



TWENTY FIRST
ANNUAL REPORT
OF THE
CHINO BASIN WATERMASTER
FISCAL YEAR 1997-1998

Case No. RCV 51010

CHINO BASIN MUNICIPAL WATER DISTRICT
V.
CITY OF CHINO, ET. AL.

March 1999

To: ALL ACTIVE AND CONCERNED PARTIES IN CHINO BASIN CASE NO. RCV 51010
(Formerly CASE NO. SCV 164327)

Subject: Twenty-first Annual Report of Chino Basin Watermaster

The Chino Basin Watermaster is pleased to present this Twenty-first Annual Report covering the fiscal year 1997-98. The Honorable Judge J. Michael Gunn of the Superior Court in the County of San Bernardino West District received and filed this report on March 2, 1999.

A brief summary of activities during this reporting period (July 1, 1997 through June 30, 1998) is as follows:

Total production from the Basin during 1997-98 was 145,735 acre-feet, with production by Pool as follows:

<u>Pool</u>	<u>Production (AF)</u>	<u>Initial Operating Safe Yield (AF)</u>
Appropriative	97,435	54,834
Overlying (Agricultural) Pool	43,345	*82,800
Overlying (Non-Agricultural) Pool	4,955	7,366
Totals	145,735	145,000

* The Allocated safe yield for the Overlying (Agricultural) Pool is 414,000 acre feet during any consecutive five year period. The amount shown above (82,800 acre-feet) is the annual average.

A total of 30,299.269 acre-feet of water was leased among the members of the Appropriative Pool and the Watermaster to be used to offset current or potential overproduction.

As of June 30, 1998 there was 38,257.500 acre-feet of water in the Metropolitan Water District Cyclic Storage Account and 1,697.300 acre-feet of water remained in a Cooperative Storage Account for Monte Vista Water District.

Fiscal year 1997-98 marks the fifteenth year that the Overlying (Agricultural) Pool has not produced its total five year allocation of safe yield which allows such water to be available for reallocation to members of the Appropriative Pool (Exhibit "H", Paragraph 10, Page 73 of the Watermaster Judgment).

There was 221,597.253 acre-feet of water in local storage accounts at the close of fiscal year 1997-98.

Assessments billed by Pool during 1997-98 for 1996-97 production are as follows:

Appropriative Pool	\$5,690,628.56
Overlying (Agricultural) Pool	.00
Overlying (Non-Agricultural) Pool	61,063.72
	<u>\$5,751,692.28</u>

Your continued cooperation and input has been greatly appreciated.

Sincerely,

Traci Stewart
Chief of Watermaster Services

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TWENTY-FIRST ANNUAL REPORT OF THE CHINO BASIN WATERMASTER

The Chino Basin Watermaster was established under a Judgment entered in the Superior Court of the State of California for the County of San Bernardino, entitled "Chino Basin Municipal Water District v. City of Chino, et al.," (originally Case No. SCV 164327, the file was transferred in August 1989, by order of the Court and assigned new Case No. RCV 51010). The Honorable Judge Howard B. Wiener signed the Judgment on January 27, 1978. The effective date of this Judgment for accounting and operations was July 1, 1977.

The Twenty-First Annual Report presents an overview of the Watermaster process including the Pool Committees, Advisory Committee and Watermaster activities, and an accounting of production for fiscal year 1997-98.

I. INTRODUCTION

Beginning in the early 1970's and continuing for several years, studies and discussions among concerned water producers resulted in the passage in 1974 of a "Memorandum of Agreement on the Chino Basin Plan". In January 1975, Senator Ruben S. Ayala introduced SB 222 (Senate Bill 222) in the California Legislature. This bill authorized a production assessment levy in the amount of \$2.00 per acre-foot per year, for a period of three years. The funds were utilized to finance the final effort to draw up a management plan. This effort included conducting essential studies and negotiations to implement a water management program for the Chino Groundwater Basin.

SB 222 was renumbered as a part of the Municipal Water District Law at Section 74120 of the Water Code. It was approved by Governor Ronald Reagan and filed with the Secretary of State on June 28, 1975. Engineering, legal and other working sub-committees were formed for the purpose of analyzing and defining specific problem areas. Socio-economic, safe yield and other studies were held to provide the information necessary to reach an agreement regarding the allocation of producer water rights. Cost savings were achieved by terminating many of the studies as soon as the necessary information was compiled in draft form.

Three groups represented the majority of producer interests. These groups became active early in the negotiations under SB 222. Eventually, the groups formalized into pool committees and became known as the following:

- Overlying (Agricultural) Pool representing dairymen and farmers (including minimal producers) and the State of California.
- Overlying (Non-Agricultural) Pool representing industries.
- Appropriative Pool, representing cities, water districts and water companies.

Representatives of the three pools committees, acting together, became known as the Watermaster "Advisory Committee." The Advisory Committee was established as the policy setting body and charged with

the oversight of Watermaster's discretionary activities. Members of each of the three pool committees met regularly to transact the business concerns of its respective producers. Decisions affecting more than one pool

were acted upon by each pool committee and recommendations were then forwarded to the Watermaster Advisory Committee.

The Judgment establishes a method to determine the voting power of each of the producers on the pool committees. The method was based on a formula of assessments paid by the producers in the prior year and their allocated safe yield.

Approximately 5 percent of the Chino Groundwater Basin is located in Los Angeles County, which is included in the Three Valleys Municipal Water District (TVMWD) service area. Approximately 15 percent of the basin is in Riverside County, which is included in the Western Municipal Water District (WMWD) service area. Approximately 80 percent of the basin is located in the west-end of San Bernardino County, which is included in the Chino Basin Municipal Water District (CBMWD) service area. Because of their overlying service areas, all three of the municipal water districts, who were also provided the opportunity to participate in the initial negotiations, and the Chino Basin Water Conservation District (CBWCD), became known as Non-Producer water districts.

Current and historical annual production information for each pool is provided in Appendix B.

II. WATERMASTER

During the reporting period covered by this annual report, CBMWD was replaced as Watermaster by a new nine-member board. The events leading to appointment of the nine-member board began in fiscal year 1995-96, during which time it was determined that the reappointment of the CBMWD board as Watermaster had not been submitted to the court for approval in 1993. In January 1996, a motion was made and supported by a majority of the Advisory Committee to appoint themselves Watermaster. Initially, this motion was supported by a majority of the Advisory Committee. Watermaster Counsel was directed to file a motion with the Court. An Ad Hoc Transition Committee of pool members and interested parties was formed to work out the logistics involved with changing the Watermaster. Shortly after the motion was filed, the case was assigned to the Honorable Judge J. Michael Gunn. Fifteen committee members attended the first Ad Hoc Transition Committee meeting on January 31, 1996, and agreed unanimously to propose that an arbitrator or an arbitration process be put in place to address initial concerns raised by some parties to the Judgment regarding the Advisory Committee as Watermaster.

By early March, the Overlying (Agricultural) Pool and a few appropriators had reconsidered their positions and were opposed to the motion to appoint the Advisory Committee as Watermaster, even with an arbitration process. As a result, the motion was taken off calendar and additional Ad Hoc Transition Committee meetings were held. These meetings resulted in the development of a proposal for a nine-member board, which was approved by the Advisory Committee in April 1996. Watermaster Counsel was directed to file a motion to appoint the nine-member board, which was set for hearing on June 18, 1996.

On June 3, 1996, CBMWD filed an ex-parte motion to shorten the time on a motion to appoint itself as Interim Watermaster, to appoint itself "nunc pro tunc" Watermaster and to disqualify Watermaster Counsel based on the allegation that Counsel had a conflict of interest in serving both Watermaster and the Advisory Committee. The motion to shorten time was granted and the hearing was set for June 18, 1996. At the June 18 hearing, the Honorable Judge J. Michael Gunn granted the motions to appoint CBMWD nunc pro tunc and Interim Watermaster, and denied the motion to disqualify Watermaster Counsel. The Judge also ordered the parties to meet and confer regarding the nine-member board proposal, which continued the matter to a meet and confer among all of the interested parties, held July 29, 1996.

July 29, 1996, was the first of two meet & confers, held at the City of Chino Council Chambers. Although there was much discussion on that date, the only substantive decision made was to hold an additional meet and confer on August 28, 1996.

As a result of the second meet and confer, a three-member Watermaster Board proposal was submitted to the Court for hearing on September 18, 1996. As of the Court hearing date, only two of the three municipal water districts invited to participate on the proposed three-member Watermaster Board had responded affirmatively. CBMWD was expected to agree to participate after consideration at their October board meeting and the Court continued the motion until November 20, 1996. CBMWD did not take action to participate on the three-member Watermaster Board as anticipated and the motion was taken off calendar in November of 1996. Four additional workshops were held during late 1996 and into the early months of 1997. As a result, the original nine-member Watermaster Board proposal was modified and approved by the Watermaster Advisory Committee on January 30, 1997, by a majority vote of 67.99%.

On March 11, 1997, a new motion to appoint a nine-member Watermaster Board was heard by the Honorable Judge J. Michael Gunn. On April 29, 1997, Judge Gunn issued a ruling which:

- Appointed Anne J. Schneider, Esq. as Special Referee to make a recommendation to the Court regarding the issues raised by the motions.
- Ordered CBMWD, the Advisory Committee, and the DWR (Department of Water Resources) to negotiate terms for the DWR to serve as Interim Watermaster.
- Granted a motion submitted on March 6, 1997, by the law firm of Cihigoyenette, Grossberg & Clouse, general counsel for CBMWD, to disqualify Watermaster Counsel.

Negotiations began regarding the DWR serving as interim Watermaster through Special Counsel to the Watermaster Advisory Committee, James L. Markman, CBMWD Counsel, Jean Cihigoyenetché, and the attorneys for DWR.

Anne Schneider accepted the Court's appointment to become a Special Referee and began the process necessary to make a recommendation to the Court. No substantial decisions were reached by fiscal year end and the matter continued into fiscal year 1997-98.

The Special Referee held a special hearing on October 21, 1997, at the Watermaster offices. By mid December 1997, the Special Referee filed her written *Report and Recommendation* with the Court. Based on the Report and recommendation, the Honorable J. Michael Gunn entered a ruling on February 19, 1998 which:

- Appointed the Nine-Member Board as Interim Watermaster.
- Directed that an Optimum Basin Management Program be developed.
- Directed negotiation with DWR be resumed.
- Set a hearing date of October 28, 1999 regarding:
 - The Optimum Basin Management Program
 - Continuance of the Nine-Member Board.
 - Status of negotiations with DWR to serve as Watermaster and to carry out Watermaster operations.

Since the ruling, the Watermaster and producers and other interested parties have met twice a month and have held special workshops to develop a scope of work to prepare an OBMP and to cooperatively develop the OBMP.

From July 1, 1997 to March 5, 1998 the Chino Basin Watermaster Board members and elected officers were:

John L. Anderson	Chairman
George Borba	Vice-Chairman
Terry Catlin	Secretary/Treasurer
Anne W. Dunihue	Member
Wyatt L. Troxel	Member

On February 19, 1998 the Honorable Judge J. Michael Gunn issued an order to appoint a new nine-member Watermaster Board. This ruling was the result of extensive discussions that began as a result of an action by the Advisory Committee in January 1996 to appoint itself as Watermaster.

Two quarterly meetings and two special meetings were held during this period. The final meeting of the Chino Basin Municipal Water District Board of Directors serving in the capacity as the Watermaster Board was held March 4, 1998.

On March 5, 1998, the new nine-member Watermaster Board ratified action they had taken at an inaugural meeting held February 26, 1998. These actions including seating the new board, selecting officers and other administrative matters. The new nine-member Board and officers are as follows:

Appropriative Pool Representatives

Regular:	Robert Neufeld, Chairman	Cucamonga County Water District
Alternate:	Jerome Wilson	
Regular:	Mayor Gus Skropos	City of Ontario
Alternate:	Gerald Dubois	
Regular:	Josephine Johnson, Secretary/Treasurer	Monte Vista Water District
Alternate:	William Walker	

Overlying (Non-Agricultural) Pool Representative

Regular:	Steve Arbelbide	California Steel Industries, Inc.
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Overlying (Agricultural) Pool Representatives

Regular:	Paul Hofer	Agricultural, Vineyards
Regular:	Geoffrey Vanden Heuvel	Dairy

Municipal Water District Representatives

Regular:	Terry Catlin	Chino Basin Municipal Water District
Alternate:	John L. Anderson	
Regular:	Andrew Krueger	Three Valleys Municipal Water
District		
Alternate:	Rick Hansen	
Regular:	Donald Schroeder	Western Municipal Water District
Alternate:	Donald Harriger	

From March 5 1998 to June 30, 1998 the new nine-member Watermaster Board held eight regular meetings, three meetings of an ad-hoc Personnel Committee and one meeting was held to review proposals and recommend a financial consultant for the Optimum Basin Management Program an ad-hoc Legal Committee.

For a summary of the OBMP development, refer to the OBMP section included in this document beginning on page 14.

III. ADVISORY AND POOL COMMITTEES

A. Overlying (Agricultural) Pool

Each year, an annual election is held to nominate members and officers to serve on the Overlying (Agricultural) Pool Committee and Advisory Committee for the next fiscal year. The Annual

Meeting was held on July 30, 1997 and resulted in the following members being elected to serve as officers for fiscal year 1997-98:

Chairman	Robert DeBerard
Vice-Chairman	Gene Koopman
Secretary	Traci Stewart, Chief of Watermaster Services
Treasurer	Alice W. Lichti, Watermaster Controller

The members designated to administer the pool committee's activities and serve as representatives on the Watermaster Advisory Committee during fiscal year 1997-98 are shown in Appendix A-1. It has become the practice of the pool committee to designate regular and alternate members as pool representatives in order to insure a quorum for the Overlying (Agricultural) Pool meetings and adequate participation at Advisory Committee meetings.

During fiscal year 1997-98, three regular meeting, two special meetings and seven Joint Pools and Advisory Committee meetings were held, to act on matters affecting the members of this pool and to discuss actions to be forwarded by the Advisory Committee to the Watermaster Board. Regular meetings were scheduled to allow the Overlying (Agricultural) and Appropriative Pool to meet on the same day when joint meetings were not held. By action taken in June of 1988, any Overlying (Agricultural) Pool Committee member attending an Appropriative Pool meeting is compensated for attendance.

B. Overlying (Non-Agricultural) Pool

Each year, an annual election is held to nominate officers to serve on the Overlying (Non-Agricultural) Pool Committee and Advisory Committee for the next fiscal year. The Annual Meeting was held on July 23, 1997 and resulted in the following members being elected to serve as officers and Advisory Committee representatives during fiscal year 1997-98:

Chairman	Steve Arbelbide, California Steel Industries, Incorporated
Vice-Chairman	Victor Barrion, Mountain Vista Power Generation Company (Formerly SCE)
Secretary	Traci Stewart, Chief of Watermaster Services
Treasurer	Alice W. Lichti, Watermaster Controller

Representatives as shown below were designated to serve on the Watermaster Advisory Committee during fiscal year 1997-98. A complete list of member entities and their designated representatives is included as Appendix A-2.

Steve Arbelbide	California Steel Industries, Incorporated
Victor Barrion	Mountain Vista Power Generation Company
Lee Redmond III	Kaiser Ventures, Incorporated

During fiscal year 1997-98, three regular meetings and seven Joint Pools and Advisory Committee meetings were held to act on matters affecting the members of this pool and to discuss actions to be forwarded by the Advisory Committee to the Watermaster Board. It has been the practice of this pool committee to waive compensation for meeting attendance.

C. Appropriative Pool

Each year, an annual election is held to nominate officers to serve on the Appropriative Pool Committee and Advisory Committee for the next fiscal year. The Annual Meeting was held on July 23, 1997 and resulted in the following members being elected to serve as officers during fiscal year 1997-98:

Chairman	Robert DeLoach, Cucamonga County Water District
Vice-Chairman	Edwin James, Jurupa Community Services District
Secretary	Traci Stewart, Chief of Watermaster Services
Treasurer	Alice W. Lichti, Watermaster Controller

During fiscal year 1998-99, three regular meetings and seven Joint Pools and Advisory Committee meetings were held to act on matters affecting the members of this pool and to discuss actions to be forwarded by the Watermaster Advisory Committee to the Watermaster Board. A complete list of member entities and their designated representatives is included as Appendix A-3.

D. Advisory Committee

The Annual Meeting was held on July 23, 1997. At this meeting, it was decided to return to the rotation process that was practiced in previous years for the designation of committee officers. As a result, the following members were selected to represent their pools on the Advisory Committee for fiscal year 1997-98:

Chairman	Gene Koopman, Agricultural Pool
1st Vice-Chairman	Robert De Loach, Appropriative Pool
2nd Vice-Chairman	Steve Arbelbide, Non-Agricultural Pool
Secretary	Traci Stewart, Chief of Watermaster Services
Treasurer	Alice W. Lichti, Watermaster Controller

A complete list of Advisory Committee members is included as Appendix A-4.

During fiscal year 1997-98, four regular meetings, three special meetings and seven Joint Pools and Advisory Committee meetings were held to act on matters affecting the pools and to discuss actions to be forwarded by the Watermaster Advisory Committee to the Watermaster Board.

E. Special Ad Hoc Committees and Workshops

During fiscal year 1997-98, forty-nine regular meetings, special ad hoc meetings or workshops and one special hearing were held as indicated below:

- Fifteen Watermaster Board Meetings
- Seven Advisory Committee Meetings
- Three Appropriative Pool Meetings

- Three Overlying (Non-Agricultural) Pool Meetings
- Five Overlying (Agricultural) Pool Meetings
- Seven Joint Pools and Advisory Committee Meetings
- Six Ad-hoc Committee Meetings
- Two workshops
- One Hearing before Anne Schneider, Special Referee

Information regarding all committee meetings and/or special ad-hoc meetings and workshops is available and may be reviewed by any interested party by contacting the Watermaster business office, at 8632 Archibald Avenue, Suite 109, Rancho Cucamonga, CA 91730. All requests must be in writing and are accepted via regular mail or facsimile.

IV. ADMINISTRATION OF THE JUDGMENT

A. Watermaster Insurance Coverage

Chino Basin Watermaster insurance coverage was continued effective September 30, 1997 through Schrimmer Insurance Agency. Coverage includes a Business Liability Package, Auto Liability Package and Public Officials Liability.

B. Unqualified Audit Opinion and Annual Audit Report

For the period ended June 30, 1998, Conrad & Associates, LLP submitted an Unqualified Audit Opinion and Audit Report to the Chino Basin Watermaster, which is included as Appendix M.

C. Engineering Services

During fiscal year 1997-98, engineering services were continued through Mark J. Wildermuth Water Resources Engineer, for projects within the Chino Basin. Collaborative projects with the Chino Basin Water Conservation District regarding water sampling and recharge capabilities were also continued during this period. They are discussed separately in the special project portion of this annual report.

During fiscal year 1997-98, it was decided Wildermuth Environmental Inc., (formerly the firm of Mark J. Wildermuth, Water Resources Engineer) was most able to assist the Watermaster Board and the Advisory and Pool Committees with developing the Optimum Basin Management Program, as mandated by the February 19, 1998 court ruling. For a summary of the activities undertaken by the committees, the Board and for specific tasks assigned to Mr. Wildermuth please refer to the sections entitled, OBMP and Special Projects in this annual report.

D. Legal Services

On March 5, 1998 the new nine-member Watermaster Board approved a recommendation to retain Wayne K. Lemieux from the firm of Lemieux & O'Neill to serve as Watermaster General Legal Counsel and authorized an ad-hoc board committee to negotiate an appropriate contract. Prior to that period, James Markman from the firm Markman, Arcynski, Curley and Slough was retained as Special Counsel to the Advisory Committee. The Advisory Committee is currently not represented as a collective party, but individual members utilize their own legal counsel, as they deem necessary. The firm of Nossaman, Guthner, Knox & Elliot continued to represent Chino Basin Watermaster and Chino Basin Municipal Water District on the Markot case and the firm Reid and Hellyer continued to provide services to the Overlying (Agricultural) Pool Committee on matters of concern to the pool. Specialized services were also provided on behalf of the Watermaster Advisory Committee by Robert Dougherty, from the firm of Covington & Crowe.

E. Assessments

The Judgment provides for separate and distinct replenishment assessment formulas for each of the three pools. The administrative assessment formula for each pool is determined on a per acre-foot basis, for each acre-foot of water produced by that pool. Costs per acre-foot vary among the pools in accordance with their respective total budgeted amounts for pool administration and total production during the previous production period. Costs to replace any water extracted in excess of each respective pool's share of operating safe yield are recovered by the application of the following replenishment assessment formulas:

1. Overlying (Agricultural) Pool

The Overlying (Agricultural) Pool pays assessments on a gross basis, such that the total cost of the replenishment water plus the estimated associated spreading costs are divided equally on each acre-foot of water produced during the previous production year. One member of this pool, Los Serranos Country Club, was also assigned to the Appropriative Pool. Under this special arrangement, Los Serranos is assessed as an appropriator on the portion of its production (65%) that serves an area outside the Chino Groundwater Basin's adjudicated boundary. Los Serranos pays a 100% net replenishment assessment on this portion of its production.

By action taken at the Appropriative Pool Committee meeting on June 7, 1988, the Appropriative Pool assumes the administrative and special project costs of the Overlying (Agricultural) Pool. In exchange, it was agreed to accelerate the reallocation or transfer of all unpumped agricultural water to the Appropriative Pool from once every five years to each fiscal year. This became effective fiscal year 1987-88 and has been continued each year thereafter.

The total administrative and special projects assessment levied against the Overlying (Agricultural) Pool for fiscal year 1997-98 was \$594,169. The Appropriative Pool members were assessed \$15.17230 per acre-foot for each acre-foot of water reallocated to them. This was calculated at \$594,169 divided by the total number of acre-feet to be reallocated during the fiscal year (or 39,161.430 acre-feet).

Reported production from the pool declined from 96,567 acre-feet in fiscal year 1974-75, to 83,934 acre-feet in fiscal year 1977-78. The Committee decided in fiscal year 1978-79 to purchase and place, 2,000 acre-feet of replenishment water in a local storage account. This was done to provide for a potential increase in production during the balance of the five-year period. However, because production of the Overlying (Agricultural) Pool continued to decline, the pool members decided during fiscal year 1987-88 to sell the water they had placed in storage. Revenue from the sale was placed in a restricted, interest earning account for future use by the Overlying (Agricultural) Pool, as became necessary. Due to the potential benefit to the basin, a request from the newly formed Santa Ana River Water Group to assist with start up costs was approved by the pool during fiscal year 1997-98 for the amount of \$3,000. It was paid from the reserve account that was previously established as a result of the sale of 2,000 acre-feet of stored water. Through June 30, 1998, proceeds from the sale, including interest earned, totaled \$430,005.15.

2. The Overlying (Non-Agricultural) Pool

Assessments for this pool are based on a net replenishment formula. This formula applies the current cost of replenishment water plus the estimated spreading costs to each acre-foot of water produced in excess of a producer's share of safe yield.

The fiscal year 1997-98 budgeted administrative and special projects assessment for the Overlying (Non-Agricultural) Pool was calculated at \$6.5445 per acre-foot. Replenishment costs were assessed in the amount of \$233.00 per acre-foot (\$233 plus \$4.15 per acre-foot of spreading costs, which did not include a \$2.75 fiscal year 1998-99 per acre-foot administrative charge (levied by Chino Basin Municipal Water District later in the year) on each acre-foot of production in excess of each producer's share of the operating safe yield.

3. The Appropriative Pool

In the Appropriative Pool, the following members pay replenishment assessments on a net basis, which includes the current cost of replenishment water plus the estimated cost of

spreading. In fiscal year 1997-98, these costs were \$233.00 plus \$4.15 per acre-foot of water produced:

- Arrowhead Mountain Spring Water Company
- Los Serranos Country Club
- Marygold Mutual Water Company
- City of Pomona
- Pyrite Canyon Group
- MWD

The City of Norco pays replenishment on a net basis for any replenishment obligation in excess of 1,567,000 acre-feet. Any replenishment necessary by the City of Norco up to the 1,567,000 acre-feet is assessed under the 85/15 formula as discussed below.

The remaining Appropriative Pool members (and City of Norco less than 1,567 acre-feet) are assessed under the 85/15 formula. This formula assesses the total cost of replenishment water in two ways:

- 15% on a gross basis, uniformly among all producers on each acre-foot produced;
- 85% on a net basis, on each acre-foot of production over a producer's share of the operating safe yield.

In fiscal year 1997-98, the Appropriative Pool members who participated in the 85/15 formula were assessed \$7.77043 per acre-foot for the gross 15% assessment and \$201.57750 per acre-foot for the 85% net assessment, respectively. In addition, each producer was assessed \$2.7283 per acre-foot to cover the budgeted administrative and special project costs for the pool.

F. Fiscal Year 1998-99 Watermaster Budget

A summary of the Fiscal Year 1998-99 Watermaster Budget as shown on page one of the Watermaster assessments for Fiscal Year 1998-99 is included in Appendix C. The budget was ratified by Watermaster on June 11, 1998. Many times Watermaster budgets are amended or modified during the process of developing the Watermaster assessment package and levying the subsequent fiscal year assessments. Finalized budgets are included in Appendix C depending on the Watermaster process.

G. Special Projects

Special projects are initiated by separate work orders (either verbal or written, as a result of some committee actions) and approved by the pool committees, the Advisory Committee and the Watermaster Board. Special projects are defined in the Judgment as projects to be undertaken for other than general administration of the Judgment. Additional special project funds are designated

and budgeted as required to carry out the basin management plan. The new or existing special projects described below were approved for fiscal year 1998-99.

1. The Well Inspection and Meter Installation Project (for the Overlying Agricultural Pool)

This project was originally initiated in 1978, to provide a service to those parties under the Judgment who are required to purchase and install meters in order to accurately report well production. A renewed effort to accomplish this as part of the Judgment began in 1992. Since that time, approximately 650 to 700 active wells have been located and inspected. Following the field inspections, Watermaster staff made a recommendation regarding the type and placement of each meter for each well. The choices were either kilowatt hour, hour, or in-line flow meters. Wells either had meters installed or data was being accumulated through a kilowatt hour meter. Additionally, 250 wells in an inactive or abandoned status were also inspected during the project. The purpose of this project is to insure that all wells with an annual production of 10 acre-feet or greater are equipped with an operational and accurate measuring device.

To improve the accuracy of the reported production, the project also provided for plumbing modifications, repair of previously installed, non-functioning in-line flow meters, and installation of meters on previously unmetered wells. Additionally, owners and users were identified; well numbers were assigned; and each well was tagged, photographed and assigned the appropriate status. Each well inspection report is on file at the Watermaster business office.

2. The Metering Program

The Judgment, Paragraph 21, Measuring Devices and Paragraph 54, Administrative Expense, is intended to cause the testing and calibration of every propeller-type meter in the Chino Groundwater Basin, at least once every two years, in an effort to obtain more accurate production records on each well. In 1992, Paragraph 3.07.1 of the Watermaster Rules and Regulations, was added to require installation, testing and calibration of other meter types, such as kilowatt-hour on hour meters, on an annual basis.

3. The Monitoring Program

This project is comprised of two primary tasks, collecting water samples and obtaining water level readings. Task 1 is the portion of the program necessary to collect

groundwater quality samples and water levels, and to extract data from the DHS (Department of Health Services) and the RWQCB (Regional Water Quality Control Board) records.

This task represents the majority of Watermaster staff effort in this regard. Water quality sample data was collected from over 60 agricultural wells. Water level data was obtained on over 300 agricultural wells. This program allowed the agricultural producers to avoid the imposition of individual monitoring requirements by the RWQCB in the past.

Task 2 consists of compiling lab data, checking the data for accuracy and completeness, preparing maps showing TDS, groundwater level and nitrate contours, and preparing the necessary monitoring reports.

An integral part of the monitoring program is to precisely locate the wells with GPS (global positioning system) equipment. This information is being gathered for over 1,000 wells in the Chino Groundwater Basin. By the end of the fiscal year, data had been collected on 600 wells. This data fixes the position of each well with longitude and latitude coordinates within an accuracy of two meters. The water quality and water level monitoring data and the GPS well positioning data is entered in the Watermaster database and will eventually be used to improve the accuracy of the various models and analytical tools used by Watermaster engineers.

4. TDS/Nitrogen Study

The purpose of this study, which is being managed by SAWPA (Santa Ana Watershed Project Authority), is to reevaluate the wasteload allocations, the basin plan objectives, and zones established for the Santa Ana River and the surrounding groundwater basins. In 1994, the RWQCB (Regional Water Quality Control Board) updated the Basin Plan for the Santa Ana River Watershed. The allowable reclaimed water use, the surface and groundwater TDS and nitrogen objectives, the groundwater basin and sub-basin boundaries, and the various

beneficial uses that must be protected and preserved are established in the Basin Plan.

Following are some of the tasks to be completed in this study:

- Identify the effect on receiving and downstream water quality and quantity from increased reclamation by type of reclamation use.
- Determine the impact of changes on the quality of receiving water in groundwater basins.
- Compare any proposed water quality changes to existing legal and institutional arrangements to determine if changes in water quality objectives can be made, and determine if the evidence supports a change.
- Recommend appropriate basin/sub-basin boundaries (based on water quality, manageability and hydrology).

- Identify the impact of changes in objectives on the basins, the river reaches and the on-off river areas.

Additional participation was approved by Watermaster in 1997. Phase 1B included the following tasks:

- Develop hydrologic methods.
- Develop socio-economic impact methods.
- Develop water quality monitoring plan(s).
- Support regulatory approval process.

5. Chino Basin Recharge Master Plan

Approved in 1995 and undertaken in cooperation with the CBWCD (Chino Basin Water Conservation District), Watermaster participated in the preparation of a Chino Basin Recharge Master Plan. The study was conducted by Wildermuth Environmental, Inc. and the Phase 1 Final Report was completed in January 1998. The objective of the Recharge Master Plan is to evaluate local recharge capabilities based on a range of estimated percolation rates and recommend research and engineering studies to be conducted in later phases.

Phase I included initial screening and assessment to estimate the amount of runoff currently recharged and the amount of additional recharge that could occur at new and existing spreading basins. A list of promising spreading basins was developed. The Phase I final report:

- Describes existing and potential spreading facilities.
- Developed recharge estimates.
- Analyzed the current Chino Basin safe yield.
- Developed a recommendation for Phase 2.

Phase 2 was to consist of site specific investigations including percolation monitoring and the preparation of cost estimates for developing and managing these basins. As a result of discussions during the year, CBWCD (Chino Basin Water Conservation District) and Watermaster staff recommended identification of high priority recharge projects and collection of site-specific data at some of the most promising sites. Staff gages were installed and some core borings were made at specific spreading locations. Additionally, the Watermaster and the

CBWCD collaborated on projects that could provide immediate benefits as well as collect necessary data.

6. Chino Basin Surface Water Quality Testing Program

During fiscal year 1996-97, the Watermaster approved participation in a surface water quality-testing program undertaken in cooperation with the Conservation District to collect and analyze surface water quality in the spreading basins. The program consisted of

taking a specified number of samples of water in various spreading basins located within the groundwater basin after the occurrence of local rainstorms. During fiscal year 1997-98, Watermaster and CBWCD staff collected 192 samples. The samples were then sent to an independent laboratory and analyzed for water quality. The lab results were sent to Wildermuth Environmental, Inc. to be included in the groundwater monitoring report. As part of this process, Watermaster staff entered the lab data in a program written by Mr. Wildermuth to check the sample cation/anion balance. The Groundwater Monitoring Report covering fiscal years 1995-96 and 1996-97 was received in October 1997.

7. Optimum Basin Management Program

On February 19, 1998, the Honorable Judge J. Michael Gunn ruled that the Watermaster must develop an OBMP (Optimum Basin Management Program) by September 30, 1999. Development of the OBMP requires three parallel processes: institutional, engineering, and financial. The institutional process defines the management agenda, directs the engineering and financial processes, and builds an institutional consensus for OBMP implementation. The engineering process develops planning data and evaluated the technical and economic performance of the OBMP proposals. The financial process develops alternative financing plans for the OBMP through its evolution. These processes provide feedback to each other during the OBMP development process.

The institutional process consists of the following tasks:

- Task 1 Identify needs and interests of interested parties.
- Task 2 Establish a meeting schedule necessary to complete OBMP within the time frame allocated.
- Task 3 Develop and refine the scope of work based on identified needs.
- Task 4 Identify early implementation actions and develop a list of potential program elements of the OBMP to balance needs and interests expressed.
- Task 5 Evaluate program elements and develop recommended management and implementation plan.

The first three tasks were completed with the submission of the recommended scope of work to the Special Referee and the Court. Task 4 was begun in June 1998 with several early implementation actions items having already been approved and with initial management concepts submitted to begin the list of potential components of the OBMP. The management

concepts being submitted represent concepts or implementation plans that describe the parties' vision of the OBMP. Submissions of management concepts were scheduled to continue into July and August of 1998 and reflected the needs and interests that were previously identified for the OBMP. All proposals submitted were to be discussed and listed.

Task 5 will determine those proposals that appear the most promising. They will then be forwarded to the engineering and financial consultants for reconnaissance level, technical, economic and financial analyses. The results of the engineering and financial analyses will be submitted back to the producers and Watermaster for review. This process is anticipated to be lengthy and iterative and should continue as long as necessary within the time constraints described in the Judge's ruling.

Working together, the producers and the Watermaster Board will, by the conclusion of Task 5, recommend an Optimum Basin Management Program. The recommendation will include a proposed implementation plan.

The engineering process consists of the following tasks:

- Task 1 Develop Optimum Basin Management Program Criteria.
- Task 2 Assess the Current State of the Basin.
- Task 3 Prepare Sections 1, 2, and 3 of the OBMP document.
- Task 4 Develop the Components of the OBMP.
- Task 5 Develop an Implementation Plan
- Task 6 Finalize the OBMP Document.

Tasks 1 and 2 define the basin problems, planning environment, and the needs and interests of the basin producers. It is expected that Tasks 1, 2 and 3 will be completed early in fiscal year 1998-99. Additionally, Sections 1, 2 and 3 (Task 3) are expected to be completed and drafts will be forwarded to the Special Referee for review. The goals and objectives for the OBMP were circulated among the members of Watermaster, the producers, the special referee and other interested parties and should be finalized by November of 1998. A matrix was developed that contains the goals, impediments to the goals, action items to achieve the goals and the implication of the action items. This matrix will be used to define the necessary program elements of the OBMP. Tasks 4 and 5 are engineering efforts to develop these elements and to describe the implementation process. The final OBMP document will be developed in Task 6.

The financial process will develop financing plans for the individual program elements within the OBMP and where appropriate combinations of OBMP elements. The financial process includes the following activities:

- Review the economic analyses of the elements of the OBMP.
- List the available funding sources that may be appropriate.
- Describe the terms and conditions for these sources.
- Describe the requirements and procedures for obtaining funding from these sources.
- Describe the timeline for obtaining funding from these sources.
- Develop a robust financial plan for the final OBMP including:

- Palette of funding sources.
- Administrative activities.
- Institutional activities (lobbying, partnering, etc.)

For additional information, contact the Watermaster office.

H. Mailing Lists

Mailing lists of the active parties are updated on a routine basis through the use of the United States Post Office "Address Correction Requested Service," whereby any address change reported to them is provided to Watermaster after each mailing. File changes are made upon receipt of notice from the post office and from other sources of address change. A current listing of active parties is available for review upon request.

I. New Party Interventions

New Party Interventions are accumulated on a regular basis as land ownership changes or new parties begin production. Changes in ownership are most frequently discovered during the production reporting and well inspection processes. New party production is normally discovered when Watermaster staff locates new wells during routine field inspections. Parties who no longer own property with water production facilities are considered inactive and are accounted for as such. During fiscal year 1997-98, three petitions for intervention were received and approved with a recommendation they be forwarded to the Court for confirmation, as part of the Annual Report. (See Appendix J.)

J. Redetermination of the Chino Groundwater Basin's Safe Yield

On June 30, 1998, the Chino Basin Watermaster Program closed its Twenty-first year of operation under the Judgment. Beginning June 30, 1982 redetermination of the Chino Groundwater Basin's safe yield could be considered. There were no changes recommended during the fiscal year.

Pursuant to Exhibit I, Page 80, Paragraph 2b of the Judgment, Quantitative Limits: "In no event shall Operating Safe Yield in any year be less than the Appropriative Pool's share of Safe Yield, nor shall it exceed such share of Safe Yield by more than 10,000 acre-feet. The initial Operating Safe Yield is hereby set at 54,834 acre-feet per year. Operating Safe Yield shall not be changed upon less than five years notice by Watermaster." Pursuant to this provision of the Judgment, Watermaster hereby posts its fifteenth "Notice of Intent to Change the Safe Yield in the Chino Groundwater Basin" as shown in Appendix K.

V. RESOURCES MANAGEMENT

A. Quarterly Accounting of Water Production

Production request forms are mailed to users of all active wells in the Chino Basin on a quarterly basis. The Overlying (Agricultural) Pool's quarterly production was compiled from meter readings taken on those wells equipped with water measuring devices. On wells without measuring devices, a water duty method, which relates the acreage of crops grown or the number of animals maintained to water use in acre-feet, was used to compute the production for those users without measuring devices.

B. SBCFCD (San Bernardino County Flood Control District Agreement)

During fiscal year 1997-98 spreading activity increased due to the availability of high quality water from CBMWD through MWD (Metropolitan Water District). The expired agreement with the SBCFCD was attached to a spreading permit from the Flood Control District to allow the use of the spreading basins during the fiscal year. Negotiations on a new spreading agreement will commence when the OBMP is finalized (anticipated in October 1999).

C. San Sevaine Creek Water Project Agreement

During the past four years, the potential impact on the basin's natural recharge from the proposed San Sevaine Creek Water Project caused a considerable amount of concern among Watermaster Committee members. Several meetings were held with SBCFCD regarding the potential impact of channel lining. Concern was raised that the SBCFCD had not made an adequate demonstration that the project would mitigate the loss of storm flow recharge that now occurs through the existing unlined channels.

In January of 1998, SBFCD proposed allowing CalTrans to remove a substantial amount of material for construction of the I15/I30 interchanges from Basins 1 through 5. This could have adversely impact Watermaster's ability to spread water in Basins 1 through 5. Subsequently, after several meetings, alternative sources of fill were located for CalTrans and only Basin 5 from the San Sevaine Project is being used for this purpose.

D. Cyclic Storage Agreement

Cyclic storage is defined in the Uniform Groundwater Rules and Regulations Paragraph 1.2.2 Cyclic Storage, as the "pre-delivery of replenishment water." The Cyclic Storage Agreement with Metropolitan Water District (Met) was extended for an additional period of one year while the pool committees continued workshops regarding storage limits. The Sixth Amendment to the Cyclic Storage Agreement was approved by the Watermaster Board on March 5, 1998. The Agreement and a summary of the cyclic storage account activity during fiscal year 1997-98 are included as Appendices L and E-2 respectively.

E. Stringfellow Acid Pits

During fiscal year 1985-86, each pool committee addressed various mitigation measures in regard to the Stringfellow Acid Pits. The Committees determined the need for a cooperative effort throughout the water industry in dealing with contamination problems in the Chino Groundwater Basin. Pursuant to the Watermaster Advisory Committee's action, Watermaster petitioned the Court to allow the export of a maximum of 300 acre-feet of water annually. The Court approved the petition in November of 1985. During fiscal year 1997-98, 82.977 acre-feet of contaminated wastewater was removed and exported from the site. As of June 30, 1998, 496.977 acre-feet of contaminated water has been exported from the Stringfellow Acid Pits.

F. Local Water in Storage for Recapture/Sales/Transfers

Recapture, sales and transfers of water in local storage entered into among the Appropriative and Overlying (Non-Agricultural) Pool members during fiscal year 1997-98 totaled 19,443.915 acre-feet (see Appendix I-1).

G. Transfers or Leases of Water Rights

Water Rights Lease Agreements, negotiated among the Appropriative Pool members during fiscal year 1997-98 totaled 30,299.269 acre-feet (see Appendix I-2).

H. Assignments

Pursuant to the Judgment, Exhibit G, Paragraph 6, Assignment, "Any appropriator who may, directly or indirectly, undertake to provide water service to such overlying lands may, by an appropriate agency agreement on a form approved by Watermaster, exercise said overlying right to the extent, but only to the extent necessary to provide water service to said overlying lands."

Appendix I-3 included the quantities of water assigned in fiscal year 1997-98. Previously, assignments were not recorded in the Annual Report, however they were a part of the Summary of Groundwater Production filed with the Court each year.

I. Local Storage

1. Storage Limits

During fiscal year 1997-98, the pool committees continued to consider the establishment of storage limits and to consider what losses, if any, should be assigned to local water in storage. Due to the activities and workshops necessary to address transitioning to a new Watermaster and the development of an Optimum Basin Management Program, the process of setting storage limits and assigning losses continued into the next fiscal year. The Advisory Committee took action to cap the amount of water that could be stored to include

water in storage as of June 30, 1997. During the fiscal year, storage management became an element of the OBMP and storage limits will be addressed as it is developed.

2. Local Storage Agreements

In fiscal year 1997-98, a Local Storage Agreement was approved in the amount of 34,023.843 acre-feet for Monte Vista Water District. No supplemental water was imported, either directly or by exchange to be stored under this agreement.

APPENDIX A-1

OVERLYING (AGRICULTURAL) POOL COMMITTEE FISCAL YEAR 1997-98

<u>Regular Members</u>	<u>Alternate</u>	<u>Representing</u>
*George Borba Jr.	*John Borges	Dairy
Robert DeBerard, Chairman	Bernard (BJ) Teunissen	Grapes
Rick Buffington	Charles Davis, PIA/CIM** Frank Lopez, CIW	State of CA
*Jenny De Boer	Arlan Van Leeuwen	Dairy
Dick Dykstra	Darin Dykstra	Dairy
*Jack Hagerman	*Sheila Andersen *Fred Hector, CIW	State of CA, CIM
*Gene Koopman	*Mary Parente	MPC
*Marilyn Levin, Deputy Atty General	Douglas Noble, AG's Office Carlos Lozano, YTS	State of CA
Dana Oldenkamp	Bob Feenstra	MPC
Jeff Pierson	Ray Allard	Unitex/Corona Farms

*Newly elected members for a two-year term.

**Charles Davis replaced Robert Bridges.

Committee members from the State of California waive compensation.

At the Annual meeting it was decided that alternates would be selected to represent specific agricultural interests.

APPENDIX A-2

OVERLYING (NON-AGRICULTURAL) POOL COMMITTEE FISCAL YEAR 1997-98

<u>Member Entity</u>	<u>Representative</u>
Ameron	Mark Ward
Angelica Rental Service	Eric Vaughn
California Steel Industries (CSI)	*Steve Arbelbide, Chairman
Calmat (Conrock)	George Cosby
General Electric Company	Debra Hankins
Kaiser Ventures Inc. (KVI)	*Lee Redmond III
Mobile Community Management For Swan Lake Mobile Home Park	David Starnes
Praxair	Mike Stenberg
San Bernardino Cnty Dept. of Airports	Robert Olislagers
Sunkist Growers Inc.	David Cooper
*Mountain Vista Power Generation Co	*Vic Barrion, Vice-chairman *Rick Darnell
Space Center Mira Loma	Michael Thies
California Speedway	Les Richter
*Advisory Committee Representatives	

George Cosby replaced Scott Wilcott during FY97-98. SCE was purchased by Mountain Vista Power Generation Company. Watermaster approved the intervention on May 27, 1998 and it will be forwarded to the Court as part of this 21st Annual Report.

APPENDIX A-3

APPROPRIATIVE POOL COMMITTEE FISCAL YEAR 1997-98

<u>Member Entity</u>	<u>Representatives</u>
Arrowhead Mt. Springs Water Comp.	Scott Hendrix
Chino Basin MWD	Mark Kinsey
*Chino, City of	Dave Crosley
*Chino Hills, City of	Ron Craig/ Jim Taylor
*Cucamonga County Water District	Robert DeLoach, Chairman
Fontana, City of	Not named**
*Fontana Union Water Company	Gerald Black
*Fontana Water Company	Mike McGraw
*Jurupa Community Services Dist.	Edwin James, Vice Chair
Los Serranos Country Club	Kevin Sullivan
Marygold Mutual Water Company	Bill Stafford
Monte Vista Irrigation Company	Harold Andersen
Monte Vista Water District	Joe Grindstaff**
Norco, City of	Joe Schenk
*Ontario, City of	Ken Jeske
Pomona, City of	Henry Pepper**
Pyrite Canyon Group	Daniel Bergman
*San Antonio Water Co	Ray Wellington
Santa Ana River Water Comp.	Arnold Rodriguez
San Bernardino, County of	Dulcie Crowder
Southern California Water Comp.	Chet Anderson
*City of Upland	Jim Moody
West End Cons. Water Comp.	Beverly Braden**
*West San Bern. County Water District	Anthony Araiza
<i>*Advisory Committee Representatives</i>	

** Joe Grindstaff resigned effective June 30, 98. Henry Pepper replaced Charles Sihler at Pomona and Ken Jeske replaced Mike Teal at Ontario, during FY97-98. No new representative was named for the City of Fontana. City of Upland took over management of West End Consolidated Water Company and Beverly Braden was named as the representative.

APPENDIX A-4

ADVISORY COMMITTEE FISCAL YEAR 1997-98

Agricultural Pool

Regular Members

George Borba Jr., Dairy

Rick Buffington, State of CA, CIM

Robert DeBerard, Grapes,

Jenny DeBoer, Dairy

Dick Dykstra, Dairy

Jack Hagerman, State of CA

Gene Koopman, MPC, **Chairman**

Marilyn Levin, Deputy AG, State of CA

Dana Oldenkamp, MPC

Jeff Pierson, Unitex /Corona Farms

Alternate Members

John Borges, Dairy

Charles Davis, State of CA, PIA/CIM
Frank Lopez, State of CA, CIW

Bernard (BJ) Teunissen, Grapes

Arlan Van Leeuwen, Dairy

Darin Dykstra, Dairy

Sheila Anderson, State of CA, CIM
Fred Hector, State of CA, CIW

Mary Parente, MPC

Douglas Noble, AG's Office, State of CA
Carlos Lozano, State of CA, YTS

Bob Feenstra, MPC

Ray Allard, Unitex/Corona Farms

Non-Agricultural Pool

Member Entity

California Steel Industries

Mountain Vista Power Gen. Co.

Kaiser Ventures Inc.

Representative

Steve Arbelbide, **2nd Vice-chair**

Vic Barrion/Rick Darnell

Lee Redmond III

Appropriative Pool

Member Entity

City of Chino

City of Chino Hills

City of Ontario

City of Pomona

City of Upland

Cucamonga County Water District

Fontana Union Water Company

Fontana Water Company

Monte Vista Water District

Jurupa Community Services Dist.

San Antonio Water Company

A.W. Araiza

Representative

Dave Crosley

Ron Craig

Ken Jeske

Henry Pepper

Jim Moody

Robert DeLoach, **Vice chair**

Gerald Black

Mike McGraw

P. Joseph Grindstaff

Edwin James

Ray Wellington

West San Bernardino County Water Dist.

**Non-major Appropriator representatives*

APPENDIX B ⁽¹⁾

PRODUCTION BY POOL (ACRE-FEET)

FISCAL YEAR	APPROPRIATIVE POOL	OVERLYING (AGRICULTURAL) POOL	OVERLYING (NON-AGRICULTURAL) POOL	TOTAL
74-75	70,312	96,567	8,878	175,757
75-76	79,312	95,349	6,356	181,017
76-77	72,707	91,450	9,198	173,355
77-78	60,659	83,934	10,082 ⁽²⁾	154,675
78-79	60,597	73,688	7,127	141,412
79-80	63,834	69,369	7,363	140,566
80-81	70,726	68,040	5,650	144,416
81-82	66,731	65,117	5,684	137,532
82-83	63,481	56,759	2,395	122,635
83-84	70,558	59,033	3,208	132,799
84-85	76,912	55,543	2,415	134,870
85-86	80,859	52,061	3,193	136,113
86-87	84,662	59,847	2,559	147,068
87-88	91,579 ⁽³⁾	57,865	2,958	152,042
88-89	93,617 ⁽⁴⁾	46,762	3,619	143,998
89-90	101,344 ⁽⁵⁾	48,420	4,856	154,620
90-91	86,658 ⁽⁶⁾	48,085	5,407	140,150
91-92	91,982 ⁽⁷⁾	44,682	5,240	141,904
92-93	86,367 ⁽⁸⁾	44,092	5,464	135,923
93-94	80,798 ⁽⁹⁾	44,298	4,586	129,682
94-95	93,419 ⁽¹⁰⁾	55,022	4,327	152,768
95-96	101,606 ⁽¹¹⁾	43,639	5,424	150,669
96-97	110,163 ⁽¹²⁾	44,809	6,309	161,281
97-98	97,435 ⁽¹³⁾	43,345	4,955 ⁽¹⁴⁾	145,735

(1) Assessed production or production reported in Annual Reports

(2) Includes 3,945 AF of mined water pumped by Edison as agent for CBMWD.

(3) Does not include 7,674.3 AF exchanged with MWD.

(4) Does not include 6,423.6 AF exchanged with MWD.

(5) Does not include 16,377.1 AF exchanged with MWD.

(6) Does not include 14,929.1 AF exchanged with MWD.

(7) Does not include 12,202.4 AF exchanged with MWD.

(8) Does not include 13,657.3 AF exchanged with MWD.

(9) Does not include 20,194.7 AF exchanged with MWD.

(10) Does not include 4,221.9 AF exchanged with MWD.

(11) Does not include 6,167.2 AF exchanged with MWD and reflects corrected production after reporting errors accounted for.

(12) There were no MWD exchanges in FY 96-97 and reflects corrected production after reporting errors were accounted for.

(13) Does not include 4,275.4 AF exchanged with MWD.

(14) Does not include 216.5 AF exchanged with MWD.

APPENDIX C

**SUMMARY OF ADMINISTRATIVE AND REPLENISHMENT ASSESSMENT BUDGETS
FISCAL YEAR 1998-99**

ON FILE AT WATERMASTER OFFICES

APPENDIX D

SUMMARY OF REALLOCATION OF UNPRODUCED OVERLYING (AGRICULTURAL) POOL SAFE YIELD FROM PRODUCTION YEAR 1996-97 TO THE APPROPRIATIVE POOL FOR USE IN FISCAL YEAR 1997-98

MEMBER	LAND USE CONVERSIONS		BALANCE AVAILABLE (AF)	TOTAL REALLOCATED (AF)
	FIRST 50%	REMAINING 50% (AF)		
Chino, City of	1,791.335	530.606	1,733.565	4,055.506
Chino Hills, City of	718.986	277.733	907.392	1,904.111
Cucamonga County Water District	598.364	476.096	1,555.474	2,629.934
Fontana Union Water Company		841.414	2,749.021	3,590.435
Jurupa Community Services District	3,197.753	271.115	885.773	4,354.641
Marygold Mutual Water Company		86.199	281.625	367.824
Monte Vista Water District	36.595	634.534	2,073.112	2,744.241
Monte Vista Irrigation Company		89.020	290.840	379.860
Norco, City of		26.511	86.615	113.126
Ontario, City of	869.726	1,496.090	4,887.940	7,253.756
Pomona, City of		1,475.312	4,820.055	6,295.367
San Antonio Water Company		198.213	647.591	845.804
Santa Ana River Water Company		171.180	559.270	730.450
Southern California Water Company		54.125	176.833	230.958
Upland, City of		375.199	1,225.830	1,601.029
West End Consolidated Water Company		124.660	407.284	531.944
West San Bernardino County Water District		84.752	276.898	361.650
TOTALS	7,212.759	7,212.759	23,565.118	37,990.636

Source: FY 1998-99 Assessment Package

APPENDIX E-1

SUMMARY OF MWD DELIVERIES⁽¹⁾ (ACRE-FEET)

FISCAL YEAR 1997-98

DATE	WATER FACILITIES AUTHORITY CB 12					CB 1	CB 7 & CB 16	TOTAL	PM 15
	UPLAND	CHINO	CHINO HILLS	MVWD	ONTARIO ⁽³⁾	SCE	CCWD		POMONA ⁽²⁾
July	633.3	491.8	1,514.4	356.5	1,171.0	0.0	2,067.4	6,234.4	1,017.0
August	783.1	540.8	1,539.3	437.4	1,081.0	24.9	2,420.3	6,826.8	1,205.0
September	633.5	518.1	1,393.6	340.5	941.5	43.3	2,068.3	5,938.8	846.0
October	295.8	375.3	1,170.7	132.3	844.5	0.0	1,758.2	4,576.8	415.0
November	56.4	298.9	704.0	96.7	441.0	0.0	1,681.3	3,278.3	72.0
December	244.3	264.3	377.2	86.8	0.0	45.2	1,631.8	2,649.6	3.0
January	530.9	231.4	368.8	158.4	0.0	67.9	1,420.8	2,778.2	198.0
February	476.3	195.4	328.4	451.0	0.0	57.2	1,058.5	2,566.8	1,066.7
March	0.0	261.4	490.4	536.8	0.0	46.1	1,116.5	2,451.2	576.0
April	0.0	286.6	575.5	158.4	0.0	0.0	1,320.2	2,340.7	131.0
May	0.0	362.5	793.9	184.1	0.0	0.0	1,280.0	2,620.5	57.0
June	1.3	355.8	1,020.1	371.0	266.7	0.0	1,281.5	3,296.4	148.0
TOTAL	3,654.9	4,182.3	10,276.3	3,309.9	4,742.7	284.6	19,104.8	45,558.5	5,732.7

Total MWD direct deliveries used in Chino Basin (including Pomona):

51,291.200

- (1) A breakdown of categories of water is available upon request. Watermaster replenishment not included. Includes water exchanged with MWD.
- (2) Figures reflect 37.8% of the total MWD water delivered that was used over the Chino Basin (based on estimated land area physically located within the Chino Basin adjudicated boundary).
- (3) During FY97-98 Ontario did not take any deliveries through its CB-2 connection.

APPENDIX E-2

SUMMARY OF COOPERATIVE, REPLENISHMENT AND CYCLIC ACTIVITIES FISCAL YEAR 1997-98

(ACRE-FEET)

COOPERATIVE ACTIVITY		DIRECT REPLENISHMENT ACTIVITY			CYCLIC ACTIVITY		
MONTH	PRODUCED FROM COOPERATIVE	CB-13T SAN SEVAINE	CB-14T ETIWANDA	CB-59T MONTCLAIR	CYCLIC DELIVERED BY EXCHANGE	PRODUCED FROM CYCLIC	TOTAL
July	0	0	0	0	0	0	0
August	0	0	0	0	0	0	0
September	0	0	0	0	0	0	0
October	0	0	0	1,981.5	0	0	0
November	0	0	0	1,649.5	0	0	0
December	0	0	0	2,017.1	51.5	0	0
January	0	0	0	327.8	668.9	0	0
February	0	0	0	0	2,136.1	0	0
March	0	0	0	0	1,635.4	0	0
April	0	0	0	997.1	0	0	0
May	0	0	0	441.2	0	0	0
June	0	0	0	908.4	0	0	0
TOTAL	0	0	0	8,322.6	4,491.9	0	4,491.9

Cyclic storage balance as of June 30, 1997	33,765.6	Cooperative storage balance as of June 30, 1997	1,697.3
Direct deliveries by spreading: 97-98	0.0	Deliveries into account	0.0
Deliveries by exchange: 97-98	4,491.9		
Produced during 1997-98:	0.0	Produced during 1997-98	0.0
BALANCE as of June 30, 1998	38,257.5	BALANCE as of June 30, 1998	1,697.3

BREAKDOWN OF MWD CYCLIC ACTIVITY

	SCE	MVWD	UPLD	POMONA	NORCO	TOTAL
Dec	45.2				6.3	51.5
Jan	68.0	158.4	244.3	198.2	0.0	668.9
Feb	57.2	451.0	530.9	1,066.7	30.3	2,136.1
Mar	46.1	536.8	476.3	576.2	0.0	1,635.4
Total	216.5	1,146.2	1,251.5	1,841.1	36.6	4,491.9

MVWD has 1,697.3 AF in its Cooperative Storage Account with Met. There were no additional deliveries into cooperative storage during FY 97-98.

APPENDIX F

SUMMARY OF OTHER IMPORTED SUPPLIES

FISCAL YEAR 1997-98

(ACRE-FEET)

MEMBER	OTHER BASINS	SURFACE DIVERSIONS	OTHER IMPORTED SURFACE DIVERSIONS	RECYCLED WATER ⁽¹¹⁾
Chino Basin Municipal Water District ⁽¹⁾				1,260
Cucamonga County Water District ⁽²⁾	9,461	6,883		
Fontana Water Company ⁽³⁾	15,062	6,418		
Marygold Mutual Water Company ⁽⁴⁾			1,283	
Metropolitan Water District ⁽⁵⁾			46,816	
Pomona, City of ⁽⁶⁾	3,156	1,778		
San Antonio Water Company ⁽⁷⁾	1,658	3,832		
State of California, CIM ⁽⁸⁾				899
West End Consolidated. Water Co ⁽⁹⁾	4,320			
West San Bernardino CWD ⁽¹⁰⁾	5,693	1,428		
	39,350	20,339	48,099	2,159

TOTAL 106,360 (see footnotes 10 and 11)

- (1) Chino Basin Municipal Water District delivered 689.7 AF to Whispering Lakes Golf Course and 570.1 AF for use at El Prado Park and Golf Course.
- (2) Includes water produced from Cucamonga Basin and local runoff captured from Day Creek, Deer Canyon and water treated at WTP's.
- (3) Includes water pumped from other basins and Lytle Creek surface water production.
- (4) Includes 1283 AF produced from wells owned by the City of Rialto, located in the Rialto Basin.
- (5) Includes total MWD water delivered to IEUA service area (51,291 AF as shown on E-2 and 16.5 AF direct spreading into Cyclic account). Excludes 5,732.7 AF delivered to Pomona which is shown separately and 4,491.9 exchanged into cyclic.
- (6) Includes 800 AF from Pomona Basin, 2,097 AF from Claremont Basin and 5,733 AF MWD water delivered to Pomona through Three Valleys MWD and used in Chino Basin.
- (7) Includes water from Cucamonga Basin, Claremont Basin, the San Antonio Tunnel and the Main Box.
- (8) Recycled wastewater that was applied to fields, including water held in storage ponds.
- (9) Includes 3,620 AF from Claremont Heights Basin and 700 AF from Cucamonga Basin.
- (10) Includes 1,428 AF delivered to City of Rialto (shown only not included in summary as it is not in CBWM boundary, and 5,693 AF delivered in "meter book" service area.
- (11) Recycled water totals are not included in summary total as it is not an "imported" supply as are the other quantities of water shown.

APPENDIX G

TOTAL WATER USED WITHIN CHINO BASIN ⁽¹⁾

(ACRE-FEET)

FISCAL YEAR	CHINO BASIN EXTRACTIONS ⁽²⁾	OTHER IMPORTED SUPPLIES ⁽³⁾	TOTAL
1974-75	175,757	49,383	225,140
1975-76	181,017	57,686	238,703
1976-77	173,355	55,765	229,120
1977-78	154,675	61,567	216,242
1978-79	142,412	75,864	217,276
1979-80	140,566	70,727	211,293
1980-81	144,416	77,765	222,181
1981-82	137,532	67,491	205,023
1982-83	122,635	76,000	198,635
1983-84	132,799	99,257	232,056
1984-85	134,870	92,952	227,822
1985-86	136,113	114,624	250,737
1986-87	147,068	126,493	273,561
1987-88	152,402	116,175	268,577
1988-89	143,998	128,167	272,165
1989-90	154,620	139,004	293,624
1990-91	140,151	116,493	256,644
1991-92	141,904	104,480	246,384
1992-93	135,923	117,205	253,128
1993-94	129,682	136,038	265,720
1994-95	152,768	116,797	269,565
1995-96	150,669	130,494	281,163
1996-97	161,281 ⁽⁴⁾	115,031	276,312
1997-98	145,735	106,360	252,095

(1) Total includes water used over Cucamonga Basin.

(2) Source: Watermaster Assessment Packages. Total production in Appropriative Pool of 97,218 AF(excludes exchanges) plus Non-Ag production (excludes exchanges and a portion of GE production) of 5,171.577 AF and Ag Pool production in the amount of 43,344.680 AF.

(3) Total does not include recycled water, cyclic deliveries, water delivered by exchange, or water from direct spreading that was used for replenishment (see Appendices E, E-2 and F).

(4) Reflects corrected production after reporting errors were accounted for.

APPENDIX H

LOCAL STORAGE ACCOUNT STATUS FISCAL YEAR ENDED JUNE 30, 1998

APPROPRIATIVE POOL	NO. #	DATE OF AGREEMENT(S)	AMOUNT OF AGREEMENT(S)	AMOUNT IN STORAGE	TOTAL
Chino, City of	12	01/23/85	15,000.000	2,775.327	2,775.327
Chino Hills, City of	18.1	04/06/88	15,000.000	18,394.620	18,394.620
Cucamonga County Water District	10	05/30/84	5,000.000	5,000.000	39,664.371
	10.1	05/06/87	5,000.000	5,000.000	
	10.2	04/06/88	20,000.000	20,000.000	
	10.3	06/07/89	50,000.000	9,664.371	
Fontana Water Company	28	08/05/92	5,000.000	0.014	0.014
Jurupa Community Services District	30	07/06/94	20,000.000	8,636.749	8,636.749
Marygold Mutual Water Company	16.3	07/07/93	2,000.000	1,853.069	1,853.069
Monte Vista Irrigation Company	17	05/07/89	500.000	500.000	5,444.148
	17.1	06/06/90	2,500.000	4,944.148	
Monte Vista Water District	27	08/05/92	2,500.000	2,500.000	5,336.477
	27.1	08/14/97	34,023.843	2,836.477	
Norco, City of	31.0	11/02/94	2,000.000	0.000	0.000
Ontario, City of	11	06/07/89	10,000.000	10,000.000	10,000.000
	11.1	07/06/94	20,000.000	0.000	
Pomona, City of	15.1	04/06/88	13,000.000	0.000	29,616.045
	15.2	06/06/90	10,000.000	10,000.000	
	15.3	08/05/92	10,000.000	10,000.000	
	15.4	07/07/93	10,000.000	9,616.045	
San Antonio Water Company	3	08/15/80	2,500.000	2,175.000	19,369.371
	3.1	11/05/86	2,500.000	2,500.000	
	3.2	04/06/88	10,000.000	14,694.371	
Santa Ana River Water Company	20	05/06/87	1,500.000	271.977	271.977
Southern California Water Company	23	12/07/88	500.000	1,294.613	1,294.613
Upland, City of	24	04/05/89	1,000.000	0	9,600.221
	24.1	06/06/90	8,000.000	9,600.221	
West End Consolidated Water Company	13.2	08/05/92	6,000.000	6,964.961	6,964.961
West San Bernardino County Water District	25	01/10/91	3,000.000	1,683.442	1,683.442
Watermaster	29	08/05/92	10,000.000	29,620.946	29,620.946
Total Appropriative Pool			296,523.843	190,526.350	190,526.350

OVERLYING (NON-AGRICULTURAL) POOL

Ameron	6	03/30/83	100.000	100.000	1,177.016
	6.1	04/06/88	500.000	500.000	
	6.2	08/05/92	500.000	577.016	
Calmat	1	06/30/79	1,589.220	1,589.220	6,344.510
	1.1	05/30/84	1,589.220	1,589.220	
	1.2	02/07/90	1,589.220	3,166.070	
Kaiser Ventures Inc.	9.1	10/07/87	15,000.000	9,236.496	9,236.496
Praxair	8.2	04/06/88	3,000.000	2,306.440	2,306.440
SCE	14.1	04/06/88	5,000.000	3,616.345	3,616.345
Space Center Mira Loma	4	03/31/82	100.000	100.000	449.868
	4.1	11/05/86	200.000	349.868	
Sunkist Growers Inc.	7	03/31/83	2,500.000	2,500.000	6,401.184
	7.1	11/05/86	5,000.000	3,901.184	
Swan Lake	21	05/06/87	300.000	300.000	1,539.044
	21.1	05/06/91	500.000	1,239.044	
Total Overlying (Non-Agricultural) Pool			37,467.660	31,070.903	31,070.903
*Total			333,991.503	221,597.253	221,597.253

*Total Agreements now reflects the actual amount of storage agreements entered into where storage occurred. The agreements that expired during the last 5 years which were never utilized have been removed from the list.

APPENDIX I-1

**LOCAL WATER IN STORAGE
RECAPTURES, SALES AND TRANSFERS
FISCAL YEAR 1997-98**

(ACRE-FEET)

FROM	TO	USE*	TRANSFERS	SALES	<u>RECAPTURES</u>
Cucamonga CWD	Fontana WC	2		9,773.690	
Cucamonga CWD	CBWM	3		3,572.000	
Cucamonga CWD	SCE	1		1,800.000	
Marygold MWC	Fontana WC	2		1,200.000	
City of Pomona	City of Pomona	2			576.377
San Antonio Water Company	JCSD	2		325.000	
So Cal Water Company	CBWM	3		750.000	
City of Upland	CBWM	3		1,446.848	
				18,867.538	576.377

Total: 19,443,915

Use*

- (1) placed in storage
- (2) offset production
- (3) satisfy replenishment

APPENDIX I-2**TRANSFERS/LEASES
FISCAL YEAR 1997-98****(ACRE-FEET)**

FROM	TO	TYPE	USE*	AMOUNT	TOTAL
Cucamonga CWD	Jurupa CSD	L	4	1,575.000	1,575.000
Fontana Union WC	Cucamonga CWD	L	3	10,065.564	10,065.564
Monte Vista IC	City of Ontario	L	4	500.000	500.000
City of Pomona	City of Ontario	L	4	5,858.705	5,858.705
City of Pomona	City of Ontario	L	4	4,800.000	4,800.000
City of Pomona	Jurupa CSD	L	4	2,000.000	2,000.000
San Antonio WC	City of Ontario	L	5	2,500.000	2,500.000
Santa Ana River WC	Jurupa CSD	L	5	1,500.000	1,500.000
West SB Cnty WD	Ontario	L	4	1,500.000	1,500.000

Total Transfers/Leases 30,299.269

* Use

- (1) replenishment
- (2) MWD Cyclic
- (3) operating yield
- (4) offset production

APPENDIX I-3

ASSIGNMENTS

FISCAL YEAR 1997-98

(ACRE-FEET)

FROM	TO	USE*	AMOUNT	TOTAL
City of Chino	County of SB Airport Dept	2	133.870	133.870
Fontana Water Company	Praxair Inc.	2	174.090	174.090
	California Steel Industries	2	1,300.000	1,300.000
Jurupa CSD	Swan Lake (by MCM Co)	2	228.355	228.355
	City of Norco	2	206.907	206.907
	Santa Ana River Water Co	2	490.792	490.792
	Space Center Mira Loma	2	33.200	33.200
City of Ontario	Sunkist Growers, Inc.	2	588.160	588.160

Total Agency Agreements for Provision of Water Service 3,155.374

***Use**

(1) Annual assignment of production for receipt of same amount of water.

APPENDIX J
NEW PARTY INTERVENTIONS
APPROVED IN
FISCAL YEAR 1997-98

Overlying (Non-Agricultural) Pool

Mountain Vista Power Generation Company L.L.C.

Overlying (Agricultural) Pool

Louis Badders

Paul Russavage

Appropriative Pool

These Petitions were approved through the Watermaster process during FY97-98.

APPENDIX K

**WATERMASTER'S "NOTICE OF INTENT"
TO CHANGE THE OPERATING SAFE YIELD
OF THE CHINO GROUNDWATER BASIN**

PLEASE TAKE NOTICE that on this 30th day of June 1998, Chino Basin Watermaster hereby files this 'NOTICE OF INTENT' to change the operating safe yield of the Chino Groundwater Basin pursuant to the Judgment entered in Chino Basin Municipal Water District v. City of Chino, et al., San Bernardino Superior Court, Case No. RCV 51010 (formerly Case No. 164327) (Exhibit I, Paragraph 2b, Page 80).

Approved by the
Watermaster Advisory Committee

CHINO BASIN WATERMASTER

By: Gene Koopman
Chairman

By: Robert Neufeld
Robert Neufeld, President

ATTEST:

By: Josephine Johnson
Josephine Johnson, Secretary

APPENDIX L

SIXTH AMENDMENT TO THE CHINO BASIN CYCLIC STORAGE AGREEMENT

This Amendatory Agreement (hereinafter "Amendment") is made as of _____ 1998, by and between the Metropolitan Water District of Southern California (hereinafter "Metropolitan"), the Inland Empire Utilities Agency, a municipal water district (hereinafter "Inland") and the Chino Basin Watermaster (hereinafter "Watermaster"). Chino Basin Municipal Water District was renamed Inland Empire Utilities Agency, a municipal water district, as of July 1, 1998, and is referred to as "Inland" in this Amendment.

RECITALS

WHEREAS, the parties to this Amendment entered into an agreement titled Chino Basin Cyclic Storage Agreement, (hereinafter, "Agreement"), dated December 4, 1978, for the purpose of giving Metropolitan the right to store up to 100,000 acre-feet of State Project water in the Chino Basin;

WHEREAS, the Agreement has been extended by previous amendments to December 31, 1997;

WHEREAS, water stored under the Agreement is used to meet Inland's groundwater replenishment demands pursuant to specific criteria set forth in Article 6 of the Agreement;

WHEREAS, under its terms, the Agreement allows Metropolitan to deliver State Project water to the Chino Basin for spreading and percolation into the Chino Basin, and such quantities of water, less losses, are to be credited by the Watermaster to Metropolitan's Cyclic Storage Account;

WHEREAS, the parties to the Agreement are reviewing a number of policies and procedures that may affect the terms of storage and delivery of water under future amendments to the Agreement;

WHEREAS, the parties to the agreement desire to extend the term of the Agreement one year in order to continue the benefits that the Agreement provides while the aforementioned review is taking place;

NOW, THEREFORE, the parties hereby enter into this Amendment to the Agreement as follows:

COVENANTS

1. Article 9 (a) of the Agreement is hereby amended by extending the term of the Agreement to December 31, 1998.

2. This Amendment shall be effective as of January 1, 1998, and Watermaster shall petition the Court for ratification of such approval as a portion of its next Watermaster Annual Report.

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

ATTEST:

THE INLAND EMPIRE UTILITIES AGENCY

Secretary

By: _____

APPROVED AS TO FORM:

Attorney for Inland Empire Utilities
Agency

ATTEST:

THE METROPOLITAN WATER
DISTRICT OF SOUTHERN CALIFORNIA

Executive Secretary

By: _____
Deputy General Manager

APPROVED AS TO FORM:
Gregory Taylor
General Counsel

General Counsel

(SEAL)

ATTEST:

THE CHINO BASIN WATERMASTER

Secretary

By: _____

APPROVED AS TO FORM
AND EXECUTION:

Attorney for Watermaster

(SEAL)

Appendix M

CHINO BASIN WATERMASTER

Financial Statements

Year ended June 30, 1998
(With Independent Auditors' Report Thereon)

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Board of Directors
Chino Basin Watermaster
Rancho Cucamonga, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Chino Basin Watermaster as of and for the year ended June 30, 1998, as listed in the accompanying table of contents. These financial statements are the responsibility of the Chino Basin Watermaster's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chino Basin Watermaster as of June 30, 1998 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

During the year ended June 30, 1998, Chino Basin Watermaster implemented GASB Statement No. 31 which changed the manner in which Chino Basin Watermaster accounts for investments, as discussed further in note 6 to the financial statements.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Conrad & Associates, L.L.P.

August 19, 1998

CHINO BASIN WATERMASTER

Balance Sheet - All Fund Types and Account Groups

June 30, 1998

<u>Assets</u>	General Fund	General Fixed Assets Account Group	Totals (Memorandum Only)	
			1998	1997
Cash (note 2)	\$ 18,894		\$ 18,894	\$ 9,687
Short-term investments (note 2)	3,216,953		3,216,953	1,355,226
Accounts receivable	72,964		72,964	21,779
Prepaid expenses	19,349		19,349	11,070
Refundable deposits	-		-	-
Restricted cash - deferred compensation			-	
Property and equipment, at cost (note 3)		\$ 114,982	114,982	89,769
Total assets	\$ 3,328,160	\$ 114,982	\$ 3,443,142	\$ 1,487,531
 <u>Liabilities and Fund Equity</u>				
Liabilities				
Unearned revenue	\$ 319		\$ 319	\$ 8,328
Accounts payable and accrued liabilities	430,616		430,616	144,285
Compensated absences payable (Note 4)	54,431		54,431	
Deferred compensation payable (Note 5)			-	-
Total liabilities	485,366	-	485,366	152,613
Fund Equity				
Investment in general fixed assets		\$ 114,982	114,982	89,769
Fund balance:				
Reserved for:				
SB222 expenditures	157,659		157,659	157,659
Groundwater replenishment	1,652,282		1,652,282	109,341
Appropriative pool	566,882		566,882	542,570
Overlying agricultural pool (Note 7)	430,005		430,005	409,249
Overlying non-agricultural pool	33,008		33,008	23,534
Educational programs	2,958		2,958	2,796
Total fund equity	2,842,794	114,982	2,957,776	1,334,918
Total liabilities and fund equity	\$ 3,328,160	\$ 114,982	\$ 3,443,142	\$ 1,487,531

CHINO BASIN WATERMASTER
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
Year Ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Prior Year Actual</u>
Revenues:				
Assessment revenue:				
Replenishment water assessments	\$ 4,741,326	\$ 4,827,397	\$ 86,071	\$ 3,009,178
Administrative assessments (Note 8)	877,013	878,144	1,131	921,710
Water sales:				
Stored water (Note 9)				930,618
Interest	64,320	236,839	172,519	88,509
Miscellaneous revenue	30,000	77,991	47,991	10,509
Total revenues	<u>5,712,659</u>	<u>6,020,371</u>	<u>307,712</u>	<u>4,960,524</u>
Expenditures:				
Replenishment water purchases	4,836,075	3,323,988	1,512,087	2,954,943
Other water purchases	59,000		59,000	930,618
Salaries, payroll burden and overhead	347,688	358,280	(10,592)	357,614
Office building (Note 10)	69,000	55,667	13,333	47,601
Materials and supplies	56,125	49,033	7,092	33,679
Printing and mailing	17,000	11,312	5,688	11,928
Contract labor and materials	233,820	150,194	83,626	135,160
Engineering fees	228,000	238,793	(10,793)	101,957
Legal fees	211,000	184,484	26,516	181,572
Insurance	12,350	11,294	1,056	11,233
Travel and transportation	14,950	11,525	3,425	11,834
Other	28,425	28,156	269	18,708
Total expenditures	<u>6,113,433</u>	<u>4,422,726</u>	<u>1,690,707</u>	<u>4,796,847</u>
Excess(deficiency) of revenues over (under) expenditures	(400,774)	1,597,645	1,998,419	163,677
Fund balance at beginning of year	1,245,149	1,245,149		1,081,472
Fund balance at end of year	<u>\$ 844,375</u>	<u>\$ 2,842,794</u>	<u>\$ 1,998,419</u>	<u>\$ 1,245,149</u>

**CHINO BASIN WATERMASTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

(1) Reporting Entity and Summary of Significant Accounting Policies

Description of Reporting Entity

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

Pursuant to the Judgment, the Chino Basin Municipal Water District (CBMWD) five (5) member Board of Directors was appointed "Watermaster" to administer and enforce the provisions of the Judgment. Their initial term of appointment as Watermaster was for five (5) years, and they continued to serve as Watermaster until February 28, 1998. The Court, by subsequent orders, provides for a successor Watermaster, and, effective March 1, 1998, a nine (9) member Board was appointed made up of one (1) representative from each of the three overlying Municipal Water Districts [Inland Empire Utilities Agency (formerly Chino Basin Municipal Water District), Three Valleys Municipal Water District and Western Municipal Water District]; three (3) members appointed by the Appropriative Pool (currently elected officials of the City of Ontario, Cucamonga County Water District and Monte Vista Water District); two (2) members appointed by the Overlying (Agricultural) Pool and one (1) member appointed by the Overlying (Non-Agricultural) Pool.

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

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

Watermaster expenditures are allocated to the Pools based on the prior year's production volume (or the same percentage used to set the annual assessments). Allocations for fiscal year 1997/98 expenses are based on the 1996/97 production volume, and allocations for fiscal year 1996/97 expenses are based on the 1995/96 production volume:

	1996/97		1995/96	
	Acre Feet	%	Acre Feet	%
Appropriative Pool	110,163.390	68.305	107,773.694	68.718
Overlying Agricultural Pool	44,809.364	27.783	43,638.570	27.824
Overlying Non-Agricultural Pool	6,308.734	3.912	5,423.848	3.458
Total Production	161,281.488	100.000	156,836.112	100.000
	=====			

The Agricultural Pool members ratified an agreement with the Appropriative Pool at their meeting of June 16, 1988, wherein the Appropriative Pool assumes Agricultural Pool administrative expenses and special project cost allocations in exchange for an accelerated transfer of unpumped agricultural water to the Appropriative

Pool. In addition the Agricultural Pool transferred all pool administrative reserves at June 30, 1988 to the Appropriative Pool effective July 1, 1988.

The accounting policies of the Watermaster conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

Description of Fund and Account Group

General Fund

The General Fund is used to account for all revenues and activities financed by the Watermaster except those required to be accounted for in another fund.

General Fixed Asset Account Group

The General Fixed Asset Account Group is used to account for the cost of fixed assets required to perform general governmental functions.

Cash and Investments

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

Watermaster pools cash and investments of all fund balance reserves, except for deferred compensation assets and assets held by fiscal agents. Investment income earned by the pooled investments is allocated quarterly to the various reserves based on each reserve's average cash and investments balance.

Basis of Accounting

The Watermaster financial statements are prepared on the modified accrual basis of accounting. Revenues are accrued when they become both measurable and available. "Available" means collected in the current period or soon enough thereafter to pay for the expenditures incurred during the current period. Expenditures are recorded when the related liability for goods or services received is incurred.

General Fixed Assets

General fixed assets are recorded as expenditures of the General Fund at the time of purchase and are subsequently capitalized for memorandum purposes in the General Fixed Assets Account Group. No depreciation is provided on general fixed assets.

(2) Cash, Deposits, Short-term and Pooled Investments

State statutes and the Watermaster's investment policy authorize the Watermaster to invest in certificates of deposit with financial institutions having an operating branch within the Watermaster geographic area and the State of California Treasurer's Investment pool (LAIF).

The Watermaster's deposits and investments are categorized to give an indication of the level of risk assumed at year end by the following three categories:

Category 1

- Includes deposits insured or collateralized with securities held by the Watermaster or its agent in the Watermaster's name.

- Includes investments that are insured or registered or for which the securities are held by the Watermaster or its agent in the Watermaster's name.

Category 2

- Includes deposits with collateralized securities held by the pledging financial institution's trust department or agent in the Watermaster's name and deposits collateralized by an interest in an undivided collateral pool held by an authorized Agent or Depository and subject to certain regulatory requirements under State law.
- Includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Watermaster's name.

Category 3

- Includes uncollateralized deposits or deposits with collateralized securities held by the pledging financial institution or by its trust department or agent, but not in the Watermaster's name.
- Includes uninsured and unregistered investments for which securities are held by the broker or dealer or by its trust department or agent but not in the Watermaster's name.

In accordance with Government Accounting Standards Board Statement Number 3 ("GASB 3") criteria, the Watermaster's deposits and investments are categorized as follows for the year ended June 30, 1998:

	Categories				
	1	2	3	Bank Balance	Carrying Amount
DEPOSITS					
Demand deposits	\$ 31,651	\$ 0	\$0	\$31,651	\$18,894
INVESTMENTS					
Pooled funds:					
Local Agency Investment Funds (LAIF)*	0	0	0	3,216,953	3,216,953
Total deposits and investments	\$31,651	\$ 0	\$0	\$3,248,604	\$3,235,847

*Monies pooled with the State Treasurer in the Local Agency Investment Fund (LAIF) are not subject to risk categorization.

The bank balance reflects the amount credited by a financial institution to the Watermaster's account as opposed to the Watermaster's own ledger balance for the account. The carrying value reflects the ledger value, which includes checks written by the Watermaster which have not cleared the bank as of June 30, 1998. The carrying amount of all investments reflected in the above table is at fair value.

The Watermaster is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of Watermaster's investment in this pool is reported in the accompanying financial statements at amounts based upon Watermaster's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations.

(3) Changes in General Fixed Assets

A summary of changes in general fixed assets for the year ended June 30, 1998 is as follows:

General fixed assets at June 30, 1997, as previously reported	\$89,769
Additions	25,713
Deletions	<u>(500)</u>
General fixed assets at June 30, 1998	\$114,982 =====

(4) Compensated Absences Payable

Permanent Watermaster employees earn from 10 to 20 days vacation days a year, depending upon their length of employment, and 12 sick days a year. Employees may carry vacation days forward up to the equivalent number of days earned in the immediately preceding twenty-four month period. There is no maximum accumulation of sick leave; and upon retirement or resignation at age 55 or greater, employees with continuous employment for a minimum of twenty (20) years are compensated for all accumulated sick leave at their rate of pay at termination. Younger employees are paid based upon length of employment and age at time of retirement or resignation.

(5) Deferred Compensation Plan

The Watermaster has established a deferred compensation plan for all officers and employees of Watermaster in accordance with Internal Revenue Code Section 457, whereby employees authorize the Watermaster to defer a portion of their salary to be deposited in individual investment accounts.. Participation in the plan is voluntary and may be revoked at anytime upon advance written notice. Generally, the amount of compensation subject to deferral until retirement, disability, or other termination by a participant may not exceed the lesser of \$7,500 or 33.33% of includible compensation, or 25% of gross compensation. Amounts withheld by Watermaster under this plan are deposited regularly with Lincoln National Life Insurance Company. The Watermaster makes no contribution under the plan. As of June 30, 1998, the deferred compensation plan assets were held in a trust account for the sole benefit of the employees and their beneficiaries, and accordingly have been excluded from the Watermaster's reported assets.

(6) Change in Accounting Principle

During the year ended June 30, 1998, Watermaster implemented GASB Statement No. 31 which requires that Watermaster use fair values (instead of amortized cost) for financial reporting purposes, as described more fully in note 1 to the financial statements. The cumulative effect of applying this statement upon the beginning fund balances of each reserve was not material, and accordingly, those balances have not been restated.

(7) Agricultural Pool Sale

In June 1988, the Agricultural Pool sold 2,000 acre feet of water in storage to Cucamonga County Water District. Funds from this sale are held and invested by the Watermaster Treasurer for future use as determined by the Agricultural Pool members. At June 30, 1998, the proceeds from the sale and related interest earned thereon totaled \$430,005.

(8) Appropriative Pool Interest Revenue Allocation

On August 30, 1979, the Appropriative Pool unanimously approved assessment procedures whereby any interest earned from the Watermaster assessments paid by Appropriative Pool members would reduce the total current assessment due from those members. Fiscal year 1996/97 interest revenue was allocated to the Appropriative Pool members based on the funds received in payment of the 1996/97 assessments, resulting in a reduction of the 1997/98 assessment.

(9) Replenishment Water Deliveries

The Watermaster assessed water producers for 20,578.224 acre feet of replenishment water during fiscal year 1997/98, based on prior fiscal year production. To offset over-production during fiscal year 1997/1998 water was purchased internally by certain appropriators.

(10) Operating Lease

The Watermaster currently has a lease agreement for office space expiring March 31, 2001. The amount paid under this lease was \$38,201 for the year ended June 30, 1998. The future minimum lease payments for this lease are as follows:

<u>Year Ending</u> <u>June, 30</u>	<u>Amount</u>
1999	37,440
2000	37,440
2001	<u>28,080</u>
Total	\$102,960 =====

(11) Year 2000 Issues

It is not certain what impact any "Year 2000" software/hardware deficiencies might have on the operations or systems of the Watermaster, or upon the operations or systems of the various vendors and government agencies that provide services or funds to Watermaster. Management believes that any undetected or uncorrected "Year 2000" software/hardware deficiencies will not cause a significant disruption of Watermaster operations. The scope of an audit does not include an evaluation of the adequacy of management's plans to detect or correct any "Year 2000" software/hardware deficiencies.

(12) Legal Matters

During fiscal 96/97, motions were filed with the Court in accordance with the Judgment to (a) appoint a new nine-member Watermaster Board and (b) determine that an audit commissioned by Chino Basin Municipal Water District is not a Watermaster expense. The Court appointed a Special Referee to review and recommend Court actions regarding these motions. The referee has recommended: (1) the appointment of the nine-member Watermaster board to serve for a two year period; (2) District be reimbursed the cost of the special audit; and, (3) that special studies be carried out in the near future. The Court accepted these recommendations, the nine-member Board has been seated and the District has been reimbursed. The Court has also directed Watermaster to draw up by October, 1999 an Optimum Basin Management Program for implementation. Work has commenced upon the Program which is expected to cost in excess of \$700,000. Costs to implement the Program are not known at this time but are known to be significant.

The Watermaster is also involved in pending litigation for which a final outcome is not known at this time.

CHINO BASIN WATERMASTER
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -- GENERAL FUND
For the Fiscal Year Ended June 30, 1998

	WATERMASTER ADMINISTRATION	GROUNDWATER OPERATIONS	POOL ADMINISTRATION AND SPECIAL PROJECTS	EDUCATIONAL	GRAND
	ADMINIS- TRATION	SB222 FUNDS	POOL NON-AGRIC.	FUNDS	TOTALS
Revenues					
Assessment revenue		\$ 4,827,397			\$ 4,827,397
Replenishment water assessments					878,144
Administrative assessments					236,839
Interest revenue					37,227
Mutual agency project revenue					40,764
Other revenue					
Total revenues	\$ 38,459	\$ 4,866,929	\$ 23,756	\$ 162	\$ 6,020,371
Expenditures					
Replenishment water purchases		\$ 3,323,988			\$ 3,323,988
Salary costs					358,280
Board & member compensation					11,300
Office building expenses					55,667
Materials and supplies					45,483
Printing and mailing					11,312
Contract labor and materials					100,594
Engineering fees					68,238
Legal fees					140,698
Insurance expenses					11,294
Travel and transportation					11,525
Special project costs excluding salary:					
Contract labor and materials					49,600
Engineering services					93,100
Legal fees					43,786
Materials and supplies					3,550
Mutual agency project costs					77,455
Other expenses					16,856
Sub-total Watermaster expenditures		\$ 3,323,988			\$ 4,422,726
Net Watermaster administration expenses					
Allocation of admin. expenses to Pools					
Agricultural expense transfer					
Total expenses					
Net increase (decrease) in working capital					
Working capital, beginning of period					
Working capital, end of period					
96/97 Production percentages					