following may be destroyed at any time:
 1. Duplicated (original-subject to aforementioned requirements).
 2. Rough drafts, notes or working papers (except audit).
 3. Cards, listings, nonpermanent indices, other papers used for controlling work or transitory files.
- f. All payroll and personnel records shall be retained indefinitely. Originals may upon authorization be destroyed after seven years retention, provided said records have been scanned electronically and qualify for destruction. Payroll and personnel records include the following:
 1. Accident reports, injury claims and settlements.
 2. Medical histories.
 3. Injury frequency charts.

4. Applications, changes and terminations of employees.
 5. Insurance records of employees.
 6. Time cards.
 7. Classification specifications (job descriptions).
 8. Performance evaluation forms.
 9. Earning records and summaries.
 10. Retirements.
- g. Records of proceedings for the authorization of warrants, checks, loans, etc., after issuance or execution may be destroyed if scanned electronically as provided for in section 4.15.4 (d), above. Terms and conditions of bonds warrants, and other long-term agreements should be retained until final payment, and thereafter may be destroyed in less than ten years if scanned electronically. Paid loans, checks, warrant certificates and interest coupons may be destroyed after six months if detailed payment records are kept for ten years.

4.15.6 Minutes of the meetings of the Board are usually retained indefinitely in their original form. However, they may upon authorization be destroyed if said minutes are scanned electronically. Recording tapes (or other media) of Board meetings will be kept until transcribed, after which they will be destroyed.

- a. Construction records, such as bids, correspondence, change orders, etc., shall not be kept in excess of seven years unless they pertain to a project which includes a guarantee or grant and, in that event, they shall be kept for the life of the guarantee or grant plus seven years. As-built plans for any public facility or works shall be retained as long as said facility is in existence.
- b. Contracts should be retained for its life plus seven years. Any unaccepted bid or proposal for the construction or installation of any building, structure or other public work which is more than two years old may be destroyed.
- c. Property records, such as documents of title, shall be kept until the property is transferred or otherwise no longer owned by the Watermaster.

**Chino Basin Watermaster
WATERMASTER POLICY**

Subject	Policy Number	Date Adopted	Date Revised
AUDIT	4.16		

Purpose

4.16.1 An certified financial statement audit is a required by state law and is a prudent annual procedure.

Background

4.16.2 This policy has been followed by Watermaster since its inception, and is required for most public agencies.

Policy

4.16.3 The Watermaster will conduct an annual audit of its financial activities using a Certified Public Accountant. The audit will be made available for review by member agencies and the public and will comply with the Generally Accepted Accounting Principles (GAAP) in addition to state and federal law.

DRAFT

Appendix A

Definitions for Records Retention and Disposal Policy

1. AUTHORIZATION. Approval from the CEO, as authorized by the Watermaster's Board of Directors.
2. ACCOUNTING RECORDS. Include but are not limited to the following:
 - a. SOURCE DOCUMENTS
 - (1) Invoices
 - (2) Warrants
 - (3) Requisitions/Purchase Orders (attached to invoices)
 - (4) Cash Receipts
 - (5) Claims (attached to warrants in place of invoices)
 - (6) Bank Statements
 - (7) Bank Deposits
 - (8) Checks
 - (9) Bills
 - (10) Various accounting authorizations taken from Board minutes, resolutions or contracts
 - b. JOURNALS
 - (1) Cash Receipts
 - (2) Accounts Receivable or Payable Register
 - (3) Check or Warrant (payables)
 - (4) General Journal
 - (5) Payroll Journal
 - c. LEDGERS
 - (1) Expenditure
 - (2) Revenue
 - (3) Accounts Payable or Receivable Ledger
 - (4) Construction
 - (5) General Ledger
 - (6) Assets/Depreciation
 - d. TRIAL BALANCE
 - e. STATEMENTS (Interim or Certified - Individual or All Fund)
 - (1) Balance Sheet
 - (2) Analysis of Changes in Available Fund Balance

- (3) Cash Receipts and Disbursements
- (4) Inventory of Fixed Assets (Purchasing)

f. JOURNAL ENTRIES

g. PAYROLL and PERSONNEL RECORDS include but are not limited to the following:

- (1) Accident reports, injury claims and settlements
- (2) Applications, changes or terminations of employees
- (3) Earnings records and summaries
- (4) Fidelity Bonds
- (5) Garnishments
- (6) Insurance records of employees
- (7) Job Descriptions
- (8) Medical Histories
- (9) Retirements
- (10) Time Cards

h. OTHER

- (1) Inventory Records (Purchasing)
- (2) Capital Asset Records (Purchasing)
- (3) Depreciation Schedule
- (4) Cost Accounting Records

3. RECORD. Any paper, bound book or booklet, card, photograph, drawing, chart, blueprint, map, tape, microfilm, or other document, issued by or received in a department, and maintained and used as information in the conduct of its operations.

4. RECORD COPY. The official Watermaster copy of a document or file.

5. RECORD SERIES. A group of records, generally filed together, and having the same reference and retention value.

6. RECORDS CENTER. The site selected for storage of inactive records.

7. RECORDS DISPOSAL. The planning for and/or the physical operation involved in the transfer of records to the Records Center, or the authorized destruction of records pursuant to the approved Records Retention Schedule.

8. RECORDS RETENTION SCHEDULE. The consolidated, approved schedule list of all Watermaster records which timetables the life and disposal of all records.

9. RETENTION CODE. Abbreviation of retention action which appears on the retention schedule.

Appendix B

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION

Date:

3/22/93

By: (Legal Counsel)

Guido R. Smith

By: (Board of Directors)

Date:

CHINO BASIN WATERMASTER
RECORDS RETENTION SCHEDULE

By: (Watermaster)

Date:

Edwin D. James 1/29/93

Item	Title	Retention		Vital	Hist.	Conf.	Remarks
		Active	Inactive				
1	ACCOUNTS PAYABLE FILES	2	2	4			
	Check copies						
	Correspondence						
	Invoices						
	Purchase orders						
	Registers						
	Request for payment						
	Vouchers						
2	ACCOUNTS RECEIVABLE FILES	2	2	4			
	Billings						
	Cash receipts						
	Registers						
3	ATTORNEY CORRESPONDENCE FILES	5AR	--	5AR		X	
4	AUDIT REPORTS - OUTSIDE	5	--	P	X	X	Microfilm for vital protection. Destroy originals after verification.
5	BUDGETS - ADOPTED	5	--	P	X	X	Microfilm for vital protection. Destroy originals after verification.

Legend: A = AUDIT AS = AFTER SETTLEMENT AT = AFTER TRANSCRIPTION AR = ANNUAL REVIEW C = COMPLETION E = EXPIRATION
 LA = LIFE OF ASSET P = PERMANENT S = SUPERSEDED T = TERMINATION

RECORDS RETENTION SCHEDULE

By: (Legal Counsel)

Glenn R. Smith

Date:

3/22/93

By: (Watermaster)

Edward R. James

Date:

1/29/93

By: (Board of Directors)

Date:

Item	Title	Retention		Vital	Hist.	Conf.	Remarks
		Active	Inactive				
6	CANCELED CHECK FILES	2	2	4			
	Bank statement						
	Canceled checks						
7	COMMITTEE MEETING FILES	5	--	P			Microfilm for permanent retention. Destroy originals after verification.
	Ad hoc committees						
	Advisory committee						
	Pool committees						
8	CONJUNCTIVE USE PROGRAM FILES	10	P	P			Microfilm for permanent retention. Destroy originals after verification.
9	GROUNDWATER MONITORING PROGRAM FILES	10	P	P			Microfilm for permanent retention. Destroy originals after verification.
10	INVESTMENT FILES	2	2	4			
	Bank statements						
	Daily deposits						
	Deposit slips						

Legend: A = AUDIT AS = AFTER SETTLEMENT AT = AFTER TRANSCRIPTION AR = ANNUAL REVIEW C = COMPLETION E = EXPIRATION
 LA = LIFE OF ASSET P = PERMANENT S = SUPERSEDED T = TERMINATION

RECORDS RETENTION SCHEDULE

By: (Legal Counsel)

Guido R. Smith

Date:

3/22/93

By: (Watermaster)

Edwin R. James

Date:

1/29/93

By: (Board of Directors)

Date:

Item	Title	Retention			Vital	Hist.	Conf.	Remarks
		Active	Inactive	Destroy				
11	JOURNAL ENTRIES	2	P	P				Microfilm for permanent retention. Destroy originals after verification.
12	LAND USE CONVERSIONS & AGRI POOL TRANSFERS	10	P	P				Microfilm for permanent retention. Destroy originals after verification.
13	LEGAL ACTION FILES	C	P	P		X		Microfilm for permanent retention. Destroy originals after verification.
	Court filings							
	Hearing notices							
14	LITIGATION FILES	C	P	P		X		Microfilm for permanent retention. Destroy originals after verification.
	Judgements							
	Lists of parties							
	Notice of service							
15	MEETING RECORDINGS (CASSETTE TAPES)	AT	--	AT				
16	MINUTES	P	--	P	X	X		Microfilm for vital protection.

Legend: A = AUDIT AS = AFTER SETTLEMENT AT = AFTER TRANSCRIPTION AR = ANNUAL REVIEW C = COMPLETION E = EXPIRATION
 LA = LIFE OF ASSET P = PERMANENT S = SUPERSEDED T = TERMINATION

By: (Legal Counsel)

Edward R. Smith

Date:

3/22/93

By: (Watermaster)

Edwin R. James

Date:

1/29/93

By: (Board of Directors)

Date:

RECORDS RETENTION SCHEDULE

Item	Title	Retention			Vital	Hist.	Conf.	Remarks
		Active	Inactive	Destroy				
17	PRODUCER FILES	5	5	10				
18	REPORTS & STUDIES	2AR	--	2AR				
	Conservation studies & reports							
	Driller's reports							
	Groundwater studies							
	Meter surveys							
	Safe yield study							
	Production reports							
19	RESOLUTIONS	P	--	P	X	X	Microfilm for vital protection.	
20	SUBJECT & CORRESPONDENCE	2AR	--	2AR				
	Basin management files							
	Issues & answers							
21	TAX REPORTS	2	2	4				
	596							
	1099							

Legend: A = AUDIT AS = AFTER SETTLEMENT AT = AFTER TRANSCRIPTION AR = ANNUAL REVIEW C = COMPLETION E = EXPIRATION
 LA = LIFE OF ASSET P = PERMANENT S = SUPERSEDED T = TERMINATION

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

B. DR. DAVID SUNDING CONTRACT





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 4, 2010
TO: Committee Members
SUBJECT: Dr. David Sunding's contract to perform an economic analysis

SUMMARY -

Financial Impact - unknown at this time

Background

On November 5, 2009 the Appropriative Pool adopted its "Plan B" alternative to the reserve price auction that was previously scheduled to occur on November 4, 2009, but which was postponed as of October 30, 2009. Under Plan B the members of the Appropriative Pool were assessed an amount of money sufficient to satisfy the first payment to the members of the Non-Agricultural Pool and committed to future such assessments should the rescheduled auction, or an alternative disposition of the purchased water, be completed within the next year. Following adoption of Plan B the assessment was levied and the first payment under the Purchase and Sale Agreement has been tendered to the members of the Non-Agricultural Pool.

On December 10, 2009 and then again on January 13, 2010, members of the Appropriative Pool met to discuss strategies for the use of the purchased water. Given the recent and proposed increased in Metropolitan Water District rates, one strategy is to continue to make payments to the Non-Agricultural Pool pursuant to Plan B and to hold all or some portion of the purchased water for disposition at a later time.

The economics of such strategies can be complex and as such the Pool requested Watermaster to request a proposal from Dr. David Sunding to perform an economic analysis of a range of options in order to assist the Pool in its decision making. On January 20, 2010 Watermaster staff and counsel conferred with Dr. Sunding and request a proposal from him.

The Appropriative Pool has indicated a desire to move forward expeditiously on this issue so that decision-making can proceed and so has requested this issue be placed on the February Pool agenda. Watermaster has not yet received Dr. Sunding's proposal, but hopes to have a draft prior to the Appropriative Pool meeting and will distribute it under separate cover if the proposal is received.

Actions:

2-04-10 Appropriative Pool
2-04-10 Non-Agricultural Pool
2-11-10 Agricultural Pool
2-18-10 Advisory Committee
2-25-10 Watermaster Board



Streets flooded

Storm pummels Inland Valley

Mediha Fejzagic DiMartino, Staff Writer

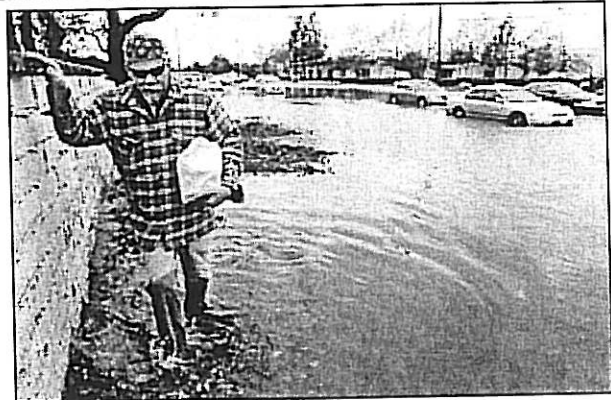
Created: 01/19/2010 09:38:47 PM PST
Photo Gallery: Tuesday's storm

Rescue workers were kept busy Tuesday helping Inland Valley residents who misjudged the power o f 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.

Advertisement

TARGET WEB COUPON
EXPIRES 2/27/10

25¢ each

with purchase of twenty-five
4x6" Kodak instant prints




This coupon is intended for use by the original recipient only and is void if copied, scanned, transferred, purchased, sold or prohibited by law. Limit one offer per transaction. GiftCards and tax will not be included in determining purchase total. No cash value. Offer available at Target One Hour Photo Labs. Go to Target.com/photo for the location nearest you. One Hour service limited to machine capacity.

9856-0113-1882-4674-0306-4305-84

Print Powered By FormatDynamics



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.

Advertisement

TARGET WEB COUPON **EXPIRES 2/27/10**

25¢ each
with purchase of twenty-five
4x6" Kodak instant prints



This coupon is intended for use by the original recipient only and is void if copied, scanned, transferred, purchased, sold or prohibited by law. Limit one offer per transaction. Gift cards and tax will not be included in determining purchase price. No cash value. Offer available at Target One Hour Photo Labs. Go to Target.com/print for the location nearest you. One Hour service limited to machine capacity.



9856-0113-1852-4674-0306-4005-84

Print Powered By Formal Dynamics



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."

Advertisement

PROTECT YOUR HOME
FREE Home Security System!
\$850 Value!

CALL NOW and receive a **FREE** wireless remote control with **PANIC BUTTON!**

1-877-246-7519
 Mon-Fri 9am - 10pm - Sat 9am-7pm - Sun 11am - 6pm EST



At no cost to you for parts and activation with only a \$99 installation fee and the purchase of alarm monitoring services. Terms & Conditions apply.

Print Powered By Form Dynamics

THIS PAGE
HAS
INTENTIONALLY
BEEN LEFT
BLANK
FOR PAGINATION