



Hemet-San Jacinto
Watermaster

7 2018 Financial Considerations

On November 27, 2017, the Watermaster Board reviewed and adopted its 2018 Budget which included Monitoring Program, In-lieu Program Agreement, Gravel Pit Cleanup Project, and Operational Expenditures. In addition, at the same meeting, the Watermaster Board adopted Resolution 9.3, setting the Administrative Assessment for 2018 at \$30 per acre-foot. Each public agency pays Administrative Assessment for the portion of their Adjusted Base Production Right (ABPR) that is produced, and Watermaster records any unused ABPR as part of each agency's Carry-Over Credits (CoC) for future production.

7.1 2018 Watermaster Budget

The Watermaster Board at its November 27, 2017, set the 2018 Budget at \$657,570. The different elements of the 2018 budget are shown on Table 7-1.

Table 7-1: 2018 Watermaster Budget

Description	Amounts
Agreements	\$ 211,000
In-Lieu Program Agreement	\$ 211,000
EMWD Support	\$ 156,220
Groundwater Monitoring Program	\$ 156,220
Gravel Pit Cleanup Project	\$ 57,600
Dewatering	\$ 57,600
Organization Operations & Management	\$ 232,750
Financial Support Services	\$ 8,500
Legal Counsel Services	\$ 30,000
Advisor Services	\$ 165,000
Administrative Support Services	\$ 14,000
Insurance; Office Supplies; and Other Direct Costs	\$ 10,000
Database/Mapping Application Maintenance	\$ 5,250
Additional Projects/Activities	\$ -
None	\$ 0
Total Budget	\$ 657,570

There was no Gravel Pit cleanup project during 2018, and by Mid-year 2018 the Operations budget was also reduced by \$13,750 based on expenditures during the first six months of the

year. Therefore, the 2018 Budget was revised to \$586,220 as a result of above mentioned changes. The updated budget was shared with the Watermaster Board on August 27, 2018. The updated budget elements are shown on Table 7-2.

Table 7-2: 2018 Updated Watermaster Budget

Description		Amounts
Agreements		\$ 211,000
In-Lieu Program Agreement	\$ 211,000	
EMWD Support		\$ 156,220
Groundwater Monitoring Program	\$ 156,220	
Gravel Pit Cleanup Project		\$ 0
Dewatering (updated)	\$ 0	
Organization Operations & Management		\$ 219,000
Financial Support Services (Updated)	\$ 7,000	
Legal Counsel Services (updated)	\$ 20,000	
Advisor Services	\$ 165,000	
Administrative Support Services (updated)	\$ 12,000	
Ins; Office Supply.; and Other Direct Costs (updated)	\$ 10,000	
Database/Mapping Application Maintenance (updated)	\$ 5,000	
Additional Projects/Activities		\$ 0
None	\$ 0	
Total Budget		\$ 586,220

As of the publication of this annual report, not all invoices related to the 2018 activities have been received, but the total expenditures related to the 2018 budgeted items are expected to be about \$527,000 which is about \$59,000 less than the updated budget.

The total 2018 revenue from Administrative Assessments is expected to be about \$455,265. As was approved by the Watermaster in November of 2018, the reserve funds will be used to offset the excess expenditures. An estimated \$72,000 of the reserve funds is expected to be required to offset the expenditures shortfall. The Financial Audit for 2018 was conducted by Clifton Larson Allen LLP. This is the second year that Watermaster is using the services of Clifton Larson Allen LLP. A copy of the 2018 Financial Audit is included as an appendix in Chapter 10, Section 10.6.

7.2 Carry-Over Credits

The Judgment defines Carry-over Credits (CoC) as “A Public Agency or Class B Participant credit against the Replenishment Assessment in a Fiscal Year, based on the Agency’s adjusted or Base Production Right or share of Imported Water not produced in the prior calendar years”. Watermaster is required to calculate CoC each year. In addition, Watermaster shall calculate previously recharged water and unused Adjusted Base Production Rights (ABPR). Watermaster is considering the previously recharged water by EMWD, and unused ABPR as part of the CoC accounts with special requirements as defined by the Judgment.

The Class B Participants in the Management Area shall pay Replenishment Assessments on groundwater production amounts in excess of their Base Production Rights (BPR), subject to any CoC adjustments. In addition, Class A Participants that decide to join in as Class B Participants

in 2016 are required to pay for Replenishment Assessment if their groundwater production during the years that they participated as a Class A Participant exceeded their BPR.

The next two sections show the CoC balances for the Public Agencies and Class B participants.

7.2.a Public Agencies and Cities

To overcome the overdraft within the Management Area, the agencies and cities within the Management Area that produce groundwater above their ABPR shall replenish groundwater under an approved Watermaster program, pay Replenishment Assessment on production amounts in excess of their ABPR, or use credits from their CoC accounts to offset their excess production. Table 7-3 documents the starting balances for the agencies' and cities' CoC accounts as of December 31, 2017. In addition, Table 7-3 shows pre-delivery obligations by MWD for 2018 as of December 31, 2017.

Table 7-3: Public Agencies Carry-Over Credits as of December 31, 2017

Agency	Pre-2012 Recharge Rights (AF)	Unused Soboba Tribe Import Water (AF)	Total Unused Adjusted Base Production Rights (AF)	Carry-over Credits as of December 31, 2017 (AF)	MWD Pre-Delivered for Future (AF)
City of Hemet	0	8,126	7,610	15,735	1,203
City of San Jacinto	0	5,545	4,805	10,350	767
EMWD	2,694	1,202	15,342	19,238	2,068
LHMWD	0	8,074	3,677	11,751	2,098
Totals	2,694	22,947	31,434	57,074	6,136

It is important to note that Unused Soboba Tribe Import Water (USITW) shown on Table 7-3 includes the Soboba Tribe production from the Soboba Golf Course as part of the Soboba Tribe production. Table 7-4 documents the Public Agencies' 2018 groundwater productions. During 2018, EMWD delivered 80.19 AF of water to the Soboba Reservation. After discussing this with the Soboba Settlement Agreement Participants in the Judgment (EMWD and LHMWD), it was decided not to include EMWD water deliveries to Soboba Tribe as part of EMWD production, and instead show that amount as part of Soboba Tribe's demand.

During 2017 and 2018, MWD delivered 7,500 AF of SPW as part of its 2018 obligation, plus 3,418.4 AF pre-deliveries to meet future obligations.

Table 7-4: 2018 Public Agencies Groundwater Productions

Agency	Adjusted BPR for 2018 (AF)	Actual 2018 Productions (AF)	IRRP Well Productions (AF)	2018 Excess Production Above Adjusted BPR (AF)	2018 Unused Adjusted BPR (AF)
City of Hemet	4,613	2,175	1,573.5	0	2,438
City of San Jacinto	3,044	2,870	169.5	0	174
EMWD	7,470	6,367	3,851.0	0	1,103
LHMWD	7,563	8,754	25.7	1,191	0
Totals	22,690	20,166	5,619.7	1,191	3,715

For 2018, the Soboba Tribe reported 1,362.86 AF of groundwater production, of which 124.57 AF was from the Soboba Golf Course Well, which is included as part of the Soboba Tribe production. In addition, the Tribe received 80.19 AF of water from EMWD. Total of Soboba Tribe’s demand was 1,443.05 AF. This amount is below the 1,500 AF production by the Tribe and will not require any offset from the Soboba Tribe Imported Water deliveries by MWD. Therefore, the entire 7,500 AF Soboba Tribe Imported Water will be distributed between the Public Agencies as Unused Soboba Tribe Imported Water. Table 7-5 shows status of the Soboba Tribe Imported Water conditions during 2018.

Table 7-5: Soboba Tribe Imported Water Status During 2018

Agency	MWD Deliveries to Cover 2018 Obligations (AF)	Soboba Tribe Usage Above 1,500 AF	2018 Unused Soboba Tribe Imported Water (AF)	MWD 2018 Pre-deliveries to Meet Future Obligations (AF)
City of Hemet	1,470.0	0.0	1,470.0	670.0
City of San Jacinto	937.5	0.0	937.5	427.3
EMWD	2,527.5	0.0	2,527.5	1,152.0
LHMWD	2,565.0	0.0	2,565.0	1,169.1
Totals	7,500.0	0.0	7,500.0	3,418.4

During 2018, the City of San Jacinto requested transferring 5,500 AF of its CoC to EMWD. Prior to the transfer, the City offered Watermaster the first right of refusal, and on November 26, 2018 the Watermaster declined the offer. The water transfer between the City of San Jacinto and EMWD required transfer of CoC in two different credit categories. Table 7-6 shows the amount of transfer in each of the CoC categories.

Table 7-6: Public Agencies Carry-Over Credits Transfers During 2018

Agency	Unused Soboba Tribe Import Water Transfers (AF)	Unused Adjusted Base Production Rights Transfers (AF)	Total Carry-over Credits Transfers (AF)
City of Hemet	0	0	0
City of San Jacinto	-2,970	-2,530	-5,500
EMWD	+2,970	+2,530	+5,500
LHMWD	0	0	0

The Judgment requires Watermaster to annually calculate CoC considering any remaining pre-2012 recharge rights, unused Soboba Tribe Imported Water, and unused Adjusted Base Production Rights. Table 7-7 shows the public agencies' Carry-Over Credits as of December 31, 2018.

Table 7-7: Public Agencies Carry-Over Credits as of December 31, 2018

Agency	Pre-2012 Recharge Rights (AF)	Unused Soboba Tribe Import Water (AF)	Total Unused Adjusted Base Production Rights (AF)	Total Carry-over Credits as of December 31, 2018 (AF)	MWD Pre-deliveries to Meet Future Obligations (AF)
City of Hemet	0	8,022	10,047	18,070	670
City of San Jacinto	0	3,343	2,449	5,792	427
EMWD	694	2,849	20,975	24,518	1,152
LHMWD	0	9,422	3,677	13,099	1,169
Totals	694	23,636	37,148	61,478	3,418

7.2.b Class A and B Participants

In 2016, Class A Participants had the option to intervene as a Class B participants. Previous Annual Reports included a summary of Class A participants' CoC information and their Base Production Rights were tracked in case Class A Participants decided to change their participation to Class B. The Judgment set the deadline for Class A to Class B conversion as three years from the date the Judgment was entered on April 18, 2013. Most of the Class A Participants chose to convert and become a Class B Participant. In addition, since some of the original Participants to the Judgment chose to sell only one or some of the parcels that they originally listed as a block in the Judgment, on February 22, 2016, the Watermaster decided to prorate Base Production Rights to the Parcels based on their respective areas and track Base Production Rights based on the ownership of the individual parcels. Starting with the 2016 report, the Class B Participants' Base Production Rights were listed by the legal

owner names of the parcels. There were no significant parcel ownership changes during 2018.

Table 7-8 documents the 2018 CoC and Replenishment Assessment requirements for the Class B Participants. Private pumpers can offset their excess production with underproduction in future years. It is anticipated for the Class B Participants to accumulate CoC during wet years, and use that credit to offset their excess production during drought years.

All Class B Participants have CoCs, and there is no need for the Watermaster to set any Replenishment Assessment at this time.

Table 7-8: Class B Participants Carry-Over Credits as of December 31, 2018

Legal Owner Name	Prorata Annual Allocation (AF)	Total Previous Production Below Allocations as of December 2017 (AF)	2018 Production (AF)	Total Production Below Allocations as of December 2018 (AF)	Total Production Above Allocations as of December 2018 (AF)
Cordero Family Trust	1398	4205	826	4777	
Gless Trust Pt.	588	2112	74	2626	
Gless Family Trust	1505	5404	190	6718	
Olsen Robert D & Olsen Elva I.	14	19	7	26	
Olsen Citrus LLC	37	52	19	70	
Arlington Veterinary Laboratories Inc.	105	145	53	197	
Oostdam Peter G & Jacoba M and Oostdam John P & Margie K.	259	903	58	1103	
Gm Gabrych Family Lp	596	2980	0	3576	
Record Randolph A & Record Anne M.	46	217	0	262	
Sybrandy Investment Co. LP	1182	4032	416	4798	
Boersma Eric & D Family Trust	195	831	210	815	
Curci San Jacinto Investors LLC	260	1300	0	1560	
Nuevo Dev Co. LLC	151	755	0	906	
Lauda Family Partnership & Bertrand & Erma (Combined)	3447	1190	897	1509	
Rancho Diamante Inv.	92	410	58	443	
Diamante Rancho	50	223	32	241	
San Jacinto Spice Ranch Inc.	265	1256	0	1521	
Scott Ag Property	1755	1909	130	3076	
Vandam Donald Dick and Vandam Frances L.	531	1596	165	1962	
Vandam Glen A and Vandam Jennifer A.	139	496	67	567	
Velde Children Trust & Pastime Lake Inv. (Combined)	357	106	259	205	