



CHINO BASIN WATERMASTER



NOTICE OF MEETING

Thursday, August 18, 2011

9:00 a.m. – Advisory Committee Meeting

AT THE CHINO BASIN WATERMASTER OFFICES

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



CHINO BASIN WATERMASTER

Thursday, August 18, 2011

9:00 a.m. – Advisory Committee Meeting

AGENDA PACKAGE



**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

9:00 a.m. – August 18, 2011

WITH

Mr. Ken Jeske, Chair

Mr. Jeff Pierson, Vice-Chair

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 be no separate discussion on these items prior to voting unless any members, staff, or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

A. MINUTES

1. Minutes of the Advisory Committee Meeting held July 21, 2011 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of June 2011 *(Page 11)*
2. Watermaster VISA Check Detail for the month of June 2011 *(Page 23)*
3. Combining Schedule for the Period July 1, 2010 through June 30, 2011 *(Page 27)*
4. Treasurer's Report of Financial Affairs for the Period June 1, 2011 through June 30, 2011 *(Page 31)*
5. Budget vs. Actual July 2010 through June 2011 *(Page 35)*

C. WATER TRANSACTIONS

1. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company ("Company") has agreed to purchase from The Nicholson Trust annual production right in the amount of 7.000 acre-feet to satisfy a portion of the Company's anticipated Chino Basin replenishment obligation for Fiscal Year 2010/2011. Date of Application: June 21, 2011, Date of Notice: July 7, 2011 *(Page 41)*

D. SEMI-ANNUAL STATUS REPORT 2011-1 *(Page 51)*

II. BUSINESS ITEMS

A. RESOLUTION 11-05 RESOLUTION TO TAX DEFER MEMBER PAID CONTRIBUTIONS AND RESOLUTION 11-06 RESOLUTION FOR PAYING AND REPORTING THE VALUE OF EMPLOYER PAID MEMBER CONTRIBUTIONS

Consider Approval for Resolution 11-05 to Tax Defer Member Paid Contributions and Consider Approval for Resolution 11-06 for Paying and Reporting the Value of Employer Paid Member Contributions *(Page 61)*

B. LOAN AGREEMENT WITH CHINO BASIN WATER CONSERVATION DISTRICT, CITY OF ONTARIO, AND JURUPA COMMUNITY SERVICES DISTRICT

Consider Approval of Loan Agreements with the Chino Basin Water Conservation District in an Amount not to exceed \$5,000,000.00, with the City of Ontario in an Amount not to exceed \$2,125,000, with Jurupa Community Services District in an Amount not to exceed \$1,000,000 and authorize the CEO to enter into loan agreements with interested Appropriators (*Page 67*)

C. STORAGE AGREEMENT WITH INLAND EMPIRE UTILITIES AGENCY AND THREE VALLEYS MUNICIPAL WATER DISTRICT

1. Authorize the CEO to Execute a Storage Agreement with Inland Empire Utilities Agency (IEUA) and With Three Valleys Municipal Water District (TVMWD)
2. Request the Watermaster Board Waive the Thirty Day Notice Period (Watermaster Rules & Regulations Section 10.10) and the Twenty-One Day Consideration Period (Watermaster Rules & Regulations Section 10.11) for Applications for Local Storage Agreements with IEUA and TVMWD to Store Desalter Replenishment Water. This Request is sought With the Express Acknowledgment that it Does Not Create Precedent for Future Applications (*Page 107*)

III. REPORTS/UPDATES

A. WATERMASTER GENERAL LEGAL COUNSEL REPORT

1. September 30, 2011 Hearing
2. Restated Judgment

B. CEO/STAFF REPORT

1. Recharge Update
2. Water Activity Reports (WAR) Reminder

C. INLAND EMPIRE UTILITIES AGENCY

1. MWD Update – oral
2. State and Federal Legislative Reports (*Page 113*)
3. Community Outreach/Public Relations Report (*Page 137*)
4. IEUA Monthly Water Newsletter (*Page 139*)

D. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

1. Cash Disbursements for July 2011 (*Page 143*)
2. Newspaper Articles (*Page 138*)

V. POOL MEMBER COMMENTS

VI. OTHER BUSINESS

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

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

VIII. FUTURE MEETINGS

Thursday, August 18, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, August 18, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, August 18, 2011	10:30 a.m.	Land Subsidence Committee Meeting @ CBWM
Thursday, August 25, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Thursday, September 8, 2011	9:00 a.m.	Appropriative Pool Meeting @ CBWM

Thursday, September 8, 2011	11:00 a.m.	Non-Agricultural Pool Conference Call Meeting
Thursday, September 8, 2011	1:00 p.m.	Agricultural Pool Meeting @ CBWM
Thursday, September 15, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, September 15, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, September 15, 2011	10:30 a.m.	Land Subsidence Committee Meeting @ CBWM
Thursday, September 22, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Friday, September 30, 2011	10:30 a.m.	Watermaster Court Hearing @ Chino Court

Meeting Adjourn

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

A. MINUTES

1. Advisory Committee Meeting held on July 21, 2011



Draft Minutes
CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING
July 21, 2011

The Advisory Committee meeting was held at the offices of the Chino Basin Watermaster, 9641 San Bernardino Road, Rancho Cucamonga CA, on July 21, 2011 at 9:00 a.m.

ADVISORY COMMITTEE MEMBERS PRESENT WHO SIGNED IN

Agricultural Pool

Jeff Pierson, Chair	Ag Pool – Crops
Bob Feenstra	Ag Pool – Dairy
Pete Hall	Ag Pool – State of California - CIM

Non-Agricultural Pool

Brian Geye	Auto Club Speedway
Scott Burton	City of Ontario

Appropriative Pool

Mark Kinsey	Monte Vista Water District
Jo Lynne Russo-Pereyra	Cucamonga Valley Water District
Raul Garibay	City of Pomona
Dave Crosley	City of Chino
Ron Craig	City of Chino Hills
Mohamed El-Amamy	City of Ontario
J. Arnold Rodriguez	Santa Ana River Water Company
Robert Young	Fontana Water Company
Seth Zielke	Fontana Water Company
Shaun Stone	City of Upland
Ben Lewis	Golden State Water Company

BOARD MEMBERS PRESENT WHO SIGNED IN

Bob Kuhn	Three Valleys Municipal Water District
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Watermaster Staff Present

Desi Alvarez	Chief Executive Officer
Danielle Maurizio	Senior Engineer
Joe Joswiak	Chief Financial Officer
Sherri Molino	Recording Secretary

Watermaster Consultants Present

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

Others Present Who Signed In

Bob Gluck	City of Ontario
Rick Rees	Department of Justice/CIM
Van Jew	Monte Vista Water District
Justin Scott-Coe	Monte Vista Water District
Ryan Shaw	Inland Empire Utilities Agency
Chris Berch	Inland Empire Utilities Agency
Craig Miller	Inland Empire Utilities Agency
David DeJesus	Three Valleys Municipal Water District
Rick Hansen	Three Valleys Municipal Water District
Bill Kruger	City of Chino Hills

John Mura
Eunice Ulloa

City of Chino Hills
Chino Basin Water Conservation District

Chair Pierson called the Advisory Committee meeting to order at 9:08 a.m.

AGENDA - ADDITIONS/REORDER

Mr. Alvarez added an information item to the CEO/Reports regarding the upcoming Watermaster 2011-2012 Budget, to be heard during the Public Hearing at the Watermaster Board meeting on July 28, 2011 at 11:00 a.m.

I. CONSENT CALENDAR

A. MINUTES

1. Minutes of the Advisory Committee Meeting held June 16, 2011

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of May 2011
2. Watermaster VISA Check Detail for the month of May 2011
3. Combining Schedule for the Period July 1, 2010 through May 31, 2011
4. Treasurer's Report of Financial Affairs for the Period May 1, 2011 through May 31, 2011
5. Budget vs. Actual July through May 2011

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

Moved to approve Consent Calendar items A and B, as presented

II. BUSINESS ITEMS

A. ACQUISITION OF RIGHT OF ENTRY AGREEMENT FOR HORIZONTAL EXTENSOMETER

Mr. Alvarez stated this is a Right of Entry Agreement that is being presented today for your approval and authorization for Watermaster to enter into the agreement. The purpose of the agreement is to obtain access to a property for the installation of a horizontal extensometer, which will be used to collect data as part of the study that is being done in conjunction with looking at land subsidence in the MZ1 area. Mr. Alvarez stated the Right of Entry Agreement is for a 21 month period, which should be sufficient for the term of the study. Mr. Alvarez stated the cost associated with the agreement is a fee paid to the property owner. Mr. Alvarez stated, at that site, there will be controlled aquifer tests which will induce some drawdown and will provide valuable data on settlement as part of this comprehensive study. Mr. Alvarez stated staff is recommending approval of the Right of Entry Agreement and payment of \$1,000 to the property owner; this was passed unanimously through the Pools process earlier this month.

Motion by Kinsey, second by El-Amamy, and by unanimous vote

Moved to approve Acquisition of Right of Entry Agreement for the Horizontal Extensometer and payment of \$1,000 to the land owner, as presented

B. AGREEMENT TO PROVIDE LOAN BETWEEN CHINO BASIN WATERMASTER AND CHINO BASIN WATER CONSERVATION DISTRICT

Mr. Alvarez stated this item has to do with the funding for the replenishment water which has been taken in since May, and part of that process was to work out financing alternatives. Mr. Alvarez stated one of those financing alternatives is to borrow the money. Mr. Alvarez offered history on discussions with other agencies and banks with this regard. Mr. Alvarez stated the Chino Basin Water Conservation District (CBWCD) is interested in loaning Watermaster money, and last week their board approved and authorized their general manager to enter into a loan agreement of up to \$5M for the purposes of purchasing the replenishment water. The terms of the CBWCD loan would be at the interest rate of LAIF plus 1 ½%. This would be a variable rate with the interest payable monthly, and the principal would all be due in January 2015. Mr. Alvarez stated the agreement for the loan would also require that, after the agreement has been approved through the Watermaster process, it will then be provided to the court for its approval, and recognizes the repayment of the loan would be through a future

assessment. Mr. Alvarez stated since those conversations took place, an agreement has been put together between Watermaster and CBWCD, which is before the Advisory Committee today for approval. Mr. Alvarez stated, if it is chosen to go this route of borrowing the money, the cost of the water would be at the least expensive cost; there are no upfront associated costs with this agreement. Mr. Alvarez stated if the water is put in by Watermaster for purposes of augmenting the overdraft account, it is not subject to a storage loss. Mr. Alvarez stated the other issue is now that Watermaster has a form of a loan agreement in place, there have been various parties that have suggested just doing an assessment at this present time; this was the original idea. Not all parties were financially ready to meet that special financial assessment obligation. Mr. Alvarez stated it is possible that Watermaster could enter into the same financing agreement with individual parties that would like to pay their obligation at this time by loaning Watermaster the money, and then three years down the road, when it was time to pay through an assessment, the parties would then be paid back, which would be considered a wash. Mr. Alvarez offered further comment on the assessment process for this endeavor. Chair Pierson stated this would then be a subsequent issue after the approval of the maximum \$5M recommendation for a loan. Mr. Alvarez stated that was correct. Mr. Kinsey inquired about when interest is to be paid. Mr. Alvarez stated it will be monthly. A discussion regarding the interest payments ensued. Mr. Kinsey inquired about the source of revenues to pay the monthly interest. Mr. Alvarez stated there are some reserves in the Watermaster account that would be sufficient to pay for the interest. Mr. Kinsey stated it would seem there needs to be some sort of action through the Watermaster process to authorize this; it's the parties' money that is being held in reserves over the 30/30. Mr. Alvarez stated he was under the impression that, by approving this today, this committee would be giving that authorization. Mr. Kinsey inquired if there would be an increase in assessments. Mr. Alvarez stated none at all. Mr. Kinsey inquired about the Watermaster approval process and the bypassing of the Pools on this agreement, which is obligating the Pools without this being an urgent matter. Mr. Alvarez stated this has been discussed at the Pool level last week; however, the agreement was not ready until the Advisory Committee package was being prepared. Mr. Alvarez stated if it is the wish of the Advisory Committee to put this through the Pool process first, then that is what will be done. A discussion regarding the time frame for this agreement and additional financing agreements ensued. Mr. Kinsey inquired about the cost allocation with regard to the Non-Agricultural Pool sharing in the Desalter Replenishment obligation or not. Mr. Kinsey offered further comments on the Desalter Replenishment obligations. Mr. Kinsey stated he believes after this is done Watermaster needs to go to court and have the court bless zero storage losses on this increment of water. Mr. Young inquired if there are any legal requirements that this agreement go through the entire Watermaster process for this type of an agreement. Counsel Fife stated that is correct in emphasizing this type of an agreement; the rules require applications to go through the Pool process first. There is nothing in the Judgment that requires anything to go through the Pool process before it gets to the Advisory Committee – this is not an application so the rules do not apply. Chair Pierson stated the Advisory Committee does have the opportunity to send it back to the Pools if it so desires. Counsel Fife stated yes, by tradition and practice everything has gone through the Pools before it goes to the Advisory Committee, and that has been the general pattern of activity of the Advisory Committee to not act on things without recommendations from the Pools first. However, there is no strict requirement for that in the Judgment. Mr. Kinsey stated he would like to see this go through the Pool process, and also needs his legal department to review the documents. Ms. Russo-Pereyra stated as for Cucamonga Valley Water District, it would be preferable that it be referred back through the Pool process in an effort of transparency and due diligence. Mr. Young stated he agrees that this should go through the Pool process first unless there is urgency in needing this done right away. Mr. Garibay supported the comments of putting this agreement through the Pool process first. Mr. Craig inquired about the drop-dead timing for having the money in place. Mr. Alvarez stated all of the financing should be in place and finalized by the end of August 2011. Mr. Alvarez stated it appears the wishes of this committee is to put this back through the Pool process. There might be a need of some special meetings to try and pick up some lost time. Mr. Craig stated he believed there were already some commitments made by a few parties to pay for the first half of the water; does that give us some additional time? Mr. Alvarez stated not

much beyond August, and noted this could become a critical issue. A lengthy discussion regarding this matter ensued. Mr. El-Amamy stated once this is brought back, and if and when the interest is being drawn from the reserves, it would be good to see a process to compare the different criteria, maybe some sort of reconciliation process. Mr. Alvarez asked for a better description of what Mr. El-Amamy is asking for. Mr. El-Amamy stated because the reserves are collected based on certain percentages assessed to the different parties, if the reserves are used to pay for the interest of this loan to pay for the replenishment for the desalter water, when the desalter water is used, the criteria or percentage of the assessment would be a totally different criteria of percentages. Mr. Alvarez stated what is being sought after is the reserves basically apportioned based on what the contribution was to those reserves; this does not seem doable and, in the end, will not be a not very arbitrary number because the reserves were not acquired just in this past year, they have been building up over several years. The pro rata of percentages that then go to any one year differ, and to try and go back and attempt to apportion that is probably next to impossible. Mr. Alvarez stated the money is all there and should just be used for the greater good. Mr. Kinsey offered further comment on what he thought Mr. El-Amamy was asking for and understands the difficulty of doing this exercise; however it could be done. Mr. Kinsey stated Watermaster is buying water in advance of a pending obligation. The actual obligation that each party will have for Desalter Replenishment will be determined when that obligation occurs. There will be some in 2013, based on the projections and agencies now using the basin and, in meeting their demands, has changed from five years ago and it will be different in the future. Mr. Kinsey stated prorating the interest obligation may be done the same way the actual replenishment obligation is prorated; that's doable and would allow for a one-time adjustment at the end of the process. Chair Pierson stated there seems to be a sufficient lack of understanding, and the need by the parties that this should be taken back through the Watermaster process. The issues that have been brought up today need to be addressed at some point in time, those parties who spoke might want to prepare an outline of their thoughts and submit them to Watermaster staff to be brought back as a report at a later date.

Motion by El-Amamy, second by Russo-Pereyra, and by unanimous vote

Moved to requested that the loan agreement between Chino Basin Watermaster and Chino Basin Water Conservation District be presented to the Pools in August for further discussion and approval of the use of the accumulated reserves to offset monthly interest payments, as presented

C. UPDATE OF CHINO BASIN GROUNDWATER MODEL - (Information Item Only)

Mr. Wildermuth stated since this presentation was given at all three Pool meetings, he will forgo the presentation and only offer comments; this presentation will be given at the next Watermaster Board meeting next week. Mr. Craig inquired if there were any questions or comments that needed to be addressed from the Appropriative Pool meeting last week. Mr. Wildermuth stated there were, and he will address those now. Mr. Wildermuth stated there were questions related to the modeling and to the cost of the horizontal extensometer. Mr. Wildermuth stated the cost of the model, as it came out in 2007, was budgeted for and Wildermuth worked around that budget. It was noted that it was built in two different fiscal years and the cost to develop the model for a complete rebuild was approximately \$700,000. However, Wildermuth Environmental wrote off approximately \$150,000 as the cost of the model ran over the budgeted amount. Mr. Wildermuth stated, with regard to the horizontal extensometer, the total cost to get it constructed is \$92,000, and about half of that was in the prior fiscal year. This does not include the monitoring costs. Mr. Wildermuth stated there is a large amount of subcontractor costs on this endeavor. Mr. Wildermuth stated the monitoring costs for the entire Subsidence Monitoring Program in the current fiscal year is approximately \$30,000, with the costs of the horizontal extensometer monitoring built into that. There were no further comments or questions presented.

III. REPORTS/UPDATES**A. WATERMASTER GENERAL LEGAL COUNSEL REPORT**1. Paragraph 31 Appeal

Counsel Fife stated there is nothing new to report on since the Pool meetings other than the Appropriative Pool will be filing its reply brief shortly and it is due to the court on Monday, July 25, 2011.

2. Restated Watermaster Judgment

Counsel Fife stated at the recent Restated Judgment Workshop, Watermaster committed to producing what is described as the first phase of the Restated Judgment Project, and that is now ready to be posted to the Watermaster website. Counsel Fife offered comment on preparing this document with exact text in it and the exact amendments added in. Mr. Crosley inquired about the Restated Judgment task as there was an estimated figure presented in the budget around \$60,000 to \$70,000 for that entire task. During a workshop discussion there were identified three different levels of effort needed to complete this task and, with the previously budgeted amount, inquired if that is for level 1 work product or more than level 1. Counsel Fife stated it is more than level 1, and we will see what happens with level 2 and whether it becomes a big effort; what was contemplated in the original budget was more of a level of work than just this first phase. Counsel Fife stated he did not get from the workshop that this effort would change the budget; however, it will be see-as-it happens with the process and it does appear this will stay in the previously budgeted projection. Mr. Feenstra inquired if a schedule of meetings for the Restated Judgment will be sent out officially. Counsel Fife stated scheduling meetings has not been thought about yet and it was important to get the first task completed and then move on from there; however, some workshops/meetings will be scheduled in the near future. Mr. Feenstra inquired if those meeting dates will be announced. Mr. Alvarez stated they will be announced and noticed once they are set. Mr. Garibay asked if, once this entire Restated Judgment process is complete, it can be put on a DVD or in some electronic format for distribution instead of a large binder. Counsel Fife stated this is now in a Word document format and that is what will be posted. If all goes as planned, a Word document can be transferred onto a DVD or printed out, whichever is more convenient. A brief discussion regarding this matter ensued.

3. September 30, 2011 Hearing

Counsel Fife stated there is a hearing scheduled for September 30, 2011 at 10:30 a.m. and the main subject will be to consider the CDA issues and the Restated Judgment issue. Counsel Fife stated with the discussions that have taken place over the loan agreement, one of the conditions in that agreement that Watermaster gets court approval. Counsel Fife stated for the agreement Watermaster might want to get ahead of September 30th hearing, maybe after the August Board meeting; the court likes to do its hearings on Fridays and if that date was free then it could be presented to the court the day after the Board meeting to get the loan agreement approved. Counsel Fife stated it would be good to have court approval of the whole issue of the pre-purchase of replenishment water because Watermaster has never done this before and Watermaster has never had its own storage account; these are all new and should be run by the court. Counsel Fife stated with this there might be another court date prior to the September 30, 2011 hearing date scheduled.

B. ENGINEERING REPORT1. Progress Report on the State of the Basin Report

Mr. Wildermuth stated the State of the Basin Report is ready to get posted around the end of the month; the graphics are breathtaking.

C. CEO/STAFF REPORT1. Recharge Update

Mr. Alvarez stated this item is regarding the MWD Replenishment Water. Mr. Alvarez stated approximately 14,000 acre-feet has been recharged, which is at a lower rate than

originally anticipated. Mr. Alvarez stated at the current rate Watermaster will recharge 40,000 acre-feet versus the originally planned 50,000 acre-feet; although, the final number is subject to change and there might be strategies to make up some capacity, including actual storm water or additional replenishment water. Mr. Alvarez stated actual recharge basin capacity is going to be lost shortly due to some of the basins needing maintenance work. However, to attempt to make up for that lost capacity, Watermaster has been working on getting some additional basins in place and is currently in the discussion process with IEUA for this to possibly take place in enough time to assist in making up some additional capacity. Mr. El-Amamy inquired about the time frame at looking at different options for taking in this water, such as in lieu deliveries. Mr. Alvarez stated he believes it is time to begin the process for discussions regarding in lieu deliveries.

2. 85/15 Rule Review

Mr. Alvarez stated this was a request made of Watermaster last week to bring this item back for discussion; however, it will be coming back as a full report/presentation item in September.

3. Water Activity Report Update

Mr. Alvarez stated the most up-to-date spreadsheet is available on the back table which summarizes all the storm and supplemental water recharge through June. Mr. Alvarez stated through June 3rd, 4,323 acre-feet of water has been recharged including the recent MWD replenishment water.

Mr. Alvarez stated Watermaster staff is in the process of preparing the Water Activity Reports (WAR) which will go out shortly. Mr. Alvarez stated this will begin the next step towards the Assessments process. Mr. Alvarez stated those reports are due back to Watermaster as quickly as the parties can get them back; this will speed up the process and allow the Assessment Package to be developed in a timely manner.

Added Comment:

Mr. Alvarez stated this is not on the agenda but is a matter which needs addressing; it is the subject of the Watermaster 2011-2012 Budget, which is up for consideration at a Public Hearing next week during the Watermaster Board meeting. Mr. Alvarez stated the last time the Watermaster Budget was up before this Committee, the Budget was approved. One of the items that were discussed last month was a request by the Agricultural Pool for inclusion in the Budget of a legal expense item for support of the Restated Judgment. Mr. Alvarez stated at that time, the Agricultural Pool asked for \$100,000 for their special counsel to review the Restated Judgment. Mr. Alvarez stated the Advisory Committee had previously indicated that would be ok to include if there was documentation provided for justification on those budgetary numbers being added to the Budget. Mr. Alvarez stated the documentation asked for was not available at the last Advisory Committee meeting when the Watermaster Budget was presented, so that \$100,000 was not included in the Budget that is being presented to the Watermaster Board/Public Hearing. Mr. Alvarez stated subsequently, as of last week, the Agricultural Pool now does have a breakdown of anticipated legal costs that they believe they will incur to get this task accomplished. Mr. Alvarez stated that budget is available and is broken down by the number of hours and tasks, and that dollar amount is now being presented as \$84,000. Mr. Alvarez stated he would like to now put this new number out for discussion to see if there is a way to proceed with this matter. Mr. Alvarez stated the motion or recommendation made today will be provided to the Watermaster Board/Public Hearing and that amount will be included in the presented Budget next week for consideration. Mr. El-Amamy stated he would like to make that recommendation to add \$84,000 specifically for the Agricultural Pool to use for the legal review of the Restated Judgment. Chair Pierson stated there is now a motion on the table and he asked for any further comments. Mr. Kinsey stated a decision needs to be made to add this item to the Agenda as a discussion item with the recommendation for approval. Mr. Kinsey stated it is his opinion that the Advisory Committee committed to operate under the provisions of the Brown Act, so some kind of finding needs to be made that this is an urgent item and add it on to the Agenda for consideration.

Chair Pierson stated he will hold the motion in abeyance and asked if Mr. Feenstra had any further comments. Mr. Alvarez stated he wanted to discuss the matter of adding the item to the Agenda before Mr. Feenstra speaks. Mr. Alvarez stated if this Committee wants to formally add this item to the Agenda, this Committee has the basis to do that because the information became available within the last few days and a Public Hearing has already been noticed and scheduled to be conducted next week. Mr. Alvarez stated there is a need that has come up subsequent to the posting of the agenda and there is urgency, because any actions taken today will need to be made available for next week's Public Hearing. Chair Pierson stated this Committee can either act today or allow this information to be presented at the Public Hearing to the Board and then allow the Board to make the final decision. Chair Pierson called the chairman of the Agricultural Pool to the floor. Mr. Feenstra stated the Agricultural Pool did what was requested and had special counsel draw up the time involved and what the costs could reflect at the end of the Restated Judgment. Mr. Feenstra stated we, as an Agricultural Pool, have fallen short a few times and found ourselves in a situation of budget shortfalls which created some real controversy in the past. Mr. Feenstra stated special counsel has done their best to speak with people and find out what might be needed for this task, and we now have a document ready for inclusion into the Watermaster Budget, as requested. Mr. Feenstra offered further comment on this matter. A lengthy discussion regarding this matter ensued. Mr. Feenstra stated the action taken at the Agricultural Pool regarding this matter, was to include an additional \$100,000 in the budget for special counsel to work on the Restated Judgment, and it was requested of the Ag Pool to provide justification, and this is what was done. This is a \$100,000 dollar budget item and the motion stands at that amount. Mr. Feenstra stated he believes approximately \$84,000 will be spent on this endeavor if the whole process goes as discussed/described. Mr. Feenstra offered further comment on this matter when it was discussed at the Agricultural Pool meeting with Mr. John Mura in attendance at that meeting. Mr. Feenstra stated the Agricultural Pool has a responsibility to protect those within the Agricultural Pool, and those water users within the Agricultural area and according to Peace II. Ms. Russo-Pereyra inquired if the justification was on the Watermaster ftp site. Mr. Feenstra stated Mr. Alvarez was given a hard copy. Mr. Alvarez stated it has not been posted yet. Mr. Crosley inquired if that Assessment would include whatever amount is identified in the budget, and if the actual spending is less than that amount, then will the delta be added to the \$1.3M reserves that are currently on hand. Mr. Alvarez stated the delta at the end of the fiscal year can either go to the reserves, because that is how they have been built up over time, or alternatively there have been years when the delta was used to offset other increases then brought back through the Watermaster process. Mr. Alvarez stated it is either/or – it could be that delta would be used to offset other expenditures that go over the line, or it could go towards a credit, which was done this year towards the following year's budget. Mr. Crosley stated from his recollection Mr. El-Amamy's motion was to only use the money budgeted in this case towards the legal review of the Restated Judgment, and if that were the case, it would require, a subsequent and separate action. Mr. Craig inquired about what the amount in the budget would be without the special legal counsel. Mr. Alvarez stated, for legal expenses for the Agricultural Pool, that number is currently \$125,000. Mr. Craig stated his preference would be, that at the time we approve Watermaster legal counsel for additional budget monies, that we at the same time would approve a specific budget for the Agricultural Pool's legal review. Mr. Alvarez stated at the special workshop that legal counsel held to discuss this item; it was decided to address the court's request for clarification of the Judgment and of all of the agreements in two parts. Mr. Alvarez described them in detail as described in previous meetings. Mr. Alvarez stated from that workshop the Agricultural Pool's special counsel took that request and prepared the justification on the basis of what was understood at that workshop. A lengthy discussion regarding this matter ensued. Mr. Kinsey stated all the parties have worked very hard to try and keep the assessments at a lower rate than the previous year, and there is now additional monies being added in, essentially increasing what has been reduced. Mr. Kinsey stated whether the Agricultural Pool spends all the monies allocated will leave different scenarios open as to what to do with the extra funds. Mr. Kinsey stated it appears the \$120,000 already allocated for Agricultural Pool legal expenses should suffice for this activity and ongoing Agricultural Pool expenses; although, the Agricultural Pool feels differently – it is a lot of money to ask for tax payers/customers to pay. Mr. Kinsey offered further comment regarding this matter and on the situation which occurred in the past for the Agricultural Pool to obtain additional monies once the budget was passed. Mr. Kinsey stated Monte Vista has stated repeatedly that our

desired approach would be to leave the \$120,000 in the budget as it stands now and then if additional monies are needed, to come back through the Watermaster budget process and Watermaster will find the additional money for that within the existing budget. This will eliminate unnecessary assessment costs. Mr. Kinsey stated reducing the assessments are our goal. Mr. Feenstra stated he could bring up other instances; however, that would not be to anyone's benefit and the motion is what was made by the Agricultural Pool and it stands. Mr. Feenstra offered closing comments. Chair Pierson stated there is a Public Hearing scheduled, justification has been provided to the Watermaster CEO, and the Watermaster Board will act on it as it sees fit. Chair Pierson offered comment on this matter. Mr. Garibay inquired if a copy of the justification can be provided to the parties and Mr. Alvarez stated it would be made available. Mr. Garibay offered comment on this situation, especially if their special counsel already worked on this in the past, meaning his review should be that much faster and easier and he noted that is what he is struggling with. Chair Pierson stated Phase 1 is a quick operation; however, Phase 2, with how it has been outlined, becomes a much more laborious activity. Mr. Garibay stated this is why the justification should be made public. Chair Pierson stated he has not seen this document to date either. A lengthy discussion regarding this matter ensued. Chair Pierson offered final comments on this important discussion item.

D. INLAND EMPIRE UTILITIES AGENCY

1. MWD Update – oral

Mr. Shaw stated last fiscal year Metropolitan's water sales were down substantially which put them in a \$100M hole; however, the good news is there is an abundance of water. This was a record water year! Mr. Shaw reviewed water numbers in detail.

a) CDA LRP Status

Mr. Shaw offered a brief report on the CDA LRP status.

b) Replenishment Update

Mr. Shaw stated, as of last week, approximately 60,000 acre-feet of the water made available through MWD has been purchased. All of that water is now fully subscribed, of which approximately 130,000 acre-feet had been requested; it is still first come first served. Mr. Shaw stated, as mentioned earlier, parties are working together to get as much water as we can into the Chino Basin and discussions are going to begin on getting in-lieu in the future. A discussion on the amount of water MWD is willing to sell ensued. Mr. Miller stated we are participating, and MWD is trying to figure how they are going to retool the Replenishment Program. There are a long series of workshops taking place and agricultural does come up in those discussions; there will be an effort at MWD to try and figure out how to bring the two together. Mr. Miller stated that was one of the terms of selling replenishment water. One of the stipulations that was put into the motion was a new Replenishment Program has to be brought back by the end of the year. There has been talk if agricultural is going to be a part of that, is it surface water storage, or is it going to go back to only groundwater storage.

Mr. Miller stated he would like to discuss the urgency in getting agreements in place for financing the replenishment water and what needs to be brought up is if IEUA is to help finance this endeavor. Depending on the amount, IEUA may need to apply for a commercial paper program and that process takes approximately 6 weeks. Mr. Miller stated he has told Mr. Alvarez that IEUA needs to know by August in order to start the 6 week process. A lengthy discussion regarding this matter and other potential financing options ensued.

2. Water Softener Update

No comment was made regarding this item.

3. Monthly Water Use Report

No comment was made regarding this item.

- 4. State and Federal Legislative Reports
No comment was made regarding this item.
- 5. Community Outreach/Public Relations Report
No comment was made regarding this item.
- 6. IEUA Monthly Water Newsletter
No comment was made regarding this item.

E. OTHER METROPOLITAN MEMBER AGENCY REPORTS

No comment was made regarding this item.

IV. INFORMATION

- 1. Cash Disbursements for June 2011
No comment was made regarding this item.
- 2. Newspaper Articles
No comment was made regarding this item.

V. COMMITTEE MEMBER COMMENTS

No comment was made regarding this item.

VI. OTHER BUSINESS

No comment was made regarding this item.

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Advisory Committee 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.

VIII. FUTURE MEETINGS

Thursday, July 21, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, July 21, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, July 21, 2011	10:30 a.m.	Land Subsidence Committee Meeting @ CBWM
Tuesday, July 26, 2011	9:00 a.m.	GRCC Meeting @ CBWM
Thursday, July 28, 2011	11:00 a.m.	Watermaster Public Hearing @ CBWM
Thursday, July 28, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM
Thursday, August 11, 2011	9:00 a.m.	Appropriative Pool Meeting @ CBWM
Thursday, August 11, 2011	11:00 a.m.	Non-Agricultural Pool Conference Call Meeting
Thursday, August 11, 2011	1:00 p.m.	Agricultural Pool Meeting @ CBWM
Thursday, August 18, 2011	8:00 a.m.	IEUA Dry Year Yield Meeting @ CBWM
Thursday, August 18, 2011	9:00 a.m.	Advisory Committee Meeting @ CBWM
Thursday, August 18, 2011	10:30 a.m.	Land Subsidence Committee Meeting @ CBWM
Thursday, August 25, 2011	11:00 a.m.	Watermaster Board Meeting @ CBWM

The Advisory Committee meeting was dismissed by Chair Pierson at 10:20 a.m.

Secretary: _____

Minutes Approved: _____

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of June 2011
2. Watermaster VISA Check Detail for the month of June 2011
3. Combining Schedule for the Period July 1, 2011 through June 30, 2011
4. Treasurer's Report of Financial Affairs for the Period June 1, 2011 through June 30, 2011
5. Budget vs. Actual July 2010 through June 2011





CHINO BASIN WATERMASTER

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

DESI ALVAREZ, PE
Chief Executive Officer

STAFF REPORT

DATE: August 18, 2011
TO: Advisory Committee Members
SUBJECT: Cash Disbursement Report – Financial Report B1

SUMMARY

Issue – Record of cash disbursements for the month of June 2011.

Recommendation – Staff recommends the Cash Disbursements for June 2011 be received and filed as presented.

Fiscal Impact – Funds disbursed were included in the FY 2010-2011 Watermaster Budget.

BACKGROUND

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

DISCUSSION

Total cash disbursements during the month of June 2011 were \$6,489,070.07. The most significant expenditures during the month were the City of Chino in the amount of \$2,137,364.44 (check number 15152 dated June 6, 2011 for replenishment water purchase), Inland Empire Utilities Agency in the amount of \$1,539,791.78 (check number 15193 dated June 28, 2011 for MWD water purchase) and the City of Upland in the amount of \$1,176,916.43 (check number 15158 dated June 6, 2011 for replenishment water purchase).

Actions:

August 11, 2011 Appropriative Pool – Approved Unanimously
August 11, 2011 Non-Agricultural Pool – Receive & File with no Approval
August 11, 2011 Agricultural Pool –
August 18, 2011 Advisory Committee –
August 25, 2011 Watermaster Board –

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CHINO BASIN WATERMASTER
Cash Disbursements For The Month of
June 2011

Type	Date	Num	Name	Memo	Account	Paid Amount
Bill Pmt -Check	06/02/2011	15132	ARROWHEAD MOUNTAIN SPRING WATER		1012 - Bank of America Gen'l Ckg	30.12
Bill	05/31/2011	0023230253		Office Water Bottle - May 2011	6031.7 - Other Office Supplies	30.12
TOTAL						
Bill Pmt -Check	06/02/2011	15133	BOWCOCK, ROBERT		1012 - Bank of America Gen'l Ckg	125.00
Bill	05/13/2011	5/13 Admin Mtg		5/13/11 Administrative Meeting	6311 - Board Member Compensation	125.00
Bill	05/19/2011	5/19 Budget Wkshp		5/19/11 Budget Workshop	6311 - Board Member Compensation	125.00
Bill	05/26/2011	5/26 Board Mtg		5/26/11 Board Meeting	6311 - Board Member Compensation	125.00
TOTAL						
Bill Pmt -Check	06/02/2011	15134	DIRECTV		1012 - Bank of America Gen'l Ckg	86.99
Bill	05/31/2011	019447404		Service for 5/19/11-6/18/11	6031.7 - Other Office Supplies	86.99
TOTAL						
Bill Pmt -Check	06/02/2011	15135	ELJE, STEVEN		1012 - Bank of America Gen'l Ckg	125.00
Bill	05/19/2011	5/19 Admin Mtg		5/19/11 Administrative Meeting	6311 - Board Member Compensation	125.00
TOTAL						
Bill Pmt -Check	06/02/2011	15136	HAUGHEY, TOM		1012 - Bank of America Gen'l Ckg	125.00
Bill	05/13/2011	5/13 Admin Mtg		5/13/11 Administrative Meeting	6311 - Board Member Compensation	125.00
Bill	05/26/2011	5/26 Board Mtg		5/26/11 Board Meeting	6311 - Board Member Compensation	250.00
TOTAL						
Bill Pmt -Check	06/02/2011	15137	KUHN, BOB		1012 - Bank of America Gen'l Ckg	125.00
Bill	05/04/2011	5/04 Admin Mtg		5/04/11 Administrative Meeting	6311 - Board Member Compensation	125.00
Bill	05/19/2011	5/19 Advisory Comm		5/19/11 Advisory Committee Meeting	6311 - Board Member Compensation	125.00
Bill	05/23/2011	5/23 P 31 Mot Mtg		5/23/11 Paragraph 31 Motion Meeting	6311 - Board Member Compensation	125.00
Bill	05/26/2011	5/26 Board Mtg		5/26/11 Board Meeting	6311 - Board Member Compensation	125.00
TOTAL						
Bill Pmt -Check	06/02/2011	15138	LANTZ, PAULA		1012 - Bank of America Gen'l Ckg	125.00
Bill	05/13/2011	5/13 Admin Mtg		5/13/11 Administrative Meeting	6311 - Board Member Compensation	125.00
Bill	05/26/2011	5/26 Board Mtg		5/26/11 Board Meeting	6311 - Board Member Compensation	250.00
TOTAL						
Bill Pmt -Check	06/02/2011	15139	MMW LABORATORIES		1012 - Bank of America Gen'l Ckg	1,532.00
Bill	05/31/2011	L0055302		L0055302 - Hydraulic Control-Lab Svcs	7108.4 - Hydraulic Control-Lab Svcs	1,532.00
Bill	05/31/2011	L0056445		L0056445 - Hydraulic Control-Lab Svcs	7108.4 - Hydraulic Control-Lab Svcs	615.00
Bill	05/31/2011	L0056444		L0056444 - Hydraulic Control-Lab Svcs	7108.4 - Hydraulic Control-Lab Svcs	2,065.00
Bill	05/31/2011	L0055911		L0055911 - Hydraulic Control-Lab Svcs	7108.4 - Hydraulic Control-Lab Svcs	2,065.00

CHINO BASIN WATERMASTER
Cash Disbursements For The Month of
June 2011

Type	Date	Num	Name	Memo	Account	Paid Amount
Bill	05/31/2011	L0055301		L0055301 - Hydraulic Control-Lab Svcs	7108.4 - Hydraulic Control-Lab Svcs	2,065.00
Bill	05/31/2011	L0055300		L0055300 - Hydraulic Control-Lab Svcs	7108.4 - Hydraulic Control-Lab Svcs	615.00
Bill	05/31/2011	L0054371		L0054371 - Hydraulic Control-Lab Svcs	7108.4 - Hydraulic Control-Lab Svcs	2,360.00
TOTAL						11,317.00
Bill Pmt -Check	06/02/2011	15140	PARK PLACE COMPUTER SOLUTIONS, INC.	451	1012 - Bank of America Gen'l Ckg	4,575.00
Bill	05/31/2011	451		IT Service - May 2011	6052.1 - Park Place Comp Solutn	4,575.00
TOTAL						20.73
Bill Pmt -Check	06/02/2011	15141	PURCHASE POWER	3000909000168851	1012 - Bank of America Gen'l Ckg	20.73
Bill	05/31/2011	8000909000168851		fed ex shipments to: Jennifer Novak	6042 - Postage - General	20.73
TOTAL						85.00
Bill Pmt -Check	06/02/2011	15142	R&D PEST SERVICES	0143748	1012 - Bank of America Gen'l Ckg	85.00
Bill	05/31/2011	0143748		Pest and bug services	6024 - Building Repair & Maintenance	85.00
TOTAL						502.20
Bill Pmt -Check	06/02/2011	15143	STANDARD INSURANCE CO.	Policy # 00-640888-0009	1012 - Bank of America Gen'l Ckg	502.20
Bill	05/31/2011	006408880009		Life and AD&D Policy # 00-640888-0009	60191 - Life & Disab.Ins Benefits	502.20
TOTAL						185.64
Bill Pmt -Check	06/02/2011	15144	STAPLES BUSINESS ADVANTAGE	8018598067	1012 - Bank of America Gen'l Ckg	185.64
Bill	05/14/2011	8018598067		toner, mounting squares, first aid supplies	6031.7 - Other Office Supplies	185.64
TOTAL						719.01
Bill Pmt -Check	06/02/2011	15145	STATE COMPENSATION INSURANCE FUND	1615535-11	1012 - Bank of America Gen'l Ckg	719.01
Bill	05/31/2011	1615535-11		Workers Comp Premium - 1615535-11	60183 - Workers Comp Insurance	719.01
TOTAL						824.00
Bill Pmt -Check	06/02/2011	15146	THE LAWTON GROUP	6017	1012 - Bank of America Gen'l Ckg	824.00
Bill	05/31/2011	1VC070000017054		Week Ending 5/22/2011	6017 - Temporary Services	824.00
Bill	05/31/2011	1VC070000017027		Week Ending 5/15/2011	6017 - Temporary Services	789.00
TOTAL						1,593.00
Bill Pmt -Check	06/02/2011	15147	UNITED HEALTHCARE	0024191572	1012 - Bank of America Gen'l Ckg	311.31
Bill	05/31/2011	0024191572		Dental Insurance Premium	60182.2 - Dental & Vision Ins	311.31
TOTAL						125.00
Bill Pmt -Check	06/02/2011	15148	VANDEN HEUVEL, GEOFFREY	6311	1012 - Bank of America Gen'l Ckg	125.00
Bill	05/09/2011	5/09 Ad Hoc Comm Mtg		5/09/11 Ad Hoc Committee Meeting	6311 - Board Member Compensation	125.00
Bill	05/12/2011	5/12 Admin Mtg		5/12/11 Administrative Meeting	6311 - Board Member Compensation	125.00

CHINO BASIN WATERMASTER
Cash Disbursements For The Month of
June 2011

Type	Date	Num	Name	Memo	Account	Paid Amount
Bill	05/23/2011	5/23 P 31 Mot Mtg		5/23/11 Paragraph 31 Motion Meeting	6311 - Board Member Compensation	125.00
Bill	05/26/2011	5/26 Board Mtg		5/26/11 Board Meeting	6311 - Board Member Compensation	125.00
TOTAL						
Bill Pmt -Check	06/02/2011	15149	VERIZON		1012 - Bank of America Gen'l Ckg	
Bill	05/31/2011	012561121521714508		012561121521714508	7405 - PE4-Other Expense	163.26
Bill	05/31/2011	012519116950792103		012519116950792103	6022 - Telephone	453.92
TOTAL						
Bill Pmt -Check	06/02/2011	15150	VISION SERVICE PLAN		1012 - Bank of America Gen'l Ckg	
Bill	05/31/2011	001017890001		00-101789-0001 Vision Insurance Premium - June 2011	60182.2 - Dental & Vision Ins	52.93
TOTAL						
Bill Pmt -Check	06/02/2011	15151	WILLIS, KENNETH		1012 - Bank of America Gen'l Ckg	
Bill	05/04/2011	5/14 Admin Mtg		5/04/11 Administrative Meeting	6311 - Board Member Compensation	125.00
Bill	05/09/2011	5/09 Ad Hoc Comm		5/09/11 Ad Hoc Committee Meeting	6311 - Board Member Compensation	125.00
Bill	05/23/2011	5/23 P 31 Motion		5/23/11 Paragraph 31 Motion Meeting	6311 - Board Member Compensation	125.00
Bill	05/26/2011	5/26 Board Mtg		5/26/11 Board Meeting	6311 - Board Member Compensation	125.00
TOTAL						
Bill Pmt -Check	06/06/2011	15152	CHINO, CITY OF - FINANCE DEPT		1012 - Bank of America Gen'l Ckg	
Bill	06/01/2011			FY 10-11 Replenishment Water	5011 - Replenishment Water	2,137,364.44
TOTAL						
Bill Pmt -Check	06/06/2011	15153	CITY OF POMONA		1012 - Bank of America Gen'l Ckg	
Bill	06/01/2011			FY 10-11 Replenishment Water	5011 - Replenishment Water	840,654.59
TOTAL						
Bill Pmt -Check	06/06/2011	15154	INLAND EMPIRE UTILITIES AGENCY		1012 - Bank of America Gen'l Ckg	
Bill	06/01/2011			VOID: 1800001887	5011 - Replenishment Water	840,654.59
TOTAL						
Bill Pmt -Check	06/06/2011	15155	ONTARIO, CITY OF*		1012 - Bank of America Gen'l Ckg	
Bill	06/01/2011			FY 10-11 Replenishment Water	5011 - Replenishment Water	25,219.59
TOTAL						
Bill Pmt -Check	06/06/2011	15156	SANTA ANA RIVER WATER COMPANY		1012 - Bank of America Gen'l Ckg	
Bill	06/01/2011			FY 10-11 Replenishment Water	5011 - Replenishment Water	504,392.75
TOTAL						
Bill Pmt -Check	06/06/2011	15157	STATE OF CA - DEPT OF CONSUMER AFFAIRS		1012 - Bank of America Gen'l Ckg	
Bill	05/31/2011			61463 Renew Civil Engineer Certificate - D. Maurizio	6111 - Membership Dues	125.00

CHINO BASIN WATERMASTER
Cash Disbursements For The Month of
June 2011

Type	Date	Num	Name	Memo	Account	Paid Amount
TOTAL						125.00
Bill Pmt -Check	06/06/2011	15158	UPLAND, CITY OF		1012 - Bank of America Gen'l Ckg	
Bill	06/01/2011			FY 10-11 Replenishment Water	5011 - Replenishment Water	1,176,916.43
TOTAL						1,176,916.43
Bill Pmt -Check	06/06/2011	15159	INLAND EMPIRE UTILITIES AGENCY		1012 - Bank of America Gen'l Ckg	
Bill	05/31/2011	1800001887		1800001887	6909 - OBMP Other Expenses	5,159.96
TOTAL						5,159.96
Bill Pmt -Check	06/07/2011	15160	CITISTREET		1012 - Bank of America Gen'l Ckg	
General Journal	05/28/2011		CITISTREET	Payroll and Taxes for 05/15/11-05/28/11 457 Employee Deductions for 05/15/11-05/28/11	2000 - Accounts Payable	1,385.66
TOTAL						1,385.66
Bill Pmt -Check	06/07/2011	15161	GEOTECHNICAL SERVICES		1012 - Bank of America Gen'l Ckg	
Bill	05/31/2011	13191		13191	7104.7 - Grdwtr Level-WM Staff-Cap Equip	9,248.56
TOTAL						9,248.56
Bill Pmt -Check	06/07/2011	15162	GRAINGER		1012 - Bank of America Gen'l Ckg	
Bill	06/06/2011	9552585839		9552585839 measuring tape	7104.6 - Grdwtr Level-Supplies	39.54
TOTAL						39.54
Bill Pmt -Check	06/07/2011	15163	GREAT AMERICA LEASING CORP.		1012 - Bank of America Gen'l Ckg	
Bill	05/31/2011	10971041		10971041 Invoice - Lease Fees	6043.1 - Rtoch Lease Fee	2,814.41
				Usage for Black Copies	6043.2 - Rtoch Usage & Maintenance Fee	284.66
				Usage for Color Copies - 2 months	6043.2 - Rtoch Usage & Maintenance Fee	628.82
TOTAL						3,727.89
Bill Pmt -Check	06/07/2011	15164	HSBC BUSINESS SOLUTIONS		1012 - Bank of America Gen'l Ckg	
Bill	05/31/2011	7003730910002744		7003-7309-1000-2744 Miscellaneous office and meeting supplies	6031.7 - Other Office Supplies	285.31
TOTAL						285.31
Bill Pmt -Check	06/07/2011	15165	JAMES JOHNSTON		1012 - Bank of America Gen'l Ckg	
Bill	05/31/2011	232		232 Website Services - May 2011	6052.3 - Website Consulting	855.00
TOTAL						855.00
Bill Pmt -Check	06/07/2011	15166	MIJAC ALARM		1012 - Bank of America Gen'l Ckg	
Bill	06/01/2011	301328		301328 Fire monitoring from 6/01/11-6/31/11	6026 - Security services	396.00
TOTAL						396.00
Bill Pmt -Check	06/07/2011	15167	PAYCHEX		1012 - Bank of America Gen'l Ckg	

CHINO BASIN WATERMASTER
Cash Disbursements For The Month of
June 2011

Type	Date	Num	Name	Memo	Account	Paid Amount
Bill	05/31/2011	2011052600		Payroll Services - May 2011	6012 · Payroll Services	315.71
TOTAL						315.71
Bill Pmt -Check	06/07/2011	15168	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	Payor #3493	1012 · Bank of America Gen'l Ckg	
General Journal	05/28/2011		PUBLIC EMPLOYEES' RETIREMENT SYSTEM	CalPERS Payment for 05/15/11-05/28-11	2000 · Accounts Payable	7,091.03
TOTAL						7,091.03
Bill Pmt -Check	06/07/2011	15169	PUMP CHECK		1012 · Bank of America Gen'l Ckg	
Bill	05/31/2011	4150		4150	7103.4 · Grdwtr Qual-Contract Svc	450.00
Bill	05/31/2011	4236		4150	7703 · Inactive Well-Contract Svcs	75.00
Bill	05/31/2011	4236		4236	7102.8 · In-line Meter-Calib & Test	3,040.00
Bill	05/31/2011	4236		4236	7102.5 · In-line Meter-Computer	225.00
TOTAL						3,790.00
Bill Pmt -Check	06/07/2011	15170	SAFEGUARD DENTAL & VISION	3763215	1012 · Bank of America Gen'l Ckg	
Bill	06/06/2011	3763215		Dental Insurance Premium - June 2011	60182.2 · Dental & Vision Ins	7.91
TOTAL						7.91
Bill Pmt -Check	06/07/2011	15171	THE LAWTON GROUP	6017	1012 · Bank of America Gen'l Ckg	
Bill	05/31/2011	1VC07000017082		Week Ending 5/29/2011	6017 · Temporary Services	824.00
TOTAL						824.00
Bill Pmt -Check	06/07/2011	15172	WESTERN DENTAL SERVICES, INC.	002483	1012 · Bank of America Gen'l Ckg	
Bill	06/06/2011	002483		Dental Insurance Premium - July 2011	60182.2 · Dental & Vision Ins	28.88
TOTAL						28.88
Bill Pmt -Check	06/07/2011	15173	YUKON DISPOSAL SERVICE	08-K2 213849	1012 · Bank of America Gen'l Ckg	
Bill	06/06/2011	08-K2 213849		Disposal Service for June 2011	6024 · Building Repair & Maintenance	142.88
TOTAL						142.88
General Journal	06/11/2011	06/11/2011	Payroll and Taxes for 05/29/11-06/11/11		1012 · Bank of America Gen'l Ckg	
				Payroll Taxes for 05/29/11-06/11/11	1012 · Bank of America Gen'l Ckg	7,512.88
				Direct Deposits for 05/29/11-06/11/11	1012 · Bank of America Gen'l Ckg	18,817.63
				Payroll Checks for 05/29/11-06/11/11	1014 · Bank of America P/R Ckg	5,954.93
TOTAL						32,285.44
Bill Pmt -Check	06/14/2011	15174	APPLIED COMPUTER TECHNOLOGIES	2012	1012 · Bank of America Gen'l Ckg	
Bill	05/31/2011	2012		Database Services - May 2011	6052.2 · Applied Computer Technol	2,361.20
TOTAL						2,361.20

CHINO BASIN WATERMASTER
Cash Disbursements For The Month of
June 2011

Type	Date	Num	Name	Memo	Account	Paid Amount
Bill Pmt -Check	06/14/2011	15175	COMPUTER NETWORK	81531	1012 - Bank of America Gen'l Ckg	1,952.06
Bill	06/07/2011	81531		Adobe Acrobat software	6054 - Computer Software	1,952.06
TOTAL						
Bill Pmt -Check	06/14/2011	15176	REID & HELLYER	17550	1012 - Bank of America Gen'l Ckg	7,848.18
Bill	05/31/2011	175550		17550 - Ag Pool Legal Services	8467 - Ag Legal & Technical Services	7,848.18
				17550 - Ag Pool Legal Services	8467.1 - Frank B. & Associates	1,066.38
TOTAL						8,914.56
Check	06/15/2011		Service Charge	Service Charge	1012 - Bank of America Gen'l Ckg	103.57
				Service Charge	6031.7 - Other Office Supplies	103.57
TOTAL						
Bill Pmt -Check	06/17/2011	15177	ACWA SERVICES CORPORATION	00198	1012 - Bank of America Gen'l Ckg	122.62
Bill	06/14/2011	00198		Prepayment - July 2011	1409 - Prepaid Life, BAD&D & LTD	122.62
				June 2011	60191 - Life & Disab. Ins Benefits	118.22
TOTAL						240.84
Bill Pmt -Check	06/17/2011	15178	BANK OF AMERICA	XXXX-XXXX-XXXX-9341	1012 - Bank of America Gen'l Ckg	39.73
Bill	05/31/2011	XXXX-XXXX-XXXX-9341		Thomas Guide	6031.7 - Other Office Supplies	39.73
				Microsoft Technical Support	6057 - Computer Maintenance	259.00
TOTAL						298.73
Bill Pmt -Check	06/17/2011	15179	BROWNSTEIN HYATT FARBER SCHRECK	441119 - WM Legal Counsel	1012 - Bank of America Gen'l Ckg	17,347.40
Bill	05/31/2011	441119		441119 - Desalter Negotiations	6907.3 - WM Legal Counsel	17,347.40
				441120 - Santa Ana River Water Rights	6907.33 - Desalter Negotiations	1,919.70
Bill	05/31/2011	441120		441120 - Santa Ana River Water Rights	6907.34 - Santa Ana River Water Rights	2,189.85
Bill	05/31/2011	441121		441121 - S. Archibald Plume-Formerly OIA	6907.31 - S. Archibald Plume-Formerly OIA	2,415.15
Bill	05/31/2011	441122		441122 - Chino Airport Plume	6907.32 - Chino Airport Plume	367.20
Bill	05/31/2011	441123		441123 - Desalter Negotiations	6907.33 - Desalter Negotiations	1,948.05
Bill	05/31/2011	441124		441124 - Paragraph 31 Motion	6907.35 - Paragraph 31 Motion	42,084.44
TOTAL						68,271.79
Bill Pmt -Check	06/17/2011	15180	CORELOGIC INFORMATION SOLUTIONS	80221400	1012 - Bank of America Gen'l Ckg	62.50
Bill	05/31/2011	80221400		80221400	7103.7 - Grdwtr Qual-Computer Svc	62.50
				80221400	7101.4 - Prod Monitor-Computer	62.50
TOTAL						125.00
Bill Pmt -Check	06/17/2011	15181	CUCAMONGA VALLEY WATER DISTRICT	Lease Due July 1, 2011	1012 - Bank of America Gen'l Ckg	5,844.00
Bill	06/15/2011			Lease Due July 1, 2011	1422 - Prepaid Rent	5,844.00

CHINO BASIN WATERMASTER
Cash Disbursements For The Month of
June 2011

Type	Date	Num	Name	Memo	Account	Paid Amount
TOTAL						5,844.00
Bill Pmt -Check	06/17/2011	15182	PUMP CHECK		1012 - Bank of America Gen'l Ckg	
Bill	06/02/2011	4280		4280	7102.8 - In-line Meter-Callib & Test	950.00
Bill	06/02/2011	4281		4280	7102.5 - In-line Meter-Computer	225.00
Bill	06/02/2011	4282		4281	7102.5 - In-line Meter-Computer	158.54
Bill	06/02/2011	4282		4281	7102.8 - In-line Meter-Callib & Test	190.00
Bill	06/02/2011	4282		4282	7102.5 - In-line Meter-Computer	158.54
Bill	06/02/2011	4282		4282	7102.8 - In-line Meter-Callib & Test	190.00
TOTAL						1,872.08
Bill Pmt -Check	06/17/2011	15183	STAULA, MARY L		1012 - Bank of America Gen'l Ckg	
Bill	06/30/2011			Retiree Medical	60182.4 - Retiree Medical	136.61
TOTAL						136.61
Bill Pmt -Check	06/17/2011	15184	THE LAWTON GROUP		1012 - Bank of America Gen'l Ckg	
Bill	06/05/2011	1VC070000017111		Week Ending 6/05/2011	6017 - Temporary Services	824.00
TOTAL						824.00
Bill Pmt -Check	06/17/2011	15185	VERIZON BUSINESS		1012 - Bank of America Gen'l Ckg	
Bill	05/31/2011	00962429		00962429	6053 - Internet Expense	1,525.60
TOTAL						1,525.60
Bill Pmt -Check	06/17/2011	15186	VERIZON WIRELESS		1012 - Bank of America Gen'l Ckg	
Bill	06/14/2011	0983107189		0983107189 monthly service	6022 - Telephone	460.48
TOTAL						460.48
General Journal	06/25/2011	06/25/2011	Payroll and Taxes for 06/12/11-06/25/11		1012 - Bank of America Gen'l Ckg	
			Payroll Taxes for 06/12/11-06/25/11		1014 - Bank of America P/R Ckg	9,583.81
			Direct Deposits for 06/12/11-06/25/11		1014 - Bank of America P/R Ckg	30,113.96
			Payroll Checks for 06/12/11-06/25/11		1014 - Bank of America P/R Ckg	5,963.82
TOTAL						45,761.59
Bill Pmt -Check	06/28/2011	15187	A & R TIRE		1012 - Bank of America Gen'l Ckg	
Bill	06/22/2011	3-751		3-751 field truck repairs	6177 - Vehicle Repairs & Maintenance	28.08
TOTAL						28.08
Bill Pmt -Check	06/28/2011	15188	CALPERS		1012 - Bank of America Gen'l Ckg	
Bill	06/22/2011	1741		1741 Medical Premiums - July 2011	60182.1 - Medical Insurance	5,431.25
TOTAL						5,431.25

CHINO BASIN WATERMASTER
Cash Disbursements For The Month of
June 2011

Type	Date	Num	Name	Memo	Account	Paid Amount
Bill Pmt -Check	06/28/2011	15189	CITISTREET	Payroll and Taxes for 05/29/11-06/11/11	1012 - Bank of America Gen'l Ckg	2,056.32
General Journal	06/11/2011	06/11/2011	CITISTREET	457 Employee Deductions for 05/29/11-06/11/11	2000 - Accounts Payable	2,056.32
TOTAL						
Bill Pmt -Check	06/28/2011	15190	DGO AUTO DETAILING	wash 4 trucks	1012 - Bank of America Gen'l Ckg	100.00
Bill	06/22/2011				6177 - Vehicle Repairs & Maintenance	100.00
TOTAL						
Bill Pmt -Check	06/28/2011	15191	GLOBAL PRESENTER.COM	52517	1012 - Bank of America Gen'l Ckg	564.00
Bill	05/31/2011	52517		Service and shipping for Polycom Vortex repair	6055 - Computer Hardware	564.00
TOTAL						
Bill Pmt -Check	06/28/2011	15192	HIGHWAY SAFETY CO	Purchase reflective cones for traffic control	1012 - Bank of America Gen'l Ckg	259.17
Bill	06/23/2011				7103.6 - Grdwtr Qual-Supplies	259.17
TOTAL						
Bill Pmt -Check	06/28/2011	15193	INLAND EMPIRE UTILITIES AGENCY	90007834	1012 - Bank of America Gen'l Ckg	400.98
Bill	06/22/2011	90007834			8456 - IEUA Readiness To Serve	400.98
					5011 - Replenishment Water	1,539,390.80
						1,539,791.78
TOTAL						
Bill Pmt -Check	06/28/2011	15194	PRE-PAID LEGAL SERVICES, INC.	111802	1012 - Bank of America Gen'l Ckg	51.80
Bill	06/22/2011	111802		June 2011	60194 - Other Employee Insurance	51.80
TOTAL						
Bill Pmt -Check	06/28/2011	15195	PREMIERE GLOBAL SERVICES	07619078	1012 - Bank of America Gen'l Ckg	14.95
Bill	05/31/2011	07619078		Monthly fee	6022 - Telephone	14.95
					8512 - Meeting Expense	160.93
					7103.6 - Grdwtr Qual-Supplies	65.70
					6909.1 - OBMP Meetings	6.45
					8312 - Meeting Expenses	19.47
TOTAL						267.50
Bill Pmt -Check	06/28/2011	15196	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	Payor #3493	1012 - Bank of America Gen'l Ckg	7,098.02
General Journal	06/11/2011	06/11/2011	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	CalPERS for 05/29/11-06/11/11	2000 - Accounts Payable	7,098.02
TOTAL						
Bill Pmt -Check	06/28/2011	15197	STANDARD INSURANCE CO.	Policy # 00-640888-0009	1012 - Bank of America Gen'l Ckg	503.24
Bill	06/22/2011	640888-0009		Life/Disability Insurance Premiums	60191 - Life & Disab.Ins Benefits	503.24
TOTAL						

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CHINO BASIN WATERMASTER
Cash Disbursements For The Month of
June 2011

Type	Date	Num	Name	Memo	Account	Paid Amount
Bill Pmt -Check	06/28/2011	15198	STATE COMPENSATION INSURANCE FUND	1615535-11	1012 · Bank of America Gen'l Ckg	
Bill	06/23/2011	1615535-11		Workers Comp Premium	60183 · Worker's Comp Insurance	786.67
TOTAL						<u>786.67</u>
Bill Pmt -Check	06/28/2011	15199	THE LAWTON GROUP	6017	1012 · Bank of America Gen'l Ckg	
Bill	06/22/2011	ICV070000017137		Week Ending 6/12/2011	6017 · Temporary Services	824.00
TOTAL						<u>824.00</u>
Bill Pmt -Check	06/29/2011	15200	LIATTI & ASSOCIATES	429	1012 · Bank of America Gen'l Ckg	
Bill	06/29/2011	429		June 26, 2011 - June 30, 2011	6085 · Business Insurance Package	243.55
				July 1, 2011 - June 25, 2012	1405 · Prepaid Ins-Bus Pkg Policy	17,534.87
TOTAL						<u>17,778.42</u>
General Journal	06/30/2011	06/30/2011	Wage Works Direct Debits - June 2011	Wage Works Direct Debits - June 2011	1012 · Bank of America Gen'l Ckg	
				Wage Works Direct Debits - June 2011	1012 · Bank of America Gen'l Ckg	86.75
				Wage Works Direct Debits - June 2011	1012 · Bank of America Gen'l Ckg	839.24
				Wage Works Direct Debits - June 2011	1012 · Bank of America Gen'l Ckg	839.24
				Wage Works Direct Debits - June 2011	1012 · Bank of America Gen'l Ckg	207.80
						<u>1,973.03</u>
					Total Disbursements:	<u><u>6,489,070.07</u></u>

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DESI ALVAREZ, PE
Chief Executive Officer

STAFF REPORT

DATE: August 18, 2011
TO: Advisory Committee Members
SUBJECT: VISA Check Detail Report – Financial Report B2

SUMMARY

Issue – Record of VISA credit card payment disbursed for the month of June 2011.

Recommendation – Staff recommends the VISA Check Detail Report for June 2011 be received and filed as presented.

Fiscal Impact – Funds disbursed were included in the FY 2010-2011 Watermaster Budget.

BACKGROUND

A monthly VISA Check Detail report is provided to keep all members apprised of Watermaster expenditures charged against the CEO and/or CFO's Bank of America VISA card.

DISCUSSION

Total cash disbursement during the month of June 2011 was \$298.73. The monthly charges for June 2011 were for routine and customary expenditures and properly documented with receipts.

Actions:

August 11, 2011 Appropriative Pool – Approved Unanimously
August 11, 2011 Non-Agricultural Pool – Receive & File with no Approval
August 11, 2011 Agricultural Pool –
August 18, 2011 Advisory Committee –
August 25, 2011 Watermaster Board –

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CHINO BASIN WATERMASTER
 VISA Check Detail Report
 June 2011

Type	Num	Date	Name	Memo	Account	Paid Amount
Bill Pmt - Check	15178	06/17/2011	BANK OF AMERICA	XXXX-XXXX-XXXX-9341	1012 - Bank of America Gen'l Ckg	39.73
Bill	XXXX-XXXX-XXXX-9341	05/31/2011		Thomas Guide Microsoft Technical Support	6031.7 - Other Office Supplies	259.00
					6057 - Computer Maintenance	298.73
					Total Disbursements:	298.73

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DESI ALVAREZ, PE
Chief Executive Officer

STAFF REPORT

DATE: August 18, 2011
TO: Advisory Committee Members
SUBJECT: Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2010 through June 30, 2011 - Financial Report B3

SUMMARY

Issue – Record of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2010 through June 30, 2011.

Recommendation – Staff recommends the Combining Schedule of Revenue, Expenses and Changes in Working Capital for the Period July 1, 2010 through June 30, 2011 be received and filed as presented.

Fiscal Impact – Funds disbursed were included in the FY 2010-2011 Watermaster Budget.

BACKGROUND

A Combining Schedule of Revenue, Expenses and Changes in Working Capital for the period July 1, 2010 through June 30, 2011 is provided to keep all members apprised of the FY 2010/2011 cumulative Watermaster revenues, expenditures and changes in working capital for the period listed.

DISCUSSION

The Combining Schedule of Revenue, Expenses and Changes in Working Capital has been created from various financial reports and statements created from QuickBooks Enterprise Solutions 9.0, the Watermaster accounting system. The Combining Schedule provided balances to the supporting documentation in the Watermaster accounting system as presented.

Actions:

August 11, 2011 Appropriative Pool – Approved Unanimously
August 11, 2011 Non-Agricultural Pool – Receive & File with no Approval
August 11, 2011 Agricultural Pool –
August 18, 2011 Advisory Committee –
August 25, 2011 Watermaster Board –

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CHINO BASIN WATERMASTER
 COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN WORKING CAPITAL
 FOR THE PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

	WATERMASTER ADMINISTRATION	OPTIMUM BASIN MANAGEMENT	POOL ADMINISTRATION & SPECIAL PROJECTS		GROUNDWATER OPERATIONS		EDUCATION FUNDS	GRAND TOTALS	BUDGET 2010-2011
			APPROPRIATIVE POOL	AG POOL	NON-AG POOL	GROUNDWATER REPLENISHMENT			
Administrative Revenues:									
Administrative Assessments	(272)		6,165,079	2,324	343,090		4	6,508,169	\$6,508,070
Interest Revenue	111,000		33,547		1,327			36,930	175,010
Mutual Agency Project Revenue								111,000	148,410
Grant Income								-	0
Miscellaneous Income								-	0
Total Revenues	110,729		6,198,626	2,324	344,417		4	6,656,099	6,831,490
Administrative & Project Expenditures:									
Watermaster Administration	565,108							565,108	512,546
Watermaster Board-Advisory Committee	68,732							68,732	73,073
Pool Administration			51,778	185,751	145,903			383,431	474,856
Optimum Basin Mgmt Administration	1,626,892							1,626,892	1,350,390
OBMP Project Costs	2,901,788							2,901,788	3,772,619
Debt Service	366,790							366,790	700,964
Education Funds Use							375	375	375
Mutual Agency Project Costs									10,000
Total Administrative/OBMP Expenses	633,840	4,895,469	51,778	185,751	145,903		375	5,913,115	6,894,823
Net Administrative/OBMP Expenses	(523,112)	(4,895,469)							
Allocate Net Admin Expenses To Pools	523,112		359,718	145,539	17,855				
Allocate Net OBMP Expenses To Pools		4,528,679	3,114,151	1,259,958	154,570				
Allocate Debt Service to App Pool		366,790							
Agricultural Expense Transfer*		1,591,247	(1,591,247)						
Total Expenses	5,483,684				318,328		375	5,913,115	6,894,823
Net Administrative Income	714,943		2,324		26,089		(371)	742,984	(63,333)
Other Income/(Expense)									
Replenishment Water Assessments								3,622,004	0
Non-Ag Stored Water Purchases								2,244,496	0
Interest Revenue								14,706	0
MWD Water Purchases								3,750,628	0
Non-Ag Stored Water Purchases								(2,255,436)	0
MWD Water Purchases								(3,750,628)	0
Groundwater Replenishment								(4,985,181)	0
Net Other Income								(1,359,411)	0
Net Transfers To/(From) Reserves	(616,427)		714,943	2,324	26,089		(371)	(616,427)	(63,333)
Working Capital, July 1, 2010			6,219,006	473,483	256,632		1,001	8,478,365	
Working Capital, End Of Period			6,933,949	475,807	282,721		630	7,861,937	7,861,937
09/10 Assessable Production			78,733,238	31,854,766	3,907,911			114,495,915	
09/10 Production Percentages			68.765%	27.822%	3.413%			100.000%	

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

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DESI ALVAREZ, PE
Chief Executive Officer

STAFF REPORT

DATE: August 18, 2011
TO: Advisory Committee Members
SUBJECT: Treasurer's Report of Financial Affairs for the Period June 1, 2011 through June 30, 2011 - Financial Report B4

SUMMARY

Issue – Record of increases or decreases in the cash position, assets and liabilities of Watermaster for the Period of June 1, 2011 through June 30, 2011.

Recommendation – Staff recommends the Treasurer's Report of Financial Affairs for the Period June 1, 2011 through June 30, 2011 be received and filed as presented.

Fiscal Impact – Funds disbursed were included in the FY 2010-2011 Watermaster Budget.

BACKGROUND

A Treasurer's Report of Financial Affairs for the Period June 1, 2011 through June 30, 2011 is provided to keep all members apprised of the total cash in banks (Bank of America and LAIF) and on hand at the Watermaster office (petty cash) at the end of the period stated. The Treasurer's Report details the change (increase or decrease) in the overall cash position of Watermaster, as well as the changes (increase or decrease) to the assets and liabilities section of the balance sheet. The report also provides a detailed listing of all deposits and/or withdrawals in the California State Treasurer's Local Agency Investment Fund (LAIF), the most current effective yield as of the last quarter, and the ending balance in LAIF as of the reporting date.

DISCUSSION

The Treasurer's Report of Financial Affairs has been created from various financial reports and statements created from QuickBooks Enterprise Solutions 9.0, the Watermaster accounting system. The Treasurer's Report provided, balances to the supporting documentation in the Watermaster accounting system, as well as the supporting bank statements.

Actions:

August 11, 2011 Appropriative Pool – Approved Unanimously
August 11, 2011 Non-Agricultural Pool – Receive & File with no Approval
August 11, 2011 Agricultural Pool –
August 18, 2011 Advisory Committee –
August 25, 2011 Watermaster Board –

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**CHINO BASIN WATERMASTER
TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE PERIOD
JUNE 1 THROUGH JUNE 30, 2011**

INVESTMENT TRANSACTIONS

Effective Date	Transaction	Depository	Activity	Redeemed	Days to Maturity	Interest Rate(*)	Maturity Yield
6/6/2011	Withdrawal	L.A.I.F.	\$ (5,000,000)				
6/30/2011	Withdrawal	L.A.I.F.	\$ (1,500,000)				
TOTAL INVESTMENT TRANSACTIONS			\$ (6,500,000)				

* The earnings rate for L.A.I.F. is a daily variable rate; 0.48% was the effective yield rate at the Quarter ended June 30, 2011.

**INVESTMENT STATUS
June 30, 2011**

Financial Institution	Principal Amount	Number of Days	Interest Rate	Maturity Date
Local Agency Investment Fund	\$ 7,031,766			
TOTAL INVESTMENTS	\$ 7,031,766			

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,

Joseph S. Joswiak
Chief Financial Officer
Chino Basin Watermaster



CHINO BASIN WATERMASTER

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DESI ALVAREZ, PE
Chief Executive Officer

STAFF REPORT

DATE: August 18, 2011
TO: Advisory Committee Members
SUBJECT: Budget vs. Actual Report for the Period July 1, 2010 through June 30, 2011 - Financial Report - B5

SUMMARY

Issue – Record of revenues and expenses of Watermaster for the Period of July 1, 2010 through June 30, 2011.

Recommendation – Staff recommends the Budget vs. Actual Report for the Period July 1, 2010 through June 30, 2011 be received and filed as presented.

Fiscal Impact – Funds disbursed were included in the FY 2010-2011 Watermaster Budget.

BACKGROUND

A Budget vs. Actual Report for the period July 1, 2010 through June 30, 2011 is provided to keep all members apprised of the total revenues and expenses for the current fiscal year. The expense section is categorized into four distinct sections. Those sections are: General and Administrative Expenses; Optimal Basin Management Program Expenses; Project Expenses; and Other Income/Expenses.

DISCUSSION

The Budget vs. Actual report has been created from QuickBooks Enterprise Solutions 9.0, the Watermaster accounting system. The Budget vs. Actual report provided, balances to the supporting documentation in the Watermaster accounting system, as well as the supporting bank statements.

There were no budget transfers for the month of June 2011.

Year-To-Date (YTD) for the twelve month period ending June 30, 2011 of the fiscal year, all categories were at or below the projected budget, including category 6900 (Optimum Basin Mgmt Plan).

With June 2011 being the last month in the fiscal year, there were certain year-end transactions posted. These transactions were as follows:

- Reconciled accrued vacation, sick and comp time to actual increasing the overall accrued liability balances by \$21,806.70
- Recorded the quarterly interest earned on the LAIF funds of \$14,728.68
- Recorded the annual depreciation expense in the amount of \$20,698.97 to account 9400

The overall Watermaster payroll expenses were under budget as a direct result of cost savings of the CEO's salary during the months of March and April. If you recall, Ken Manning departed as CEO on February 28, 2011 and Desi Alvarez started as CEO on May 3, 2011. When taking into account the year end vacation, sick and comp time accrual adjustments to actual, the Administrative payroll expense category (6010 - Salary Costs) was under the budgeted amount of \$492,544 by \$11,085 or 2.25% at fiscal year end June 30, 2011.

The other General and Administrative expenses (accounts 6020 – 6190) and the Pools, Advisory and Board expenses (accounts 6200 – 8500) were under budget at fiscal year end.

OBMP Engineering Services and Legal Costs:

	Jul '10 - Jun' 11	Budget	\$ Over Budget	% of Budget
6900 · Optimum Basin Mgmt Plan				
6901 · WM Staff Salaries	195,183.68	206,620.00	-11,436.32	94.47%
6903 · OBMP SAWPA Group	25,778.00	25,778.00	0.00	100.0%
6906 · OBMP Engineering Services				
6906.1 · OBMP - Watermaster Model Update	145,000.19	145,000.00	0.19	100.0%
6906 · OBMP Engineering Services - Other	335,903.77	339,336.00	-3,432.23	98.99%
Total 6906 · OBMP Engineering Services	480,903.96	484,336.00	-3,432.04	99.29%
6907 · OBMP Legal Fees				
6907.3 · WM Legal Counsel				
6907.30 · Peace II - CEQA	4,018.00	50,000.00	-45,982.00	8.04%
6907.31 · S. Archibald Plume-Formerly OIA	28,854.65	15,000.00	13,854.65	192.36%
6907.32 · Chino Airport Plume	62,125.81	64,000.00	-1,874.19	97.07%
6907.33 · Desalter Negotiations	178,473.41	145,000.00	33,473.41	123.09%
6907.34 · Santa Ana River Water Rights	16,562.22	25,000.00	-8,437.78	66.25%
6907.35 · Paragraph 31 Motion	146,114.43	75,000.00	71,114.43	194.82%
6907.36 · Santa Ana River Habitat	15,207.61	18,000.00	-2,792.39	84.49%
6907.37 · Water Auction	1,183.50	40,000.00	-38,816.50	2.96%
6907.38 · Reg. Water Quality Cntrl Board	3,591.00	15,000.00	-11,409.00	23.94%
6907.39 · Recharge Master Plan	8,419.27	40,000.00	-31,580.73	21.05%
6907.3 · WM Legal Counsel - Other	224,048.43	250,000.00	-25,951.57	89.62%
Total 6907.3 · WM Legal Counsel	688,598.33	737,000.00	-48,401.67	93.43%
Total 6907 · OBMP Legal Fees	688,598.33	737,000.00	-48,401.67	93.43%
6909 · OBMP Other Expenses				
6909.1 · OBMP Meetings	1,687.68	0.00	1,687.68	100.0%
6909.4 · Printing	1,692.00	0.00	1,692.00	100.0%
6909.5 · Ad Hoc Litigation Committee	21.58	0.00	21.58	100.0%
6909 · OBMP Other Expenses - Other	116,200.00	102,800.00	13,400.00	113.04%
Total 6909 · OBMP Other Expenses	119,601.26	102,800.00	16,801.26	116.34%
Total 6900 · Optimum Basin Mgmt Plan	1,510,065.23	1,556,534.00	-46,468.77	97.02%

Within the category 6900 (Optimum Basin Mgmt Plan) are the Watermaster's legal expenses. Within the legal expense category, some individual line item activities were above the budget (\$118,443) while the majority of line item activities were below the budget (\$166,845). Above the budget line items were the Paragraph 31 Motion activities of \$71,114, the ongoing Desalter Negotiations of \$33,474 and the South

Archibald Plume (formerly known as the Ontario Airport Plume) of \$13,855. The individual legal projects/activities that were below budget for the Y-T-D period were the Peace II (\$45,982), the Santa Ana River Water Rights Application of (\$8,438), Water Auction (\$38,817), Regional Water Quality Control Board of (\$11,409), Recharge Master Plan (\$31,581), the Santa Ana River Critical Habitat of (\$2,792), the Chino Airport Plume of (\$1,874) and General Administrative Legal Costs (Pool, Advisory and Board meetings) of (\$25,952). For the twelve month period, the cumulative Y-T-D budget was \$737,000 and actual legal expenses totaled \$688,598 which resulted in an (Under) budget variance of (\$48,402) or 6.6%. The budgeted Y-T-D amount of \$737,000 includes the entire legal contingency amount of \$145,000 which was processed in April's budget transfer.

The OBMP Implementation Projects (accounts 7100's – 7700's) were all under budget, as projected, at fiscal year-end June 30, 2011.

Account 7690 (Recharge Improvement Debt Payment) was under budget at year-end by \$334,175 or 47.7% as a result of a credit in the amount of \$270,408 that was received from IEUA and posted to Watermaster's account in April 2011. IEUA adopts a budget each year that includes the Chino Basin Groundwater Recharge Program Budget-Debt Service. Per the agreement dated May 1, 2002 with IEUA, Watermaster pays IEUA based upon budget projections and any adjustments are provided when the reconciliation is completed by IEUA. IEUA's reconciliation shows that the IEUA's Adopted Budget FY2009/10 for the Chino Basin Groundwater Recharge Program-Debt Service was \$1,326,210 while the Actual Expenses for FY 2009/10 was \$681,322, a variance of \$644,888. The largest contributor to the variance was the Interest Expense which was budgeted at \$727,506 but the Actual expenses for FY2009/10 were \$53,399, a savings of \$674,107. Several other categories showed small adjustments. Using the Actual amounts for FY 2009/10 of \$681,322, Watermaster's 50% share of the Debt Service was \$340,661 while Watermaster was billed and paid \$611,069, resulting in a credit due of \$270,408. The remaining budget variance of \$63,767 was the residual budget balance.

Other Income and Expense:

In June, Niagara Bottling and Fontana Water Company received their first invoices for the MWD water purchase. Niagara Bottling was billed \$1,539,390.80 for 3,646.80 AF while Fontana Water Company was billed \$2,211,236.70 for 5,237.70 AF. The combined receivable amount of \$3,750,627.50 was recorded in the Other Income section under account 4600 (Groundwater Sales). The offsetting expense payable to IEUA for the MWD water of \$3,750,627.50 was recorded in the Other Expense section under account 5010 (Groundwater Replenishment).

With the exceptions previously noted, there were no other unusual or significant transactions or events during the month of June. Looking ahead, the month of July should provide positive financial results with the categories being at or below budget.

Actions:

- August 11, 2011 Appropriative Pool – Approved Unanimously
- August 11, 2011 Non-Agricultural Pool – Receive & File with no Approval
- August 11, 2011 Agricultural Pool –
- August 18, 2011 Advisory Committee –
- August 25, 2011 Watermaster Board –

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CHINO BASIN WATERMASTER
Budget vs. Actual

09:39 AM
08/03/11
Accrual Basis

Current Month, Year-To-Date and Fiscal Year-End

1/12th of the Total Budget For The Month of June 2011

	Actual	Budget	\$ Over(Under)	% of Budget
Income				
4010 - Local Agency Subsidies	0.00	0.00	0.00	0.0%
4110 - Admin Asmnts-Approp Pool	0.00	0.00	0.00	0.0%
4120 - Admin Asmnts-Non-Agri Pool	0.00	0.00	0.00	0.0%
4700 - Non Operating Revenues	11,512.48	35,002.00	-23,489.52	32.89%
4900 - Miscellaneous Income	0.00	0.00	0.00	0.0%
Total Income	11,512.48	35,002.00	-23,489.52	32.89%
Gross Profit	11,512.48	35,002.00	-23,489.52	32.89%
Expense				
6010 - Salary Costs	79,966.23	46,487.00	33,479.23	172.02%
6020 - Office Building Expense	8,215.84	8,433.00	-217.16	97.43%
6030 - Office Supplies & Equip.	1,672.82	2,541.67	-868.85	65.82%
6040 - Postage & Printing Costs	5,728.71	5,000.00	728.71	114.57%
6050 - Information Services	9,057.71	11,766.66	-2,708.95	76.98%
6060 - Contract Services	0.00	0.00	0.00	0.0%
6080 - Insurance	243.55	0.00	243.55	100.0%
6110 - Dues and Subscriptions	0.00	0.00	0.00	0.0%
6140 - WM Admin Expenses	65.07	250.00	-184.93	26.03%
6150 - Field Supplies	832.12	0.00	832.12	100.0%
6170 - Travel & Transportation	1,843.70	2,730.00	-886.30	67.54%
6190 - Conferences & Seminars	1,730.66	0.00	1,730.66	100.0%
6200 - Advisory Comm - WM Board	2,049.63	1,872.50	177.13	109.46%
6300 - Watermaster Board Expenses	4,476.18	4,216.92	259.26	106.15%
8300 - Appr Pl-WM & Pool Admin	2,498.49	7,983.84	-5,485.35	31.29%
8400 - Agri Pool-WM & Pool Admin	4,665.82	2,345.59	2,320.23	198.92%
8467 - Ag Legal & Technical Services	3,812.10	9,833.33	-6,021.23	38.77%
8470 - Ag Meeting Attend -Special	4,375.00	1,000.00	3,375.00	437.5%
8471 - Ag Pool Expense	10,342.00	16,250.00	-5,908.00	63.64%
8500 - Non-Ag Pl-WM & Pool Admin	6,452.72	13,472.17	-7,019.45	47.9%
6500 - Education Funds Use Expens	0.00	0.00	0.00	0.0%
9400 - Depreciation Expense	20,698.97	0.00	20,698.97	100.0%
9500 - Allocated G&A Expenditures	-33,427.46	-40,677.42	7,249.96	82.18%
6500 - Optimum Basin Mgmt Plan	183,916.99	135,913.02	48,003.97	135.32%
6950 - Mutual Agency Projects	0.00	10,000.00	-10,000.00	0.0%
9501 - G&A Expenses Allocated-OBMP	12,027.04	11,888.00	139.04	101.17%
7101 - Production Monitoring	8,140.45	5,879.31	2,261.14	138.46%
7102 - In-line Meter Installation	4,101.73	5,556.59	-1,454.86	73.82%

12/12th (100%) of the Total Budget

	Actual	Budget	\$ Over(Under)	% of Budget
4010 - Local Agency Subsidies	111,000.00	148,410.00	-37,410.00	74.79%
4110 - Admin Asmnts-Approp Pool	6,165,079.40	6,153,067.00	12,012.40	100.2%
4120 - Admin Asmnts-Non-Agri Pool	343,089.90	355,003.00	-11,913.10	96.64%
4700 - Non Operating Revenues	36,929.76	175,010.00	-138,080.24	21.1%
4900 - Miscellaneous Income	0.00	0.00	0.00	0.0%
Total Income	6,656,099.06	6,831,490.00	-175,390.94	97.43%
Gross Profit	6,656,099.06	6,831,490.00	-175,390.94	97.43%
Expense				
6010 - Salary Costs	481,459.32	492,544.00	-11,084.68	97.75%
6020 - Office Building Expense	98,312.65	101,196.00	-2,883.35	97.15%
6030 - Office Supplies & Equip.	20,009.65	30,500.00	-10,490.35	65.61%
6040 - Postage & Printing Costs	61,289.15	78,300.00	-17,010.85	78.28%
6050 - Information Services	155,412.38	160,200.00	-4,787.62	97.01%
6060 - Contract Services	29,707.50	35,000.00	-5,292.50	84.88%
6080 - Insurance	16,106.55	17,575.00	-1,468.45	91.65%
6110 - Dues and Subscriptions	29,520.13	30,000.00	-479.87	98.4%
6140 - WM Admin Expenses	1,350.72	3,000.00	-1,649.28	45.02%
6150 - Field Supplies	1,033.88	1,800.00	-766.12	57.44%
6170 - Travel & Transportation	25,841.87	33,160.00	-7,318.13	77.93%
6190 - Conferences & Seminars	18,125.51	23,000.00	-4,874.49	78.81%
6200 - Advisory Comm - WM Board	18,322.08	22,470.00	-4,147.92	81.54%
6300 - Watermaster Board Expenses	50,409.58	50,603.00	-193.42	99.62%
8300 - Appr Pl-WM & Pool Admin	51,777.57	90,043.00	-38,265.43	57.5%
8400 - Agri Pool-WM & Pool Admin	32,923.28	28,147.00	4,776.28	116.97%
8467 - Ag Legal & Technical Services	126,985.43	118,000.00	8,985.43	107.62%
8470 - Ag Meeting Attend -Special	15,500.00	12,000.00	3,500.00	129.17%
8471 - Ag Pool Expense	10,342.00	65,000.00	-54,658.00	15.91%
8500 - Non-Ag Pl-WM & Pool Admin	145,903.06	161,666.00	-15,762.94	90.25%
6500 - Education Funds Use Expens	375.00	375.00	0.00	100.0%
9400 - Depreciation Expense	20,698.97	0.00	20,698.97	100.0%
9500 - Allocated G&A Expenditures	-393,759.79	-494,129.00	100,369.21	79.69%
6500 - Optimum Basin Mgmt Plan	1,510,065.23	1,556,534.00	-46,468.77	97.02%
6950 - Mutual Agency Projects	10,000.00	10,000.00	0.00	100.0%
9501 - G&A Expenses Allocated-OBMP	106,826.36	142,656.00	-35,829.64	74.88%
7101 - Production Monitoring	86,385.50	102,819.00	-16,433.50	84.02%
7102 - In-line Meter Installation	20,161.53	66,679.00	-46,517.47	30.24%

1/12th of the Total Budget For The Month of June 2011

	Actual	Budget	\$ Over(Under)	% of Budget
7103 · Grdwtr Quality Monitoring	25,550.67	16,916.34	8,634.33	151.04%
7104 · Gdwtr Level Monitoring	53,811.21	21,779.74	32,031.47	247.07%
7105 · Sur Wtr Qual Monitoring	0.00	315.00	-315.00	0.0%
7107 · Ground Level Monitoring	60,323.50	70,635.01	-10,311.51	85.4%
7108 · Hydraulic Control Monitoring	54,070.48	34,391.67	19,678.81	157.22%
7109 · Recharge & Well Monitoring Prog	0.00	0.00	0.00	0.0%
7200 · PE2- Comp Recharge Pgm	12,778.89	18,418.50	-5,639.61	69.38%
7300 · PE3&5-Water Supply/Desalite	5,047.65	14,022.58	-8,974.93	36.0%
7400 · PE4- Mgmt Plan	5,171.72	7,572.92	-2,401.20	68.29%
7500 · PE6&7-CoopEfforts/SaltMgmt	1,862.63	10,515.00	-8,652.37	17.71%
7600 · PE8&9-StorageMgmt/Conj Use	348.67	4,075.00	-3,726.33	8.56%
7690 · Recharge Improvement Debt Pymt	0.00	0.00	0.00	0.0%
7700 · Inactive Well Protection Prgm	0.00	0.00	0.00	0.0%
9502 · G&A Expenses Allocated-Projects	21,400.42	28,789.42	-7,389.00	74.33%
Total Expense	583,851.91	490,173.36	93,678.55	119.11%
Net Ordinary Income	-572,339.43	-455,171.36	-117,168.07	125.74%

12/12th (100%) of the Total Budget Year-To-Date as of June 30, 2011

	Actual	Budget	\$ Over(Under)	% of Budget
7103 · Grdwtr Quality Monitoring	195,040.50	202,996.00	-7,955.50	96.08%
7104 · Gdwtr Level Monitoring	263,996.95	287,282.00	-23,285.05	91.9%
7105 · Sur Wtr Qual Monitoring	771.23	4,280.00	-3,508.77	18.02%
7107 · Ground Level Monitoring	476,155.10	657,620.00	-181,464.90	72.41%
7108 · Hydraulic Control Monitoring	400,050.89	412,700.00	-12,649.11	96.94%
7109 · Recharge & Well Monitoring Prog	9,428.75	9,440.00	-11.25	99.88%
7200 · PE2- Comp Recharge Pgm	881,395.29	946,022.00	-64,625.71	93.17%
7300 · PE3&5-Water Supply/Desalite	98,271.56	124,111.00	-25,839.44	79.18%
7400 · PE4- Mgmt Plan	56,437.19	91,955.00	-35,517.81	61.38%
7500 · PE6&7-CoopEfforts/SaltMgmt	100,802.34	126,180.00	-25,377.66	79.89%
7600 · PE8&9-StorageMgmt/Conj Use	25,881.47	45,250.00	-19,368.53	57.2%
7690 · Recharge Improvement Debt Pymt	366,789.50	700,964.00	-334,174.50	52.33%
7700 · Inactive Well Protection Prgm	75.00	1,412.00	-1,337.00	5.31%
9502 · G&A Expenses Allocated-Projects	286,933.44	345,473.00	-58,539.56	83.06%
Total Expense	5,913,115.32	6,894,823.00	-981,707.68	85.76%
Net Ordinary Income	742,983.74	-63,333.00	806,316.74	-1,173.14%

P40

Other Income

4225 · Interest Income	3,216.20	0.00	3,216.20	100.0%
4210 · Approp Pool-Replenishment	3,750,627.50	0.00	3,750,627.50	100.0%
4220 · Non-Ag Pool-Replenishment	0.00	0.00	0.00	0.0%
4600 · Groundwater Sales	0.00	0.00	0.00	0.0%
Total Other Income	3,753,843.70	0.00	3,753,843.70	100.0%
Other Expense				
5010 · Groundwater Replenishment	8,435,175.30	0.00	8,435,175.30	100.0%
5100 · Other Water Purchases	0.00	0.00	0.00	0.0%
9999 · To/(From) Reserves	-5,253,671.03	-455,171.36	-4,798,499.67	1,154.22%
Total Other Expense	3,181,504.27	-455,171.36	3,636,675.63	-698.97%
Net Other Income	572,339.43	455,171.36	117,168.07	125.74%
Net Income	0.00	0.00	0.00	0.0%

Note: Please see the staff report (Financial Report-B5) for additional detailed information on the account categories.



CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

C. WATER TRANSACTIONS

1. **Consider Approval for Notice of Sale or Transfer** – Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 7.000 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2010/2011. Date of Application: June 21, 2011, Date of Notice: July 7, 2011



CHINO BASIN WATERMASTER

NOTICE

OF

APPLICATION(S)

RECEIVED FOR

WATER TRANSACTIONS – ACTIVITIES

Date of Notice:

July 7, 2011

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

NOTICE OF APPLICATION(S) RECEIVED

Date of Application: **June 21, 2011**

Date of this notice: **July 7, 2011**

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

- A. Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 7,000 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2010/2011.

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

Appropriative Pool: July 14, 2011

Non-Agricultural Pool: July 14, 2011

Agricultural Pool: July 14, 2011

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

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

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

Watermaster address:

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

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

CHINO BASIN WATERMASTER

NOTICE OF TRANSFER OF WATER

Notification Dated: July 7, 2011

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

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CHINO BASIN WATERMASTER

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

KENNETH R. MANNING
CHIEF EXECUTIVE OFFICER

DATE: July 7, 2011
TO: Watermaster Interested Parties
SUBJECT: Summary and Analysis of Application for Water Transaction

Summary –

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

Issue –

- Notice of Sale or Transfer – Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 7.000 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2010/2011.

Recommendation –

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

Fiscal Impact –

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

Background

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

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

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

- Fontana Water Company (“Company”) has agreed to purchase from The Nicholson Trust annual production right in the amount of 7.000 acre-feet to satisfy a portion of the Company’s anticipated Chino Basin replenishment obligation for Fiscal Year 2010/2011.

Notice of the water transaction identified above was mailed on July 7, 2011 along with the materials submitted by the requestors.

DISCUSSION

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

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

FISCAL YEAR 2010 - 2011

DATE REQUESTED: June 21, 2011

AMOUNT REQUESTED: 7.000 Acre-Feet

<p>TRANSFER FROM (SELLER / TRANSFEROR):</p> <p><u>The Nicholson Trust</u> Name of Party</p> <p><u>Post Office Box 6010</u> Street Address</p> <p><u>El Monte</u> <u>CA</u> <u>91734</u> City State Zip Code</p> <p><u>(626) 448-6183</u> Telephone</p> <p><u>(626) 448-5530</u> Facsimile</p>	<p>TRANSFER TO (BUYER / TRANSFEREE):</p> <p><u>Fontana Water Company</u> Name of Party</p> <p><u>Post Office Box 987</u> Street Address</p> <p><u>Fontana</u> <u>CA</u> <u>92334</u> City State Zip Code</p> <p><u>(909) 822-2201</u> Telephone</p> <p><u>(909) 823-5046</u> Facsimile</p>
--	---

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

PURPOSE OF TRANSFER:

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

WATER IS TO BE TRANSFERRED FROM:

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

WATER IS TO BE TRANSFERRED TO:

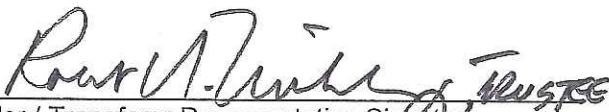
- Annual Production Right / Operating Safe Yield (common)
- Storage (rare)
- Other, explain _____

SAID TRANSFER SHALL BE CONDITIONED UPON:

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

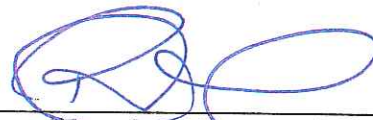
ADDITIONAL INFORMATION ATTACHED

Yes No



Seller / Transferor Representative Signature

Robert H. Nicholson, Jr., Trustee
Seller / Transferor Representative Name (Printed)



Buyer / Transferee Representative Signature

Robert K. Young, General Manager
Buyer / Transferee Representative Name (Printed)

TO BE COMPLETED BY WATERMASTER STAFF:

DATE OF WATERMASTER NOTICE: _____

DATE OF APPROVAL FROM APPROPRIATIVE POOL: _____

DATE OF APPROVAL FROM NON-AGRICULTURAL POOL: _____

DATE OF APPROVAL FROM AGRICULTURAL POOL: _____

HEARING DATE, IF ANY: _____

DATE OF ADVISORY COMMITTEE APPROVAL: _____

DATE OF BOARD APPROVAL: _____

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CHINO BASIN WATERMASTER

I. CONSENT CALENDAR

D. SEMI-ANNUAL STATUS REPORT 2011-1





CHINO BASIN WATERMASTER

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

DESI ALVAREZ, P.E.
Chief Executive Officer

STAFF REPORT

DATE: August 18, 2011
TO: Advisory Committee Members
SUBJECT: Status Report 2011-1

SUMMARY

Recommendation – Receive and File Semi-Annual Status Report 2011-1 for filing courtesy copy with the Court

BACKGROUND

Semi-Annual Status Report 2011-1 covers the period of January to June 2011. While the bulk to the report describes work conducted for each element of the Optimum Basin Management Program (OBMP) during the 6 month period.

Staff recommends approval of the report for filing courtesy copy with the Court.

Actions:

August 11, 2011 Appropriative Pool – Receive and File
August 11, 2011 Non-Agricultural Pool – Receive and File
August 11, 2011 Agricultural Pool –
August 18, 2011 Advisory Committee –
August 25, 2011 Watermaster Board –

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Optimum Basin Management Program

Staff Status Report 2011-1: January to June 2011



CHINO BASIN WATERMASTER

Optimum Basin Management Program

Highlighted Activities

- California is experiencing the second wettest year on record and the State's surface reservoir are full allowing the Governor to officially proclaim an end to California's drought.
- As a result in the State's bountiful water supply, Metropolitan Water District of Southern California (MWD) made imported water available at the replenishment rate. Watermaster is purchasing 40,000-50,000 acre-feet of this water to be used toward future replenishment obligations. As of June 30, 2011, approximately 9,465 acre-feet of that water had been recharged. It will continue to be recharged through December 31, 2011.
- During the fiscal year, approximately 16,848 acre-feet of stormwater were recharged, the second-highest year on record. In addition, approximately 8,010 acre-feet of recycled water were recharged during the fiscal year.
- Watermaster is preparing a restated Judgment at the request of the Court. A draft version of the restated Judgment is available for review on the website.
- The proposed Chino Creek Well Field locations for Wells I-19, I-20, and I-21 by the Chino Desalter Authority (CDA) are under review by Watermaster. When completed and in operation, these wells will achieve hydraulic control and will not conflict with the Optimum Basin Management Plan (OBMP) goal to minimize or abate permanent subsidence.
- On June 14, 2011 the MWD Board approved the local resources program (LRP) grant for the desalters.
- Watermaster and the Inland Empire Utilities Agency (IEUA) are working together for the creation of a 5th retention facility at the Turner Basin. Up to 175,000 cubic yards of dirt are anticipated to be removed for the Milliken Avenue Grade Separation Project funded by the City of Ontario and the San Bernardino Associated Governments (SANBAG). This represents a savings of approximately \$4.5 million.



MWD Turnout CB-14

Program Element 1: Develop and Implement a Comprehensive Monitoring Program

Groundwater Level Monitoring

Watermaster initiated a comprehensive monitoring program as part of the implementation of the OBMP. The current groundwater level monitoring program is comprised of about 700 wells. At about 500 of these wells, water levels are measured by well owners, which include municipal water agencies, the California Department of Toxic Substance Control (DTSC), the County of San Bernardino, and various private consulting firms. The measurement frequency is typically about once per month. Watermaster collects these water level data quarterly. The remaining 200 wells are private wells or dedicated monitoring wells that are mainly located in the southern portion of the Chino Basin. Watermaster staff measures water levels at these wells using manual methods once per month or with

Important Court Hearings and Orders

- JANUARY 21—CHINO BASIN WATERMASTER COURT HEARING: REGARDING MOTION TO RE-APPOINT NINE MEMBER BOARD FOR A FURTHER FIVE-YEAR TERM
- JANUARY 26—ORDER GRANTING MOTION TO RE-APPOINT NINE MEMBER WATERMASTER BOARD FOR A FURTHER FIVE-YEAR TERM
- FEBRUARY 3—COURT OF APPEAL ORDER REGARDING PARAGRAPH 31 APPEAL BRIEFING SCHEDULE

Optimum Basin Management Program

Program Element 1: Develop and Implement a Comprehensive Monitoring Program (Continued)

GOVERNOR
JERRY BROWN
PROCLAIMED AN
END TO
CALIFORNIA'S
DROUGHT ON
MARCH 30,
2011.

pressure transducers that record water levels once every 15 minutes. The wells in the monitoring program within the southern portion of the Basin were preferentially selected to assist in Watermaster's monitoring programs for hydraulic control, land subsidence, and desalter impacts to private well owners. The remaining wells are monitored in support of the triennial recomputation of ambient water quality in the Chino-North management zone. The water level data are checked by Watermaster staff and uploaded to a centralized relational database.

Groundwater Quality Monitoring

Watermaster initiated a comprehensive monitoring program as part of the implementation of the OBMP. The groundwater quality monitoring program consists of the following four components:

1. An Annual Key Well Water Quality Monitoring Program consisting of 120 wells which are mostly privately owned agricultural wells in the southern portion of Chino Basin that are otherwise not included in an established sampling program. Twenty of these wells are sampled every year; the remaining wells are sampled every three years. The wells sampled annually are for the continuous monitoring of areas of concern associated with the southern edge of the Archibald South (formerly OIA) VOC plume, the southern region of the Chino Airport Plume, and the Kaiser Steel Plume which includes the two multi-port MZ-3 monitoring wells. Data obtained for the Key Well Quality Monitoring Program are used for the triennial ambient water quality analysis, hydraulic control assessment, the Biennial State of the Basin Report, and to assess the overall health of the Basin.
2. Annual sampling at nine HCMP multi-port monitoring wells strategically placed between the Chino Basin Desalter well fields and the Santa Ana River. Results of the annual sampling are used to analyze the effect of desalter pumping over time by comparing water quality of the native groundwater and the Santa Ana River.
3. Monthly sampling at four near-river wells to characterize the Santa Ana River's influence to nearby groundwater. These shallow monitoring wells along the Santa Ana River consist of two former United States Geologic Survey (USGS) National Water Quality Assessment Program (NAWQA) wells (Archibald 1 and Archibald 2), and two wells (Well 9 and Well 11) owned by the Santa Ana River Water Company (SARWC).
4. A cooperative basin-wide data collection effort known as the Chino Basin Data Collection (CBDC) program which relies on municipal producers and other government agencies to supply groundwater quality data on a cooperative basis. These sources include the Appropriators, Department of Toxic Substance Control (DTSC), Regional Water Quality Control Board (RWQCB), US Geological Survey (USGS), the Counties, and other cooperators. All water quality data are routinely collected, QA/QC'd, and loaded into Watermaster's relational database.



Watermaster operations staff preparing to pump a monitoring well to collect water quality samples

Groundwater-Production Monitoring

All active wells (except for minimum user wells) are now metered. Watermaster reads the agricultural production data from the meters on a quarterly basis and enters these data into Watermaster's relational database.

Surface Water Monitoring

Water Quality and Quantity in Recharge Basins. Watermaster measures the quantity of storm and supplemental water entering the recharge basins. Pressure transducers or staff gauges are used to measure water levels during recharge operations. In addition to these quantity measurements, imported

Optimum Basin Management Program

Program Element 1: Develop and Implement a Comprehensive Monitoring Program (Continued)

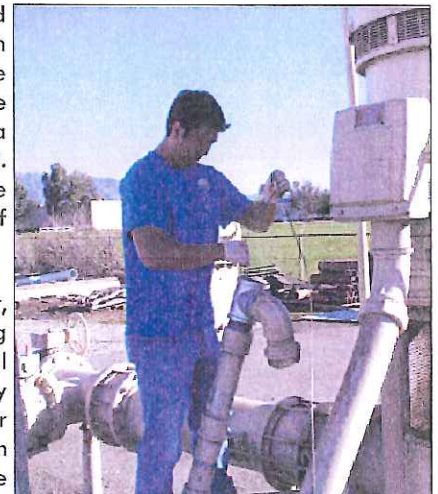
water quality data for State Water Project water are obtained from the Metropolitan Water District of Southern California (MWDSC) and recycled water quality data for the RP-1 and RP-4 treatment plant effluents are obtained from IEUA. Combining the measured flow data with the respective water qualities enables the calculation of the blended water quality in each recharge basin, the "new yield" to the Chino Basin, and the adequate dilution of recycled water.

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

HCMP Annual Report

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

Pursuant to the Basin Plan and the Watermaster/IEUA permit to recharge recycled water, Watermaster and IEUA have conducted groundwater and surface water monitoring programs since 2004. During this reporting period, Watermaster measured 426 manual water levels at private wells throughout the Chino Basin, conducted two quarterly downloads at the 130 wells containing pressure transducers, collected 26 groundwater quality samples, 221 surface water quality samples, and 36 direct discharge stream measurements. Quarterly Surface Water Monitoring Program Reports that summarize data collection efforts were submitted to the RWQCB in January and April of 2011. The Chino Basin Maximum Benefit Monitoring Program 2010 Annual Report was submitted to the RWQCB on April 15, 2011.



Installing a pressure transducer

Chino Basin Groundwater Recharge Program

IEUA, Watermaster, CBWCD, and the SBCFCD jointly sponsor the Chino Basin Groundwater Recharge Program. This is a comprehensive water supply program to enhance water supply reliability and improve the groundwater quality in local drinking water wells throughout the Chino Basin by increasing the recharge of storm water, imported water, and recycled water. The recharge program is regulated under RWQCB Order No. R8-2007-0039 and Monitoring and Reporting Program No. R8-2007-0039.

Recharge Activities. On-going recycled water recharge occurred in the Brooks, 7th Street, 8th Street, Victoria, San Sevaine, Ely, Hickory, and RP-3 Basins this reporting period.

Monitoring Activities. Watermaster and IEUA collect weekly water quality samples from basins that are actively recharging recycled water and from lysimeters installed within those

Optimum Basin Management Program

Program Element 1: Develop and Implement a Comprehensive Monitoring Program (Continued)

basins. During this reporting period, approximately 475 basin and lysimeter samples were collected and 21 recycled water samples were collected for alternative monitoring plans that include the application of a correction factor for Soil-Aquifer Treatment determined from each basin's start-up period. Monitoring wells located down-gradient of the recharge basins were sampled quarterly at a minimum, however, some monitoring wells were sampled more frequently during the reporting period for a total of 85 samples.

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

- 4Q-2010 Quarterly Report, submitted to the RWQCB – February 2011
- 1Q-2011 Quarterly Report, submitted to the RWQCB – May 2011
- 2010 Annual Report, submitted to the RWQCB — May 2011

Land Surface Monitoring

The MZ-1 Subsidence Management Plan (MZ-1 Plan) was approved by Watermaster in October 2007, and was approved by the Court in November 2007 which ordered its implementation (see Program Element 4: Develop and Implement a Comprehensive Groundwater Management Plan for Management Zone 1). The MZ-1 Plan calls for a number of activities with the goal of minimizing or completely abating the future occurrence of land subsidence and ground fissuring in Chino Basin. Some of these activities include:

- Continuing the scope and frequency of monitoring within the so-called Managed Area (southwest MZ-1) that was conducted during the period when the MZ-1 Plan was being developed.
- Expanding the monitoring of the aquifer system and land subsidence into other areas of MZ-1 and Chino Basin where the data indicate concern for future subsidence and ground fissuring.
- Monitoring of horizontal strain across the historical fissure zone.
- Further evaluating the potential contribution of pumping in the central and northern portions of MZ-1 on groundwater conditions in the central and southern portions of MZ-1.
- Conducting additional testing and monitoring to refine the Guidance Criteria.
- Developing alternative pumping plans for the MZ-1 producers that are impacted by the MZ-1 Plan.



MZ-1 Monument Construction & Surveying

- Constructing and testing a lower-cost extensometer facility at Ayala Park.
- Evaluating and comparing ground-level surveying and Interferometric Synthetic Aperture Radar (InSAR), and recommending future monitoring protocols for both techniques.
- Conducting an ASR (aquifer injection and recovery) feasibility study at a production well owned by the City of Chino Hills within the Managed Area.
- Providing for recovery of groundwater levels.

It was determined that the land subsidence is not just isolated to MZ-1. Hence, the Board of Directors approved the formation of the Land Subsidence Committee in December 2010, and its first meeting was held on January 20, 2011.

Optimum Basin Management Program

Program Element 1: Develop and Implement a Comprehensive Monitoring Program (Continued)

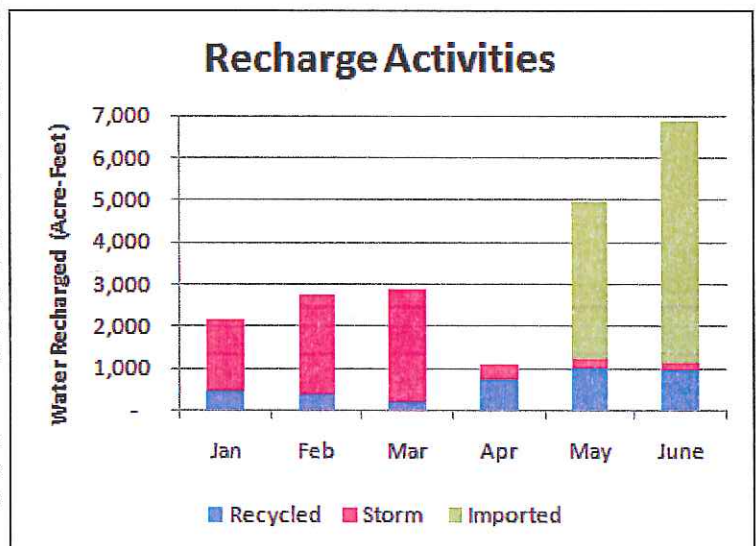
With regard to monitoring and testing, Watermaster began or continued the implementation of some of these activities called for in the MZ-1 Plan. During this reporting period these activities included:

- The continuation of detailed water-level monitoring at wells within the Managed Area and at wells in central MZ-1.
- Continuation of monitoring and maintenance at the Ayala Park Extensometer Facility. This includes monitoring at the newly installed lower-cost pair of cable extensometers within two piezometers at Ayala Park to test this technology for application in other parts of the Basin.
- Collected InSAR data from radar satellites during all six months of the reporting period, which will be analyzed for land surface displacement in early 2012.
- Performed the Spring 2011 ground-level survey across the MZ-1 Managed Area.
- Continued to plan for and implement a new testing and monitoring program within the MZ-1 Managed Area with the goals of (1) refining the Guidance Criteria, (2) confirming the existence of the Riley Barrier, (3) testing the feasibility of injection in the Managed Area, and (4) evaluating the effect of pumping/drawdown and injection/recovery on the fissure zone.
- Prepared equipment to install a horizontal extensometer across the zone of historical ground fissuring. This work was performed by the subcontractor that will be installing and calibrating the horizontal extensometer and data loggers.
- Prepared a right-of-entry agreement with a private property owner in the City of Chino to install the horizontal extensometer.
- Developed a scope of work and budget for Watermaster's 2011-12 fiscal year. The main features of this scope include (1) the installation of the horizontal extensometer across the fissure zone, (2) the installation of a new vertical extensometer near the Chino Creek Well Field, and (3) the implementation of a testing and monitoring program in the MZ-1 Managed Area during 2012 and 2013.

Program Element 2: Develop and Implement a Comprehensive Recharge Program

The theoretical average stormwater recharge capacity of the Chino Basin Facilities Improvement Program (CBFIP) facilities is about 14,000 acre-feet/yr (AFY) and the theoretical supplemental water recharge capacity is 99,000 AFY. Stormwater recharge in the first half of year ending June 30, 2011 was about 7,468 acre-feet. Recycled water recharge during this period were about 3,768 acre-feet. The IEUA and Watermaster recharge permit was amended in fiscal year 2009-10 to allow for underflow dilution and extended the dilution period from a running 60 months to a running 120 months. The significance of this permit amendment was to reduce the amount of imported and storm waters required for dilution. IEUA projects that dilution requirements will likely be met through 2019-20, even if no imported water were available for dilution.

In May, the Metropolitan Water District of Southern California (MWD) made water available at the replenishment rate. It had been approximately four years



Optimum Basin Management Program

Program Element 2: Develop and Implement a Comprehensive Recharge Program (Continued)

since it was last available. Watermaster intends to recharge 40,000-50,000 acre-feet of imported water to offset basin overdraft and to meet future replenishment obligations.

The cumulative unmet replenishment obligation (CURO) was approximately 8,889 acre-feet. It was fully satisfied in May 2011 by purchasing water from Appropriators. The total amount of supplemental water recharged in MZ-1 since the Peace II Agreement is approximately 19,671 acre-feet, which is 6,329 acre-feet (cumulative) less than the average annual requirement of 6,500 acre-feet.

As part of the Recharge Master Plan Implementation, MZ-3 recharge opportunities were discussed. The projects include Wineville Basin spillway and pipeline and pump station to Jurupa Basin, Jurupa Basin and RP-3 Inlet improvements. The Riverside County Flood Control and Water Conservation District is potentially looking to participate in the funding of these projects that would have a direct benefit to their service area.

Program Element 3: Develop and Implement Water Supply Plan for the Impaired Areas of the Basin; and Program Element 5: Develop and Implement Regional Supplemental Water Program

Construction of the Chino I Desalter Expansion and the Chino II Desalter facilities was completed in February 2006. As currently configured, the Chino I Desalter provides 2.6 million gallons per day (MGD) of treated (air stripping for VOC removal) water from Well Nos. 1-4, 4.9 MGD of treated (ion exchange for nitrate removal) water from Well Nos. 5-15, and 6.7 MGD of treated (reverse osmosis for nitrate and TDS removal) water from Well Nos. 5-15 for a total of 14.2 MGD (15,900 AFY). The Chino II Desalter provides 4.0 MGD of ion exchange treated water and 6.0 MGD of reverse osmosis treated water from eight additional wells for a total of 10.0 MGD (11,200 AFY).

Planning continued between the Chino Desalter Authority (CDA) and Western Municipal Water District (WMWD) to expand the Chino II Desalter by 10.5 MGD (11,800 AFY). Watermaster worked with the CDA parties to produce a realistic schedule approved by the RWQCB last June. Raw water will be drawn from existing CDA II wells, and possible additional new wells, if needed. In addition, a new Chino Creek Desalter Well Field, required for the hydraulic control commitment associated with Maximum Benefit, will provide additional raw water to the Chino I Desalter, enabling some existing wells to direct production to the expanded Chino II Desalter facility.

On June 14, 2011 the MWD Board approved the local resources program (LRP) grant for the desalters.

Program Element 4: Develop and Implement a Comprehensive Groundwater Management Plan for Management Zone 1 and Management Zone 3

MZ-1 Management Plan

Because of the historical occurrence of pumping-induced land subsidence and ground fissuring in southwestern Chino Basin (southern MZ-1), the OBMP called for the development and implementation of an Interim Management Plan (IMP) for MZ-1 that would:

- Minimize subsidence and fissuring in the short-term,
- Collect information necessary to understand the extent, rate, and mechanisms of subsidence and fissuring, and
- Formulate a management plan to reduce to tolerable levels or abate future subsidence and fissuring.

From 2001-2005, Watermaster developed, coordinated, and conducted an Interim Monitoring Program (IMP) under the guidance of the MZ-1 Technical Committee, which is composed of representatives from all major MZ-1 producers and their technical consultants. The IMP was an aquifer-system and land subsidence investigation focused in the southwestern region of MZ-1 that would support the development of a long-term management plan to minimize and abate subsidence and fissuring (MZ-1 Plan). The IMP involved the construction of highly-sophisticated monitoring facilities, such as deep borehole extensometers and piezometers, the monitoring of land surface displacements through traditional ground-level surveys and remote-sensing techniques, the detailed monitoring of

Optimum Basin Management Program

Program Element 4: Develop and Implement a Comprehensive Groundwater Management Plan for Management Zone 1 and Management Zone 3 (Continued)

the aquifer system with water-level-recording transducers installed at an array of production and monitoring wells, and the purposeful stressing of the aquifer system through multiple controlled pumping tests.

The investigation methods, results, and conclusions are described in detail in the MZ-1 Summary Report, dated February 2006. The investigation provided enough information for Watermaster to develop Guidance Criteria for the MZ-1 producers in the investigation area that, if followed, would minimize the potential for subsidence and fissuring during the completion of the MZ-1 Plan. The Guidance Criteria included a listing of Managed Wells and their owners subject to the criteria, a map of the so-called Managed Area, and an initial threshold water level (Guidance Level) of 245 feet below the top of the PA-7 well casing. The MZ-1 Summary Report and the Guidance Criteria were adopted by the Watermaster Board in May 2006. The Guidance Criteria formed the basis for the MZ-1 Plan, which was approved by Watermaster in October 2007. The Court approved the MZ-1 Plan in November 2007 and ordered its implementation.

During this reporting period, Watermaster continued implementation of the MZ-1 Plan. Drawdown at the PA-7 piezometer did not fall below the Guidance Level during the reporting period, and very little, if any permanent compaction was recorded at the Ayala Park Extensometer. The ongoing monitoring program called for by the MZ-1 Plan continues to be implemented.

Program Element 6: Develop and Implement Cooperative Programs with the Regional Water Quality Control Board, Santa Ana Region (Regional Board) and Other Agencies to Improve Basin Management; and Program Element 7: Develop and Implement a Salt Management Program

Ontario International Airport (Archibald South Plume)

Watermaster continued to negotiate with the potentially responsible parties (PRPs) associated with the Ontario International Airport (OIA). The PRPs have formed a group called ABGL (Aerojet, Boeing, GE, and Lockheed). Watermaster has continued to participate in meetings with ABGL and their consultants, counsel, the Regional Board, and CDA in order to find common ground for a joint remedy for desalting and plume mitigation. Watermaster prepared technical and legal responses to a presentation made by ABGL's technical consultant in December 2010. Watermaster also coordinated with ABGL's consultant regarding the next round of sampling for VOCs in ABGL's monitoring wells.

Chino Airport

Watermaster continued to negotiate with the County of San Bernardino, Department of Airports (County) in order to find common ground for a joint remedy for desalting and plume mitigation. Watermaster coordinated with the Chino Desalter Authority's consultant, who provided an update on the well drilling and construction activities at the Chino Creek Desalter Well Field (CCWF). Watermaster reviewed hydrogeological information for a cross-section near the Chino Desalter and CCWF (pumping test analysis, cross-sections, etc.) in order to develop estimates of Darcian groundwater flux past this area. Then Watermaster prepared maps and charts of the groundwater model that estimate the degree of hydraulic control that would be achieved after the CCWF is completed as well as the fate of the Chino Airport plume. Watermaster prepared for and attended a meeting at San Bernardino County offices with County staff and technical consultants in February 2011 to present the groundwater model results. Watermaster also prepared a letter report (text, tables, and figures) of modeling results of the Peace II alternative with updated well locations for the CCWF and pumping rates for all Chino Desalter wells.

Watermaster reviewed maps and aerial photos of Chino Creek to develop a surface water monitoring program to characterize groundwater/surface water interactions along Chino Creek.

California Institute for Men

Watermaster continued to coordinate with the State on a memorandum of understanding that would allow Watermaster to continue to monitor a subset of wells on CIM. Watermaster prepared the following letter: "Chino Basin Groundwater Monitoring Programs: Preservation of Certain Monitoring Wells Owned by the State of California at the California Institute for Men (CIM)."

Optimum Basin Management Program

Program Element 6: Develop and Implement Cooperative Programs with the Regional Water Quality Control Board, Santa Ana Region (Regional Board) and Other Agencies to Improve Basin Management; and Program Element 7: Develop and Implement a Salt Management Program (Continued)

Other Water Quality Issues

Watermaster is responding to a public information request regarding perchlorate and perchlorate stable isotope testing in the Chino Basin. The request was made by Lewis, Brisbois, Bisgaard, & Smith LLP, who are defending Sociedad Química y Minera de Chile S.A. (SQM), a Chilean company that historically produced fertilizer that was imported to the United States.

Program Element 8: Develop and Implement a Groundwater Storage Management Program; and Program Element 9: Develop and Implement a Storage and Recovery Program

The existing Watermaster/IEUA/MWDSC Dry-Year Yield (DYY) program continued during the reporting period. All DYY program construction projects have been completed and are currently being used for DYY "take", or removal from storage. As of April 30, 2011 all of the water in the DYY storage account was extracted, leaving the account with a zero balance.

In February 2008, the DYY Expansion Project was initiated by IEUA and Watermaster to evaluate increasing the DYY storage account. The purpose of the DYY Expansion Project was to determine the facilities needed to store up to 150,000 acre-feet and to recover up to 50,000 acre-feet/year. The expansion project analysis was completed in December 2008. The expansion project evaluated the technical, financial, and institutional frame work for individual projects to move forward. Negotiations to-date related to actual projects and the amount of expansion have not resulted in any planned expansion projects.

IN MAY, MWD
MADE WATER
AVAILABLE
AT THE
REPLENISHMENT
RATE FOR THE
FIRST TIME IN
APPROXIMATELY
FOUR YEARS.
WATERMASTER
INTENDS TO
RECHARGE
40,000-50,000
ACRE-FEET OF
IMPORTED
WATER TO BE
USED TOWARD
FUTURE
REPLENISHMENT
OBLIGATIONS.



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

- A. RESOLUTION 11-05 RESOLUTION TO TAX DEFER MEMBER PAID CONTRIBUTIONS AND RESOLUTION 11-06 RESOLUTION FOR PAYING AND REPORTING THE VALUE OF EMPLOYER PAID MEMBER CONTRIBUTIONS





CHINO BASIN WATERMASTER

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

DESI ALVAREZ, PE
Chief Executive Officer

STAFF REPORT

DATE: August 18, 2011
TO: Advisory Committee Members
SUBJECT: CalPERS Resolution 11-05 and 11-06

SUMMARY

Issue – CalPERS requires a “Resolution For Employer Pick-Up” and a “Resolution For Paying And Reporting The Value Of Employer Paid Member Contribution (EPMC)”.

Recommendations – Staff recommends the Committees approval/adoption of Resolution 11-05 and Resolution 11-06.

Fiscal Impact – There is no fiscal impact for Chino Basin Watermaster.

DISCUSSION

RESOLUTION 11-05 “RESOLUTION FOR EMPLOYER PICK-UP”

Internal Revenue Code (IRC) Section 414(h)(2) allows public agencies to designate required employee contributions as being “picked-up” by the employer and treated as employer contributions for tax purposes. The effect of a pick-up is to defer tax on employee contribution amounts until the member retires and receives retirement benefits, or separates from employment and takes a refund of contributions. Absent the 414(h)(2) provision applicable to government plans, employee contributions to a defined benefit pension plan qualified under Section 401(a) would automatically be after-tax contributions (i.e. taxable income to the employee at the time the contribution was made).

Chino Basin Watermaster currently reports all CalPERS member contributions on a tax deferred basis. Per Revenue Ruling 2006-43, an agency reporting tax deferred member contributions must have adopted a pick-up resolution in accordance with Internal Revenue Code (IRC) 414(h)(2), and CalPERS requires that it be provided with a copy of such resolution. On May 11, 2011 the Customer Account Services Division of CalPERS advised Watermaster that CalPERS did not have a copy of the resolution. On October 3, 2008 CalPERS sent Watermaster an explanation of this requirement in Circular Letter 200-049-08. According to CalPERS current records, they do not have a copy of Chino Basin Watermaster’s Resolution which is required under IRC Code 414(h)(2). Resolution 11-05 “Resolution for Employer Pick-Up” corrects this issue

RESOLUTION 11-06 "RESOLUTION FOR PAYING AND REPORTING THE VALUE OF EMPLOYER PAID MEMBER CONTRIBUTIONS (EPMC)"

A public agency may pay all or a portion of the normal contributions required to be paid by members of a group or class. This payment is called Employer Paid Member Contributions (EPMC). Effective July 1, 1994 under G.C. section 20636(c) and California Code of Regulations Sections 571(a)(1), an employer has the option of reporting the value of Employer Paid Member Contributions (EPMC) to CalPERS as special compensation. Reporting the value of EPMC is not subject to state and federal income taxes, nor Social Security and Medicare taxes. Chino Basin Watermaster has, and continues to provide this benefit to all employees and this benefit shall consist of paying 8% of the normal contributions as EPMC, and reporting the same percent (value) of compensation earnable as additional compensation. Chino Basin Watermaster is submitting Resolution 11-06 "Resolution For Paying And Reporting The Value Of EPMC" to comply with CalPERS documentation requirements.

Actions:

- August 11, 2011 Appropriative Pool – Approved Unanimously
- August 11, 2011 Non-Agricultural Pool – Moved to approve recommendations, subject to any changes which the Chair of the Non-Ag Pool and Chair of the Advisory Committee determines appropriate
- August 11, 2011 Agricultural Pool –
- August 18, 2011 Advisory Committee –
- August 25, 2011 Watermaster Board –

RESOLUTION 11-05

**RESOLUTION OF THE CHINO BASIN WATERMASTER,
SAN BERNARDINO COUNTY, CALIFORNIA,
RESOLUTION TO TAX DEFER MEMBER PAID CONTRIBUTIONS**

RESOLUTION FOR EMPLOYER PICK-UP

WHEREAS, the Chino Basin Watermaster has the authority to implement the provisions of section 414(h)(2) of the Internal Revenue Code (IRC); and

WHEREAS, the Board of Administration of the Public Employees' Retirement System adopted its resolution regarding section 414(h)(2) IRC on September 18, 1985; and

WHEREAS, the Internal Revenue Service has stated in December 1985, that the implementation of the provisions of section 414(h)(2) IRC pursuant to the Resolution of the Board of Administration would satisfy the legal requirements of section 414(h)(2) IRC; and

WHEREAS, the Chino Basin Watermaster has determined that even though the implementation of the provisions of section 414(h)(2) IRC is not required by law, the tax benefit offered by section 414(h)(2) IRC should be provided to its employees who are members of the Public Employees' Retirement System:

NOW, THEREFORE, BE IT RESOLVED:

- I. That the Chino Basin Watermaster will implement the provisions of section 414(h)(2) Internal Revenue Code by making employee contributions pursuant to California Government Code section 20691 to the Public Employees' Retirement System on behalf of its employees who are members of the Public Employees Retirement System. "Employee contributions" shall mean those contributions to the Public Employees' Retirement System which are deducted from the salary of employees and are credited to individual employee's accounts pursuant to California Government Code section 20691.
- II. That the contributions made by the Chino Basin Watermaster to the Public Employees' Retirement System, although designated as employee contributions, are being paid by the Chino Basin Watermaster in lieu of contributions by the employees who are members of the Public Employees' Retirement System.
- III. That employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the Chino Basin Watermaster to the Public Employees' Retirement System.
- IV. That the Chino Basin Watermaster shall pay to the Public Employees' Retirement System the contributions designated as employee contributions from the same source of funds as used in paying salary.
- V. That the amount of the contributions designated as employee contributions and paid by the Chino Basin Watermaster to the Public Employees' Retirement System on behalf of an employee shall be the entire contribution required of the employee by the Public Employees' Retirement Law (California Government Code sections 20000, et seq.).
- VI. That the contributions designated as employee contributions made by Chino Basin Watermaster to the Public Employees' Retirement System shall be treated for all purposes, other than taxation, in the same way that member contributions are treated by the Public Employees' Retirement System.

By: _____
Chairman, Watermaster Board

APPROVED:

Chairman, Advisory Committee

ATTEST:

Secretary
Chino Basin Watermaster

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN BERNARDINO)

I, _____, Secretary of the Chino Basin Watermaster, DO HEREBY CERTIFY that the foregoing Resolution being No. 11-05, was adopted at a regular meeting of the Chino Basin Watermaster Board by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CHINO BASIN WATERMASTER

Secretary

Date: _____

RESOLUTION 11-06

**RESOLUTION OF THE CHINO BASIN WATERMASTER,
SAN BERNARDINO COUNTY, CALIFORNIA,
RESOLUTION FOR PAYING AND REPORTING THE VALUE OF EPMC**

**RESOLUTION FOR PAYING AND REPORTING THE VALUE OF EMPLOYER
PAID MEMBER CONTRIBUTIONS (EPMC)**

WHEREAS, the governing body of the Chino Basin Watermaster has the authority to implement Government Code Section 20636(c)(4) pursuant to Section 20691;

WHEREAS, the governing body of the Chino Basin Watermaster has a written labor policy or agreement which specifically provides for the normal member contributions to be paid by the employer, and reported as additional compensation;

WHEREAS, one of the steps in the procedures to implement Section 20691 is the adoption by the governing body of the Chino Basin Watermaster of a Resolution to commence paying and reporting the value of said Employer Paid Member Contributions (EPMC); pursuant to CCR title 2 section 571(a)(1).

WHEREAS, the governing body of the Chino Basin Watermaster has identified the following conditions for the purpose of its election to pay EPMC;

- This benefit shall apply to all employees of Chino Basin Watermaster.
- This benefit shall consist of paying 8% of the normal contributions as EPMC, and reporting the same percent (value) of compensation earnable* (excluding Government Code Section 20636(c)(4)) as additional compensation.
- The effective date of this Resolution shall be July 1, 2011.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the Chino Basin Watermaster elects to pay and report the value of EPMC, as set forth above.

By: _____
Chairman, Watermaster Board

APPROVED:

Chairman, Advisory Committee

ATTEST:

Secretary
Chino Basin Watermaster

*Note: Payment of EPMC and reporting the value of EPMC on compensation earnable is on pay rate and special compensation except special compensation delineated in Government Code Section 20636(c)(4) which is the monetary value of EPMC on compensation earnable.

STATE OF CALIFORNIA)
) ss
COUNTY OF SAN BERNARDINO)

I, _____, Secretary of the Chino Basin Watermaster, DO HEREBY CERTIFY that the foregoing Resolution being No. 11-06, was adopted at a regular meeting of the Chino Basin Watermaster Board by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CHINO BASIN WATERMASTER

Secretary

Date: _____



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

- B. LOAN AGREEMENT WITH CHINO
BASIN WATER CONSERVATION
DISTRICT, CITY OF ONTARIO, AND
JURUPA COMMUNITY SERVICES
DISTRICT





CHINO BASIN WATERMASTER

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

DESI ALVAREZ, P.E.
Chief Executive Officer

STAFF REPORT

DATE: August 18, 2011
TO: Advisory Committee Members
SUBJECT: Loan Agreement with the Chino Basin Water Conservation District, City of Ontario, and Jurupa Community Services District

SUMMARY

Recommendation – Approve Loan Agreements with the Chino Basin Water Conservation District in an Amount not to exceed \$5,000,000.00, with the City of Ontario in an Amount not to exceed \$2,125,000, with Jurupa Community Services District in an Amount not to exceed \$1,000,000 and Authorize the CEO to enter into loan agreements with interested Appropriators.

Discussion:

Beginning May 16, 2011 imported replenishment water has been spread in Chino Basin to augment the water supply and for preemptive replenishment. Replenishment water deliveries are scheduled to end December 31, 2011 during which period it is estimated that between 40,000 acre-feet and 50,000 acre-feet of imported water will be spread in the basin.

As of August 4, 2011 approximately 18,000 acre-feet of imported water has been recharged into the Chino Groundwater Basin. Of the water recharged about 8,000 acre-feet was recharged during the month of July which is the target monthly delivery rate. At this rate the total imported water amount that will be recharged in Chino Basin through December 31, 2011 will be close to the 50,000 acre-feet goal.

Since acquisition of this water was unplanned Watermaster did not budget for the water purchase and per the direction of the Advisory Committee and the Board of Directors has developed alternative financing to pay for acquisition of the water.

Acquisition of the water is being financed in two parts. Approximately one half of the replenishment water is being purchased for preemptive replenishment by two Appropriators, Niagara Bottling Company and Fontana Water Company, neither of which own any groundwater rights in Chino Basin and are always in need of replenishment water to cover their groundwater extractions. The remainder of the water is being acquired for Desalter Replenishment which will be required beginning in 2013 when the current Overdraft

Account is exhausted. A summary of the replenishment operating account for the pre-Peace II Desalter is provided in Table 1.

Table 1
Desalter Replenishment Accounting

Year	Desalter Production	Replenishment Obligation Desalter (Kaiser Account)	Replenishment Obligation Pre-Peace II Desalters (CDA)	Available Balance Replenishment Overdraft Account	Residual Replenishment Obligation
2001	7,989	3,995	0	0	3,995
2001	9,458	4,729	0	0	4,729
2003	10,439	5,220	0	0	5,220
2004	10,605	5,303	0	0	5,303
2005	9,854	4,927	0	0	4,927
2006	16,476	11,579	0	225,000	4,897
2007	26,356	608	25,748	199,252	0
2008	26,972	0	26,972	172,286	0
2009	32,920	0	61,990	110,290	-29,070
2010	28,517	0	28,517	81,773	0
2011	28,965	0	28,965	52,808	0
2012	28,750	0	28,750	24,058	4,692
2013	28,750	0	28,750	0	28,750
2014	28,750	0	28,750	0	28,750
2015	28,750	0	28,750	0	28,750

The Desalter Replenishment water will be purchased by Watermaster and used to augment Watermaster's Desalter Overdraft Account. Watermaster will be borrowing from various parties to the Judgment to finance approximately 19,000 acre-feet of water. The remainder of the imported replenishment water will be acquired through storage agreements restricted to future Desalter Replenishment with regional agencies such as Inland Empire Utilities Agency (IEUA) and Three Valleys Municipal Water District (TVMWD).

On July 11, 2011 the Chino Basin Water Conservation District Board of Directors approved a loan of up to \$5,000,000.00 to the Chino Basin Watermaster. Following the CBWCD Board's approval of the loan a Loan Agreement has been negotiated between Watermaster and CBWCD.

Various Appropriators have expressed an interest in providing financing to Watermaster in an amount approximately equivalent to their future assessment obligation for Desalter Replenishment. The City of Ontario and Jurupa Community Services District have agreed to loan Watermaster \$2.1M and \$1.0M respectively.

The term of the loan agreements that Watermaster will enter are described herein. The loan will be subject to a variable interest rate equivalent to the monthly Local Agency Investment Fund (LAIF) interest rate plus one and one-half percent (1.5%) interest per annum. Interest will be calculated on the basis of a 30-day month and a 360-day year and shall be paid monthly. The principal shall be due and payable on January 15, 2015.

Watermaster agrees to pledge assessment revenue received from replenishment assessments levied by Watermaster and shall make principal payment due from such revenue. No new debt will be issued with a priority on the loans. Watermaster will repay the loan through the replenishment assessments it will be collecting to meet Desalter replenishment obligations beginning in 2013 consistent with Article VI of the Peace II Agreement. If by November 15, 2014, Watermaster has not collected replenishment assessments to meet its commitment for full repayment, then by December 15, 2014, Watermaster will levy a special assessment in an amount sufficient to meet the repayment obligations due on January 15, 2015.

Interest payments which are due monthly will be paid from existing reserves. The estimated interest cost on the loans of \$8,125,000 through January 2015 is \$541,666.80. This cost assumes an interest rate of two percent which is based on the average LAIF note for the past six quarters plus 1.5%. Watermaster currently has approximately \$1.3M dollars in a reserve which will be sufficient to cover this expense.

The Agreements will be submitted by Watermaster to the San Bernardino Superior Court (the "Court") maintaining continuing jurisdiction over the Judgment with a request that the Court find that the Agreement constitutes a legal and binding commitment on Watermaster.

Cost of Water:

The loan amount of \$8,125,000 with the cost of replenishment water at \$423 acre-feet provides the potential to purchase 19,200 acre-feet of replenishment water. The cost of replenishment water would be \$424.34 acre-feet which is the same amount as the Special Assessment option.

Actions:

July 21, 2011 Advisory Committee – Moved to bring the agreement to provide a loan between Chino Basin Watermaster and Chino Basin Water Conservation District back in August through the Pool process, have Watermaster staff provide an explanation on how the interest is going to be paid, and obtain approval through the Pool process for authorization of the use of the accumulated reserves to offset monthly interest payments.

July 28, 2011 Watermaster Board – Presented to the Board as an informational item only. The Board requested the item be presented and approved through the normal Pool process.

August 11, 2011 Appropriative Pool – Moved by a majority vote to authorize staff to work on the loan agreements with the Chino Basin Water Conservation District in an amount not to exceed \$5,000,000.00, with the City of Ontario in an amount not to exceed \$2,125,000, with Jurupa Community Services District in an amount not to exceed \$1,000,000 and other interested Appropriators with the condition that Watermaster would obtain Advisory Committee approval before executing the agreements.

August 11, 2011 Non-Agricultural Pool – Moved to approve staff recommendation and give Pool direction to its representative at the Watermaster meeting, should a conclusive deal with any party for a loan in any amount that accomplishes the goal, and allow the representative to vote in favor of it.

August 11, 2011 Agricultural Pool – Moved to approve unanimously.

August 18, 2011 Advisory Committee –

August 25, 2011 Watermaster Board –

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AGREEMENT TO PROVIDE LOAN

This Agreement to Provide Loan ("Agreement") is made as of this ____ day of July, 2011, by and between Chino Basin Water Conservation District (the "District"), and Chino Basin Watermaster (the "Watermaster").

RECITALS

A. Watermaster is the entity appointed by the Court maintaining continuing jurisdiction over the case *Chino Basin Municipal Water District v. City of Chino, San Bernardino Superior Court Case No. RCV 51010* ("Judgment"), whose purpose is to administer the terms of the Judgment.

B. District is a California Water Conservation District organized under _____.

C. Watermaster desires to purchase replenishment water from the Metropolitan Water District of Southern California ("MWD") in order to augment the basin's water supply to satisfy Desalter replenishment obligations of the parties to the Judgment.

D. Under the Judgment, Watermaster collects revenue to purchase replenishment water on a yearly basis based on pumping by parties to the Judgment that incur a replenishment obligation.

E. Watermaster desires to borrow, and District desires to assist Watermaster by lending to Watermaster, an amount in cash not to exceed \$5,000,000 (the "Loan") in order to accomplish the purchase of water from MWD.

F. Under Paragraph 24 of the Judgment, "Watermaster may borrow from time to time amounts not exceeding the annual anticipated receipts of Watermaster during such year."

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of the Loan, Watermaster and District hereby agree as follows:

1. Loan. Subject to the terms and conditions of this Agreement, District hereby agrees to lend the Watermaster up to Five Million Dollars (\$5,000,000.00) at a variable interest rate equivalent to the monthly Local Agency Investment Fund interest rate plus One and One-Half Percent (1.5%) simple interest per annum as more detailed in the attached Promissory Note (the "Note", Exhibit A to this Agreement). As more fully set forth in the Note, the terms of the Loan shall include the following:

1.1 Interest shall be paid monthly. Interest shall be calculated on the basis of a 30-day month and a 360-day year.

1.2 The Note will provide that all outstanding principal shall be due and payable on January 15, 2015.

2. Security. Subject to the terms and conditions of this Agreement, in conjunction with the Note, Watermaster hereby agrees to pledge assessment revenue received from replenishment assessments levied by Watermaster ("Pledged Revenues"), which agreement shall be in the form of the Security Agreement attached hereto as Exhibit B (the "Security Agreement"), and shall make payments due under the Note from the Pledged Revenues and any other legally available source. No new debt will be issued with a priority on parity or senior to the Loan. Any assessments necessary to pay such Loan shall be levied by Watermaster. Watermaster shall levy replenishment assessments upon every acre-foot of water that incurs a replenishment assessment in an amount sufficient to account for both the principal and interest on money borrowed to purchase that water. If by November 15, 2014, Watermaster has not collected replenishment assessments to meet its commitment for full repayment, then by December 15, 2014, Watermaster will levy a special assessment in an amount sufficient to meet the repayment obligations due on January 15, 2015.

3. Use of Loan Proceeds. Watermaster hereby covenants and agrees that the proceeds from the Loan shall only be used to pay invoices from the Inland Empire Utilities Agency ("IEUA") for replenishment water purchased by IEUA from MWD and the Water Facilities Authority for treatment charges.

4. Distribution of Loan Proceeds. Funds will be made available by the District within three days of demand from Watermaster, but shall only be distributed as invoices are received from IEUA for the water and only in the amount of such invoices.

5. Watermaster Records. Watermaster covenants to keep proper books and financial records, in accordance with accepted practices for similar issuers, and to make such books and records available for reasonable inspection by District. Watermaster shall also provide the following financial information and statements in form and content acceptable to District:

5.1 Within 240 days of fiscal year end, a copy of Watermaster's CPA audited financial statement.

5.2 Within 90 days after the end of each interim six-month period (the first six-month period ending on December 31, 2011), a copy of Watermaster's unaudited financial statements for the six months then ended.

5.3 Within 90 days after the beginning of the fiscal year being budgeted, a budget for the new fiscal year.

5.4 Such other financial information as may be reasonably requested by the District from time to time.

6. Court Approval; Deliverables. This Agreement shall be submitted by Watermaster to the San Bernardino Superior Court (the "Court") maintaining continuing jurisdiction over the Judgment with a request that the Court find that the Agreement constitutes a legal and binding commitment on Watermaster. Such approval shall act as a condition precedent to the execution by the parties of the Note and the Security Agreement. Within days of receiving Court approval, the parties shall execute and deliver the Note and the Security Agreement in the forms attached hereto.

7. Representations and Warranties. Watermaster represents and warrants that it knows of no existing or threatened litigation the results of which, if adversely determined, would have a material adverse effect upon Watermaster's ability to fulfill its obligations under this Agreement.

8. Term. This Agreement shall commence on the date set forth above and remain in full force and effect throughout the term of the Loan.

9. Governing Law. This Agreement and any exhibits referenced herein shall be interpreted under and be governed by the laws of the State of California. Any dispute arising under this Agreement shall be subject to the jurisdiction of the Court maintaining continuing jurisdiction over the Judgment.

10. Time. Time is of the essence in this Agreement.

11. Notices. Formal notices, demands and communications between Watermaster and District shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Watermaster and District as follows:

DISTRICT:

WATERMASTER: Chino Basin Watermaster
c/o Mr. Desi Alvarez
8632 San Bernardino Road
Cucamonga, CA _____

12. Relationship of Parties. The relationship of Watermaster and the District under this Agreement is and at all times shall remain solely that of a debtor and a creditor, and shall not be construed as a joint venture, equity venture, partnership, or any other relationship, except as otherwise may be agreed to by the parties. The District neither undertakes nor assumes any responsibility or duty to Watermaster (except as provided for herein) or any third party.

13. Assignment; Binding Nature. This Agreement and the rights granted herein are personal to the District and the Watermaster and may not be exercised or assigned voluntarily or involuntarily by or to any person or entity other than the District and the Watermaster, and shall terminate and be of no further force or effect upon any assignment. All provisions of this Agreement shall be binding upon and inure to the benefit of the administrators, successors-in-interest, transferees, and permitted assigns of each of the parties; provided, however, that except as otherwise permitted in this Agreement, this section does not waive the prohibition on assignment of this Agreement by the District or the Watermaster without the District's or the Watermaster's consent.

14. Waiver. Any waiver by the District of any obligation in this Agreement must be in writing. No waiver will be implied from any delay or failure by the District to take action on any breach or default of Watermaster or to pursue any remedy allowed under the Agreement or applicable law. Any extension of time granted to Watermaster to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the District to any act or omission by Watermaster shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the District's written consent to future waivers.

15. Entire Agreement; Amendment. This Agreement including exhibits referenced herein contain the entire agreement of the parties and supersede any and all prior negotiations with respect to the subject matter hereof. Any amendments or modifications to this Agreement must be in writing, and shall be made only if executed by both Watermaster and the District.

16. Other Agreements. Watermaster represents that it has not entered into any agreements that are inconsistent with the terms of this Agreement. Further, Watermaster shall not enter into any agreements that are inconsistent with the terms of this Agreement without an express waiver by the District in writing.

17. Severability. Every provision of this Agreement is intended to be severable. If any provision of this Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

18. Attorneys' Fees. If any legal proceeding (lawsuit, arbitration, etc.) including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, each party shall bear its own costs.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

DISTRICT

By: _____

WATERMASTER

By: _____
Desi Alvarez, CEO

Exhibit A: Form of Promissory Note
Exhibit B: Form of Security Agreement

SECURED PROMISSORY NOTE

1. **Evidence of Obligation.** For value received, this Promissory Note (the “**Note**”) is given by Chino Basin Watermaster (“**Borrower**”) to Chino Basin Water Conservation District (“**Lender**”), to evidence that certain obligation by Borrower to pay to Lender a principal amount not to exceed Five Million Dollars (\$5,000,000.00).
2. **Payment Covenant.** For value received, Borrower promises to pay to Lender at Cucamonga, California, or at such other place as may be designated in writing by Lender, or to its order, a principal amount not to exceed Five Million Dollars (\$5,000,000.00) plus Interest (as defined below in Section 3), as provided herein.
3. **Use of Proceeds; Principal Amount.** The principal shall only be used by Borrower to pay invoices from the Inland Empire Utilities Agency (“IEUA”) for replenishment water purchased by IEUA from the Metropolitan Water District of Southern California and the Water Facilities Authority for treatment charges. The amount of the principal of this Note shall be determined as follows but shall not exceed \$5,000,000.00: Funds shall be transferred by Lender to Borrower within three (3) days of written demand by Borrower to Lender, provided that such written demand include the invoices received by Borrower from IEUA, and provided further that the amount of the funds transferred by Lender to Borrower shall be an amount equal to the amount of such invoices.
4. **Interest.** Interest on the outstanding principal balance due under this Note shall accrue commencing on the date of this Note at a variable rate equal to the monthly Local Agency Investment Fund interest rate plus One and One-Half Percent (LAIF + 1.5%) simple interest per annum based on a 30-day month and a 360-day year (the “**Interest**”). The Interest shall be paid monthly commencing on .
5. **Maturity.** The entire amount of unpaid principal, plus all accrued and unpaid Interest and any costs or fees owing under this Note shall be due and payable in full on January 15, 2015.
6. **Prepayment.** Borrower reserves the right at any time, and from time to time, to prepay all or any portion of the amounts outstanding hereunder without penalty or premium.
7. **Default; Acceleration.** If an Event of Default (as defined below) occurs under this Note, then Lender may, at its sole option, declare all sums owing under this Note immediately due and payable, and all amounts owing hereunder shall be automatically due and payable subject to any requirements as specified below.

Each of the following shall constitute an “Event of Default”:

- (a) Failure of Borrower to pay when due principal or accrued interest under this Note within thirty (30) days of any due date;

(b) A custodian, trustee, receiver, or agent is appointed or takes possession of substantially all of the assets of Borrower;

(c) Any attachment, execution, or other writ is levied on all or substantially all of the assets of the Borrower;

(d) Any default under the terms of the Security Agreement executed concurrently herewith by Borrower.

8. **Application of Payments.** Any payment when made shall be credited first on the accrued interest then due, and the remainder on the principal payable under this Note. Interest shall thereupon cease on the amount so credited on the principal sum.

9. **No Waivers.** No previous waiver and no failure or delay by Lender in acting with respect to the terms of this Note shall constitute a waiver of any breach, default, or failure of condition under this Note or the obligations secured thereby. A waiver of any term of this Note or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

10. **Usury.** All agreements between Borrower and Lender are expressly limited, so that in no event or contingency whatsoever, whether by reason of the advancement of the proceeds of this Note, acceleration of maturity of the unpaid principal balance, or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance, or detention of the money to be advanced under this Note exceed the highest lawful rate permissible under applicable usury laws. If, under any circumstances whatsoever, Lender shall ever receive as interest an amount that exceeds the highest lawful rate, the amount that would be excessive interest shall be applied to the reduction of the unpaid principal balance under this Note and not to the payment of interest, or, if such excessive interest exceeds the unpaid balance of principal under this Note, such excess shall be refunded to Borrower.

11. **Time of the Essence; Dates.** Time is of the essence of this Note. In the event that any date specified in this Note falls on Saturday, Sunday or a public holiday, such date shall be deemed to be the succeeding day on which the public agencies and major banks are open for business.

12. **Governing Law and Venue.** This Note shall be construed and enforced in accordance with the laws of the State of California. The venue for any proceedings under this Note shall be a court of competent jurisdiction in the County of San Bernardino, State of California.

13. **Parties in Interest.** This Note shall bind Borrower and its successors, heirs and assigns. This Note shall not be assigned or transferred by Lender without the express prior written consent of Borrower, except by operation of law.

14. **Severability.** If any provision in this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note will remain in full

force and effect. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect the extent not held invalid or unenforceable.

15. **Attorneys' Fees.** If any legal proceeding (lawsuit, arbitration, etc.) including an action for declaratory relief, is brought to enforce or interpret the provisions of this Note, each party shall bear its own costs.

IN WITNESS WHEREOF, Borrower has executed this Note as set forth below.

BORROWER:

Chino Basin Watermaster

Desi Alvarez, CEO

Address:
8632 San Bernardino Road
Cucamonga, CA _____

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SECURITY AGREEMENT

This Security Agreement (“**Agreement**”) is made and entered into on this ____ day of _____, 2011, by and between Chino Basin Water Conservation District (the “**District**”) and Chino Basin Watermaster (“**Watermaster**”) (each a “**Party**” and collectively, the “**Parties**”) with reference to the following facts and intentions:

A. Watermaster is the entity appointed by the Court maintaining continuing jurisdiction over the case *Chino Basin Municipal Water District v. City of Chino, San Bernardino Superior Court Case No. RCV 51010* (“**Judgment**”), whose purpose is to administer the terms of the Judgment.

B. District is a California Water Conservation District organized under _____.

C. The Parties entered into that certain Agreement to Provide Loan dated _____, 2011 (the “**Loan Agreement**”), and the approval of the Court as set forth in Section 6 of the Loan Agreement has been obtained.

D. In conjunction with the Secured Promissory Note executed by Watermaster concurrently herewith (the “**Note**”), Watermaster agrees to grant the District a security interest in the assessment revenue received from replenishment assessments levied by Watermaster, as more fully described herein.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements hereinafter set forth, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), THE PARTIES AGREE AS FOLLOWS:

1. **Incorporation by Reference; Defined Terms.** The above Recitals and Exhibits hereto are incorporated herein by this reference. Any term used but not defined in this Agreement shall have the meaning given such term in the Loan Agreement or the Note.

2. **Grant of Security Interest.** Watermaster grants to the District a security interest in the assessment revenue received by Watermaster from replenishment assessments levied by Watermaster (the “**Pledged Revenues**”), to secure performance and payment by Watermaster to the District under the Note.

3. **No Senior Debt.** Watermaster agrees that for the term of the Note, Watermaster shall not issue any debt with a priority on parity with or senior to the Note, and shall not pledge, lien or encumber the Pledged Revenues for the term of the Note.

4. **Representations, Warranties and Covenants.** Watermaster represents, warrants and covenants that it will execute documents and take such other actions and do such other things, all as the District may from reasonably require from time to time, to establish, perfect and maintain a valid security interest and lien in the Pledged Revenues;

5. **Events of Default.** Watermaster will be in default on the occurrence of any one of the following events or conditions (each, an “**Event of Default**”):

a. Watermaster's failure to perform any of the obligations, covenants, terms or conditions contained or referred to in this Agreement or the Note;

b. Watermaster's breach of any warranty, representation or statement contained or referred to in this Agreement or the Note.

6. **Remedies of the District.** When an Event of Default occurs, the District shall provide written notice to Watermaster of the Event of Default and the reasons therefore ("Notice of Default"). Watermaster may object in writing within five (5) days of receipt of Notice of Default, and the parties shall meet and confer in good faith to resolve any dispute. If the parties are unable to resolve such dispute within 30 days then the dispute will be resolved by motion to the Court maintaining continuing jurisdiction over the Judgment. The rights, powers and remedies of the District in this Agreement shall be in addition to all rights, powers and remedies given by law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided in this Agreement shall not be construed as a waiver of any other rights, powers and remedies of the District.

7. **Termination of Agreement.** This Agreement, and Watermaster's duties and obligations under this Agreement, will continue in effect and only terminate when Watermaster completes performance of the obligations and duties under the terms and conditions of the Note.

8. **General Provisions.**

a. **Recitals.** The recitals set forth at the beginning of this Agreement of any matters or facts shall be conclusive proof of their truthfulness and the terms and conditions stated in the recitals, if any, shall be deemed a part of this Agreement.

b. **Other Instruments.** The parties shall, whenever and as often as reasonably requested by the other party, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered any and all documents and instruments as may be necessary, expedient or proper in the reasonable opinion of the requesting party to carry out the intent and purposes of this Agreement, provided that the requesting party shall pay the cost and expense of the further instruments or documents (except that each party shall pay its own attorneys' fees).

c. **Construction.** The provisions of this Agreement should be liberally construed to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning and shall not be construed for or against either party, as each party has participated in the drafting of this Agreement and had the opportunity to have their counsel review it.

d. **Date and Delivery of Agreement.** Notwithstanding anything to the contrary contained in this Agreement, the Parties intend that this Agreement shall be deemed effective, executed, and delivered for all purposes under this Agreement as of the date stated on the first page of this Agreement.

e. **Captions, Headings, Exhibits and Abbreviations.** The captions and headings of this Agreement are for convenience only and have no force or effect in the

interpretation or construction of this Agreement. Words indicated in parenthesis signify an abbreviation for the previous set of words or terms, so that when the abbreviation is used within the Agreement, it shall have the same meaning as a full restatement of the words or terms. All recitals first stated above and all exhibits attached to this Agreement are incorporated by this reference as though fully stated in this Agreement.

f. **Severability.** If any term, provision, covenant or condition of this Agreement shall be or become illegal, null, void or against public policy, or shall be held by any court of competent jurisdiction to be illegal, null or void or against public policy, shall be modified or changed by the parties to the extent possible to carry out the intentions and directives stated in this Agreement. The remaining provisions of this Agreement shall remain in full force and effect and shall not be affected, impaired or invalidated thereby.

g. **Counterparts.** This agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

h. **Successors and Assigns.** This Agreement shall be binding on and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and permitted assigns, except as restricted by this Agreement.

i. **No Assignment.** Watermaster shall not voluntarily or by operation of law assign, hypothecate, give, transfer, mortgage, sublet, license, or otherwise transfer or encumber all or any part of its rights, duties, or other interests in this Agreement without the District's prior written consent. Any attempt to do so in violation of this provision shall be a material default under this Agreement and shall be null and void.

j. **Waiver.** No waiver of any provision or consent to any action shall constitute a waiver of any other provision or consent to any other action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent or commit a party to provide a waiver in the future except to the extent specifically stated in writing. Any waiver given by a party shall be null and void if the party requesting such waiver has not provided a full and complete disclosure of all material facts relevant to the waiver requested. No waiver shall be binding unless executed in writing by the party making the waiver.

k. **Governing Law, Jurisdiction and Venue.** The validity and interpretation of this Agreement and any ancillary documents shall be governed by the laws of the State of California without giving effect to the principles of conflict of laws. The parties agree that any state court located in San Bernardino County shall have personal jurisdiction over the parties hereto and over any case or controversy related in any manner this Agreement and shall be the exclusive forum in which to adjudicate such case or controversy. Any final judgment rendered against a party in any action or proceeding shall be conclusive as to the subject of such final judgment and may be enforced in other jurisdictions in any manner provided by law.

l. **Notices.** Formal notices, demands and communications between Watermaster and the District shall be sufficiently given and shall not be deemed given unless

dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Watermaster and the District as follows:

DISTRICT: _____

WATERMASTER: Chino Basin Watermaster
c/o Mr. Desi Alvarez
8632 San Bernardino Road
Cucamonga, CA _____

m. Attorneys' Fees. If any legal or equitable proceeding (lawsuit, arbitration, etc.), including an action for declaratory relief, related in any manner to this Agreement is brought, each party shall bear its own costs in the resolution of such dispute.

n. Authorizations. All individuals executing this and other documents on behalf of the respective parties certify and warrant that they have the capacity and have been duly authorized to so execute the documents on behalf of the entity so indicated. Each signatory shall also indemnify the other parties to this Agreement, and hold them harmless, from any and all damages, costs, attorneys' fees, and other expenses, if the signatory is not so authorized.

o. Entire Agreement and Amendment. In conjunction with the matters considered herein, this Agreement contains the entire understanding and agreement of the parties and both parties acknowledge that they have not relied on any promises, representations, agreements, warranties or undertakings by any of the parties, either oral or written, of any character or nature binding except as stated in this Agreement. This Agreement supersedes, and its terms govern, all prior or contemporaneous proposals, agreement or other communications between the parties, oral or written, regarding this subject matter. This Agreement may be altered, amended or modified only by an instrument in writing explicitly referencing this Agreement, executed by the parties to this Agreement and by no other means. Each party waives their right to claim, contest or assert that this Agreement was modified, canceled, superseded or changed by any oral agreement, course of conduct, waiver or estoppel.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement on the date first above written.

**CHINO BASIN WATER CONSERVATION
DISTRICT**

CHINO BASIN WATERMASTER

By: _____

By: _____

Desi Alvarez, CEO

Its: _____

AGREEMENT TO PROVIDE LOAN

This Agreement to Provide Loan ("Agreement") is made as of this ____ day of July, 2011, by and between City of Ontario (the "City") and Chino Basin Watermaster (the "Watermaster").

RECITALS

A. Watermaster is the entity appointed by the Court maintaining continuing jurisdiction over the case *Chino Basin Municipal Water District v. City of Chino, San Bernardino Superior Court Case No. RCV 51010* ("Judgment"), whose purpose is to administer the terms of the Judgment.

B. City is a charter City organized under _____.

C. Watermaster desires to purchase replenishment water from the Metropolitan Water District of Southern California ("MWD") in order to augment the basin's water supply to satisfy Desalter replenishment obligations of the parties to the Judgment.

D. Under the Judgment, Watermaster collects revenue to purchase replenishment water on a yearly basis based on pumping by parties to the Judgment that incur a replenishment obligation.

E. Watermaster desires to borrow, and City desires to assist Watermaster by lending to Watermaster, an amount in cash not to exceed \$2,150,000 (the "Loan") in order to accomplish the purchase of water from MWD.

F. Under Paragraph 24 of the Judgment, "Watermaster may borrow from time to time amounts not exceeding the annual anticipated receipts of Watermaster during such year."

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of the Loan, Watermaster and City hereby agree as follows:

1. Loan. Subject to the terms and conditions of this Agreement, City hereby agrees to lend the Watermaster up to Two Million One Hundred Fifty Thousand Dollars (\$2,150,000.00) at a variable interest rate equivalent to the monthly Local Agency Investment Fund interest rate plus One and One-Half Percent (1.5%) simple interest per annum as more detailed in the attached Promissory Note (the "Note", Exhibit A to this Agreement). As more fully set forth in the Note, the terms of the Loan shall include the following:

1.1 Interest shall be paid monthly. Interest shall be calculated on the basis of a 30-day month and a 360-day year.

1.2 The Note will provide that all outstanding principal shall be due and payable on January 15, 2015.

2. Security. Subject to the terms and conditions of this Agreement, in conjunction with the Note, Watermaster hereby agrees to pledge assessment revenue received from replenishment assessments levied by Watermaster ("Pledged Revenues"), which agreement shall be in the form of the Security Agreement attached hereto as Exhibit B (the "Security Agreement"), and shall make payments due under the Note from the Pledged Revenues and any other legally available source. Any assessments necessary to pay such Loan shall be levied by Watermaster. Watermaster shall levy replenishment assessments upon every acre-foot of water that incurs a replenishment assessment in an amount sufficient to account for both the principal and interest on money borrowed to purchase that water. If by November 15, 2014, Watermaster has not collected replenishment assessments to meet its commitment for full repayment, then by December 15, 2014, Watermaster will levy a special assessment in an amount sufficient to meet the repayment obligations due on January 15, 2015.

3. Use of Loan Proceeds. Watermaster hereby covenants and agrees that the proceeds from the Loan shall only be used to pay invoices from the Inland Empire Utilities Agency ("IEUA") for replenishment water purchased by IEUA from MWD and the Water Facilities Authority for treatment charges.

4. Distribution of Loan Proceeds. Funds will be made available by the City within three days of demand from Watermaster, but shall only be distributed as invoices are received from IEUA for the water and only in the amount of such invoices.

5. Watermaster Records. Watermaster covenants to keep proper books and financial records, in accordance with accepted practices for similar issuers, and to make such books and records available for reasonable inspection by City. Watermaster shall also provide the following financial information and statements in form and content acceptable to City:

5.1 Within 240 days of fiscal year end, a copy of Watermaster's CPA audited financial statement.

5.2 Within 90 days after the end of each interim six-month period (the first six-month period ending on December 31, 2011), a copy of Watermaster's unaudited financial statements for the six months then ended.

5.3 Within 90 days after the beginning of the fiscal year being budgeted, a budget for the new fiscal year.

5.4 Such other financial information as may be reasonably requested by the City from time to time.

6. Court Approval; Deliverables. This Agreement shall be submitted by Watermaster to the San Bernardino Superior Court (the "Court") maintaining continuing jurisdiction over the Judgment with a request that the Court find that the Agreement constitutes a legal and binding commitment on Watermaster. Such approval shall act as a condition precedent to the execution by the parties of the Note and the Security Agreement. Within days of receiving Court approval, the parties shall execute and deliver the Note and the Security Agreement in the forms attached hereto.

7. Representations and Warranties. Watermaster represents and warrants that it knows of no existing or threatened litigation the results of which, if adversely determined, would have a material adverse effect upon Watermaster's ability to fulfill its obligations under this Agreement.

8. Term. This Agreement shall commence on the date set forth above and remain in full force and effect throughout the term of the Loan.

9. Governing Law. This Agreement and any exhibits referenced herein shall be interpreted under and be governed by the laws of the State of California. Any dispute arising under this Agreement shall be subject to the jurisdiction of the Court maintaining continuing jurisdiction over the Judgment.

10. Time. Time is of the essence in this Agreement.

11. Notices. Formal notices, demands and communications between Watermaster and City shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Watermaster and City as follows:

CITY:

WATERMASTER: Chino Basin Watermaster
c/o Mr. Desi Alvarez
8632 San Bernardino Road
Cucamonga, CA _____

12. Relationship of Parties. The relationship of Watermaster and the City under this Agreement is and at all times shall remain solely that of a debtor and a creditor, and shall not be construed as a joint venture, equity venture, partnership, or any other relationship, except as otherwise may be agreed to by the parties. The City neither undertakes nor assumes any responsibility or duty to Watermaster (except as provided for herein) or any third party.

13. Assignment; Binding Nature. This Agreement and the rights granted herein are personal to the City and the Watermaster and may not be exercised or assigned voluntarily or involuntarily by or to any person or entity other than the City and the Watermaster, and shall terminate and be of no further force or effect upon any assignment. All provisions of this Agreement shall be binding upon and inure to the benefit of the administrators, successors-in-interest, transferees, and permitted assigns of each of the parties; provided, however, that except as otherwise permitted in this Agreement, this section does not waive the prohibition on assignment of this Agreement by the City or the Watermaster without the City's or the Watermaster's consent.

14. Waiver. Any waiver by the City of any obligation in this Agreement must be in writing. No waiver will be implied from any delay or failure by the City to take action on any breach or default of Watermaster or to pursue any remedy allowed under the Agreement or applicable law. Any extension of time granted to Watermaster to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the City to any act or omission by Watermaster shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

15. Entire Agreement; Amendment. This Agreement including exhibits referenced herein contain the entire agreement of the parties and supersede any and all prior negotiations with respect to the subject matter hereof. Any amendments or modifications to this Agreement must be in writing, and shall be made only if executed by both Watermaster and the City.

16. Other Agreements. Watermaster represents that it has not entered into any agreements that are inconsistent with the terms of this Agreement. Further, Watermaster shall not enter into any agreements that are inconsistent with the terms of this Agreement without an express waiver by the City in writing.

17. Severability. Every provision of this Agreement is intended to be severable. If any provision of this Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

18. Attorneys' Fees. If any legal proceeding (lawsuit, arbitration, etc.) including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, each party shall bear its own costs.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CITY

By: _____

WATERMASTER

By: _____
Desi Alvarez, CEO

Exhibit A: Form of Promissory Note
Exhibit B: Form of Security Agreement

SECURED PROMISSORY NOTE

1. **Evidence of Obligation.** For value received, this Promissory Note (the “**Note**”) is given by Chino Basin Watermaster (“**Borrower**”) to City of Ontario (“**Lender**”), to evidence that certain obligation by Borrower to pay to Lender a principal amount not to exceed Two Million One Hundred Fifty Thousand Dollars (\$2,150,000.00).
2. **Payment Covenant.** For value received, Borrower promises to pay to Lender at Ontario, California, or at such other place as may be designated in writing by Lender, or to its order, a principal amount not to exceed Two Million One Hundred Fifty Thousand Dollars (\$2,150,000.00) plus Interest (as defined below in Section 3), as provided herein.
3. **Use of Proceeds; Principal Amount.** The principal shall only be used by Borrower to pay invoices from the Inland Empire Utilities Agency (“**IEUA**”) for replenishment water purchased by IEUA from the Metropolitan Water District of Southern California and the Water Facilities Authority for treatment charges. The amount of the principal of this Note shall be determined as follows but shall not exceed \$2,150,000.00: Funds shall be transferred by Lender to Borrower within three (3) days of written demand by Borrower to Lender, provided that such written demand include the invoices received by Borrower from IEUA, and provided further that the amount of the funds transferred by Lender to Borrower shall be an amount equal to the amount of such invoices.
4. **Interest.** Interest on the outstanding principal balance due under this Note shall accrue commencing on the date of this Note at a variable rate equal to the monthly Local Agency Investment Fund interest rate plus One and One-Half Percent (LAIF + 1.5%) simple interest per annum based on a 30-day month and a 360-day year (the “**Interest**”). The Interest shall be paid monthly commencing on _____.
5. **Maturity.** The entire amount of unpaid principal, plus all accrued and unpaid Interest and any costs or fees owing under this Note shall be due and payable in full on January 15, 2015.
6. **Prepayment.** Borrower reserves the right at any time, and from time to time, to prepay all or any portion of the amounts outstanding hereunder without penalty or premium.
7. **Default; Acceleration.** If an Event of Default (as defined below) occurs under this Note, then Lender may, at its sole option, declare all sums owing under this Note immediately due and payable, and all amounts owing hereunder shall be automatically due and payable subject to any requirements as specified below.

Each of the following shall constitute an “Event of Default”:

- (a) Failure of Borrower to pay when due principal or accrued interest under this Note within thirty (30) days of any due date;

(b) A custodian, trustee, receiver, or agent is appointed or takes possession of substantially all of the assets of Borrower;

(c) Any attachment, execution, or other writ is levied on all or substantially all of the assets of the Borrower;

(d) Any default under the terms of the Security Agreement executed concurrently herewith by Borrower.

8. **Application of Payments.** Any payment when made shall be credited first on the accrued interest then due, and the remainder on the principal payable under this Note. Interest shall thereupon cease on the amount so credited on the principal sum.

9. **No Waivers.** No previous waiver and no failure or delay by Lender in acting with respect to the terms of this Note shall constitute a waiver of any breach, default, or failure of condition under this Note or the obligations secured thereby. A waiver of any term of this Note or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

10. **Usury.** All agreements between Borrower and Lender are expressly limited, so that in no event or contingency whatsoever, whether by reason of the advancement of the proceeds of this Note, acceleration of maturity of the unpaid principal balance, or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance, or detention of the money to be advanced under this Note exceed the highest lawful rate permissible under applicable usury laws. If, under any circumstances whatsoever, Lender shall ever receive as interest an amount that exceeds the highest lawful rate, the amount that would be excessive interest shall be applied to the reduction of the unpaid principal balance under this Note and not to the payment of interest, or, if such excessive interest exceeds the unpaid balance of principal under this Note, such excess shall be refunded to Borrower.

11. **Time of the Essence; Dates.** Time is of the essence of this Note. In the event that any date specified in this Note falls on Saturday, Sunday or a public holiday, such date shall be deemed to be the succeeding day on which the public agencies and major banks are open for business.

12. **Governing Law and Venue.** This Note shall be construed and enforced in accordance with the laws of the State of California. The venue for any proceedings under this Note shall be a court of competent jurisdiction in the County of San Bernardino, State of California.

13. **Parties in Interest.** This Note shall bind Borrower and its successors, heirs and assigns. This Note shall not be assigned or transferred by Lender without the express prior written consent of Borrower, except by operation of law.

14. **Severability.** If any provision in this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note will remain in full

force and effect. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect the extent not held invalid or unenforceable.

15. **Attorneys' Fees.** If any legal proceeding (lawsuit, arbitration, etc.) including an action for declaratory relief, is brought to enforce or interpret the provisions of this Note, each party shall bear its own costs.

IN WITNESS WHEREOF, Borrower has executed this Note as set forth below.

BORROWER:

Chino Basin Watermaster

Desi Alvarez, CEO

Address:
8632 San Bernardino Road
Cucamonga, CA _____

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SECURITY AGREEMENT

This Security Agreement (“**Agreement**”) is made and entered into on this ___ day of _____, 2011, by and between City of Ontario (the “**City**”) and Chino Basin Watermaster (“**Watermaster**”) (each a “**Party**” and collectively, the “**Parties**”) with reference to the following facts and intentions:

A. Watermaster is the entity appointed by the Court maintaining continuing jurisdiction over the case *Chino Basin Municipal Water District v. City of Chino, San Bernardino Superior Court Case No. RCV 51010* (“**Judgment**”), whose purpose is to administer the terms of the Judgment.

B. City is a Charter city organized under _____.

C. The Parties entered into that certain Agreement to Provide Loan dated _____, 2011 (the “**Loan Agreement**”), and the approval of the Court as set forth in Section 6 of the Loan Agreement has been obtained.

D. In conjunction with the Secured Promissory Note executed by Watermaster concurrently herewith (the “**Note**”), Watermaster agrees to grant the City a security interest in the assessment revenue received from replenishment assessments levied by Watermaster, as more fully described herein.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements hereinafter set forth, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), THE PARTIES AGREE AS FOLLOWS:

1. **Incorporation by Reference; Defined Terms.** The above Recitals and Exhibits hereto are incorporated herein by this reference. Any term used but not defined in this Agreement shall have the meaning given such term in the Loan Agreement or the Note.

2. **Grant of Security Interest.** Watermaster grants to the District a security interest in the assessment revenue received by Watermaster from replenishment assessments levied by Watermaster (the “**Pledged Revenues**”), to secure performance and payment by Watermaster to the District under the Note.

3. **Representations, Warranties and Covenants.** Watermaster represents, warrants and covenants that it will execute documents and take such other actions and do such other things, all as the District may from reasonably require from time to time, to establish, perfect and maintain a valid security interest and lien in the Pledged Revenues;

4. **Events of Default.** Watermaster will be in default on the occurrence of any one of the following events or conditions (each, an “**Event of Default**”):

a. Watermaster’s failure to perform any of the obligations, covenants, terms or conditions contained or referred to in this Agreement or the Note;

b. Watermaster's breach of any warranty, representation or statement contained or referred to in this Agreement or the Note.

5. **Remedies of the City.** When an Event of Default occurs, the City shall provide written notice to Watermaster of the Event of Default and the reasons therefore ("**Notice of Default**"). Watermaster may object in writing within five (5) days of receipt of Notice of Default, and the parties shall meet and confer in good faith to resolve any dispute. If the parties are unable to resolve such dispute within 30 days then the dispute will be resolved by motion to the Court maintaining continuing jurisdiction over the Judgment. The rights, powers and remedies of the City in this Agreement shall be in addition to all rights, powers and remedies given by law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided in this Agreement shall not be construed as a waiver of any other rights, powers and remedies of the District.

6. **Termination of Agreement.** This Agreement, and Watermaster's duties and obligations under this Agreement, will continue in effect and only terminate when Watermaster completes performance of the obligations and duties under the terms and conditions of the Note.

7. **General Provisions.**

a. **Recitals.** The recitals set forth at the beginning of this Agreement of any matters or facts shall be conclusive proof of their truthfulness and the terms and conditions stated in the recitals, if any, shall be deemed a part of this Agreement.

b. **Other Instruments.** The parties shall, whenever and as often as reasonably requested by the other party, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered any and all documents and instruments as may be necessary, expedient or proper in the reasonable opinion of the requesting party to carry out the intent and purposes of this Agreement, provided that the requesting party shall pay the cost and expense of the further instruments or documents (except that each party shall pay its own attorneys' fees).

c. **Construction.** The provisions of this Agreement should be liberally construed to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning and shall not be construed for or against either party, as each party has participated in the drafting of this Agreement and had the opportunity to have their counsel review it.

d. **Date and Delivery of Agreement.** Notwithstanding anything to the contrary contained in this Agreement, the Parties intend that this Agreement shall be deemed effective, executed, and delivered for all purposes under this Agreement as of the date stated on the first page of this Agreement.

e. **Captions, Headings, Exhibits and Abbreviations.** The captions and headings of this Agreement are for convenience only and have no force or effect in the interpretation or construction of this Agreement. Words indicated in parenthesis signify an abbreviation for the previous set of words or terms, so that when the abbreviation is used within the Agreement, it shall have the same meaning as a full restatement of the words or terms. All

recitals first stated above and all exhibits attached to this Agreement are incorporated by this reference as though fully stated in this Agreement.

f. **Severability.** If any term, provision, covenant or condition of this Agreement shall be or become illegal, null, void or against public policy, or shall be held by any court of competent jurisdiction to be illegal, null or void or against public policy, shall be modified or changed by the parties to the extent possible to carry out the intentions and directives stated in this Agreement. The remaining provisions of this Agreement shall remain in full force and effect and shall not be affected, impaired or invalidated thereby.

g. **Counterparts.** This agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

h. **Successors and Assigns.** This Agreement shall be binding on and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and permitted assigns, except as restricted by this Agreement.

i. **No Assignment.** Watermaster shall not voluntarily or by operation of law assign, hypothecate, give, transfer, mortgage, sublet, license, or otherwise transfer or encumber all or any part of its rights, duties, or other interests in this Agreement without the City's prior written consent. Any attempt to do so in violation of this provision shall be a material default under this Agreement and shall be null and void.

j. **Waiver.** No waiver of any provision or consent to any action shall constitute a waiver of any other provision or consent to any other action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent or commit a party to provide a waiver in the future except to the extent specifically stated in writing. Any waiver given by a party shall be null and void if the party requesting such waiver has not provided a full and complete disclosure of all material facts relevant to the waiver requested. No waiver shall be binding unless executed in writing by the party making the waiver.

k. **Governing Law, Jurisdiction and Venue.** The validity and interpretation of this Agreement and any ancillary documents shall be governed by the laws of the State of California without giving effect to the principles of conflict of laws. The parties agree that any state court located in San Bernardino County shall have personal jurisdiction over the parties hereto and over any case or controversy related in any manner this Agreement and shall be the exclusive forum in which to adjudicate such case or controversy. Any final judgment rendered against a party in any action or proceeding shall be conclusive as to the subject of such final judgment and may be enforced in other jurisdictions in any manner provided by law.

l. **Notices.** Formal notices, demands and communications between Watermaster and the District shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Watermaster and the District as follows:

CITY: _____

WATERMASTER: Chino Basin Watermaster
c/o Mr. Desi Alvarez
8632 San Bernardino Road
Cucamonga, CA _____

m. **Attorneys' Fees.** If any legal or equitable proceeding (lawsuit, arbitration, etc.), including an action for declaratory relief, related in any manner to this Agreement is brought, each party shall bear its own costs in the resolution of such dispute.

n. **Authorizations.** All individuals executing this and other documents on behalf of the respective parties certify and warrant that they have the capacity and have been duly authorized to so execute the documents on behalf of the entity so indicated. Each signatory shall also indemnify the other parties to this Agreement, and hold them harmless, from any and all damages, costs, attorneys' fees, and other expenses, if the signatory is not so authorized.

o. **Entire Agreement and Amendment.** In conjunction with the matters considered herein, this Agreement contains the entire understanding and agreement of the parties and both parties acknowledge that they have not relied on any promises, representations, agreements, warranties or undertakings by any of the parties, either oral or written, of any character or nature binding except as stated in this Agreement. This Agreement supersedes, and its terms govern, all prior or contemporaneous proposals, agreement or other communications between the parties, oral or written, regarding this subject matter. This Agreement may be altered, amended or modified only by an instrument in writing explicitly referencing this Agreement, executed by the parties to this Agreement and by no other means. Each party waives their right to claim, contest or assert that this Agreement was modified, canceled, superseded or changed by any oral agreement, course of conduct, waiver or estoppel.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement on the date first above written.

CITY OF ONTARIO

CHINO BASIN WATERMASTER

By: _____

By: _____

Desi Alvarez, CEO

Its: _____

AGREEMENT TO PROVIDE LOAN

This Agreement to Provide Loan ("Agreement") is made as of this ____ day of July, 2011, by and between Jurupa Community Services District (the "District"), and Chino Basin Watermaster (the "Watermaster").

RECITALS

A. Watermaster is the entity appointed by the Court maintaining continuing jurisdiction over the case *Chino Basin Municipal Water District v. City of Chino, San Bernardino Superior Court Case No. RCV 51010* ("Judgment"), whose purpose is to administer the terms of the Judgment.

B. District is a Community Services District organized under _____.

C. Watermaster desires to purchase replenishment water from the Metropolitan Water District of Southern California ("MWD") in order to augment the basin's water supply to satisfy Desalter replenishment obligations of the parties to the Judgment.

D. Under the Judgment, Watermaster collects revenue to purchase replenishment water on a yearly basis based on pumping by parties to the Judgment that incur a replenishment obligation.

E. Watermaster desires to borrow, and District desires to assist Watermaster by lending to Watermaster, an amount in cash not to exceed \$1,000,000 (the "Loan") in order to accomplish the purchase of water from MWD.

F. Under Paragraph 24 of the Judgment, "Watermaster may borrow from time to time amounts not exceeding the annual anticipated receipts of Watermaster during such year."

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of the Loan, Watermaster and District hereby agree as follows:

1. Loan. Subject to the terms and conditions of this Agreement, District hereby agrees to lend the Watermaster up to One Million Dollars (\$1,000,000.00) at a variable interest rate equivalent to the monthly Local Agency Investment Fund interest rate plus One and One-Half Percent (1.5%) simple interest per annum as more detailed in the attached Promissory Note (the "Note", Exhibit A to this Agreement). As more fully set forth in the Note, the terms of the Loan shall include the following:

1.1 Interest shall be paid monthly. Interest shall be calculated on the basis of a 30-day month and a 360-day year.

1.2 The Note will provide that all outstanding principal shall be due and payable on January 15, 2015.

2. Security. Subject to the terms and conditions of this Agreement, in conjunction with the Note, Watermaster hereby agrees to pledge assessment revenue received from replenishment assessments levied by Watermaster ("Pledged Revenues"), which agreement shall be in the form of the Security Agreement attached hereto as Exhibit B (the "Security Agreement"), and shall make payments due under the Note from the Pledged Revenues and any other legally available source. Any assessments necessary to pay such Loan shall be levied by Watermaster. Watermaster shall levy replenishment assessments upon every acre-foot of water that incurs a replenishment assessment in an amount sufficient to account for both the principal and interest on money borrowed to purchase that water. If by November 15, 2014, Watermaster has not collected replenishment assessments to meet its commitment for full repayment, then by December 15, 2014, Watermaster will levy a special assessment in an amount sufficient to meet the repayment obligations due on January 15, 2015.

3. Use of Loan Proceeds. Watermaster hereby covenants and agrees that the proceeds from the Loan shall only be used to pay invoices from the Inland Empire Utilities Agency ("IEUA") for replenishment water purchased by IEUA from MWD and the Water Facilities Authority for treatment charges.

4. Distribution of Loan Proceeds. Funds will be made available by the District within three days of demand from Watermaster, but shall only be distributed as invoices are received from IEUA for the water and only in the amount of such invoices.

5. Watermaster Records. Watermaster covenants to keep proper books and financial records, in accordance with accepted practices for similar issuers, and to make such books and records available for reasonable inspection by District. Watermaster shall also provide the following financial information and statements in form and content acceptable to District:

5.1 Within 240 days of fiscal year end, a copy of Watermaster's CPA audited financial statement.

5.2 Within 90 days after the end of each interim six-month period (the first six-month period ending on December 31, 2011), a copy of Watermaster's unaudited financial statements for the six months then ended.

5.3 Within 90 days after the beginning of the fiscal year being budgeted, a budget for the new fiscal year.

5.4 Such other financial information as may be reasonably requested by the District from time to time.

6. Court Approval; Deliverables. This Agreement shall be submitted by Watermaster to the San Bernardino Superior Court (the "Court") maintaining continuing jurisdiction over the Judgment with a request that the Court find that the Agreement constitutes a legal and binding commitment on Watermaster. Such approval shall act as a condition precedent to the execution by the parties of the Note and the Security Agreement. Within days of receiving Court approval, the parties shall execute and deliver the Note and the Security Agreement in the forms attached hereto.

7. Representations and Warranties. Watermaster represents and warrants that it knows of no existing or threatened litigation the results of which, if adversely determined, would have a material adverse effect upon Watermaster's ability to fulfill its obligations under this Agreement.

8. Term. This Agreement shall commence on the date set forth above and remain in full force and effect throughout the term of the Loan.

9. Governing Law. This Agreement and any exhibits referenced herein shall be interpreted under and be governed by the laws of the State of California. Any dispute arising under this Agreement shall be subject to the jurisdiction of the Court maintaining continuing jurisdiction over the Judgment.

10. Time. Time is of the essence in this Agreement.

11. Notices. Formal notices, demands and communications between Watermaster and District shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Watermaster and District as follows:

DISTRICT:

WATERMASTER: Chino Basin Watermaster
c/o Mr. Desi Alvarez
8632 San Bernardino Road
Cucamonga, CA _____

12. Relationship of Parties. The relationship of Watermaster and the District under this Agreement is and at all times shall remain solely that of a debtor and a creditor, and shall not be construed as a joint venture, equity venture, partnership, or any other relationship, except as otherwise may be agreed to by the parties. The District neither undertakes nor assumes any responsibility or duty to Watermaster (except as provided for herein) or any third party.

13. Assignment; Binding Nature. This Agreement and the rights granted herein are personal to the District and the Watermaster and may not be exercised or assigned voluntarily or involuntarily by or to any person or entity other than the District and the Watermaster, and shall terminate and be of no further force or effect upon any assignment. All provisions of this Agreement shall be binding upon and inure to the benefit of the administrators, successors-in-interest, transferees, and permitted assigns of each of the parties; provided, however, that except as otherwise permitted in this Agreement, this section does not waive the prohibition on assignment of this Agreement by the District or the Watermaster without the District's or the Watermaster's consent.

14. Waiver. Any waiver by the District of any obligation in this Agreement must be in writing. No waiver will be implied from any delay or failure by the District to take action on any breach or default of Watermaster or to pursue any remedy allowed under the Agreement or applicable law. Any extension of time granted to Watermaster to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the District to any act or omission by Watermaster shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the District's written consent to future waivers.

15. Entire Agreement; Amendment. This Agreement including exhibits referenced herein contain the entire agreement of the parties and supersede any and all prior negotiations with respect to the subject matter hereof. Any amendments or modifications to this Agreement must be in writing, and shall be made only if executed by both Watermaster and the District.

16. Other Agreements. Watermaster represents that it has not entered into any agreements that are inconsistent with the terms of this Agreement. Further, Watermaster shall not enter into any agreements that are inconsistent with the terms of this Agreement without an express waiver by the District in writing.

17. Severability. Every provision of this Agreement is intended to be severable. If any provision of this Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

18. Attorneys' Fees. If any legal proceeding (lawsuit, arbitration, etc.) including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, each party shall bear its own costs.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

DISTRICT

By: _____

WATERMASTER

By: _____
Desi Alvarez, CEO

Exhibit A: Form of Promissory Note
Exhibit B: Form of Security Agreement

SECURED PROMISSORY NOTE

1. **Evidence of Obligation.** For value received, this Promissory Note (the “**Note**”) is given by Chino Basin Watermaster (“**Borrower**”) to Jurupa Community Services District (“**Lender**”), to evidence that certain obligation by Borrower to pay to Lender a principal amount not to exceed One Million Dollars (\$1,000,000.00).
2. **Payment Covenant.** For value received, Borrower promises to pay to Lender at Mira Loma, California, or at such other place as may be designated in writing by Lender, or to its order, a principal amount not to exceed One Million Dollars (\$1,000,000.00) plus Interest (as defined below in Section 3), as provided herein.
3. **Use of Proceeds; Principal Amount.** The principal shall only be used by Borrower to pay invoices from the Inland Empire Utilities Agency (“**IEUA**”) for replenishment water purchased by IEUA from the Metropolitan Water District of Southern California and the Water Facilities Authority for treatment charges. The amount of the principal of this Note shall be determined as follows but shall not exceed \$1,000,000.00: Funds shall be transferred by Lender to Borrower within three (3) days of written demand by Borrower to Lender, provided that such written demand include the invoices received by Borrower from IEUA, and provided further that the amount of the funds transferred by Lender to Borrower shall be an amount equal to the amount of such invoices.
4. **Interest.** Interest on the outstanding principal balance due under this Note shall accrue commencing on the date of this Note at a variable rate equal to the monthly Local Agency Investment Fund interest rate plus One and One-Half Percent (LAIF + 1.5%) simple interest per annum based on a 30-day month and a 360-day year (the “**Interest**”). The Interest shall be paid monthly commencing on .
5. **Maturity.** The entire amount of unpaid principal, plus all accrued and unpaid Interest and any costs or fees owing under this Note shall be due and payable in full on January 15, 2015.
6. **Prepayment.** Borrower reserves the right at any time, and from time to time, to prepay all or any portion of the amounts outstanding hereunder without penalty or premium.
7. **Default; Acceleration.** If an Event of Default (as defined below) occurs under this Note, then Lender may, at its sole option, declare all sums owing under this Note immediately due and payable, and all amounts owing hereunder shall be automatically due and payable subject to any requirements as specified below.

Each of the following shall constitute an “Event of Default”:

- (a) Failure of Borrower to pay when due principal or accrued interest under this Note within thirty (30) days of any due date;

(b) A custodian, trustee, receiver, or agent is appointed or takes possession of substantially all of the assets of Borrower;

(c) Any attachment, execution, or other writ is levied on all or substantially all of the assets of the Borrower;

(d) Any default under the terms of the Security Agreement executed concurrently herewith by Borrower.

8. **Application of Payments.** Any payment when made shall be credited first on the accrued interest then due, and the remainder on the principal payable under this Note. Interest shall thereupon cease on the amount so credited on the principal sum.

9. **No Waivers.** No previous waiver and no failure or delay by Lender in acting with respect to the terms of this Note shall constitute a waiver of any breach, default, or failure of condition under this Note or the obligations secured thereby. A waiver of any term of this Note or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

10. **Usury.** All agreements between Borrower and Lender are expressly limited, so that in no event or contingency whatsoever, whether by reason of the advancement of the proceeds of this Note, acceleration of maturity of the unpaid principal balance, or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance, or detention of the money to be advanced under this Note exceed the highest lawful rate permissible under applicable usury laws. If, under any circumstances whatsoever, Lender shall ever receive as interest an amount that exceeds the highest lawful rate, the amount that would be excessive interest shall be applied to the reduction of the unpaid principal balance under this Note and not to the payment of interest, or, if such excessive interest exceeds the unpaid balance of principal under this Note, such excess shall be refunded to Borrower.

11. **Time of the Essence; Dates.** Time is of the essence of this Note. In the event that any date specified in this Note falls on Saturday, Sunday or a public holiday, such date shall be deemed to be the succeeding day on which the public agencies and major banks are open for business.

12. **Governing Law and Venue.** This Note shall be construed and enforced in accordance with the laws of the State of California. The venue for any proceedings under this Note shall be a court of competent jurisdiction in the County of San Bernardino, State of California.

13. **Parties in Interest.** This Note shall bind Borrower and its successors, heirs and assigns. This Note shall not be assigned or transferred by Lender without the express prior written consent of Borrower, except by operation of law.

14. **Severability.** If any provision in this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note will remain in full

force and effect. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect the extent not held invalid or unenforceable.

15. **Attorneys' Fees.** If any legal proceeding (lawsuit, arbitration, etc.) including an action for declaratory relief, is brought to enforce or interpret the provisions of this Note, each party shall bear its own costs.

IN WITNESS WHEREOF, Borrower has executed this Note as set forth below.

BORROWER:

Chino Basin Watermaster

Desi Alvarez, CEO

Address:
8632 San Bernardino Road
Cucamonga, CA _____

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SECURITY AGREEMENT

This Security Agreement (“**Agreement**”) is made and entered into on this ___ day of _____, 2011, by and between Jurupa Community Services District (the “**District**”) and Chino Basin Watermaster (“**Watermaster**”) (each a “**Party**” and collectively, the “**Parties**”) with reference to the following facts and intentions:

A. Watermaster is the entity appointed by the Court maintaining continuing jurisdiction over the case *Chino Basin Municipal Water District v. City of Chino, San Bernardino Superior Court Case No. RCV 51010* (“**Judgment**”), whose purpose is to administer the terms of the Judgment.

B. District is a California Municipal Services organized under _____.

C. The Parties entered into that certain Agreement to Provide Loan dated _____, 2011 (the “**Loan Agreement**”), and the approval of the Court as set forth in Section 6 of the Loan Agreement has been obtained.

D. In conjunction with the Secured Promissory Note executed by Watermaster concurrently herewith (the “**Note**”), Watermaster agrees to grant the District a security interest in the assessment revenue received from replenishment assessments levied by Watermaster, as more fully described herein.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements hereinafter set forth, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), THE PARTIES AGREE AS FOLLOWS:

1. **Incorporation by Reference; Defined Terms.** The above Recitals and Exhibits hereto are incorporated herein by this reference. Any term used but not defined in this Agreement shall have the meaning given such term in the Loan Agreement or the Note.

2. **Grant of Security Interest.** Watermaster grants to the District a security interest in the assessment revenue received by Watermaster from replenishment assessments levied by Watermaster (the “**Pledged Revenues**”), to secure performance and payment by Watermaster to the District under the Note.

3. **Representations, Warranties and Covenants.** Watermaster represents, warrants and covenants that it will execute documents and take such other actions and do such other things, all as the District may from reasonably require from time to time, to establish, perfect and maintain a valid security interest and lien in the Pledged Revenues;

4. **Events of Default.** Watermaster will be in default on the occurrence of any one of the following events or conditions (each, an “**Event of Default**”):

a. Watermaster’s failure to perform any of the obligations, covenants, terms or conditions contained or referred to in this Agreement or the Note;

b. Watermaster's breach of any warranty, representation or statement contained or referred to in this Agreement or the Note.

5. **Remedies of the District.** When an Event of Default occurs, the District shall provide written notice to Watermaster of the Event of Default and the reasons therefore ("Notice of Default"). Watermaster may object in writing within five (5) days of receipt of Notice of Default, and the parties shall meet and confer in good faith to resolve any dispute. If the parties are unable to resolve such dispute within 30 days then the dispute will be resolved by motion to the Court maintaining continuing jurisdiction over the Judgment. The rights, powers and remedies of the District in this Agreement shall be in addition to all rights, powers and remedies given by law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided in this Agreement shall not be construed as a waiver of any other rights, powers and remedies of the District.

6. **Termination of Agreement.** This Agreement, and Watermaster's duties and obligations under this Agreement, will continue in effect and only terminate when Watermaster completes performance of the obligations and duties under the terms and conditions of the Note.

7. **General Provisions.**

a. **Recitals.** The recitals set forth at the beginning of this Agreement of any matters or facts shall be conclusive proof of their truthfulness and the terms and conditions stated in the recitals, if any, shall be deemed a part of this Agreement.

b. **Other Instruments.** The parties shall, whenever and as often as reasonably requested by the other party, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered any and all documents and instruments as may be necessary, expedient or proper in the reasonable opinion of the requesting party to carry out the intent and purposes of this Agreement, provided that the requesting party shall pay the cost and expense of the further instruments or documents (except that each party shall pay its own attorneys' fees).

c. **Construction.** The provisions of this Agreement should be liberally construed to effectuate its purposes. The language of this Agreement shall be construed simply according to its plain meaning and shall not be construed for or against either party, as each party has participated in the drafting of this Agreement and had the opportunity to have their counsel review it.

d. **Date and Delivery of Agreement.** Notwithstanding anything to the contrary contained in this Agreement, the Parties intend that this Agreement shall be deemed effective, executed, and delivered for all purposes under this Agreement as of the date stated on the first page of this Agreement.

e. **Captions, Headings, Exhibits and Abbreviations.** The captions and headings of this Agreement are for convenience only and have no force or effect in the interpretation or construction of this Agreement. Words indicated in parenthesis signify an abbreviation for the previous set of words or terms, so that when the abbreviation is used within the Agreement, it shall have the same meaning as a full restatement of the words or terms. All

recitals first stated above and all exhibits attached to this Agreement are incorporated by this reference as though fully stated in this Agreement.

f. **Severability.** If any term, provision, covenant or condition of this Agreement shall be or become illegal, null, void or against public policy, or shall be held by any court of competent jurisdiction to be illegal, null or void or against public policy, shall be modified or changed by the parties to the extent possible to carry out the intentions and directives stated in this Agreement. The remaining provisions of this Agreement shall remain in full force and effect and shall not be affected, impaired or invalidated thereby.

g. **Counterparts.** This agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

h. **Successors and Assigns.** This Agreement shall be binding on and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and permitted assigns, except as restricted by this Agreement.

i. **No Assignment.** Watermaster shall not voluntarily or by operation of law assign, hypothecate, give, transfer, mortgage, sublet, license, or otherwise transfer or encumber all or any part of its rights, duties, or other interests in this Agreement without the District's prior written consent. Any attempt to do so in violation of this provision shall be a material default under this Agreement and shall be null and void.

j. **Waiver.** No waiver of any provision or consent to any action shall constitute a waiver of any other provision or consent to any other action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent or commit a party to provide a waiver in the future except to the extent specifically stated in writing. Any waiver given by a party shall be null and void if the party requesting such waiver has not provided a full and complete disclosure of all material facts relevant to the waiver requested. No waiver shall be binding unless executed in writing by the party making the waiver.

k. **Governing Law, Jurisdiction and Venue.** The validity and interpretation of this Agreement and any ancillary documents shall be governed by the laws of the State of California without giving effect to the principles of conflict of laws. The parties agree that any state court located in San Bernardino County shall have personal jurisdiction over the parties hereto and over any case or controversy related in any manner this Agreement and shall be the exclusive forum in which to adjudicate such case or controversy. Any final judgment rendered against a party in any action or proceeding shall be conclusive as to the subject of such final judgment and may be enforced in other jurisdictions in any manner provided by law.

l. **Notices.** Formal notices, demands and communications between Watermaster and the District shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Watermaster and the District as follows:

DISTRICT: _____

WATERMASTER: Chino Basin Watermaster
c/o Mr. Desi Alvarez
8632 San Bernardino Road
Cucamonga, CA _____

m. **Attorneys' Fees.** If any legal or equitable proceeding (lawsuit, arbitration, etc.), including an action for declaratory relief, related in any manner to this Agreement is brought, each party shall bear its own costs in the resolution of such dispute.

n. **Authorizations.** All individuals executing this and other documents on behalf of the respective parties certify and warrant that they have the capacity and have been duly authorized to so execute the documents on behalf of the entity so indicated. Each signatory shall also indemnify the other parties to this Agreement, and hold them harmless, from any and all damages, costs, attorneys' fees, and other expenses, if the signatory is not so authorized.

o. **Entire Agreement and Amendment.** In conjunction with the matters considered herein, this Agreement contains the entire understanding and agreement of the parties and both parties acknowledge that they have not relied on any promises, representations, agreements, warranties or undertakings by any of the parties, either oral or written, of any character or nature binding except as stated in this Agreement. This Agreement supersedes, and its terms govern, all prior or contemporaneous proposals, agreement or other communications between the parties, oral or written, regarding this subject matter. This Agreement may be altered, amended or modified only by an instrument in writing explicitly referencing this Agreement, executed by the parties to this Agreement and by no other means. Each party waives their right to claim, contest or assert that this Agreement was modified, canceled, superseded or changed by any oral agreement, course of conduct, waiver or estoppel.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement on the date first above written.

**JURUPA COMMUNITY SERVICES
DISTRICT**

CHINO BASIN WATERMASTER

By: _____

By: _____

Desi Alvarez, CEO

Its: _____



CHINO BASIN WATERMASTER

II. BUSINESS ITEM

C. STORAGE AGREEMENT WITH INLAND EMPIRE UTILITIES AGENCY AND THREE VALLEYS MUNICIPAL WATER DISTRICT





CHINO BASIN WATERMASTER

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

DESI ALVAREZ, P.E.
Chief Executive Officer

STAFF REPORT

DATE: August 18, 2011
TO: Advisory Committee Members
SUBJECT: Storage Agreement for Desalter Replenishment Water

SUMMARY

Recommendations – 1) Authorize the CEO to Execute a Storage Agreement with Inland Empire Utilities Agency (IEUA) and with Three Valleys Municipal Water District (TVMWD) and 2) Request the Watermaster Board Waive the Thirty Day Notice Period (Watermaster Rules & Regulations Section 10.10) and the Twenty-One Day Consideration Period (Watermaster Rules & Regulations Section 10.11) for Applications for Local Storage Agreements with IEUA and TVMWD to Store Desalter Replenishment Water. This Request is sought With the Express Acknowledgment that it Does Not Create Precedent for Future Applications.

Discussion:

With Metropolitan Water District's making imported replenishment water available for the first time in four years, Watermaster ordered 50,000 acre-feet to augment the Chino Groundwater Basin. As of August 7, 2011 approximately 18,700 acre-feet of imported replenishment water has been recharged into the Chino Groundwater Basin. If the current rate of recharge holds through December 31, 2011 the target of 50,000 acre-feet of recharge will likely be met.

The acquisition of this water was unplanned and therefore unbudgeted. However, financing arrangements have been made that will cover the acquisition cost. The agreements include loans, purchase of the water by Appropriators which lack water rights in the Basin to be held in preemptive replenishment accounts, and purchase of the water by regional water wholesalers to be held in storage accounts for future Desalter Replenishment.

IEUA and TVMWD, two of the regional water wholesalers that provide imported water to Chino Basin, have offered to assist in financing a portion of the replenishment water. Since Watermaster has only identified financing for approximately 45,000 acre-feet of water, there is a potential for these agencies to assist in financing the remainder of the imported replenishment water. Both agencies will be acquiring the imported replenishment water in their names which require that the water be stored in dedicated Storage Accounts.

The Storage Accounts will be restricted so that the water stored will only be used for future Desalter Replenishment, a key need and priority of the Basin. The exact quantities of water to be stored is still to be determined but is estimated between 5 and 10 thousand acre-feet. Following is a description of the proposed terms for the Storage Agreements (draft copy is attached).

Inland Empire Utilities Agency (IEUA) and/or Three Valleys Municipal Water District (TVMWD) will acquire replenishment water the use of which is strictly limited for preemptive Desalter replenishment obligations at Watermaster's request. The acquisition cost of the water is \$409.00 per acre-foot, plus \$2.00 per acre-foot for water taken through the Orange County Water District's turnout, plus \$12.00 per acre-foot for the IEUA surcharge, plus a treatment charge of \$42.00 per acre-foot for the water stored through direct injection distributed over the total quantity of replenishment water taken.

The water acquired and stored by Inland Empire Utilities Agency (IEUA) and/or Three Valleys Municipal Water District will only be used to meet future Desalter Replenishment obligations and cannot be sold, traded or otherwise transferred.

Water stored under this Agreement shall be made available to Watermaster upon Watermaster requests for the water. Watermaster will pay IEUA or TVMWD for the water at the time it calls for the water. Watermaster agrees to pay a reasonable price for the water that at a minimum will cover 100% of the acquisition cost plus financing costs (accrual cost) but no more than the published MWD replenishment rate at the time of the call. Any surplus resulting from a difference between the revenue from the sale of the replenishment water and the actual cost to IEUA and/or TVMWD will be used solely for investments in the Chino Basin to be mutually agreed between Watermaster and IEUA or TVMWD.

Cost:

The estimated cost of this water to Watermaster if as anticipated is used in 2014 will run between \$473.62 and \$515.00 per acre-foot. The lower estimate is based on an acquisition cost of \$424.34 per acre-foot to which is added financing cost assumed to be limited to interest at a rate of 2% per annum plus the 2% annual loss. However, the actual cost of water may differ depending on the financing cost agreed to at the time the Storage Agreements are finalized. The higher amount is the estimated MWD replenishment rate for 2014.

Actions:

August 11, 2011 Appropriative Pool – Moved to by majority vote to approve staff recommendations adding the conditions that Watermaster staff, Three Valleys Municipal Water District, and Inland Empire Utilities Agency negotiate final terms of the Storage Agreement for consideration at the next Advisory Committee meeting and that Fontana Water Company and Cucamonga Valley Water District participate in that process on behalf of the Appropriative Pool.

August 11, 2011 Non-Agricultural Pool – Moved to approve staff recommendation, and that the representative attending the Watermaster Board Meeting is directed to support the Executive Officer.

August 11, 2011 Agricultural Pool –

August 18, 2011 Advisory Committee –

August 25, 2011 Watermaster Board –

**CHINO BASIN WATERMASTER
"STORAGE PARTY"**

PREEMPTIVE REPLENISHMENT STORAGE AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, by and between Chino Basin Watermaster, (herein "Watermaster") and _____, (herein "Storage Party") pursuant to the Judgment entered January 27, 1978 and the Peace Agreement and Implementation Plan dated June 29, 2000.

STORAGE AUTHORITY. The authority is hereby granted to the above Storage Party, pursuant to the terms and conditions hereof, to store _____ acre-feet of water (Stored Water) in the Chino Basin to be used exclusively for recharge required by Desalter operations beginning approximately in 2013. The right to store water under this Storage Agreement is not transferable or assignable.

TERM OF AGREEMENT. This Agreement shall continue in effect coterminous with the Peace Agreement unless or until the Agreement is modified, amended or terminated by Watermaster action. Except for losses or other factors as Watermaster may establish, any Stored Water at the time of termination of this Agreement shall remain to the credit of Storage Party for subsequent recapture in its normal operations, i.e., termination of the Agreement shall not impair the integrity of water stored or the right to recapture the same.

This Agreement and all provisions thereof are applicable to and binding upon not only the parties hereto, but also upon their respective heirs, executors, administrators, successors, assigns, lessors and licensees and upon the agents, employees and attorneys in fact of all such persons.

ASSIGNMENT OF STORAGE CAPACITY. Storage capacity is not assignable.

LOSSES ATTRIBUTABLE TO STORED WATER. Pursuant to the Peace Agreement, losses shall be applied to all Stored Water. Stored Water will be subject to a loss factor of 2% of Stored Water per year. The storage loss factor may be adjusted by Watermaster from time to time.

RECAPTURE. Stored Water is for future Desalter replenishment. Watermaster shall begin using Stored Water for Desalter Replenishment in 2014 and will use all Stored Water no later than 2016. Storage Party shall provide Stored Water as requested by Watermaster for Desalter Replenishment.

PAYMENT. Watermaster shall pay Storage Party for Stored Water upon its use. The price paid for Stored Water shall cover all of the Storage Party's direct cost which are the acquisition cost of the water and all financing expenses incurred by the Storage Party. Acquisition costs are as follows: \$409.00 per acre-foot plus \$2.00 per acre-foot for that portion of the water taken through the Orange County Water District's turnout distributed over the total quantity of imported replenishment water plus \$42.00 per acre-foot for that portion of water taken through direct injection distributed over the total quantity of imported replenishment water. The total quantity of imported replenishment water is estimated to be between 40,000 and 50,000 acre-feet and Watermaster will notify the Storage Party of the actual amount in January, 2012.

Any difference between the purchase price of the Stored Water and the Storage Party's direct cost shall be held in a reserve account to be used solely for investments in the Chino Basin mutually agreed between Watermaster and Storage Party. Funds in the reserve account shall accrue interest at the prevailing rate during the period the funds are held in the reserve account.

PROCEDURES AND ACCOUNTING FOR WATER STORED. Watermaster shall maintain a continuing account of the quantity of Stored Water in the Storage Party's account, which shall be available for review upon reasonable notice by Storage Party.

REPORTS TO WATERMASTER. Storage Party shall file with Watermaster quarterly reports providing detailed documentation of all costs incurred in financing the purchase of storage water and such reports, forms, or additional information as is reasonably required by Watermaster.

NOTICE. Any notices may be given by mail and postage prepaid addressed as follows:

Watermaster	Chino Basin Watermaster 8632 Archibald Avenue, Suite 109 Rancho Cucamonga, CA 91730
Storage Party	As set forth

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their authorized officers.

WATERMASTER

STORAGE PARTY

Watermaster

Storage Party

Date

Date