



## **AGENDA**

### **MEETING OF THE BOARD OF DIRECTORS**

**WEDNESDAY, MARCH 18, 2015  
10:00 A.M.**

**INLAND EMPIRE UTILITIES AGENCY\*  
AGENCY HEADQUARTERS  
6075 KIMBALL AVENUE, BUILDING A  
CHINO, CALIFORNIA 91708**

#### **CALL TO ORDER OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS MEETING**

#### **FLAG SALUTE**

#### **PUBLIC COMMENT**

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form which are available on the table in the Board Room. Comments will be limited to five minutes per speaker. Thank you.

#### **ADDITIONS TO THE AGENDA**

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

#### **1. PUBLIC HEARING AND ADOPTION OF ORDINANCE NO. 101**

It is recommended that the Board:

1. Hold a Public Hearing to receive public comments prior to the adoption of Ordinance No. 101, establishing and setting forth the policies governing agency authority and dollar limits for best value procurements and procurement-related activities; and
2. After closing the Public Hearing, adopt Ordinance No. 101.

## 2. CONSENT CALENDAR

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

### A. MINUTES

The Board will be asked to approve the minutes from the January 21, and February 18, 2015 Board meetings.

### B. ADOPTION OF RESOLUTION NO. 2015-3-2, COMMENDING CUCAMONGA VALLEY WATER DISTRICT FOR 60 YEARS OF SERVICE

It is recommended that the Board adopt Resolution No. 2015-3-2, commending Cucamonga Valley Water District for 60 Years of Service.

### C. TREASURER'S REPORT ON GENERAL DISBURSEMENTS

It is recommended that the Board approve the total disbursements for the month of January 2015, in the amount of \$11,618,767.82.

### D. COPIER LEASE AGREEMENT

It is recommended that the Board:

1. Approve the award of a five-year lease to Konica Minolta, through March 31, 2020, for supply and delivery of 14 various size multi-function copier machines; and
2. Authorize the General Manager to execute the lease agreement.

### E. OFFICE SUPPLIES CONTRACT

It is recommended that the Board:

1. Approve the award of a competitively-let contract to Office Depot Office Max of Baton Rouge, FL, (Contract No. 4600001835), through February 28, 2020; for the supply and delivery of office supplies; and
2. Authorize the General Manager to execute the contract.

### F. GRAINGER CONTRACT

It is recommended that the Board:

1. Approve the award of a competitively-let contract (Contract No. 4600001831) with Grainger of Ontario, through October 20, 2019; for supply and delivery of maintenance, repair and operating (MRO) related supplies; and
2. Authorize the General Manager to execute the Contract.



**G. CONTRACT AWARD FOR INTEGRATED RESOURCES PLAN WEAP MODEL RESILIENCY TESTING**

It is recommended that the Board:

1. Award a professional services contract to RAND for Integrated Resources Plan WEAP Model Resilience Testing to augment the Integrated Resources Plan (Project No. WR14019), for a not-to-exceed amount of \$75,000 to increase the total project budget from \$539,179 to \$614,179; and
2. Authorize the General Manager to execute the contract.

**H. WASTEWATER, WATER, AND RECYCLED WATER RATE AND FEE STUDY**

It is recommended that the Board:

1. Amend the professional services contract (Contract No. 460001658) with Carollo Engineers for the Wastewater, Water, and Recycled Water Rate and Fee Study, for a not-to-exceed amount of \$334,963; and
2. Authorize the General Manager to execute the contract.

**I. ENGINEERING SERVICES CONTRACT AMENDMENT FOR THE RP-4 DISINFECTION FACILITY IMPROVEMENTS**

It is recommended that the Board:

1. Approve the amendment to the engineering services contract with IDS Group for the additional consulting services for the RP-4 Disinfection Facility Improvements, Project No. EN14018, for the not-to-exceed amount of \$105,110; and
2. Authorize the General Manager to execute the consultant contract amendment.

**J. ENGINEERING SERVICES CONTRACT AWARD FOR THE CCWRF INSPECTION OF THE 72-INCH MIXED LIQUOR PIPELINE**

It is recommended that the Board:

1. Approve the award of an engineering services contract for the CCWRF "Mixed" Liquor Pipeline Inspection, Project No. EN15048, to V&A Consulting Engineer, Inc., for a not-to-exceed amount of \$158,839; and
2. Authorize the General Manager to execute the consultant contract.

**K. CONSTRUCTION CONTRACT AWARD FOR THE RP-1 DIGESTER GAS SYSTEM EVALUATION AND IMPROVEMENTS**

It is recommended that the Board:

1. Approve the construction contract award to J.R. Filanc Construction Company for the RP-1 Digester Gas System Evaluation and Improvements, Project No. EN15056, in the amount of \$407,835; and
2. Authorize the General Manager to execute the construction contract.

**3. ACTION ITEMS**

**A. FISCAL YEAR 2015/16 THROUGH 2024/25 TEN-YEAR CAPITAL IMPROVEMENT PLAN**

It is recommended that the Board approve the proposed Fiscal Year (FY) 2015/16 through 2024/25 Ten-Year Capital Improvement Plan (TYCIP).

**B. ADOPTION OF THE REGIONAL WASTEWATER EDU VOLUMETRIC RATE FOR FISCAL YEARS 2015/16 – 2019/20**

It is recommended that the Board adopt Rate Resolution No. 2015-3-1, establishing service rates for Improvement District “C” for Fiscal Year (FY) 2015/16 through 2019/20 for the EDU volumetric rate for the Regional Wastewater Program.

**C. DESIGN/BUILD CONTRACT AWARD OF THE COMMUNICATION SYSTEM UPGRADES**

It is recommended that the Board:

1. Award the construction contract to Sun Wireless for the construction of the Communication System Upgrades, Project No. EN12019, for a not-to-exceed total amount of \$826,294; and
2. Authorize the General Manager to execute the construction contract.

**4. INFORMATION ITEMS**

**A. REGIONAL CONTRACT REVIEW – INTERIM AUDIT REPORT FOR CUCAMONGA VALLEY DISTRICT (WRITTEN/POWERPOINT)**

**B. ENGINEERING AND CONSTRUCTION MANAGEMENT MONTHLY UPDATE (POWERPOINT)**

**C. MWD UPDATE (ORAL)**

**RECEIVE AND FILE INFORMATION ITEMS**

- D. **TREASURER'S REPORT OF FINANCIAL AFFAIRS (WRITTEN/POWERPOINT)**
- E. **FY 2014/15 SECOND QUARTER BUDGET VARIANCE, PERFORMANCE GOALS UPDATES, AND BUDGET TRANSFER (WRITTEN/POWERPOINT)**
- F. **PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)**
- G. **LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN)**
- H. **LEGISLATIVE REPORT FROM THE DOLPHIN GROUP (WRITTEN)**
- I. **LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES (WRITTEN)**
- J. **CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN)**
- K. **INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR MARCH 2015 (WRITTEN)**
- L. **INLAND BIOENERGY PROJECT UPDATE (POWERPOINT)**
- M. **RECYCLED WATER UPDATE (POWERPOINT)**

Materials related to an item on this agenda submitted to the Agency, after distribution of the agenda packet, are available for public inspection at the Agency's office located at 6075 Kimball Avenue, Chino, California during normal business hours.

**5. AGENCY REPRESENTATIVES' REPORTS**

- A. **SAWPA REPORT (WRITTEN)**
- B. **MWD REPORT (WRITTEN)**
- C. **REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT (WRITTEN)**
- D. **CHINO BASIN WATERMASTER REPORT (WRITTEN)**

**6. GENERAL MANAGER'S REPORT (WRITTEN)**

**7. BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS**

**8. DIRECTORS' COMMENTS**

**A. CONFERENCE REPORTS**

This is the time and place for the Members of the Board to report on prescheduled Committee/District Representative Assignment meetings, which were held since the last regular Board meeting, and/or any other items of interest.

**9. CLOSED SESSION**

**A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) –  
CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**

- 1) Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010
- 2) Martin vs. IEUA, Case No. CIVRS 1000767
- 3) Sheilds vs. IEUA, Case No. CIVRS 1301638
- 4) Desaddi vs. IEUA, Case No. CIVRS 1304617
- 5) Mwembu vs. IEUA, Case No. CIVDS 1415762
- 6) Southern California Edison vs. IEUA, Case No. CIVRS 1308595
- 7) Qualco vs. IEUA, Case No. CIVRS 1304057

**B. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 –  
CONFERENCE WITH REAL PROPERTY NEGOTIATOR**

- 1) Property: Water and Pipeline Capacity/Cadiz  
Negotiating Party: General Counsel Jean Cihigoyenetché
- 2) Supplemental Water Transfer/Purchase  
Negotiating Parties: General Manager P. Joseph Grindstaff  
Under Negotiation: Price and Terms of Purchase

**C. PURSUANT TO GOVERNMENT CODE SECTION 54956.9  
CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

- 1) Three (3) Cases

**D. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL  
MATTERS**

- 1) Various Positions – Compensation Study
- 2) Various Positions

**E. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL  
MATTERS – PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

Manager of Internal Audit

**10. ADJOURN**

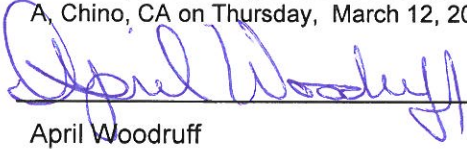
\*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary/Office Manager (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Proofed by: CRJ

**Declaration of Posting**

I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency\*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, March 12, 2015.

  
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April Woodruff

**ACTION  
ITEM**


**3A**






Date: March 18, 2015

To: Honorable Board of Directors

Through: Engineering, Operations and Biosolids Management Committee (03/11/15)  
Finance, Legal and Administration Committee (03/11/15)

From:  P. Joseph Grindstaff  
General Manager

Submitted By:  for Chris Berch   
Executive Manager of Engineering/Assistant General Manager

Sylvie Lee  
Manager of Planning and Environmental Compliance 

Subject: Fiscal Year 2015/16 through 2024/25 Ten-Year Capital Improvement Plan

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### **RECOMMENDATION**

It is recommended that the Board of Directors approve the proposed Fiscal Year (FY) 2015/16 through 2024/25 Ten-Year Capital Improvement Plan (TYCIP).

### **BACKGROUND**

Each year, pursuant to the terms of the Regional Sewage Service Contract, the Inland Empire Utilities Agency submits a ten-year forecast of capacity demands and capital projects or TYCIP to the Regional Technical and Policy Committees. The current TYCIP identifies projects for the FY 2015/16 through FY 2024/25 that are needed for the rehabilitation, replacement, or expansion of the facilities owned or operated by the Agency to meet the projected additional 40,523 EDUs.

Two major themes in the FY 2015/16 TYCIP are the continuing need for maintenance, repair, and replacement of aging equipment and facilities and the need for expansion of the Regional System to meet future growth. Maintaining the Agency's facilities and infrastructure is critical to ensure the long-term reliability and quality of services that the Agency is committed to provide.

A key finding identified by the Wastewater Facilities Master Plan flow monitoring was that the increase in wastewater treatment plant strength is a major driving force for improvements at treatment plants over the next 20 years. As a result, within the 10year window major projects include: the relocation of the RP-2 Solids Treatment Facility to RP-5; RP-5 liquid treatment expansion to accommodate the growth in the southern service area; and RP-1 process improvements

Plan of Finance, Recycled Water Program Strategy, Water Use Efficiency Business Plan, 2015 Urban Water Management Plan, and an Integrated Resources Plan. It is anticipated that these planning efforts will result in new priorities for the region and will be completed by fall 2015. Projects identified in these documents will be further refined and included in next year's TYCIP to meet the region's future needs. While the TYCIP is instrumental for the on-going rate and budget discussions, it is intended to be a planning level document. Only projects that can be accommodated by the adopted budget will be initiated.

The implementation of the Ten Year Capital Improvement Plan is consistent with several of the Agency's Business Goals, including *Water Reliability* by promoting cost-effective, reliable, efficient and sustainable water supplies within the region; and *Wastewater Management* by ensuring that IEUA systems will be master planned, managed and constructed to ensure that when expansion planning is triggered, designs/construction can be completed to meet regulatory/growth needs in an expeditious, environmentally responsible and cost effective manner.

#### **PRIOR BOARD ACTION**

On February 19, 2014, the Board adopted FY's 2014/15 through 2023/24 TYCIP.

#### **IMPACT ON BUDGET**

None.

#### **ATTACHMENTS**

The TYCIP was posted on the Agency website on January 20, 2015 under Reports. <http://www.ieua.org/fiscal-year-201516-ten-year-capital-improvement-plan-draft/>.



# FY15/16 Ten-Year Capital Improvement Plan Adoption



*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT

February 2015



# Key Drivers of FY15/16 TYCIP

- Member Agency growth projections
- Wastewater Facilities Master Plan Updated flow factors and concentrations
- Asset Management Plan
- Draft Recycled Water Program Strategy Update
- Draft Energy Management Plan
- Draft Integrated Resources Plan local reliability discussions



# TYCIP Budget Estimate by Fund

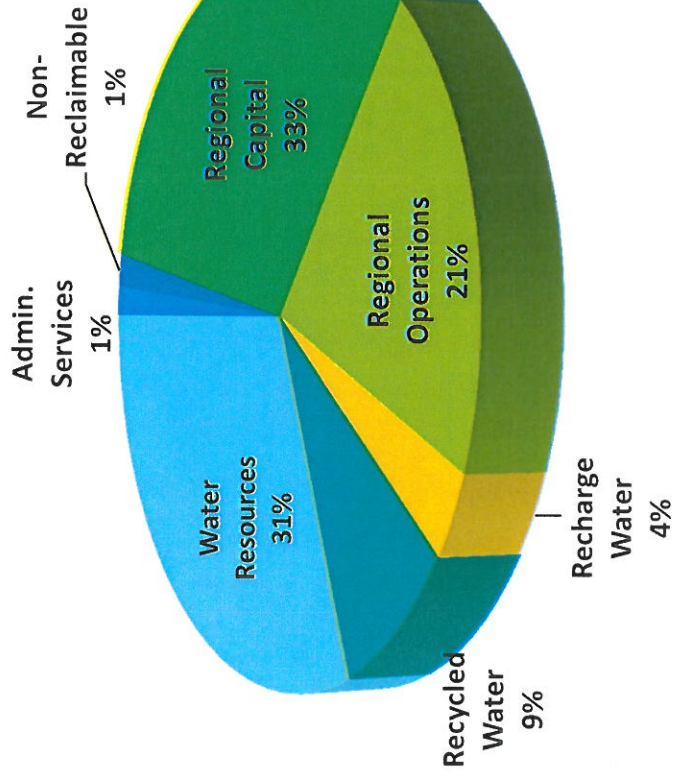
Fund Description		FY 15/16	FY16/17	FY17-25	Total
		(\$ Millions)			
GG	Administrative Services	\$2.9	\$1.4	\$7.9	\$12.2
NC	Non-Reclaimable Wastewater	\$0.8	\$0.6	\$12.2	\$13.6
RC	Regional Capital Improvement	\$19.8	\$13.2	\$257.8	\$290.8
RO	Regional Operations & Maintenance	\$14.1	\$18.7	\$156.2	\$189.0
RW	Recharge Water	\$1.5	\$3.5	\$28.8	\$33.8
WC	Recycled Water	\$12.5	\$10.9	\$56.3	\$79.7
WW	Water Resources	\$29.0	\$29.0	\$224	\$282.0
RM/ RCA	Organics Management/IERCA	\$1.1	\$1.2	\$4.7	\$7.0
<b>TOTAL</b>		<b>\$81.7</b>	<b>\$78.5</b>	<b>\$747.9</b>	<b>\$908.1</b>



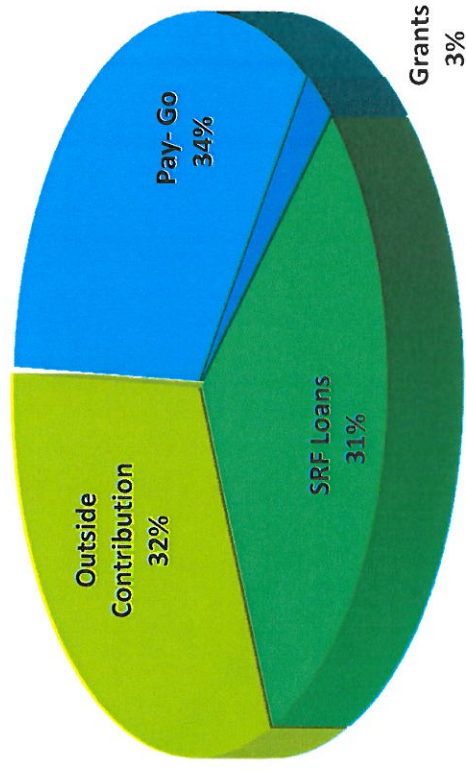
# TYCIP by Fund and Funding Source

FY 2015/16 – 2024/25

**Capital and O&M**  
**\$908 Million**



**Funding Sources**  
**\$908 Million**





# Major Treatment Plant Projects

Description	15/20	20/25	25/30	30/35	35/40	Total Cost (\$M)
RP-1 Liquid Treatment Expansion		Green	Green			\$83
RP-1 Solids Treatment Expansion		Blue	Blue			\$25
RP-2 Decommissioning				Blue		\$30
RP-4 Tertiary Expansion			Green			\$25
RP-5 Liquid Treatment Expansion	Blue	Blue				\$125
RP-5 Solids Treatment Facility	Blue					\$136

**\$275.6 Million**

**\$424 Million**

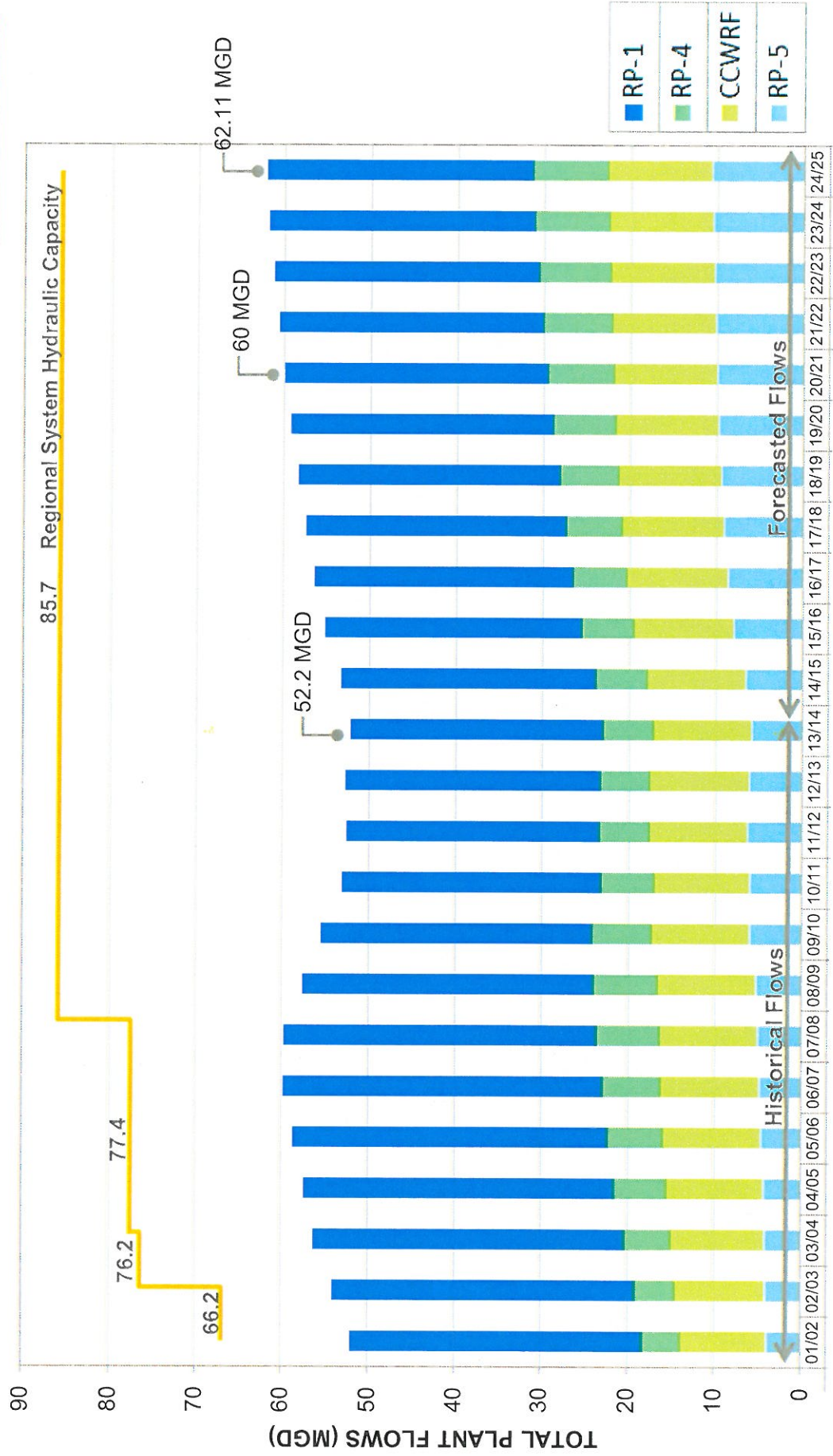
# FY 15/16 TYCIP Schedule

- ✓ 1/8/15 **Draft TYCIP posted online**
- ✓ 1/14/15 **IEUA Committees**  
*Info item*
- ✓ 1/21/15 **IEUA Board**  
*Info item*
- ✓ 1/29/15 **Regional Technical Committee**  
*Info item*
- 2/26/15 **Regional Technical Committee**  
Action item
- 3/5/15 **Regional Policy Committee**  
Action item
- 3/18/15 **IEUA Board**  
*Action item*



# Discussion

# FY15/16-FY24/25 Member Agency Wastewater Flow Projections<sup>1</sup>



<sup>1</sup> Flows estimated at 200 GPCD/EDU

**ACTION  
ITEM**

**3B**








Date: March 18, 2015

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (3/11/15)

From: P. Joseph Grindstaff  
General Manager 

Submitted by:  Christina Valencia  
Chief Financial Officer/Assistant General Manager

 Javier Chagoyen-Lazaro  
Manager of Finance and Accounting

Subject: Adoption of the Regional Wastewater EDU Volumetric Rate for Fiscal  
Years 2015/16 – 2019/20

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### **RECOMMENDATION**

It is recommended that the Board of Directors adopt Rate Resolution 2015-3-1, establishing service rates for improvement district “C” for Fiscal Year (FY) 2015/16 through 2019/20 for the EDU volumetric rate for the Regional Wastewater Program.

### **BACKGROUND**

Staff’s recommendation to adopt the proposed five-year rates was presented to the Regional Technical Committee on February 26, 2015 and the Regional Policy Committee on March 5, 2015. The Regional Policy Committee unanimously agreed with the Regional Technical Committee’s recommendation to the IEUA Board of Directors to only adopt the proposed EDU volumetric rate for FYs 2015/16 and 2016/17. The basis for their recommendation was to allow for a review in 2017 of the proposed rates for FYs 2017/18-2019/20 to confirm the proposed increases are still necessary and justified. Agency staff assured the Regional Committees that a thorough review of the rates FYs 2017/18-2019/20 prior to the effective date of the FY 2017/18 rate could be facilitated. Such a review would be in addition to the semi annual budget variance updates already being provided to both Regional Committees. Facilitating such a review process will allow for the adoption of the five-year rates as proposed by the Agency, as well provide member agencies an opportunity to validate, and if necessary, modify the adopted rates for the remaining three years. The Regional Committee’s recommendation to only adopt the rates for FY 2015/16 and 2016/17 as proposed under the five-year staff recommendation does not achieve cost of service.



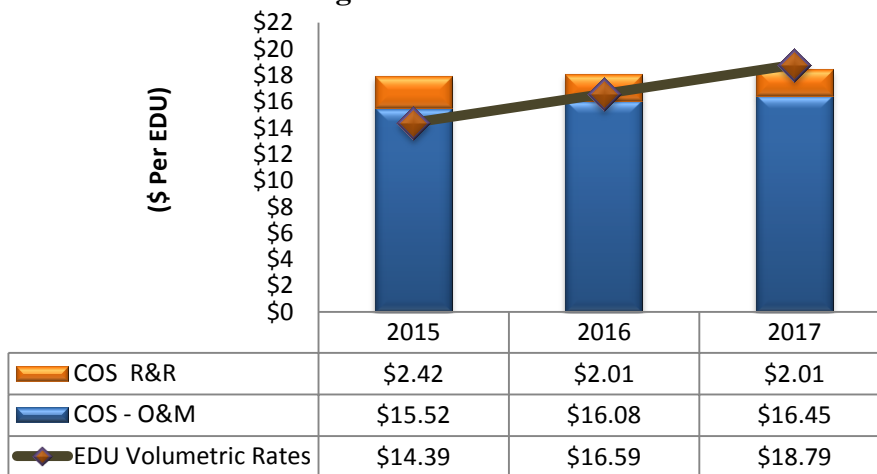
**Option: Recover Cost of Service in Two Years (FYs 2015/16 and 2016/17)**

An alternative for the Board to consider is only adopt rates for FYs 2015/16 and 2016/17 as recommended by the Regional Committees but increase the proposed rates to achieve the Board’s objective to be at full cost of service (IEUA Business Goals Fiscal Responsibility) in two years rather than four. Under this two-year rate option, the EDU Volumetric rate in both FYs 2015/16 and 2016/17 would be increased by \$2.20 per EDU each fiscal year as indicated in Table 2 and Figure 1. Thereafter, rates would be adjusted to keep up with the cost of living or any significant changes in operating costs, such as enhanced treatment requirements.

**Table 2: Two-Year Rate Option**

Rate Description	FY 2014/15 Current	FY 2015/16	FY 2016/17
<b>EDU Volumetric Rate</b>	\$14.39	\$16.59	\$18.79
<b>Rate Increase</b>		\$2.20	\$2.20
<b>Effective Date</b>		10/01/15	07/01/16

**Figure 1: Two Year COS Rate**



The adoption of multi-year rates that fully recover program costs will be improve the Agency’s options in financing the significant capital investments identified in the updated Facilities Master Plan and included in the FY 2015/16 – 2024/25 Ten Year Capital Improvement Plan (TYCIP). Some of the major capital projects include the relocation of the RP-2 solids handling facility to RP-2 and expansion of RP-5 (\$261 million), and rehabilitation and expansion of the RP-1 facility (\$108 million), and future decommission of the RP-2 site (\$30 million). Design documents for the RP-5 and RP-1 facility projects is scheduled to begin in FY 2016/17.

## Rates Overview

Fiscal year 2014/15 is the final year of the three-year rates adopted by the Board in February 2012 for the Agency's Regional Wastewater and Recycled Water programs. The adoption of multi-year rates proved beneficial to both the Agency and its member agencies in terms of providing revenue stability, moving rates closer to full cost of service recovery consistent with the IEUA Business Goal of Fiscal Responsibility, and lessening Proposition 218 requirements.

In May 2014, Carollo Engineers, Inc. (Carollo) was contracted to conduct a nexus study to update the Agency's regional wastewater EDU connection fee. The scope of the study was expanded to include an in-depth evaluation of the existing rates for the Water Resources and Recycled Water programs. A key objective of the study is to achieve revenue stability for each of the programs to adequately support short-term and long-term projects as identified in the Agency's planning documents, amongst them: the Integrated Resources Plan, Recycled Water Program Strategy, Water Use Efficiency Plan, and Ten Year Capital Improvement Plan (TYCIP). Another key objective of the study is to ensure a more equitable allocation of costs by providing a closer nexus between how costs are incurred and how costs are recovered. The scope of the study includes:

- **Regional Wastewater EDU Connection Fee:** A one-time charge imposed on new or upsized meters or connections to compensate for the cost providing system capacity. This source of revenue supports capacity expansion and improvement of the regional wastewater system to meet future growth.
- **Recycled Water Program Rates:** The rates support costs associated with the operations and maintenance of the Agency's recycling facilities, groundwater recharge basin operating costs not reimbursed by Chino Basin Watermaster, and debt service costs. Recycled water provides the region with a reliable and affordable local water supply, reduces reliance on limited imported water supplies, and support the region's water portfolio and "drought resiliency" objective (IEUA Business Goal: Water Sustainability).
- **Water Resources Program Rates:** Supports the management and distribution of imported water supplies, development and implementation of regional water use efficiencies, water resource planning, and regional water supply programs. Current rates do not generate adequate revenue streams to support program costs and inequitably allocate costs to ratepayers. The proposed new rate structure addresses these issues and includes:
  - **Meter Equivalent Unit (MEU) Rate:** Supports Water Resources program operating costs, including the regional conservation program.
  - **Readiness to Serve (RTS) Recovery:** Recovers pass through of Metropolitan Water District (MWD) RTS fees using the same 10 year rolling average methodology.

- **“One Water” Connection Fee** - supports future expansion and improvement of the Agency’s regional water system, which is comprised of potable, recycled water, and groundwater recharge supplies, as well as capital conservation projects. Continual investment in securing reliable and sustainable water supplies is essential to ensuring the region continues to prosper from future economic development.

In addition to the rate workshops facilitated by Carollo (Appendix 1), two budget workshops have been held for the Agency’s Board of Directors and the Regional Committees. The budget workshops focused on the proposed multi-year rates for FYs 2015/16 to 2019/20 for the Agency’s Regional Wastewater, Recycled Water and Water Resources Programs, and the proposed TYCIP for FYs 2015/16 to 2024/25. At the second budget workshop on February 3, 2015 (Special Joint Meeting), the Board and Policy members discussed the adoption of the proposed monthly EDU volumetric rates for FYs 2015/16 to 2019/20 in March 2015, with an effective date of October 1, 2015. The March adoption will allow the City of Fontana to meet its submittal deadline to the San Bernardino County Tax Assessor for inclusion in next year’s property tax roll.

Evaluation of the other proposed multi-year rates for the Agency’s Regional Wastewater, Recycled Water, Water Resources Programs, including the proposed new “one-water” connection fee, will continue with a targeted adoption date of May 20, 2015. Staff is recommending an effective date of October 1, 2015 (Appendix 2) for all FY 2015/16 rates. The effective date for the ensuing fiscal years would be July 1<sup>st</sup> for all rates.

### **Regional Wastewater Program Rates**

The Regional Wastewater Program is comprised of the Regional Wastewater Capital Improvement (RC) fund and the Regional Wastewater Operations & Maintenance (RO) fund. The RC fund records the capital, debt, and administration activities related to the acquisition, construction, expansion, improvement and financing of the Agency’s regional water recycling plants, large sewer interceptors, energy generation, and solids handling facilities. Key revenue and funding sources for the RC fund includes: EDU connection fees, property taxes (65% allocation of total tax receipts), and grant and loan proceeds.

The key revenue and funding sources for the RO fund include: EDU volumetric charges, property taxes, and reimbursement from the Inland Empire Regional Composting Authority (IERCA) for labor and operating costs. Major expenses include operating costs for the collection, treatment, and disposal of wastewater, maintenance and capital replacement and rehabilitation (R&R) costs of regional facilities and infrastructure, organic management activities, including the Agency’s 50 percent share of the IERCA composter, and debt service costs. The only rate recommended to be adopted in March 2015 is the monthly EDU volumetric charge.

### ***EDU Volumetric Rate***

The EDU volumetric rate is a monthly charge imposed on all regional wastewater system connections. This service charge supports operational, maintenance, and administrative costs related to the collection, treatment, and disposal of wastewater throughout the Agency’s service

area and unincorporated areas. It also covers R&R costs of regional wastewater facilities and infrastructure, and debt service costs. Pursuant to the Agency’s commitment to have rates that fully recover the cost of service, incremental increases to the monthly EDU volumetric rate are proposed over the next five fiscal years (Table 3).

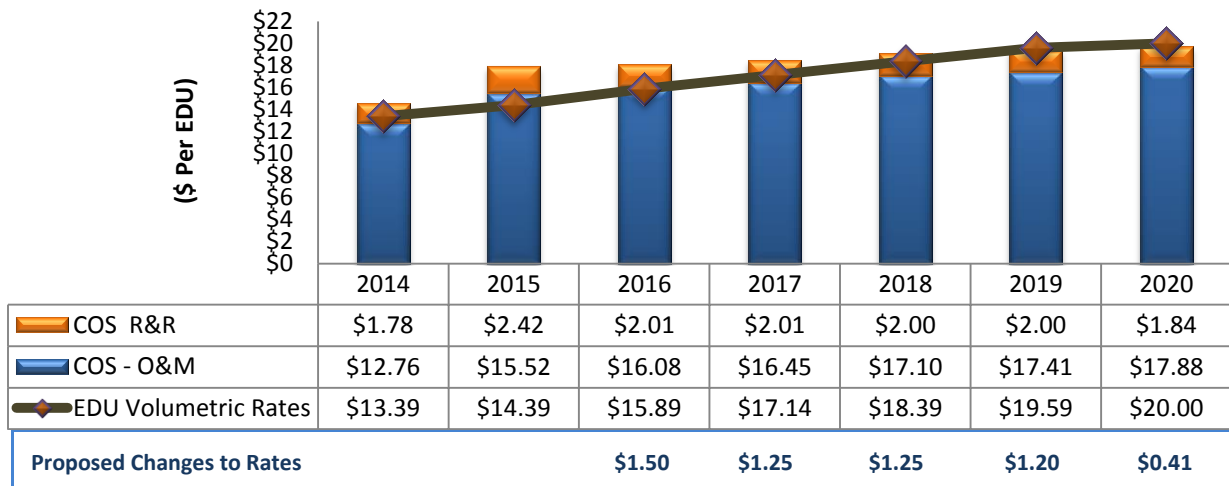
**Table 3: Proposed Multi-Year EDU Volumetric Rates (Effective October 1, 2015)**

Rate Description	FY 2014/15 Current	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<b>EDU Volumetric Rate</b>	\$14.39	\$15.89	\$17.14	\$18.39	\$19.59	\$20.00
<b>Rate Increase</b>		\$1.50	\$1.25	\$1.25	\$1.20	\$.41
<b>Effective Date</b>		10/01/15	07/01/16	07/01/17	07/01/18	07/01/19

The proposed \$15.89 per EDU for FY 2015/16 is recommended to take effect on October 1, 2015. If approved, the current rate \$14.39 per EDU will remain through September 30, 2015. Postponement of the proposed EDU rate to October 1st is estimated to result in a decrease of \$1.2 million in EDU volumetric revenue. Proposed rates for FYs 2016/17 to 2019/20 will be effective on July 1st.

Based on current assumptions, full cost of service, or recovery of O&M, R&R, and debt service costs, is projected to be reached in FY 2018/19, as shown on Figure 2.

**Figure 2: EDU Volumetric Rate Cost of Service**



**Key Budget Assumptions**

Table 4 summarizes the RO fund primary funding sources and uses of funds over the next five fiscal years based the proposed five-year rates and key budget assumptions. A Sources and Uses of Fund report for FYs 2015/16 to 2019/20 is provided in Exhibit A.

**Table 4: Regional Wastewater Operations and Maintenance (RO) Fund  
 Key Budget Assumptions – Based on Proposed Five-Year Rates**

<i>(\$Millions)</i>	5 Year Totals	Comments
<b>Revenues and Other Funding Sources</b>		
<b>EDU Volumetric</b>	\$292	Assumes annual growth factor of 0.25% in the number of billable monthly EDUs.
<b>Property Tax</b>	\$48	No change in the allocation of 22% and the level of property tax receipts. After achieving full cost of service, property taxes will be set aside to support the relocation of RP-2 solids handling to RP-5, rehabilitation of RP-1 and decommissioning of RP-2.
<b>Expenses and Other Uses of Fund</b>		
<b>O&amp;M (net IERCA labor costs)</b>	\$270	Assumes 3% annual average inflationary increase.
<b>Capital Replacement &amp; Rehabilitation (R&amp;R)</b>	\$55	Capital project spending – partially supported by SRF loans and grants: <ul style="list-style-type: none"> <li>• Water Quality Laboratory Replacement</li> </ul> Chino Creek Wetlands and Educational Park Upgrades
<b>Debt Service</b>	\$3	Share of principal and interest costs for the 2008A Revenue Bonds and debt service costs for the laboratory’s SRF loan.

**Cost of Service (COS) Components**

The RO fund COS components include:

- O&M expenses (82%) budgeted at an average 3% annual increase,
- R&R (17%) capital projects for the rehabilitation and replacement of regional wastewater facilities and infrastructure,
- Debt service costs (1%) include a share of 2008A Revenue Bonds and future SRF loan for the Water Quality Laboratory replacement project.

The components and percentages of the total expenditures are summarized in Table 5.

**Table 5: Regional Wastewater Operations and Maintenance (RO) Fund Expenses and Other Uses of Funds**

Expense Category	Budget %	Description
<b>Employment</b>	39%	Regional Operations employment net of IERCA labor is 37 percent of the total program expense and 60 percent of the Agency's total employment costs.
<b>Utilities</b>	11%	Includes purchase of electricity from Southern California Edison, or the grid, use of natural gas, and purchase of renewable energy generated on site from solar, wind, and fuel cell.
<b>Chemicals</b>	7%	Assumes an average of 3% inflationary factor Major chemical used are Sodium Hypochlorite for disinfection, Polymer to enhance solids settling in primary clarifier and Ferric chloride to optimize treatment performance.
<b>Biosolids Recycling</b>	6%	Includes operating/tipping fees at \$56 per ton payable to the IERCF for biosolids processing and hauling costs.
<b>Professional Fees &amp; Services</b>	4%	Includes contract work and materials for regional wastewater facilities and equipment.
<b>Materials &amp; Supplies/Office &amp; Administrative</b>	3%	Operations and maintenance supplies for facility maintenance.
<b>O&amp;M Projects</b>	2%	Major O&M maintenance and repair projects.
<b>Operating Fees</b>	2%	Includes permits and user charges for discharge of RP-1 centrate to the Non-Reclaimable Wastewater system.
<b>Other Expenses</b>	7%	Includes office and administration, leases and rentals, and allocated expenses for operation facilities.
<b>Capital Replacement &amp; Rehabilitation (R&amp;R)</b>	18%	R&R capital projects for regional wastewater related equipment and structures.
<b>Debt Service</b>	1%	Share of principal and interest costs for the 2008A Revenue Bonds and future repayment of the SRF Loan for the Water Quality Laboratory replacement.
<b>Total</b>	100%	

***Capital Rehabilitation and Replacement (R&R) Projects***

Except for the Water Quality Laboratory replacement project which is funded with a State Revolving Fund (SRF) loan, net of principal forgiveness (grant), the majority of the RO fund capital

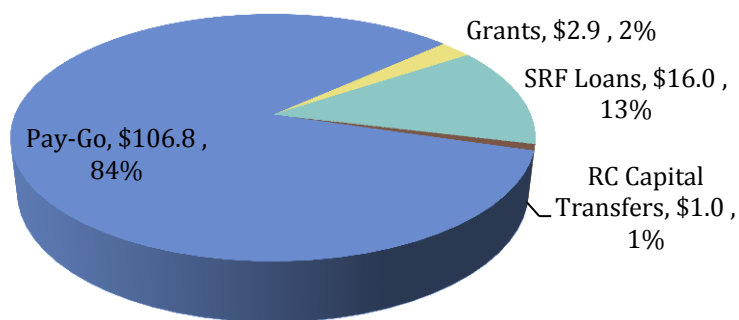


projects are primarily funded on a pay-go basis (Table 6 and Figure 3). Pay-go is a combination of user charges and property taxes (until full cost of service is achieved in FY 2018/19).

**Table 6: Regional Wastewater Maintenance & Operations (RO) Fund  
 Major Capital Projects**

Project	Timeframe (Fiscal Years)	Ten Year Project Costs (\$Millions)
Regional Wastewater Projects Asset Management Plan (AMP)	2020/21 – 2024/25	\$50.0
Water Quality Laboratory Replacement	2015/16 – 2018/19	\$17.8
SCADA Enterprise System	2015/16 – 2018/19	\$8.7
RP-5 Process Improvements	2019/20 – 2021/22	\$6.3
RP-4 Process Improvements	2016/17 – 2018/19	\$5.2
All Other Projects	2015/16 – 2024/25	\$38.7
	<b>RO Total:</b>	<b>*\$126.7</b>

**Figure 3: R&R Projects Funding Sources**



*\*\$126.7M includes \$12.5M O&M projects and \$114.2M R&R capital projects*

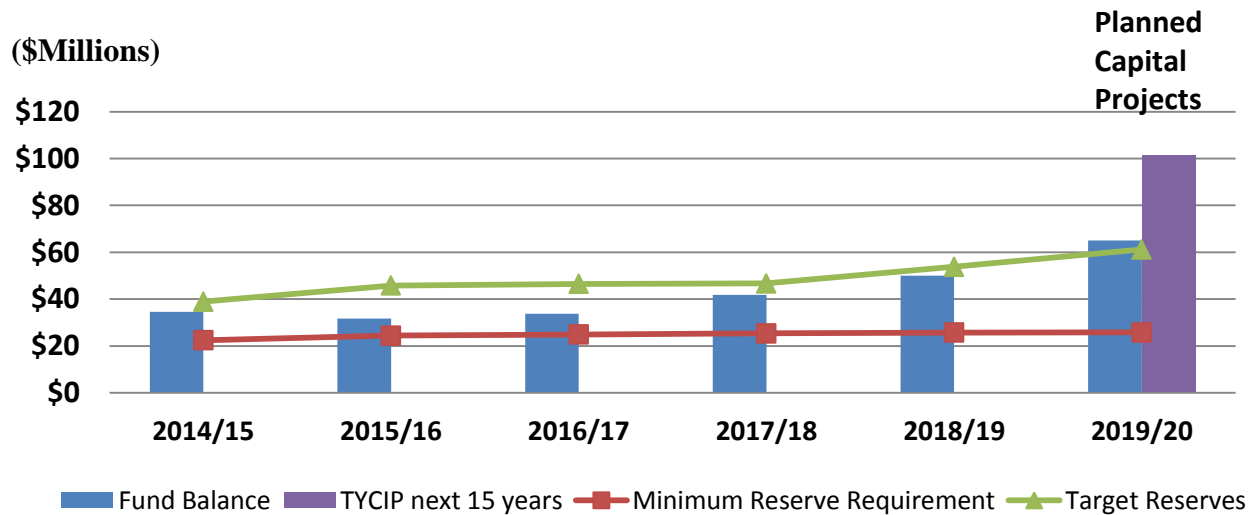
As aforementioned, other major capital projects include the rehabilitation and expansion of the RP-1 facility scheduled to begin in 2023 and the relocation of the the RP-2 solids handling facility to the RP-5 site. RP-2 in the City of Chino is located on land leased from the US Army Corps of Engineers (the Corps) and is within the flood zone behind Prado Dam. The Corps and Orange County Flood Control District have plans to raise the maximum operational water level behind Prado Dam by 2021 triggering the need to relocate the RP-2 solids handling to RP-5. Another future project will be decommissioning of the RP-2 site prior to the lease expiring in 2035.

**RO Fund Balance**

The RO Fund balance in FY 2015/16 is estimated to be \$32 million; a decrease of 2.5 million, or approximately 7%, relative to the FY 2014/15 projected ending fund balance of \$34.5 million.

The adoption of the proposed the multi-year rates and achievement of full cost of service by FY 2018/19 will allow the designation of property taxes to support future capital requirements estimated at \$101 million over the next 15 years, as indicated by the purple bar in FY 2019/20 on Figure 4.

**Figure 4: Regional Wastewater Operations and Maintenance (RO) Fund  
 Projected Reserve Balance- Based on Proposed Five-Year Rates**



**Closing**

Adopting an EDU Volumetric rate that fully recovers the Regional Wastewater Program operating (O&M), R&R, and debt service costs is consistent with the Regional Sewage Service Contract and the IEUA Business Goal of Fiscal Responsibility. The IEUA Business Goals were developed in collaboration with the Regional Committees to ensure the Agency’s ability to effectively meet its mission and vision to deliver high quality essential services to its member agencies and the communities they serve. Reaching full cost of service will allow property taxes allocated to the RO fund to be set aside to support major capital projects over the next 15 years, including the relocation of the RP-2 solids handling to RP-5, rehabilitation of RP-1 and ultimate decommissioning of the RP-2 site. The use of property taxes to support these future costs will lessen the burden on ratepayers by avoiding future rate increases that would be necessary if reservation of property taxes are insufficient. Additionally, adoption of multi-year rates that achieve full cost of service will reduce the Agency’s future borrowing costs should it be necessary to issue new debt to finance some of these capital requirements.

Table 7 is the timeline for adoption of the proposed multi-year rates.

**Table 7: Multi-Year Rates Adoption Timeline**

Date	Meetings
<b>EDU Volumetric Rate</b>	
2/26/15, 3/5/15	Regional Technical Committee / Regional Policy Committee
3/11/15, 3/18/15	IEUA Committee Recommendation/IEUA Board Approval
<b>Wastewater Connection Fee, Recycled Water Rates, One Water Connection Fee, RTS Recovery, and Meter Equivalent Unit (MEU) rates</b>	
3/10/15	Cost of Service Workshop #4: Connection Fees/Water Rates
4/1/15	Special Joint Mtg of the IEUA Board & Regional Policy Committee
4/14/15	Final Cost of Service Workshop #5: Connection Fees/Water Rates
4/30/15, 5/7/15	Regional Technical Committee / Regional Policy Committee
5/13/15, 5/20/15	IEUA Committee Recommendation/IEUA Board Approval
10/1/15	Recommended effective date for FY 2015/16 rates.

**IMPACT ON BUDGET**

There is no direct impact on the Agency's adopted Fiscal Year 2014/15 budget as a result of this item.

**Attachments:**

- Exhibit A– Regional Wastewater O&M (RO) Fund Sources and Uses of Funds Report
- Appendix 1 – Rates study workshops and meetings schedule
- Resolution No. 2015-3-1



**Exhibit A: RO Fund FYs 2015/16 to 2019/20 Sources and Uses of Fund Report  
 (Based on the Proposed Five-Year Rates)**

INLAND EMPIRE UTILITIES AGENCY  
 FISCAL YEAR 2015/16 BUDGET  
 RO FUND - SOURCES AND USES OF FUNDS

	2012/2013	2013/2014	2014/2015	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
	ACTUAL	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET	FORECAST			
<b>REVENUES</b>									
User Charges	39,569,548	42,970,542	45,988,286	45,988,286	49,696,196	55,023,361	59,173,099	63,182,341	64,630,396
Cost Reimbursement JPA	3,252,652	3,054,632	3,471,033	3,211,133	3,378,369	3,470,762	3,572,316	3,658,482	3,736,974
Contract Cost Reimbursement	516,774	65,541	93,000	93,000	93,000	93,000	93,000	93,000	93,000
Interest Revenue	128,956	149,869	165,000	165,000	142,000	150,000	250,000	430,000	650,000
<b>TOTAL REVENUES</b>	<b>43,467,930</b>	<b>46,240,584</b>	<b>49,717,319</b>	<b>49,457,419</b>	<b>53,309,565</b>	<b>58,737,123</b>	<b>63,088,415</b>	<b>67,363,823</b>	<b>69,110,370</b>
<b>OTHER FINANCING SOURCES</b>									
Property Tax Revenues - Debt/Capital/Re	10,407,455	8,634,143	8,844,764	8,540,378	8,967,396	9,326,092	9,605,875	9,797,993	9,993,952
Grants	42,258	34,851	0	0	525,169	525,169	0	0	0
Other Revenues	598,464	724,766	565,416	565,416	738,000	756,540	775,636	795,305	815,564
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>11,048,177</b>	<b>9,393,760</b>	<b>9,410,180</b>	<b>9,105,794</b>	<b>11,178,124</b>	<b>18,264,451</b>	<b>17,745,148</b>	<b>10,675,116</b>	<b>10,809,517</b>
<b>EXPENSES</b>									
Employment Expenses	23,614,915	23,035,268	28,380,805	25,333,949	26,653,344	27,382,268	28,183,469	28,863,275	29,482,528
Contract Work/Special Projects	130,522	585,650	3,004,240	1,023,700	1,500,000	1,300,000	1,300,000	1,300,000	1,300,000
Utilities	6,100,836	6,561,280	7,164,307	6,877,735	7,379,469	7,600,856	7,828,881	8,063,816	8,308,021
Operating Fees	579,760	683,310	1,157,589	1,607,589	1,107,252	1,137,262	1,170,515	1,202,963	1,237,734
Chemicals	3,578,136	4,125,729	4,715,529	4,526,908	4,593,104	4,730,898	4,872,824	5,019,008	5,169,579
Professional Fees and Services	1,872,563	2,132,842	3,493,950	2,969,858	2,679,964	2,751,834	3,106,797	3,283,538	3,494,121
Office and Administrative expenses	19,220	21,534	351,280	434,430	435,463	436,528	437,623	438,752	439,913
Biosolids Recycling	3,322,651	3,527,828	3,557,924	3,557,924	3,775,007	4,001,141	4,121,175	4,244,810	4,329,707
Materials & Supplies	1,688,761	1,653,604	2,129,332	1,809,932	1,914,334	2,190,850	2,143,745	2,208,337	2,395,311
Other Expenses	862,027	1,290,346	4,161,034	4,292,133	4,493,602	4,400,995	4,352,074	4,103,849	4,328,684
<b>TOTAL EXPENSES</b>	<b>41,769,391</b>	<b>43,617,391</b>	<b>58,115,990</b>	<b>52,434,157</b>	<b>54,531,539</b>	<b>55,932,632</b>	<b>57,517,104</b>	<b>58,728,348</b>	<b>60,485,597</b>
<b>CAPITAL PROGRAM</b>									
<b>TOTAL CAPITAL PROGRAM</b>	<b>6,094,290</b>	<b>5,129,083</b>	<b>11,377,344</b>	<b>7,694,600</b>	<b>12,620,000</b>	<b>17,350,000</b>	<b>13,600,000</b>	<b>9,150,000</b>	<b>2,485,000</b>
<b>DEBT SERVICE</b>									
<b>TOTAL DEBT SERVICE</b>	<b>218,576</b>	<b>214,519</b>	<b>214,585</b>	<b>214,585</b>	<b>215,785</b>	<b>215,785</b>	<b>942,293</b>	<b>942,293</b>	<b>942,293</b>
<b>TRANSFERS IN (OUT)</b>									
Capital Contribution	(400,000)	0	0	0	81,818	(1,545,455)	(790,909)	(1,195,455)	(1,200,000)
Debt Service	0	0	0	0	0	0	181,627	181,627	181,627
Property Tax Transfer	0	(2,200,000)	0	0	0	0	0	0	0
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>(400,000)</b>	<b>(2,200,000)</b>	<b>0</b>	<b>0</b>	<b>81,818</b>	<b>(1,545,455)</b>	<b>(609,282)</b>	<b>(1,013,828)</b>	<b>(1,018,373)</b>
<b>FUND BALANCE</b>									
Net Income (Loss)	6,033,850	4,473,351	(10,580,420)	(1,780,129)	(2,797,817)	1,957,701	8,164,884	8,204,471	14,988,624
Fund Bal Adju to FY 11/12 CAFR									
Beginning Fund Balance July 01	25,798,903	31,832,753	36,306,104	36,306,104	34,525,975	31,728,158	33,685,859	41,850,743	50,055,214
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>31,832,753</b>	<b>36,306,104</b>	<b>25,725,684</b>	<b>34,525,975</b>	<b>31,728,158</b>	<b>33,685,859</b>	<b>41,850,743</b>	<b>50,055,214</b>	<b>65,043,838</b>
<b>RESERVE BALANCE SUMMARY</b>									
Capital / Operation Contingencies	13,923,130	14,539,132	19,372,000	17,478,054	17,051,060	17,487,292	17,981,598	18,356,624	18,916,210
Rehabilitation/Replacement	17,693,838	20,824,679	6,137,899	16,832,136	14,461,313	15,256,270	22,926,849	30,756,297	45,185,335
Debt Service & Redemption	215,785	942,293	215,785	215,785	215,785	942,293	942,293	942,293	942,293
<b>ENDING BALANCE AT JUNE 30</b>	<b>31,832,753</b>	<b>36,306,104</b>	<b>25,725,684</b>	<b>34,525,975</b>	<b>31,728,158</b>	<b>33,685,859</b>	<b>41,850,743</b>	<b>50,055,214</b>	<b>65,043,838</b>

**Appendix 1: Rates Study Workshops and Meetings**

Meeting	Discussion	Date
Cost of Service Workshop #1	Connection Fees	11/18/14
Cost of Service Workshop #2	Connection Fees	12/11/14
Cost of Service Workshop #3	Water Rates	1/13/15
Special Joint Meeting IEUA Board/Regional Policy Committee	Proposed Rates	2/4/15
Member Agency Meetings	Proposed Rates	January-May
Cost of Service Workshop #4	Connection Fees/Water Rates	3/10/15
Special Joint Meeting IEUA Board/Regional Policy Committee	Proposed Rates	4/1/15
Final Workshop	Proposed Rates	4/14/15

# IEUA Proposed Multi-Year EDU Volumetric Rates for Fiscal Years 2015/16 - 2019/20



*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT

March 2015



# Proposed Timeline

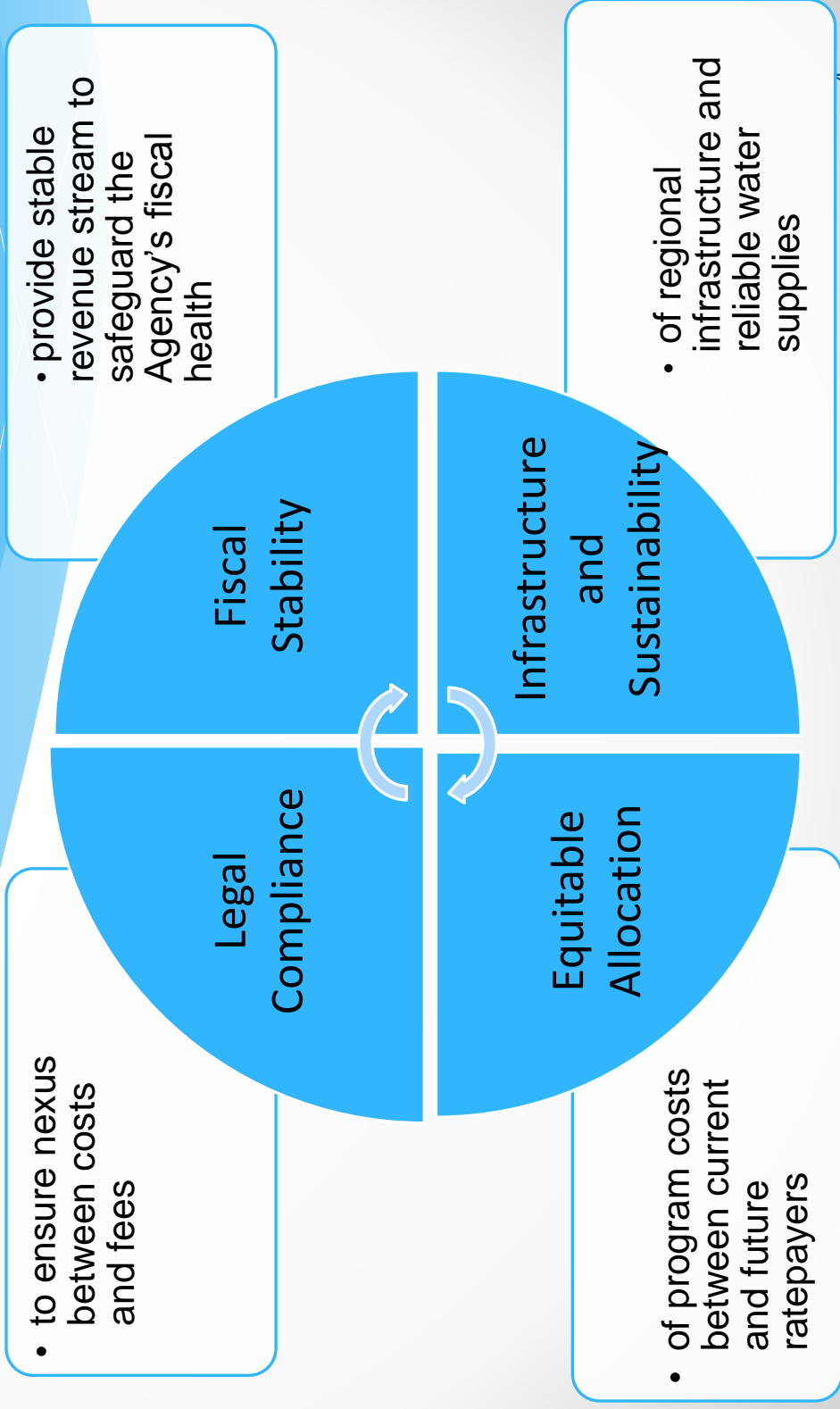
## Multi-Year Rates FYs 2015/16 - 2019/20

Program	Rate	Proposed Adoption Date	Effective Date
<b>Regional Wastewater</b>	Monthly Volumetric EDU	3/18/15	10/1/15
	Connection Fees		
	Direct Delivery per AF		
<b>Recycled Water</b>	Groundwater Recharge per AF	5/20/15	10/1/15
	“One Water” Connection Fees		
	Meter Charge		
<b>Water Resources</b>	AF Surcharge	Replaced with RTS Recovery Rate	
	Meter Equivalent Units (MEUs)	Replaced with MEU Rate	
	RTS Recovery	5/20/15	10/1/15

# Review Process

Meeting	Discussion	Date
Cost of Service Workshop #1	Connection Fees	11/18/14
Cost of Service Workshop #2	Connection Fees	12/11/14
Cost of Service Workshop #3	Water Rates	1/13/15
Special Joint Meeting IEUA Board/Regional Policy Committee	Proposed Rates	2/4/15
Member Agency Meetings	Proposed Rates	January-May
Cost of Service Workshop #4	Connection Fees/Water Rates	3/10/15
Special Joint Meeting IEUA Board/Regional Policy Committee	Proposed Rates	4/1/15
Final Workshop	Proposed Rates	4/14/15

# Key Rate Objectives



# Benefits

```
graph TD; A((Benefits)) --- B((Provides necessary resources to support investment in water reliability and sustainability in the region to ensure continual economic development.)); A --- C((Allocates costs more equitably between current and future users.)); A --- D((Provides for no change in the allocation of property taxes within the funds.)); A --- E((Affords revenue stability to the Agency and member agencies.)); A --- F((Achieves full cost of service in a reasonable timeframe.))
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Affords revenue stability to the Agency and member agencies.

Provides for no change in the allocation of property taxes within the funds.

Achieves full cost of service in a reasonable timeframe.

Provides necessary resources to support investment in water reliability and sustainability in the region to ensure continual economic development.

Allocates costs more equitably between current and future users.



# Regional Wastewater EDU Monthly Volumetric Rate

Effective on October 1, 2015

Monthly  
Volumetric  
EDU Rate

Full cost recovery  
achieved in FY 2018/19

		----- Proposed -----				
FY	FY	FY	FY	FY	FY	
2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	
\$14.39	\$15.89	\$17.14	\$18.39	\$19.59	\$20.00	

## What is an EDU Volumetric Rate?

Monthly charge imposed on all regional wastewater system connections.

## What does it cover?

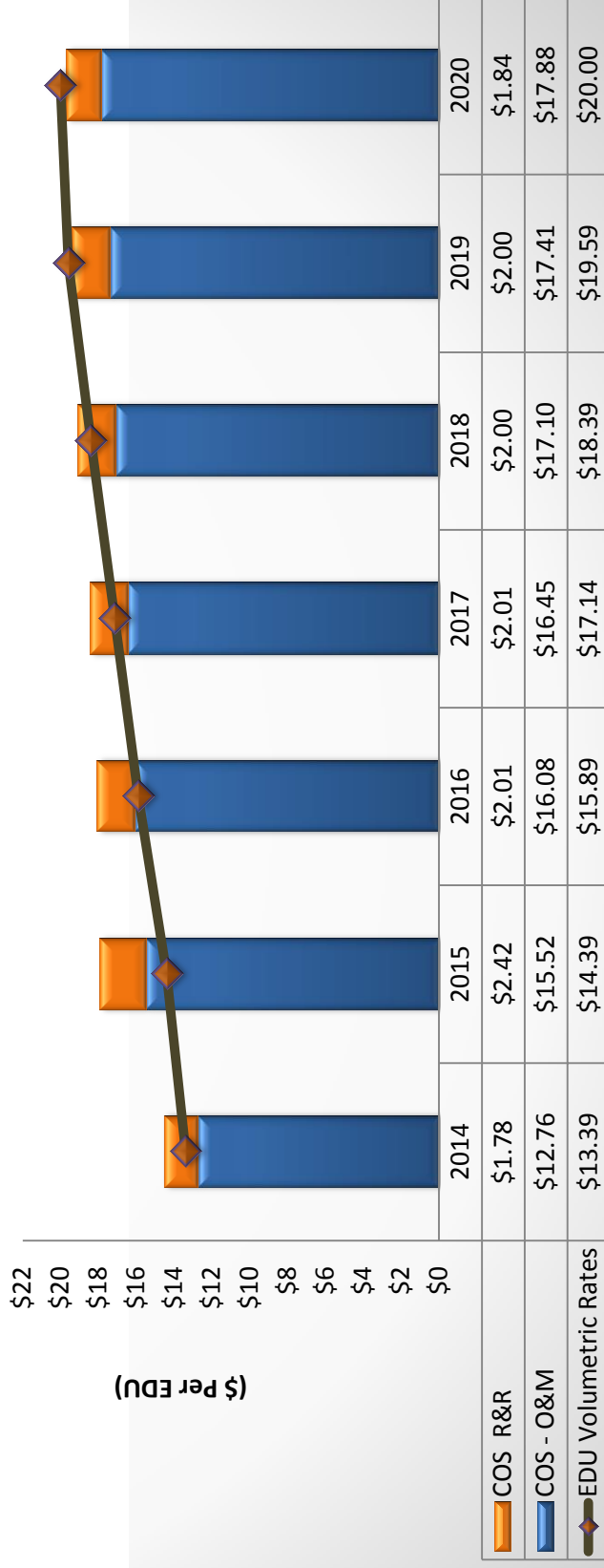
Operational, maintenance and administrative costs related to the collection, treatment and disposal of wastewater throughout the Agency's service area and unincorporated areas.  
Replacement & Rehabilitation (R&R) costs of regional wastewater facilities and infrastructure.  
Debt service.

## How does this benefit?

Ensures wastewater treatment meets regulatory compliance.  
Protection of public health and environmental sustainability.  
Achieving full cost of service will reduce reliance on property tax subsidies.  
Allow use of property taxes to support major capital costs in the future.

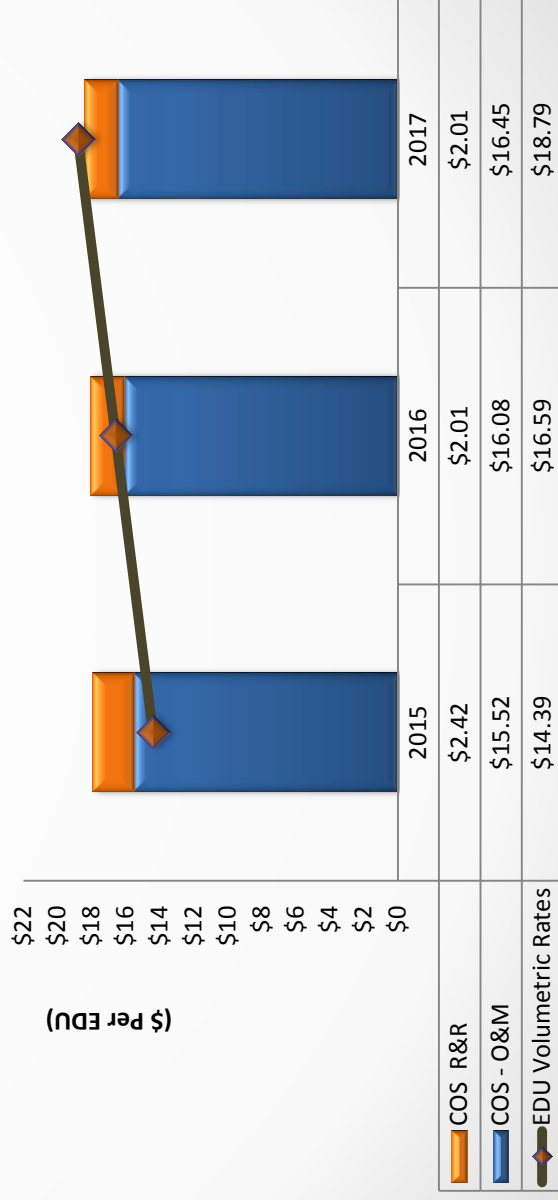
# EDU Volumetric Rate Cost of Service

- Achieves full cost of service recovery by FY 2018/19.
- Reduces reliance of property tax to subsidize O&M and R&R costs.
- Allows for the use of property taxes to support future capital requirements; RP-2/RP-5 Solids Handling Relocation, RP-1 Rehabilitation and RP-2 Decommission.

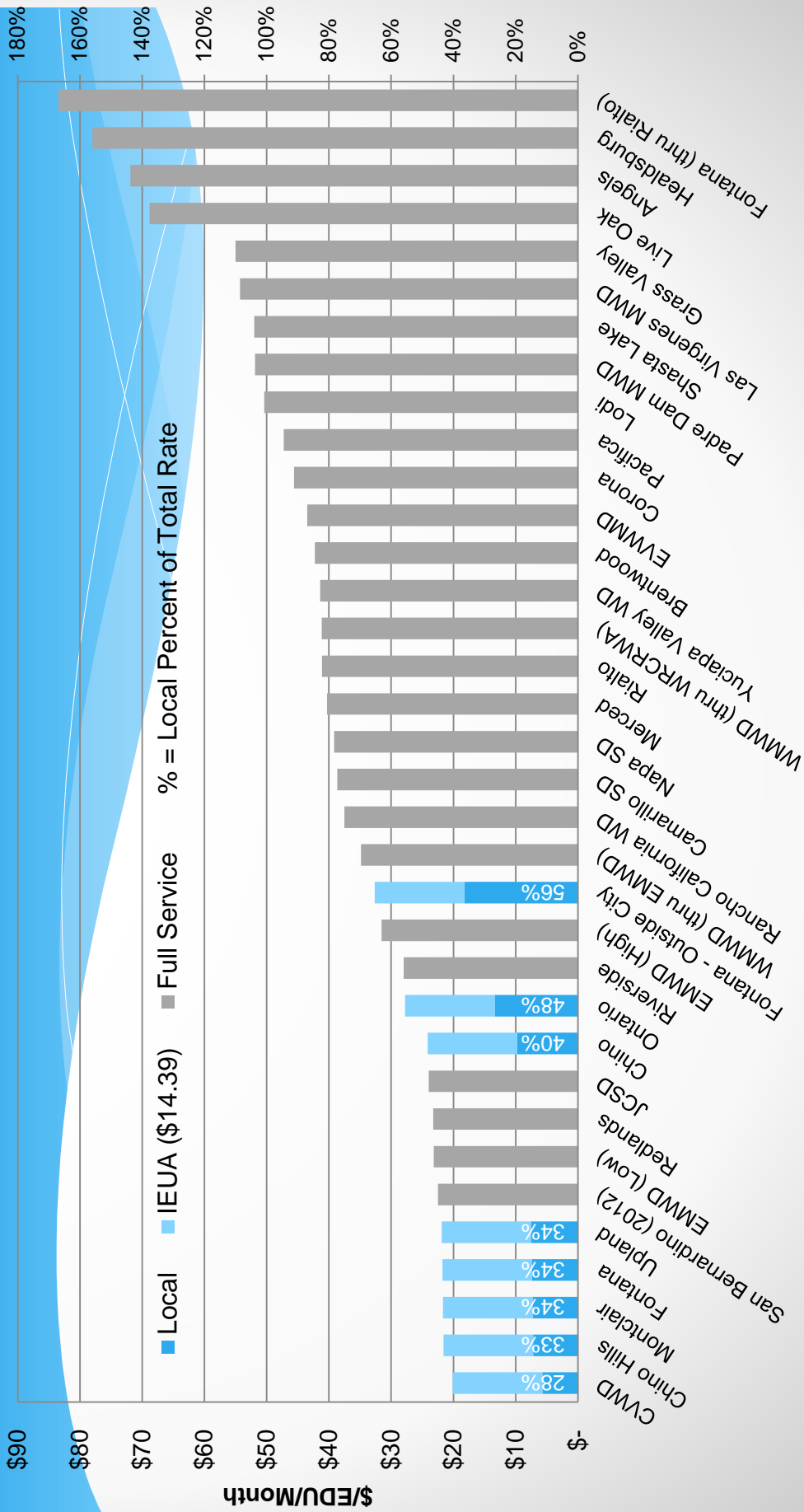


# Two Year COS Rate Option

- Achieve cost of service (COS) in two years by FY 2016/17:
  - Increase rate by \$2.20/EDU each year for both FYs 2015/16 and 2016/17



# Wastewater Rate Comparison (FY14/15) (Tertiary Dischargers)



Notes: Sources SWRCB/Local Websites - Generally, all inland tertiary dischargers, only a few are tertiary with nutrient removal (all IEUA facilities meet nutrient removal criteria)  
Data 14/15 when available; otherwise from SWRCB FY12/13 Survey (conservatively low values used for comparison)



# Key Budget Assumptions RO Fund

Based on 5 Year Rate Proposal

	5 Year Totals	Comments
<b>(\$Millions)</b>		
<b>Revenues and Other Funding Sources</b>		
<b>EDU Volumetric</b>	\$292	Assumes annual growth factor of 0.25% in the number of billable monthly EDUs.
<b>Property Taxes</b>	\$48	No change in the allocation of 22% and the level of property tax receipts. After achieving full cost of service, property taxes will be set aside to support the rehabilitation of RP-1 and decommissioning of RP-2.
<b>Expenses and Other Uses of Fund</b>		
<b>O&amp;M (net IERCA labor costs)</b>	\$270	Assumes 3% annual average inflationary increase.
<b>Replacement &amp; Rehabilitation (R&amp;R) capital projects</b>	\$55	Capital project spending – partially supported by SRF loans and grants: <ul style="list-style-type: none"> <li>• Water Quality Laboratory Replacement</li> <li>• Chino Creek Wetlands and Educational Park Upgrades</li> </ul>
<b>Debt Service</b>	\$3	Share of principal and interest costs for the 2008A Revenue Bonds and debt service costs for the laboratory's SRF loan.

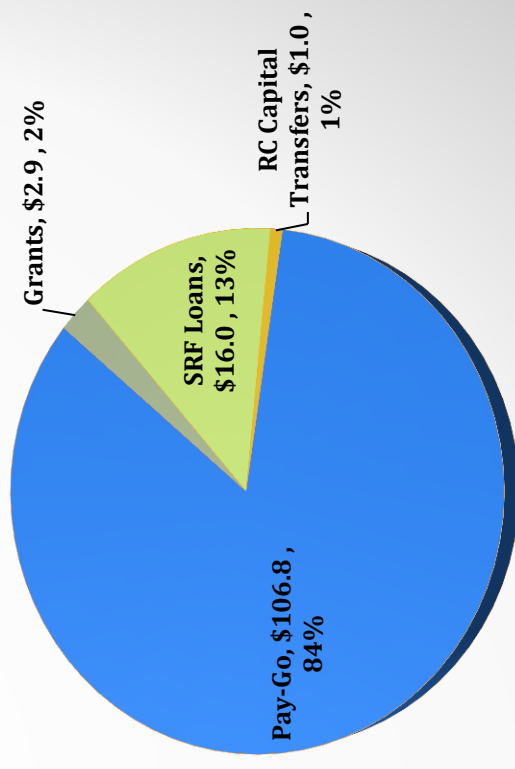
# R&R Projects and Funding Sources

## RO Fund

Project	Timeframe (Fiscal Year)	Ten Year Project Costs (\$Millions)
Regional Wastewater Projects Asset Management Plan (AMP)	2020/21 – 2024/25	\$50
Water Quality Laboratory Replacement	2015/16 – 2018/19	\$18
SCADA Enterprise System	2015/16 – 2018/19	\$9
RP-5 Process Improvements	2019/20 – 2021/22	\$6
RP-4 Process Improvements	2016/17 – 2018/19	\$5
All Other Projects	2015/16 – 2024/25	\$39
	<b>RO Total:</b>	<b>*\$127</b>

\*\$127M includes \$114M R&R capital projects and \$13M O&M/special projects

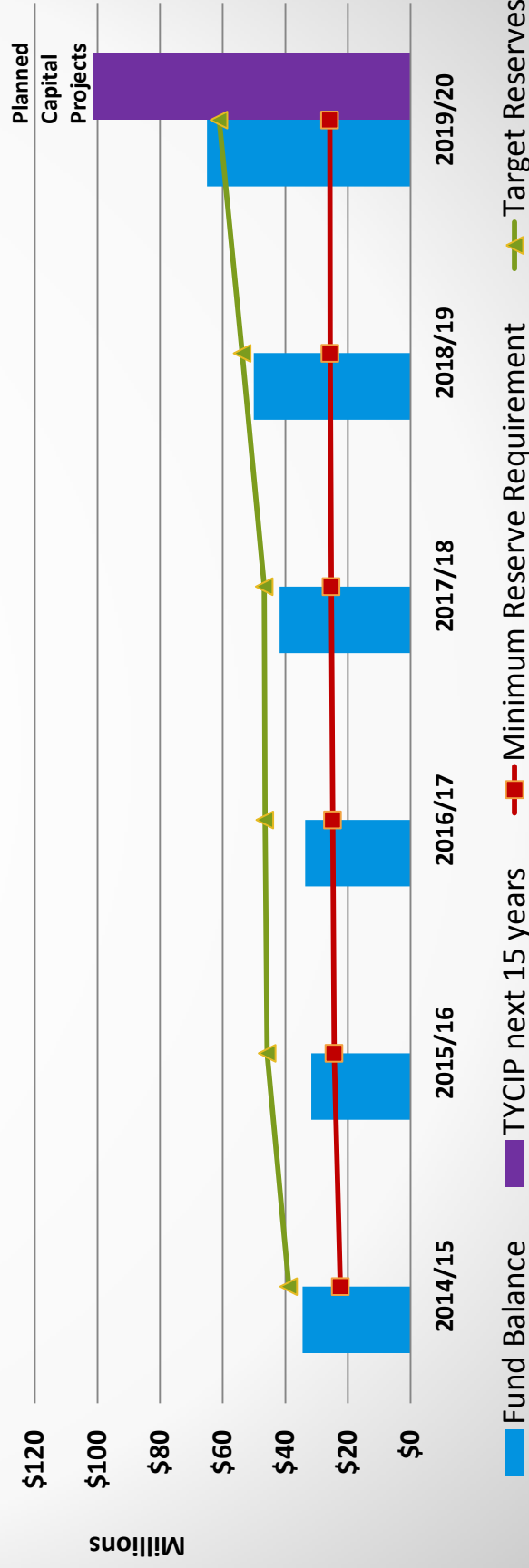
Funding Sources (\$ Millions)



# Projected Reserve Balance RO Fund

Based on 5 Year Rate Proposal

- Achieving full cost of service in FY 2018/19 will allow designation of property taxes to support future capital requirements.
- Capital projects estimated to be \$101 million over the next 15 years.



# Timeline

Meeting	Date
<b>EDU Volumetric Rate</b>	
Regional Technical Committee/Regional Policy Committee	2/26/15, 3/15/15
IEUA Committee Recommendation/IEUA Board Approval	3/11/15, 3/18/15
<b>Wastewater Connection Fee, Recycled Water Rates, One Water Connection Fee, RTS Recovery, and Meter Equivalent Unit (MEU) rates</b>	
Cost of Service Workshop #4: Connection Fees/Water Rates	3/10/15
Special Joint Meeting of the IEUA Board & Regional Policy Committee	4/1/15
Final Cost of Service Workshop #5: Connection Fees/Water Rates	4/14/15
Regional Technical Committee/Regional Policy Committee	4/30/15, 5/7/15
IEUA Committee Recommendation/IEUA Board Approval	5/13/15, 5/20/15
Recommended effective date for FY2015/16 Rates	10/1/15





# Questions?

*Consistent with the Agency's business goal of Fiscal Responsibility by adopting rates that fully meet cost of service for key Agency programs.*

## RESOLUTION NO. 2015-3-1

### RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY\*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING SERVICE RATES FOR IMPROVEMENT DISTRICT "C" FOR FISCAL YEAR 2015/16 THROUGH YEAR 2019/20

**WHEREAS**, pursuant to the Regional Sewage Service Contract, the Regional Contracting Agencies Advisory Committees have received and reviewed the Regional Wastewater Program Budget with an associated service rate for Fiscal Years 2015/16 through FY 2019/20;

**WHEREAS**, The Regional Advisory Committees have reviewed service rates for Fiscal Years 2015/16 through 2019/20, and recommended approval for Fiscal Years 2015/16 through 2016/17:

**NOW, THEREFORE**, the Board of Directors hereby RESOLVES, DETERMINES, AND ORDERS the following to be effective July 1<sup>st</sup> of each fiscal year, excluding FY 2015/16, which will require an agreed upon effective date of October 1, 2015:

**Section 1.** Effective October 1, 2015, the total service rate for the operation and maintenance of the regional sewage system and the treatment of the domestic sewage, shall be \$15.89 per equivalent service unit (EDU) per month or \$1,810.00 per million gallons.

**Section 2.** Effective July 1, 2016, the total service rate for the operation and maintenance of the regional sewage system and the treatment of the domestic sewage, shall be \$17.14 per equivalent service unit (EDU) per month or \$2,060.00 per million gallons.

**Section 3.** Effective July 1, 2017, the total service rate for the operation and maintenance of the regional sewage system and the treatment of the domestic sewage, shall be \$18.39 per equivalent service unit (EDU) per month or \$2,310.00 per million gallons.

**Section 4.** Effective July 1, 2018, the total service rate for the operation and maintenance of the regional sewage system and the treatment of the domestic sewage, shall be \$19.59 per equivalent service unit (EDU) per month or \$2,560.00 per million gallons.

**Section 5.** Effective July 1, 2019, the total service rate for the operation and maintenance of the regional sewage system and the treatment of the domestic sewage, shall be \$20.00 per equivalent service unit (EDU) per month or \$2,810.00 per million gallons.

**Section 6.** The provisions of the Regional Sewage Service Contract and any amendments thereto are hereby applicable and will remain in full force and effect.

**Section 7.** That upon the effective date of this Resolution, Resolution No. 2012-2-2 is hereby rescinded.

ADOPTED this 18<sup>th</sup> day of March, 2015.

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Terry Catlin, President of the Inland  
Empire Utilities Agency\* and of the  
Board of Directors thereof

ATTEST:

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Steven J. Elie, Secretary of the Inland Empire  
Utilities Agency\* and of the Board  
of Directors thereof

\* A Municipal Water District



**ACTION  
ITEM**


**3C**






Date: March 15, 2015

To: The Honorable Board of Directors

Through: Engineering, Operations, and Biosolids Management Committee  
(03/11/15)

From:  P. Joseph Grindstaff  
General Manager

Submitted by:  Chris Berch  
Executive Manager of Engineering/Assistant General Manager

 Majid Karim   
Acting Manager of Engineering

Subject: Design/Build Contract Award of the Communication System Upgrades

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### **RECOMMENDATION**

It is recommended that the Board of Directors:

1. Award the construction contract to Sun Wireless for the construction of the Communication System Upgrades, Project No. EN12019, for a not-to-exceed total amount of \$826,294; and
2. Authorize the General Manager to execute the construction contract.

### **BACKGROUND**

The Groundwater Recharge (GWR) and Recycled Water (RW) Communication System Upgrades, Project No. EN12019, which is equally cost-shared through a joint agreement with Chino Basin Watermaster (CBWM), transitions the remote groundwater recharge sites and recycled water turnouts' communication equipment onto a faster and more reliable communication network. This project is a part of the implementation plan of the 2010 SCADA Master Plan to migrate the wireless infrastructure onto the high-data-rate system.

Contract Award for the Communication System Upgrades

March 18, 2015

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The planned upgrade proposed a design/build approach to construct five (5) new towers and replace the radio equipment at fourteen (14) basins, two (2) turnouts, and three (3) receiving towers. In November 2013 after thirty (30) days of competitive solicitation, one (1) proposal was received from Dahl, Taylor & Associates, Inc. (DTA) for \$1.9 Million. However, this exceeded IEUA's \$1.0 million project budget and the decision was made by Engineering and CBWM to amend the project approach by conducting a preliminary design evaluation. The goal of the pre-design was to establish each site's optimal line-of-sight communication onto the high speed network system, to identify the location and size of new towers, and to determine a firm design and installation cost. DTA was contracted for \$92,000 to provide these services.

Following the preliminary design DTA submitted two (2) design/build recommendations. The first was to construct towers at nine (9) sites, upgrade the radio systems at fourteen (14) recharge basins, two (2) turnouts, and four (4) receiving towers. The second option was the same less the placement of the towers. DTA's proposed fees to the former and latter options are \$2,456,318 and \$946,468 respectively. Staff concluded the second option would be a better choice because the proposed sites for towers can be deferred to future projects. These sites are either recharge basins with no existing controls or they are imported water turnout facilities which operate infrequently and communicate on a cellular network. The Orchard RW Turnout was not recommended as well because it operates directly via telephone and the residential site is not suitable for a communication tower.

Before considering a new contract with DTA, IEUA requested a proposal fee on the second option from another consulting firm. Sun Wireless, who specializes in designing, supplying, installing, and supporting terrestrial, point-to-point microwave radio systems, was considered because of their knowledge and experience with IEUA's communication system and their exceptional design/build services on the Northwest (6B) Communication Tower. On February 2, 2015, Sun Wireless submitted a competitive cost of \$826,294 to upgrade the communication systems at sixteen (16) remote sites and four (4) receiving towers. This is a lower price proposal than the original DTA proposal. The construction management will be provided by IEUA staff with specialized consultant augmentation as needed.

The following is the projected budget and IEUA/CBWM cost share:

PROJECT PHASE	PROJECTED COST	IEUA SHARE	CBWM SHARE
Design	\$179,770	\$89,885	\$89,885
Design/Build Contract	\$826,294	\$413,147	\$413,147
Construction Management	\$165,260	\$82,630	\$82,630
Contingency	\$73,676	\$36,838	\$36,838
<b>Total</b>	<b>\$1,245,000</b>	<b>\$622,500</b>	<b>\$622,500</b>

The installation is scheduled for completion by September 2015.

The contract work with Sun Wireless meets IEUA's water reliability business goals by maximizing the beneficial reuse of recycled water and sources of groundwater recharge through the enhancement of the communication network which is a critical asset to the systems.

**PRIOR BOARD ACTION**

On August 20, 2014, the Board of Directors approved the Task Order No. 3, GWR/RW Communication Systems Upgrade, under the 2014 Master Agreement between Inland Empire Utilities Agency and Chino Basin Watermaster.

On July 16, 2014, the Board of Directors approved the Master Cost Sharing Agreement (Master Agreement) between Inland Empire Utilities Agency and Chino Basin Watermaster.

**IMPACT ON BUDGET**

The design/build contract award for the GWR and RW Communication System Upgrades, Project No. EN12019, in the amount of \$826,294 and the projected construction cost are within the current Regional Wastewater Capital (RC) Fund where 50percent of the cost is shared with Chino Basin Watermaster as outlined in the Task Order No. 3 of the Master Agreement of 2014. This project also received \$180,543 of grant funding from the Department of Water Resources' Proposition 84 program through Santa Ana Watershed Project Authority.

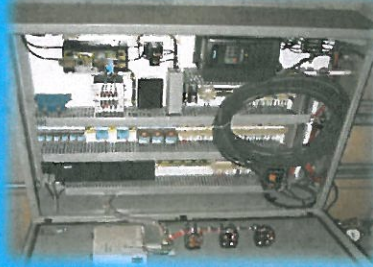
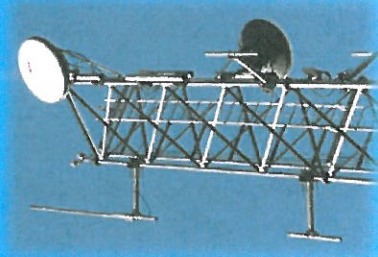
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# GWR/RW Communication System Upgrades Design/Build Contract Award

Project No. EN12019

March 2015



Majid Karim, P.E.  
Acting Manager of Engineering

Joel Ignacio, P.E.  
Senior Engineer



*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT



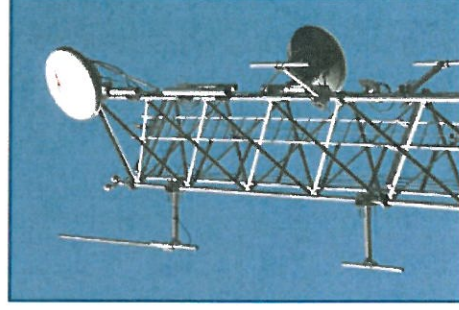


# Project Background

- Upgrade Groundwater/Recycled Water communication system
- Existing communication system at the end of it's useful life
- Project implements 2010 SCADA Master Plan recommendations
- 50% cost shared project with Chino Basin Watermaster
- \$180,543 grant funding from Santa Ana Watershed Authority under Prop. 84



Montclair Basin Tower



RP-1 Receiving Tower

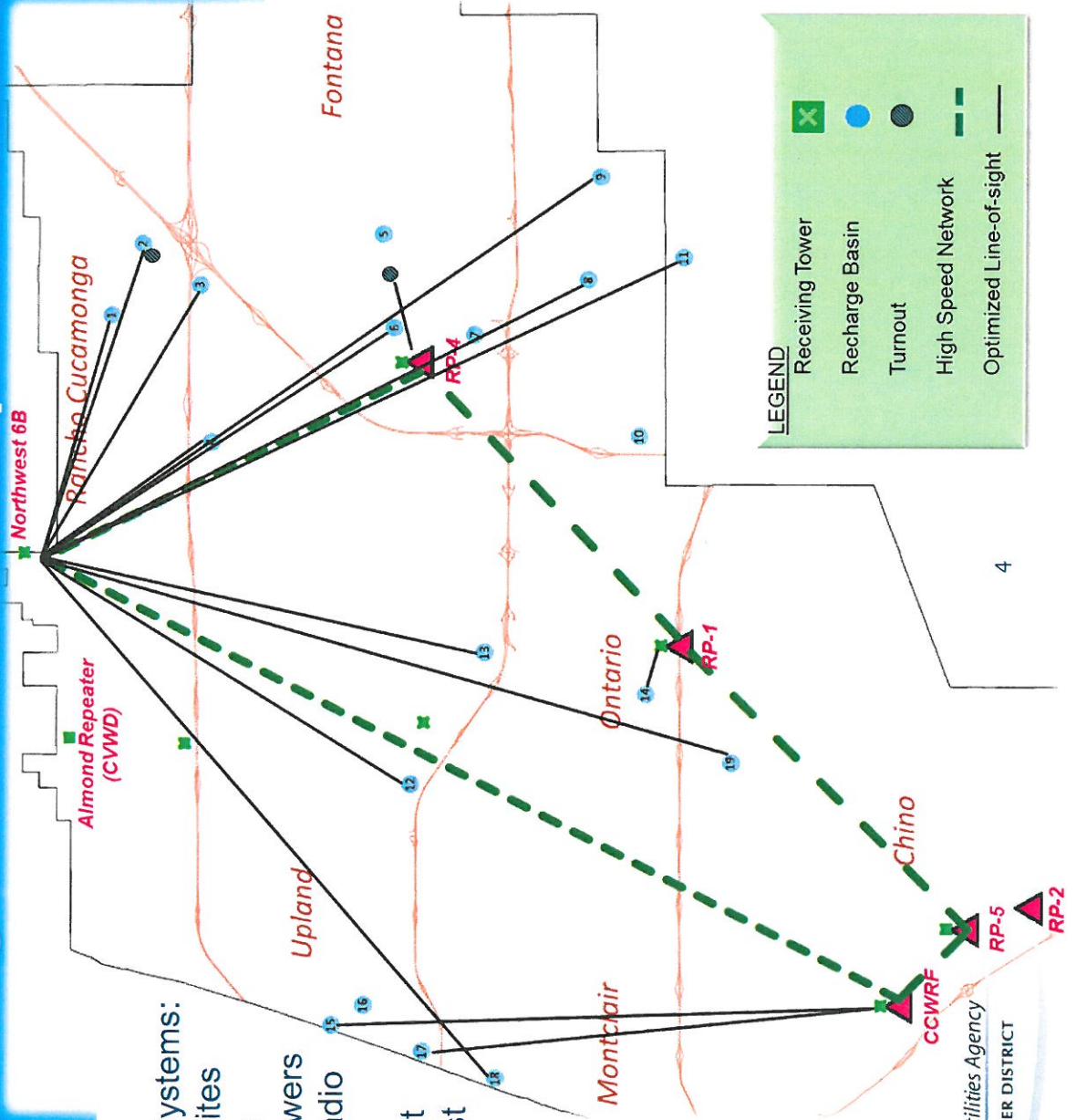


# Project Background

- Competitively solicited bids for a design/build project
- Scope to replace of all communication equipment
- Received one bid from Dahl Taylor & Associates for \$1,863,287
- DTA scope changed to provide a Preliminary Study and cost
- DTA contract completed after PDR
- Received a proposal from Sun Wireless \$826,264

# Design/Build Scope of Work

- Upgrade Radio Systems:
- 14 Recharge Sites
  - 2 RW Turnouts
  - 4 Receiving Towers
  - Configure all radio equipment
  - Set line-of-sight
  - Startup and test



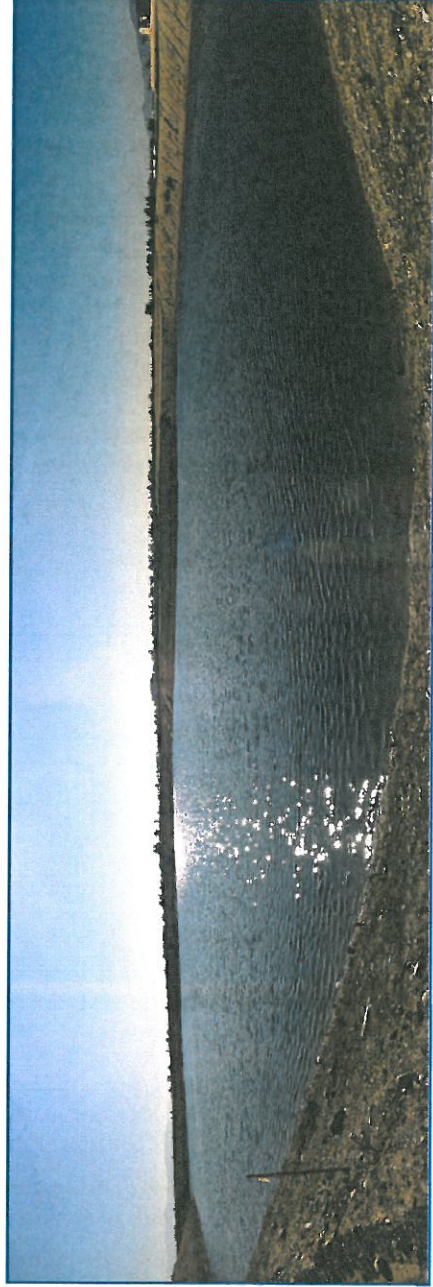
- Recharge Basin Location
1. Etiwanda Debris Basin
  2. San Sevaine Basin
  3. Victoria Basin
  4. Lower Day Basin
  5. Banana Basin
  6. Hickory Basin
  7. Etiwanda Consv. Basin
  8. Jurupa Basin
  9. RP-3 Basin
  10. Wineville
  11. Declez Basin
  12. 8th Street Basin
  13. Turner Basin
  14. Ely Basins
  15. College Heights Basin
  16. Upland Basin
  17. Montclair Basin
  18. Brooks Basin
  19. Grove Basin





# Proposal Fees

Design/Build Contractor	Fees
Sun Wireless	\$826,294
Dahl Taylor & Assoc.	\$946,468





# Project Budget and Schedule

PROJECT PHASE	Projected Cost*	IEUA Share	CBWM Share
Design	\$179,770	\$89,885	\$89,885
Design/Build Contract	\$826,294	\$413,147	\$413,147
Construction Management	\$165,260	\$82,630	\$82,630
Contingency	\$73,676	\$36,838	\$36,838
<b>Total Project Budget</b>	<b>\$1,245,000</b>	<b>\$622,500</b>	<b>\$622,500</b>

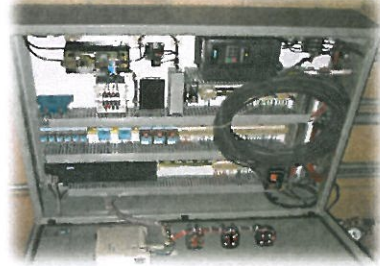
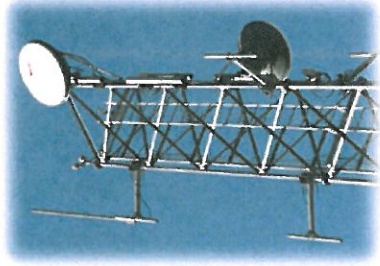
\*Cost does not deduct \$180,543 of grant funding from SAWPA

Installation is scheduled for completion by September 2015



# Recommendation

- Award contract work with Sun Wireless
- Meets business goals by maximizing the beneficial reuse of recycled water and sources of groundwater recharge through the enhancement of the communication network





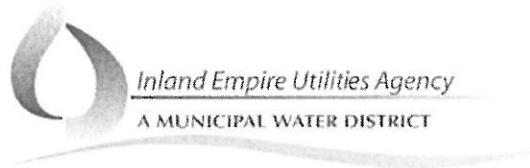
# Questions?



*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT





**CONTRACT NUMBER 4600001832**

**FOR**

**GWR BASIN & RW TURNOUTS COMMUNICATION SYSTEM**

THIS CONTRACT (the "Contract"), is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2015, by and between the Inland Empire Utilities Agency, a Municipal Water District, organized and existing in the County of San Bernardino under and by virtue of the laws of the State of California (hereinafter referred to as "Agency") and Sun Microwave, Inc. dba Sun Wireless of Valley Center, California (hereinafter referred to as "Contractor"), for the design, construction, and start-up of the GWR Basin & RW Turnouts Communication System, Project EN12019.00.

NOW, THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties agree as follows:

1. PROJECT MANAGER ASSIGNMENT: All technical direction related to this Contract shall come from the designated Project Manager. Details of the Agency's assignment are listed below.

Project Manager: Joel Ignacio, P.E., Senior Engineer  
Address: 6075 Kimball Avenue, Building "B"  
Chino, California 91708  
Telephone: (909) 993-1913  
Facsimile: (909) 993-1982  
Email: [jiagnacio@ieua.org](mailto:jiagnacio@ieua.org)

2. CONTRACTOR ASSIGNMENT: Special inquiries related to this Contract and the effects of this Contract shall be referred to the following:

Contractor: Albert R. Pfeltz, Vice President  
Address: 13868 Little Creek Lane  
Valley Center, CA 92082  
Telephone: (760) 749-5770  
Email: [al@sunmicrowave.com](mailto:al@sunmicrowave.com)



3. **ORDER OF PRECEDENCE:** The documents referenced below represent the Contract Documents. Where any conflicts exist between the General Terms and Conditions, or addenda attached, then the governing order of precedence shall be as follows:
1. Amendments to Contract Number 4600001832;
  2. Contract number 4600001832 General Terms and Conditions;
  3. Project Manager's Request for Proposal and all germane correspondence, incorporated herein by this reference;
  4. Contractor's Quotation Number 1501-0202 dated February 2, 2015.
4. **SCOPE OF WORK AND SERVICES:** Contractor services and responsibilities shall include and be in accordance with **Exhibit A**, which is attached hereto and made a part hereof.
5. **TERM:** The term of this Contract shall extend from the date of the Notice to Proceed, and terminate upon acceptance of the design's construction by the Agency's Board of Directors, unless agreed to by both parties, reduced to writing, and amended to this Contract.
6. **PAYMENT, INVOICING AND COMPENSATION:** : The Contractor may submit an invoice not more than once monthly during the term of this Contract. Agency shall pay Contractor's properly-executed invoice, approved by the Project Manager, within thirty (30) days after receipt of the invoice (ARI). Payment shall be withheld for any service which does not meet the requirements of this Contract until such service is revised and the invoice resubmitted and accepted by the Project Manager.

Invoice shall include the Contract number 4600001832 for payment. Invoice shall be submitted electronically to [apgroup@ieua.org](mailto:apgroup@ieua.org) .

All mechanical and construction work performed as outlined in the Scope of Work shall be subject to prevailing wage.

Contractor shall provide with their invoice certified payroll verifying that Consultant has paid prevailing wage in accordance with the Department of Industrial Relations requirements as stipulated in SB-854 (<http://www.dir.ca.gov/DIRNews/2014/2014-55.pdf>).

**Effective January 1, 2015:** The call for bids and contract documents must include the following information:

A. No contractor or subcontractor may be listed on a bid proposal for a public works project (submitted on or after March 1, 2015) unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5 [with limited exceptions from this requirement for bid purposes only under Labor Code section 1771.1(a)].

B. No contractor or subcontractor may be awarded a contract for public work on a public works project (awarded on or after April 1, 2015) unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5.

C. This project is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

As compensation for the work performed under this Contract, Agency shall pay Contractor, **on a firm-fixed price** basis, a total price **not-to-exceed \$826,294.00** for all work, services, and products satisfactorily provided hereunder as outlined in Contractor's Quotation, attached hereto, referenced herein, and made a part hereof as **Exhibit B**.

7. INSURANCE: During the term of this Contract, the Contractor shall maintain at Contractor's sole expense, the following insurance.

A. Minimum Scope of Insurance:

1. General Liability: \$1,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage. Coverage shall be at least as broad as Insurance Services Office form number GL 0001-87 covering Comprehensive General Liability. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location, or the general aggregate limit shall be twice the required occurrence limit.

a. The insurance shall include coverage for each of the following hazards:

Premises – Operations  
Owners and Contractors Damage  
Broad Form Property Damage  
Contractual for Specific Contract  
Severability of Interests or Cross-Liability  
XCU [Explosion, Collapse and Underground] Hazards  
Personal Injury – with the "Employee" Exclusion Deleted

2. Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage. Coverage shall be at least as broad as Insurance Services Office form number CA 00 01 87, covering Automobile Liability, including "any auto."

3. Workers' Compensation and Employers Liability: Workers' compensation limits as required by the Labor Code of the State of California and employers Liability limits of \$1,000,000 per accident.

4. Builders Risk completed value (course of construction) fire insurance with extended coverage and a vandalism and malicious endorsement. The policy shall cover the full value of all completed construction, which includes all material and labor invested in the construction and the full value of all equipment and material at the job site. Said policy shall remain in effect until acceptance of the by the Agency.
  5. Professional Liability insurance in the amount of \$1,000,000 per claim.
  6. Payment, Labor & Material, and Performance Bonds: Bonding is required, per Public Contract Code Article 121., Section 21565, for public works projects. The public works portion of this project (mechanical, electrical, and construction work performed as outlined in the Scope of Work) is subject to prevailing wage.
- B. Deductibles and Self-Insured Retention: Any deductibles or self-insured retention must be declared to and approved by the Agency. At the option of the Agency, either: the insurer shall reduce or eliminate such deductibles or self-insured retention (as respects the Agency), its officers, officials, employees, volunteers, property owners and engineers under contract to the Agency; or the Contractor shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
- C. Other Insurance Provisions: The policies are to contain, or be endorsed to contain, the following provisions:
1. General Liability and Automobile Liability Coverage
    - a. The Agency, its officers, officials, employees, volunteers, property owners and any engineers under contract to the Agency are to be covered as insureds, endorsement CG2010 1185, as respects: liability arising out of activities performed by or on behalf of the Contractor, products and completed operations of the Contractor, premises owned, occupied or used by the Contractor, or automobiles owned, leased, hired or borrowed by the Contractor. The coverage shall contain no special limitations on the scope of protection afforded to the Agency, its officers, officials, employees, volunteers, property owners or engineers under contract to the Agency.
    - b. The Contractor's insurance coverage shall be primary insurance as respects the Agency, its officer, officials, employees, volunteers, property owners or engineers under contract to the Agency. Any insurance or self-insurance maintained by the Agency, its officers, officials, employees, volunteers, property



owners or engineers under contract to the Agency shall be excess of the Contractor's insurance and shall not contribute with it.

- c. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Agency, its officers, officials, employees, volunteers, property owners or engineers under contract to the Agency
- d. The Contractor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- e. The Contractor may satisfy the limit requirements in a single policy or multiple policies. Any Such additional policies written as excess insurance shall not provide any less coverage than that provided by the first or primary policy.

2. Workers' Compensation and Employers Liability Coverage

The insurer shall agree to waive all rights of subrogation against the Agency, its officers, officials, employees, volunteers, property owners or engineers under contract to the Agency for losses arising from work performed by the Contractor for the Agency.

3. Builders Risk Insurance (Course of Construction)

The Agency is to be named as the loss payee.

4. All Coverages

Each insurance policy required by this contract shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Agency.

- D. Acceptability of Insurers: Insurance is to be placed with insurers with a Best's rating of no less than A minus:VII, and who are admitted insurers in the State of California.
- E. Verification of Coverage: Contractor shall furnish the Agency with certificates of insurance and with original endorsements effecting coverage required by the Agency for themselves and all subcontractors prior to commencing work or allowing any subcontractor to commence work under any subcontract. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates

and endorsements are to be approved by the Agency before work commences. The Agency reserves the right to require complete, certified copies of all required insurance policies, at any time.

- F. Submittal of Certificates: Contractor shall submit all required certificates and endorsements to the following:

Attn. Ms. Angela Witte, Risk Representative  
c/o Inland Empire Utilities Agency  
P.O. Box 9020  
Chino Hills, California 91709-0902

8. CONTROL OF THE WORK: Contractor shall perform the Work in compliance with the Work Schedule. If performance of the Work falls behind schedule, the Contractor shall accelerate the performance of the Work to comply with the Work Schedule as directed by the Project Manager. If the nature of the Work is such that Contractor is unable to accelerate the Work, Contractor shall promptly notify the Project Manager of the delay, the causes of the delay, and submit a proposed revised Work Schedule.

9. LEGAL RELATIONS AND RESPONSIBILITIES

- A. Professional Responsibility: The Contractor shall be responsible, to the level of competency presently maintained by other practicing professionals performing the same or similar type of work.
- B. Status of Contractor: The Contractor is retained as an independent Contractor only, for the sole purpose of rendering the services described herein, and is not an employee of the Agency.
- C. Observing Laws and Ordinances: The Contractor shall keep itself fully informed of all existing and future state and federal laws and all county and city ordinances and regulations which in any manner affect the conduct of any services or tasks performed under this Contract, and of all such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same. The Contractor shall at all times observe and comply with all such existing and future laws, ordinances, regulations, orders and decrees, and shall protect and indemnify, as required herein, the Agency, its officers, employees and agents against any claim or liability arising from or based on the violation of any such law, ordinance, regulation, order or decree, whether by the Contractor or its employees.

**Effective July 1, 2014, all Contractors and subcontractors must be registered with the California Dept. of Industrial Relations as required by law SB-854 for public works construction projects:**

<http://www.dir.ca.gov/DIRNews/2014/2014-55.pdf>

D. Confined Space Work:

1. Precautions and Programs:

a. The Contractor or Consultant shall be responsible for initiating, maintaining, and supervising all safety precautions and programs in connection with the work or the activities of subcontractors, suppliers, and others at the work site.

b. The Contractors or Consultants and subcontractors or subconsultants shall comply with the provisions of the Safety and Health Regulations for Construction, promulgated by the Secretary of Labor under Section 107 of the "Contract Work Hours and Safety Standards Act," as set forth in Title 29 C.F.R. If the Agency is notified of an alleged violation of the Occupational Safety and Health Standards referred to in this Section and it is established that there is a violation, the Contractor shall be subject to liquidated damages as provided in the Contract.

c. The Contractor or Consultants and all subcontractors or subconsultants shall comply with the provisions of the Occupational Safety and Health Standards, promulgated by the United States Secretary of Labor under the "Occupational Safety and Health Act of 1970," as set forth in Title 29, C.F.R. Where an individual State act on occupational safety and health standards has been approved by federal authority, then the provisions of said state act shall control.

d. The Contractor or Consultant shall take all necessary precautions for the safety of, and shall provide the necessary supervision, control, and direction to prevent damage, injury, or loss to:

- 1) All employees on the work or work site and other persons and organizations who may be affected thereby;
- 2) All the work and materials and equipment to be incorporated therein, whether in storage or on or off the work site; and
- 3) All other property at the site.

e. Contract work requiring confined space entry must follow Cal-OSHA Regulation 8 CCR, Sections 5157 - 5158. This regulation requires the following to be submitted to IEUA for approval prior to the start of the project:

- 1) *Proof of training on confined space procedures, as defined in Cal-OSHA Regulation 8 CCR, Section 5157. This regulation also requires the following to be submitted to IEUA for approval prior to the entry of a confined space:*
- 2) *A written plan that includes identification of confined spaces within the construction site, alternate procedures where appropriate, contractor provisions, specific procedures for*

*permit-required and non-permit required spaces, and a rescue plan.*

f. The Contractor or Consultant must also submit a copy of their Safety Program or IIPP prior to the start of the project for approval by the Safety & Risk Department.

- E. Subcontract Services: Any subcontracts for the performance of any services under this Contract shall be subject to the written approval of the Project Manager.
- F. Hours of Labor: The Contractor shall comply with all applicable provisions of California Labor Code Sections 1810 to 1817 relating to working hours. The Contractor shall, as a penalty to the Agency, forfeit \$25.00 for each worker employed in the execution of the Contract by the Contractor or by any subcontractor for each calendar day during which such worker is required or permitted to work more than eight hours in any one calendar day and forty (40) hours in any one calendar week in violation of the provisions of the Labor Code.
- G. Travel and Subsistence Pay: The Contractor shall make payment to each worker for travel and subsistence payments which are needed to execute the work and/or service, as such travel and subsistence payments are defined in the applicable collective bargaining agreements with the worker.
- H. Liens: Contractor shall pay all sums of money that become due from any labor, services, materials or equipment furnished to Contractor on account of said services to be rendered or said materials to be furnished under this Contract and that may be secured by any lien against the Agency. Contractor shall fully discharge each such lien at the time performance of the obligation secured matures and becomes due.
- I. Indemnification: Contractor shall indemnify the Agency, its directors, employees and assigns, and shall defend and hold them harmless from all liabilities, demands, actions, claims, losses and expenses, including reasonable attorneys' fees, which arise out of or are related to the negligence, recklessness or willful misconduct of the Contractor, its directors, employees, agents and assigns, in the performance of work under this contract.
- J. Conflict of Interest: No official of the Agency who is authorized in such capacity and on behalf of the Agency to negotiate, make, accept or approve, or to take part in negotiating, making, accepting or approving this Contract, or any subcontract relating to services or tasks to be performed pursuant to this Contract, shall become directly or indirectly personally interested in this Contract.

K. Equal Opportunity: During the performance of this Contract, the Contractor shall not unlawfully discriminate against any employee or employment applicant because of race, color, religion, sex, age, marital status, ancestry, physical or mental disability, sexual orientation, veteran status or national origin.

L. Disputes:

1. All disputes arising out of or in relation to this Contract shall be determined in accordance with this section. The Contractor shall pursue the work to completion in accordance with the instruction of the Agency's Project Manager notwithstanding the existence of dispute. By entering into this Contract, both parties are obligated, and hereby agree, to submit all disputes arising under or relating to the Contract which remain unresolved after the exhaustion of the procedures provided herein, to independent arbitration. Except as otherwise provided herein, arbitration shall be conducted under California Code of Civil Procedure Sections 1280, et. seq, or their successor.
2. Any and all disputes during the pendency of the work shall be subject to resolution by the Agency Project Manager and the Contractor shall comply, pursuant to the Agency Project Manager instructions. If the Contractor is not satisfied with any such resolution by the Agency Project Manager, they may file a written protest with the Agency Project Manager within seven (7) calendar days after receiving written notice of the Agency's decision. Failure by Contractor to file a written protest within seven (7) calendar days shall constitute waiver of protest, and acceptance of the Agency Project Manager's resolution. The Agency's Project Manager shall submit the Contractor's written protests to the General Manager, together with a copy of the Agency Project Manager's written decision, for his or her consideration within seven (7) calendar days after receipt of said protest(s). The General Manager shall make his or her determination with respect to each protest filed with the Agency Project Manager within ten (10) calendar days after receipt of said protest(s). If Contractor is not satisfied with any such resolution by the General Manager, they may file a written request for arbitration with the Project Manager within seven (7) calendar days after receiving written notice of the General Manager's decision.
3. In the event of arbitration, the parties hereto agree that there shall be a single neutral Arbitrator who shall be selected in the following manner:
  - a. The Demand for Arbitration shall include a list of five names of persons acceptable to the Contractor to be appointed as Arbitrator. The Agency shall determine if any of the names submitted by Contractor are acceptable and, if so, such person will be designated as Arbitrator.



- b. In the event that none of the names submitted by Contractor are acceptable to Agency, or if for any reason the Arbitrator selected in Step (a) is unable to serve, the Agency shall submit to Contractor a list of five names of persons acceptable to Agency for appointment as Arbitrator. The Contractor shall, in turn, have seven (7) calendar days in which to determine if one such person is acceptable.
  - c. If after Steps (a) and (b), the parties are unable to mutually agree upon a neutral Arbitrator, the matter of selection of an Arbitrator shall be submitted to the San Bernardino County Superior Court pursuant to Code of Civil Procedure Section 1281.6, or its successor. The costs of arbitration, including but not limited to reasonable attorneys' fees, shall be recoverable by the party prevailing in the arbitration. If this arbitration is appealed to a court pursuant to the procedure under California Code of Civil Procedure Section 1294, et. seq., or their successor, the costs of arbitration shall also include court costs associated with such appeals, including but not limited to reasonable attorneys' fees which shall be recoverable by the prevailing party.
- 4. Joinder in Mediation/Arbitration: The Agency may join the Contractor in mediation or arbitration commenced by a contractor on the Project pursuant to Public Contracts Code Sections 20104 et seq. Such joinder shall be initiated by written notice from the Agency's representative to the Contractor.
- M. Workers' Legal Status: For performance against this Contract, Supplier shall only utilize employees and/or subcontractors that are authorized to work in the United States pursuant to the Immigration Reform and Control Act of 1986.
- N. Prevailing Wage Requirements: Pursuant to Section 1770 and following, of the California Labor Code, the Contractor shall not pay less than the general prevailing wage rates, as determined by the Director of the State of California Department of Industrial Relations for the locality in which the work is to be performed and for each craft or type of worker needed to execute the work contemplated under the Contract. The Contractor or any subcontractor performing part of said work shall strictly adhere to all provisions of the Labor Code, including, but not limited to, minimum wages, work days, nondiscrimination, apprentices, maintenance and availability of accurate payroll records and any other matters required under all Federal, State and local laws related to labor.
- O. Grant Funded Project: **This is a grant-funded project, Project No.: C-06-3849-030 (Proposition 50 Grant Funds) and Project No.: C-06-5318-110 (CWSRF).** For grant-funded projects, the Contractor shall be responsible to

comply with all grant requirements related to the project. These may include, but shall not be limited to: Davis-Bacon Act, Executive Order 11246 (Affirmative Action Requirements), Federal Acquisition Regulation (FAR) 52.204.-11, Equal Opportunity, Competitive Solicitation, Record Retention and Public Access to Records. (Reference **Attachments**.)

10. FITNESS FOR DUTY:

A. Fitness: Contractor and its Subcontractor personnel on the Jobsite:

1. shall report for work in a manner fit to do their job;
2. shall not be under the influence of or in possession of any alcoholic beverages or of any controlled substance (except a controlled substance as prescribed by a physician so long as the performance or safety of the Work is not affected thereby); and
3. shall not have been convicted of any serious criminal offense which, by its nature, may have a discernible adverse impact on the business or reputation of Agency.

B. Inspection: Contractor on the Jobsite:

4. shall report for work in a manner fit to do their job;
5. shall not be under the influence of or in possession of any alcoholic beverages or of any controlled substance (except a controlled substance as prescribed by a physician so long as the performance or safety of the Work is not affected thereby); and
6. shall not have been convicted of any serious criminal offense which, by its nature, may have a discernible adverse impact on the business or reputation of Agency.

C. Compliance: Contractor shall advise all Contractor and subcontractor personnel and associated third parties of the requirements of this Contract ("Fitness for Duty Requirements") before they enter on the Jobsite and shall immediately remove from the Jobsite any employee determined to be in violation of these requirements. Contractor shall impose these requirements on its Subcontractors. Agency may cancel the Contract if Contractor violates these Fitness for Duty Requirements.

D. Compliance: Contractor shall advise all contractor and subcontractor personnel and associated third parties of the requirements of this Contract ("Fitness for Duty Requirements") before they enter on the Jobsite and shall immediately remove from the Jobsite any employee determined to be in violation of these requirements. Contractor shall impose these requirements on its Subcontractors. Agency may cancel the Contract if Contractor violates these Fitness for Duty Requirements.

11. OWNERSHIP OF MATERIALS AND DOCUMENTS/CONFIDENTIALITY: The Agency retains ownership of any and all partial or complete reports, drawings, plans, notes,

computations, lists, and/or other materials, documents, information, or data prepared by the Contractor and/or the Contractor's subcontractor(s) pertaining to this Contract. Said materials and documents are confidential and shall be available to the Agency from the moment of their preparation, and the Contractor shall deliver same to the Agency whenever requested to do so by the Project Manager and/or Agency. The Contractor agrees that same shall not be made available to any individual or organization, private or public, without the prior written consent of the Agency.

12. PUBLIC RECORDS POLICY: Information made available to the Agency may be subject to the California Public Records Act (Government Code Section 6250 et seq.) The Agency's use and disclosure of its records are governed by this Act. The Agency shall use its best efforts to notify Contractor of any requests for disclosure of any documents pertaining to Contractor.
13. In the event of litigation concerning disclosure of information Contractor considers exempt from disclosure; (e.g., Trade Secret, Confidential, or Proprietary) Agency shall act as a stakeholder only, holding the information until otherwise ordered by a court or other legal process. If Agency is required to defend an action arising out of a Public Records Act request for any of the information Contractor has marked "Confidential," "Proprietary," or "Trade Secret," Contractor shall defend and indemnify Agency from all liability, damages, costs, and expenses, including attorneys' fees, in any action or proceeding arising under the Public Records Act.
13. NON-CONFORMING WORK AND WARRANTY: Contractor represents and warrants that the Work shall be in conformance with the specifications provided herein and shall serve the purposes described. For a period of not less than one (1) year after acceptance of the completed Work, Contractor shall, at no additional cost to Agency, correct any and all errors or shortcomings of the Work, regardless of whether any such errors or shortcomings is brought to the attention of the Contractor by Agency, or any other person or entity.
14. NOTICES: Any notice may be served upon either party by delivering it in person, or by depositing it in a United States Mail deposit box with the postage thereon fully prepaid, and addressed to the party at the address set forth below:

Agency: Inland Empire Utilities Agency  
Attn.: Mr. Warren T. Green  
Manager of Contracts and Facilities Services  
P.O. Box 9020  
Chino Hills, California 91709-0902

Contractor: Sun Microwave, Inc. dba Sun Wireless  
Attn.: Mr. Albert R. Pfeltz  
Vice President  
4887 Ronson Court, Suite "1"  
San Diego, CA 92111-1814

Any notice given hereunder shall be deemed effective in the case of personal delivery, upon receipt thereof, or, in the case of mailing, at the moment of deposit in the course of transmission with the United States Postal Service.

15. SUCCESSORS AND ASSIGNS: All of the terms, conditions and provisions of this Contract shall inure to the benefit of and be binding upon the Agency, the Contractor, and their respective successors and assigns. Notwithstanding the foregoing, no assignment of the duties or benefits of the Contractor under this Contract may be assigned, transferred or otherwise disposed of without the prior written consent of the Agency; and any such purported or attempted assignment, transfer or disposal without the prior written consent of the Agency shall be null, void and of no legal effect whatsoever.
16. INTEGRATION: The Contract Documents represent the entire Contract of the Agency and the Contractor as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered by the Contract Documents. This Contract may not be modified, altered or amended except by written mutual agreement by the Agency and the Contractor.
17. GOVERNING LAW: This Contract is to be governed by and constructed in accordance with the laws of the State of California.
18. TERMINATION FOR CONVENIENCE: The Agency reserves and has the right to immediately suspend, cancel or terminate this Contract at any time upon written notice to the Contractor. In the event of such termination, the Agency shall pay Contractor for all authorized and Contractor-invoiced services up to the date of such termination.
19. RIGHT TO AUDIT: The Agency reserves the right to review and/or audit all Contractor's records related to the Work. The option to review and/or audit may be exercised during the term of the Contract, upon termination, upon completion of the Contract, or at any time thereafter up to twelve (12) months after final payment has been made to Contractor. The Contractor shall make all records and related documentation available within three (3) working days after said records are requested by the Agency.
20. FORCE MAJEURE: Neither party shall hold the other responsible for the effects of acts occurring beyond their control; e.g., war, riots, strikes, natural disasters, etcetera.
21. LIQUIDATED DAMAGES: Liquidated Damages, in the amount of \$ 1,000.00 per day, may be assessed by the Agency for each calendar day that the Contractor fails to complete this project in accordance with its final, contractually-committed delivery schedule. Any and all Liquidated Damages assessed by the Agency will be taken as a direct credit against the Contractor's invoice for this project. The Contractor's acceptance of a contract subsequently issued in conjunction with this solicitation, shall



serve to indicate acceptance of this Liquidated Damages clause, and the daily assessment of damages expressed herein.

22. CHANGES: The Agency may, at any time, make changes to this Contract's Scope of Work, including additions, reductions and other alterations to any or all of the work. However, such changes shall only be made via written amendment to this Contract. The Contract Price and Work Schedule shall be equitably adjusted, if required, to account for such changes and shall be set forth within the Contract Amendment.
23. NOTICE TO PROCEED: No services shall be performed or furnished under this Contract unless and until this document has been properly signed by all responsible parties and a Notice to Proceed order has been issued to the Contractor.

AS WITNESS HEREOF, the parties hereto have caused the Contract to be entered as of the day and year written above.

INLAND EMPIRE UTILITIES AGENCY:

SUN MICROWAVE, INC.,  
DBA SUN WIRELESS:

\_\_\_\_\_  
P. Joseph Grindstaff  
General Manager

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
Albert R. Pfeltz  
Vice President

\_\_\_\_\_  
(Date)

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# Exhibit A

# GWR COMMUNICATION SYSTEM UPGRADES

## PROJECT NO. EN12019.00

### SCOPE OF WORK

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#### 1. PROJECT BACKGROUND

The Agency's existing Supervisory Control & Data Acquisition (SCADA) System network is comprised of a wide range of interconnected equipment located in various remote sites and facilities throughout the Agency's service area. The Agency's SCADA system allows for remote control of the treatment facilities, groundwater recharge (GWR) & turnout system, and the recycled water (RW) distribution system. The Agency's SCADA system is critical to operate the various facilities, especially remote facilities that are not staffed.

A new high-speed, high-bandwidth 18 GHz Motorola communication network backhaul was recently installed by the Agency. The current communication system for the GWR and RW systems are overburdened, dated, sluggish, unreliable, and has not been switched over to the new network. The GWR and RW sites are remote sites within the Agency's service area. In order to maintain a reliable SCADA system, the corresponding communication systems need to be upgraded and transitioned to the Agency's new communication network.

The Agency seeks the services of a Consultant to design, procure and construct the upgrades for the GWR Basins & RW Turnouts Communication System, adhering to the requirements detailed within the scope of work and the equipment manufacturer's specifications.

**This project is partially funded by the State Revolving Fund (SRF) Loan and with the possibility of other grant funding. The Consultant (including any sub-contractors) is required to comply with the Grants and SRF requirements as shown in Attachment S.**

#### 2. PROJECT DESCRIPTION

1. The Agency seeks the services of a qualified and experience contractor to assess the existing communication equipment and system, provide a detailed design for upgrading, procuring and constructing the GWR Basin Communication System. After approval of the design, the Consultant shall perform the construction, installation and testing of all the equipment to provide a fully-functional communication system. The Consultant shall demonstrate that the system meets all the requirements of the design.
2. The initial planning for this project assumed that the network could be constructed using the existing IEUA backbone hubs at 6-B, RP-1 and RP-4. After completing a thorough site survey/analysis of all twenty-five remote locations, it was determined that the vast majority of the sites (20) had line-of-site and could be connected to 6-B. One station (Ely 3 Basin) would need to utilize RP-1 and one station (Hickory FMM Turnout) would need

to utilize RP-4. Three locations (College Heights, Montclair Basin and Upland Basin) could not secure line-of-site to the desired hubs. The alternative is to use CCWRF. This preliminary design provided line-of-site for all remote sites and would, therefore, produce a network with maximum bandwidth and performance.

3. Twenty of the remotes would need to be connected to 6-B Tower. One each would connect with RP-1 and RP-4 Towers. Three would be connected to CCWRF Tower.

### 3. SCOPE OF WORK

The project shall include as a minimum, but not be limited to the following:

1. Review radio path survey, verify needed equipment list, procure and install all equipment as required.
2. Provide plans to install new radio equipment and required accessories to the listed sites below and provide installation service for the new radios:

Item	GWR Remote Site	Main Tower Hub	Distance	Tower Height (Feet)
1	8th Street Basin	6-B	6.3 miles	Existing 55'
2	Brooks Street Basin	6-B	10.8 miles	Existing 55'
3	College Heights	CCWRF	8.2 miles	Existing 55'
4	Declez Basin	6-B	10.2 miles	Existing 55'
5	Ely 3 Basin	RP-1	0.5 miles	Existing 55'
6	Grove Basin	6-B	10.8 miles	Existing 55'
7	Hickory Basin	6-B	6.1 miles	Existing 55'
8	Hickory FMM Turnout	RP-4	1.3 miles	Existing 55'
9	Jurupa Basin	6-B	8.8 miles	Existing 55'
10	Lower Day Basin	6-B	2.9 miles	Existing 55'
11	Montclair Basin	CCWRF	7.3 miles	Existing 55'
12	RP-3	6-B	10.4 miles	Existing 55'
13	San Sevaine 5RW Turnout	6-B	4.5 miles	Existing 55'
14	Turner Basin 1	6-B	6.4 miles	Existing 55'
15	Turner Basin 4	6-B	6.4 miles	Existing 55'
16	Victoria Basin	6-B	4.7 miles	Existing 55'

3. The new radios for each of the four (4) communication (6B, CCWRF, RP1 and RP4) hub shall be at a minimum the following:

Item	Description
1	4940APC 4.9 GHz OFDM Connectorized AP



2	SMMB2A Universal Mounting Bracket
3	1091 Cluster Management Module (CMM4)
4	N000000L053A Power Supply for CMM4
5	SGKN4427 Power Supply Line Cord
6	600SSH Surge Suppressor
7	SGHN5169A Surge Suppressor Pole Mount Kit
8	Reel Cable and Connectors
9	Tower Leg Mount

4. The new radios for each of the 16 GRW remote sites shall be at a minimum the following:

Item	Description
1	4940SM 4.9 GHz OFDM Subscriber Module
2	ACPSSW-15A Power Supply for 4940SM
3	SGKN4427 Power Supply Line Cord
4	SMMB2A Universal Mounting Bracket
5	600SSH Surge Suppressor
6	SGHN5169A Surge Suppressor Pole Mount Kit
7	Reel Cable and Connectors
8	Radio Mounts

The Consultant shall review radio path survey, verify needed equipment list, procure and install all equipment as required. At a minimum the following services shall be provided:

- Attending Review and Construction Update Meetings
- Radio installation design
- Construction Mobilization and Demonization
- Construction Supervision
- Project Management
- Final As-built and O&M Documentation
- Equipment Setup and Personnel Training

**A. Kickoff Meeting**

**B. Final Design**

The Consultant shall submit draft Final Design review package, with the following contents:

- i. Compilation of Drawings – Provide a complete, comprehensive and conformed set of drawings (including those provided by the Agency and updated, if applicable) and specifications.
- ii. The final design shall be a complete set of checked plans and specifications. The plans and specifications shall be fully checked
- iii. Schedule for Recommendation – Provide a schedule for implementation of the project. The implementation can be reflected in phases with associated schedule.
- iv. Provide a hardcopy and electronic copy of all documents, including source files in Word, Excel, CAD, etc., along a compiled PDF for convenience.

The Consultant shall attend a two (2) hour progress review meeting with the Agency staff to review the 100% Design. Upon resolution of Agency comments, the Consultant shall provide the Agency with five (5) draft copies of the Final Design for final review.

Upon acceptance of the plans and specifications, the Consultant shall submit to the Agency the Final Design package:

- (1) One set of master specifications on both 8 1/2"x11" paper unbound and in digital form,
- (2) The original tracings of the plans, both on mylar film and in digital form,
- (3) Final plans, specifications and bid documents for bidding purposes,
- (4) A complete set of project calculations bound for permanent storage,

### **C. Construction Services**

During the construction, the Consultant shall perform the following, as a minimum:

- i. Set up and conduct pre-construction conference.
- ii. Attend a weekly Construction Progress Meetings at the IEUA office - Call-in attendance is permitted prior to the IEUA's approval. During the weekly Construction Progress Meetings, the Consultant is required to verify weekly construction schedules versus progress made in the field, and report on findings.
- iii. Provide Text and Drawings for necessary Change Orders during the construction - Prepare text and drawings for change order documents as necessary for IEUA review and final approval.
- iv. Respond to Job-Site Questions from Construction Manager

- a. Use of the Agency's Capital Improvement Program Office (CIPO) software is required. Allow two (2) hours time for basic training.
  - b. Discuss items by phone with Construction Manager to answer simple items or develop need and course of action on complex items.
  - c. Provide written discussion of items and questions as requested by Construction Manager.
- v. Prepare Operations and Maintenance Manuals.
  - vi. Start-up Protocol and Services with Integration of Existing Facility.

Consultant is responsible for providing a written recommendation, including step by step instructions, and start-up the equipment in the most effective manner that maximizes integration of the existing facility as a whole. Recommendation must specify impacts to other systems within the facility due to start-up and continued operation of the constructed scope of work.

- viii. Workshop for Start-up with all parties involved.

Consultant will be responsible for conducting a workshop detailing start-up requirements and procedures.

- ix. Maintain proper and suitable access to each facility at all times.

#### **D. Post Construction Services**

The Consultant shall "as-built" the contract plans and this shall include original tracings and digital versions which shall be sent electronically. Manual markups are not acceptable.

#### **E. Training**

The Consultant shall provide two 1-day training sessions of ten IEUA staff on the equipment. One 1-day training session shall occur prior to the installation of the equipment and the second 1-day training session shall occur after the installation. Both training dates shall be approved by IEUA staff. For the production of training videos, Consultants will be videotaped narrating processes implemented within the scope of this work.

- iv. Prevailing Wage Requirements

Pursuant to Section 1770 and following, of the California Labor Code, the successful proposal holder shall not pay less than the general prevailing wage rates, as determined by

the Director of the State of California Department of Industrial Relations for the locality in which the work is to be performed and for each craft or type of worker needed to execute the work contemplated under the Contract. In accordance with the Labor Code, the Agency has on file a schedule of prevailing wage rates for the types of work to be done under the RFP.

The Consultant or any subcontractor performing part of said work shall strictly adhere to all provisions of the Labor Code, including, but not limited to, minimum wages, work days, nondiscrimination, apprentices, maintenance and availability of accurate payroll records and any other matters required under all Federal, State and local laws related to labor.

**F. Liquidated Damages**

It has been determined that the damage sustained by the Agency as a result of Consultant's breach of his agreement to complete work within time agreed upon may result in damages of \$1,000 per day.

Further, by SUBMISSION OF A PROPOSAL BY THE CONSULTANT TO THE AGENCY TO PERFORM THE WORK, THE CONSULTANT DECLARES THAT HE HAS CONSIDERED THE AMOUNT OF SAID LIQUIDATED DAMAGES AND that he has determined, after specific evaluation thereof, either independently or in connection with the Agency, that the amount of such liquidated damages is fair and reasonable and acceptable under the circumstances.

The Consultant shall pay to the Agency as fixed, agreed and liquidated damages for each calendar-day's delay in completion of the work beyond the time agreed upon, the amount of \$1,000.

**G. Required Bonds, Warranties, and Insurance**

The Contractor will be required to furnish with the Contract a performance bond in the amount of one hundred percent (100%) on the aggregate amount of the bid, and a labor and material bond in the amount of one hundred percent (100%) of the bid. The Contractor will also furnish certificate(s) of insurance evidencing all insurance coverage required by the specifications has been secured. A warranty bond shall be furnished by the Contractor upon completion of the work for maintenance and guarantee of all work. The warranty bond can be furnished by an extension of the faithful performance bond after completion of the work.



# **Exhibit B**



13868 Little Creek Lane, Valley Center, CA 92082-5810 • Phone 760/749-5770 • Fax 760/749-5790 • License #820709

**Quotation**

Customer: Inland Empire Utilities Agency  
6075 Kimball Avenue  
Chino, CA 91708

Date: February 13, 2015  
Number: 1501-0213

Item	Part #	Qty	Description	Price
1		12	18 GHz ODU	\$30,326.00
		20	23 GHz ODU	50,544.00
	WB3480	32	PTP800 Modem 1000/100BaseT with Capacity CAP 10 Mbps	63,072.00
	WB3556	32	PTP800 AES 256-Bit Encryption	50,400.00
	WB3486H	9	19" Rack Mount Kit	608.00
	85010089042	10	2' HP 18 GHz Antenna Single Pol, Mot Interface	9,000.00
	85010089043	8	2' HP 23 GHz Antenna Single Pol, Mot Interface	7,200.00
	85010089057	2	1' HP 18 GHz Antenna Single Pol, Mot Interface	1,152.00
	85010089059	12	1' HP 23 GHz Antenna Single Pol, Mot Interface	6,912.00
	MCM	16	Monopole Chain Mount	12,600.00
	TLM	16	Tower Leg Mount	12,744.00
	WB3622	32	AC/DC Power Supply Converter	5,760.00
	WB3618A	32	Main Lead US 3Pin to C5	288.00
	LMR-400-DB	32	LMR-400 Low Loss Stock Communications Coax – 75 Meters	11,520.00
	WB3616	32	Coaxial Cable Installation Assembly Kit	63,072.00
	1010419001	96	Coaxial Cable Grounding Kit	2,246.00
	WB3557	16	PTP800 Extended Warranty	10,800.00
	2	SSES	16	Site Survey/Engineering Study
ENGR		1	Engineering Report	7,131.00
SUBMIT		1	Project Submittals	14,256.00
LABOR		1	Labor Union Connection/DIR Waiver	23,284.00
PM		1	Project Manager	86,400.00
INSTALL		16	Installation, Alignment and Test	177,616.00
INSPECT		1	Inspection and Certification	28,512.00
ASBUILTS		1	Project As-Builts	32,057.00
TRAIN	1	Training Class	11,404.00	
3	FCC	16	FCC Frequency Analysis, PCN, 601/Schedule K Preparation	38,696.00
4	BONDS	1	Payment Bond, Performance Bond, Special Insurance	25,494.00
			<b>Total</b>	<b>\$826,294.00</b>

Notes:

1. Implementation can commence within approximately two (2) weeks following the completion of a contract and receipt of a notice to proceed.
2. This quotation assumes that the switch at 6B Tower has adequate ports to support the number of new radios being added. Furthermore, this assumes that all of the other sites can support Ethernet connectivity.
3. The Proposed solution does not include any software for Wireless Manager.
4. The pricing does not include transportation; this will be prepaid and added. Sales tax will be calculated based upon the cost of all applicable items.

5. Payment terms are net thirty (30) days after submission of progressive billings.
6. If a dispute arises out of or relates to this quotation, purchase order and/or project and if the dispute can not be settled through negotiations Sun Wireless and the Customer agree to first try, in good faith, to settle the dispute by mediation administered in San Diego, California by the American Arbitration Association under its Commercial Mediation Rules before resorting to arbitration, litigation or some other dispute resolution procedure. If mediation cannot resolve the dispute, the parties agree to settle the problem by arbitration, in San Diego, California, by the American Arbitration Association under its Commercial Arbitration Rules and the judgment of award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
7. **Contractors are required by law to be licensed and regulated by the Contractors' State License Board. Any questions concerning a contractor may be referred to the Registrar, Contractors' State License Board, P.O. Box 26000, Sacramento, CA 95826.**
8. This quotation is valid for sixty (60) days from the above referenced date unless extended in writing by Sun Wireless.

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Albert R. Pfeltz

# **Attachments**



## Grants and SRF loan Requirements

The Central/Wineville Regional Recycled Water Distribution System Project (Project) will be funded by a State Water Resources Control Board State Revolving Fund Loan and Water Recycling Grant, and a Department of Water Resources Prop 84 Integrated Regional Water Management Grant (Agreements.)

The Agreements each have regulatory requirements that the Inland Empire Utilities Agency is required to include in all contracts for work related to the performance of the Agreements. The consultants and contractors must assist IEUA in meeting the federal and state requirements that apply to the scope stated in their contracts. These requirements include, but are not limited to, the State Prevailing Wages, Federal Davis-Bacon requirements, Federal Disadvantaged Business Enterprise (DBE), Single Audit, Records and Drug Free Work Place, etc. If a sub is hired, the grant requirements language must be included in the sub's contract in its entirety. The follow attachments provide more details about the specific requirements and must be included in all contracts for this Project:

- 1. Article VI - Miscellaneous Provisions**
- 2. Exhibit E - Federal Conditions & Cross-Cutters**
- 3. Exhibit G - Davis-Bacon Labor Compliance Requirements**
- 4. Certification of Drug-Free Workplace**
- 5. DBE instructions/forms**
- 6. Signage on Construction Site**
- 7. Records**
- 8. IRWM Grant Conditions**

## ARTICLE VI MISCELLANEOUS PROVISIONS

### 6.1 Covenants

- (a) Tax Covenant. Notwithstanding any other provision hereof, the Recipient covenants and agrees that it will comply with the Tax Covenants set forth in Article IV attached hereto if any portion of the Project Funds is derived from proceeds of Bonds.
- (b) Disclosure of Financial Information, Operating Data, and Other Information. The Recipient covenants to furnish such financial, operating and other data pertaining to the Recipient as may be requested by the State Water Board to: (i) enable the State Water Board to cause the issuance of Bonds and provide for security therefor; or (ii) enable any underwriter of Bonds issued for the benefit of the State Water Board to comply with Rule 15c2-12(b)(5). The Recipient further covenants to provide the State Water Board with copies of all continuing disclosure reports and materials concerning the Recipient required by the terms of any financing other than this Agreement and to submit such reports to the State Water Board at the same time such reports are submitted to any dissemination agent, trustee, nationally recognized municipal securities information repository, the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website or other person or entity.

### 6.2 Assignability

The Recipient agrees and consents to any pledge, sale, or assignment to the Bank or a trustee for the benefit of the owners of the Bonds, if any, at any time of any portion of the State Water Board's estate, right, title, and interest and claim in, to and under this Agreement and the right to make all related waivers and agreements in the name and on behalf of the State Water Board, as agent and attorney-in-fact, and to perform all other related acts which are necessary and appropriate under this Agreement, if any, and the State Water Board's estate, right, title, and interest and claim in, to and under this Agreement to Installment Payments (but excluding the State Water Board's rights to Additional Payments and to notices, opinions and indemnification under each Obligation). This Agreement is not assignable by the Recipient, either in whole or in part, without the consent of the State Water Board in the form of a formal written amendment to this Agreement.

### 6.3 State Reviews and Indemnification

The parties agree that review or approval of Project plans and specifications by the State Water Board is for administrative purposes only and does not relieve the Recipient of its responsibility to properly plan, design, construct, operate, and maintain the Project. To the extent permitted by law, the Recipient agrees to indemnify, defend, and hold harmless the State Water Board, the Bank, and any trustee, and their officers, employees, and agents for the Bonds, if any (collectively, "Indemnified Persons"), against any loss or liability arising out of any claim or action brought against any Indemnified Persons from and against any and all losses, claims, damages, liabilities, or expenses, of every conceivable kind, character, and nature whatsoever arising out of, resulting from, or in any way connected with (1) the System or the Project or the conditions, occupancy, use, possession, conduct, or management of, work done in or about, or the planning, design, acquisition, installation, or construction, of the System or the Project or any part thereof; (2) the carrying out of any of the transactions contemplated by this Agreement or any related document; (3) any violation of any applicable law, rule or regulation, any environmental law (including, without limitation, the Federal Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the California Hazardous Substance Account Act, the Federal Water Pollution Control Act, the Clean Air Act, the Toxic Substances Control Act, the Occupational Safety and Health Act, the Safe Drinking Water Act, the California Hazardous Waste Control Law, and California Water Code Section 13304, and any successors to said laws), rule or regulation or the release of any toxic substance on or near the System; or (4) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements required to be stated therein, in light of the circumstances under which

they were made, not misleading with respect to any information provided by the Recipient for use in any disclosure document utilized in connection with any of the transactions contemplated by this Agreement. To the fullest extent permitted by law, the Recipient agrees to pay and discharge any judgment or award entered or made against Indemnified Persons with respect to any such claim or action, and any settlement, compromise or other voluntary resolution. The provisions of this section shall survive the discharge of the Recipient's Obligation hereunder.

#### 6.4 Termination; Immediate Repayment; Interest

- (a) This Agreement may be terminated by written notice during construction of the Project, or thereafter at any time prior to complete repayment by the Recipient, at the option of the State Water Board, upon violation by the Recipient of any material provision of this Agreement after such violation has been called to the attention of the Recipient and after failure of the Recipient to bring itself into compliance with the provisions of this Agreement within a reasonable time as established by the Division.
- (b) In the event of such termination, the Recipient agrees, upon demand, to immediately repay to the State Water Board an amount equal to Installment Payments due hereunder, including accrued interest, and all penalty assessments due. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the Recipient to the date of full repayment by the Recipient.
- (c) Where the Recipient is a private entity that has been determined to have violated an applicable prohibition in the Prohibition Statement below or has an employee who is determined by USEPA to have violated an applicable prohibition in the Prohibition Statement below that is either associated with performance under this aware or imputed to the Recipient using the standards and due process for imputing the conduct of an individual to an organization pursuant to 2 CFR Part 180, the Recipient acknowledges and agrees that this Obligation may become immediately due and payable and that penalties up to \$175 million may be due by the Recipient to the State Water Board, in addition to any other criminal or civil penalties that may become due. The Recipient, its employees, its contractors, and any subrecipients or subcontractors may not engage in trafficking in persons, procure a commercial sex act, or use forced labor.

#### 6.5 Income Restrictions

The Recipient agrees that any refunds, rebates, credits, or other amounts (including any interest thereon) accruing to or received by the Recipient under this Agreement shall be paid by the Recipient to the State, to the extent that they are properly allocable to costs for which the Recipient has been reimbursed by the State under this Agreement.

#### 6.6 Prevailing Wages

The Recipient agrees to be bound by all the provisions of State Labor Code Section 1771 regarding prevailing wages. The Recipient shall monitor all agreements subject to reimbursement from this Agreement to assure that the prevailing wage provisions of State Labor Code Section 1771 are being met.

#### 6.7 Timeliness

Time is of the essence in this Agreement.

#### 6.8 Governing Law

This contract is governed by and shall be interpreted in accordance with the laws of the State of California.

6.9 Amendment.

No amendment or variation of the terms of this Agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or agreement not incorporated in this Agreement is binding on any of the parties.

6.10 Bonding.

Where contractors are used, the Recipient shall not authorize construction to begin until each contractor has furnished a performance bond in favor of the Recipient in the following amounts: faithful performance (100%) of contract value; labor and materials (100%) of contract value. This requirement shall not apply to any contract for less than \$20,000.00.

6.11 Compliance with Law, Regulations, etc

- (a) The Recipient agrees that it will, at all times, comply with and require its contractors and subcontractors to comply with all applicable federal and state laws, rules, guidelines, regulations, and requirements. Without limitation of the foregoing, the Recipient agrees that, to the extent applicable, the Recipient will:
- (1) Comply with the provisions of the adopted environmental mitigation plan for the term of this Agreement;
  - (2) Comply with the State Water Board's "Policy for Implementing the Clean Water State Revolving Fund," dated May 7, 2013;
  - (3) Comply with and require its contractors and subcontractors on the Project to comply with federal DBE requirements; and
  - (4) Comply with and require its contractors and subcontractors to comply with the list of federal laws attached as Exhibit E.

6.12 Conflict of Interest.

The Recipient certifies that it is in compliance with applicable state and/or federal conflict of interest laws.

6.13 Damages for Breach Affecting Tax Exempt Status or Federal Compliance

In the event that any breach of any of the provisions of this Agreement by the Recipient shall result in the loss of tax exempt status for any bonds of the State or any subdivision or agency thereof, including Bonds issued on behalf of the State Water Board, or if such breach shall result in an obligation on the part of the State or any subdivision or agency thereof to reimburse the federal government by reason of any arbitrage profits, the Recipient shall immediately reimburse the State or any subdivision or agency thereof in an amount equal to any damages paid by or loss incurred by the State or any subdivision or agency thereof due to such breach.

In the event that any breach of any of the provisions of this Agreement by the Recipient shall result in the failure of Project Funds to be used pursuant to the provisions of this Agreement, or if such breach shall result in an obligation on the part of the State or any subdivision or agency thereof to reimburse the federal government, the Recipient shall immediately reimburse the State or any subdivision or agency thereof in an amount equal to any damages paid by or loss incurred by the State or any subdivision or agency thereof due to such breach.



6.14 Disputes

- (a) An applicant or recipient may appeal a staff decision within 30 days to the Deputy Director of the Division or designee, for a final Division decision. An applicant or recipient may appeal a final Division decision to the State Water Board within 30 days. The Office of the Chief Counsel of the State Water Board will prepare a summary of the dispute and make recommendations relative to its final resolution, which will be provided to the State Water Board's Executive Director and each State Water Board Member. Upon the motion of any State Water Board Member, the State Water Board will review and resolve the dispute in the manner determined by the State Water Board. Should the State Water Board determine not to review the final Division decision, this decision will represent a final agency action on the dispute.
- (b) This clause does not preclude consideration of legal questions, provided that nothing herein shall be construed to make final the decision of the State Water Board, or any official or representative thereof, on any question of law.
- (c) Recipient shall continue with the responsibilities under this Agreement during any dispute.

6.15 Independent Actor.

The Recipient, and its agents and employees, if any, in the performance of this Agreement, shall act in an independent capacity and not as officers, employees, or agents of the State Water Board.

6.16 Non-Discrimination Clause.

- (a) During the performance of this Agreement, Recipient and its contractors and subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, sexual orientation, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave.
- (b) The Recipient, its contractors, and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment.
- (c) The Recipient, its contractors, and subcontractors shall comply with the provisions of the Fair Employment and Housing Act and the applicable regulations promulgated thereunder. (Gov. Code, §12990, subds. (a)-(f) et seq.; Cal. Code Regs., tit. 2, § 7285 et seq.) Such regulations are incorporated into this Agreement by reference and made a part hereof as if set forth in full.
- (d) The Recipient, its contractors, and subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.
- (e) The Recipient shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.

6.17 No Third Party Rights.

The parties to this Agreement do not create rights in, or grant remedies to, any third party as a beneficiary of this Agreement, or of any duty, covenant, obligation, or undertaking established herein.

#### 6.18 Operation and Maintenance; Insurance

The Recipient agrees to sufficiently and properly staff, operate and maintain all portions of the Project during its useful life in accordance with all applicable state and federal laws, rules and regulations.

The Recipient will procure and maintain or cause to be maintained insurance on the System with responsible insurers, or as part of a reasonable system of self-insurance, in such amounts and against such risks (including damage to or destruction of the System) as are usually covered in connection with systems similar to the System. Such insurance may be maintained by the maintenance of a self-insurance plan so long as any such plan provides for (i) the establishment by the Recipient of a separate segregated self-insurance fund funded in an amount determined (initially and on at least an annual basis) by an independent insurance consultant experienced in the field of risk management employing accepted actuarial techniques and (ii) the establishment and maintenance of a claims processing and risk management program.

In the event of any damage to or destruction of the System caused by the perils covered by such insurance, the net proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the System. The Recipient shall begin such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such net proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the System shall be free and clear of all claims and liens. If such net proceeds are insufficient to enable the Recipient to pay all remaining unpaid principal portions of the Installment Payments, the Recipient shall provide additional funds to restore or replace the damaged portions of the System.

#### 6.19 Permits, Subcontracting, and Remedies

The Recipient shall comply in all material respects with all applicable federal, state and local laws, rules and regulations. Recipient shall procure all permits, licenses and other authorizations necessary to accomplish the work contemplated in this Agreement, pay all charges and fees, and give all notices necessary and incidental to the due and lawful prosecution of the work. Signed copies of any such permits or licenses shall be submitted to the Division before construction begins.

#### 6.20 Recipient's Responsibility for Work.

The Recipient shall be responsible for all work and for persons or entities engaged in work performed pursuant to this Agreement, including, but not limited to, contractors, subcontractors, suppliers, and providers of services. The Recipient shall be responsible for any and all disputes arising out of its contracts for work on the Project. The State Water Board will not mediate disputes between the Recipient and any other entity concerning responsibility for performance of work.

#### 6.21 Related Litigation.

Under no circumstances may a Recipient use funds from any disbursement under this Agreement to pay costs associated with any litigation the Recipient pursues against the State Water Board or any Regional Water Quality Control Board. Regardless of the outcome of any such litigation, and notwithstanding any conflicting language in this Agreement, the Recipient agrees to complete the Project funded by this Agreement or to repay all of the disbursed funds plus interest.

#### 6.22 Rights in Data

The Recipient agrees that all data, plans, drawings, specifications, reports, computer programs, operating manuals, notes, and other written or graphic work produced in the performance of this Agreement are subject to the rights of the State as set forth in this section. The State shall have the right to reproduce, publish, and use all such work, or any part thereof, in any manner and for any purposes whatsoever and to authorize others to do so. If any such work is copyrightable, the Recipient may copyright the same, except that, as to any work which is copyrighted by the Recipient, the State reserves a royalty-free,

nonexclusive, and irrevocable license to reproduce, publish, and use such work, or any part thereof, and to authorize others to do so, and to receive electronic copies from the Recipient upon request. (40 CFR 31.34, 31.36)

6.23 State Water Board Action; Costs and Attorney Fees

The Recipient agrees that any remedy provided in this Agreement is in addition to and not in derogation of any other legal or equitable remedy available to the State Water Board as a result of breach of this Agreement by the Recipient, whether such breach occurs before or after completion of the Project, and exercise of any remedy provided by this Agreement by the State Water Board shall not preclude the State Water Board from pursuing any legal remedy or right which would otherwise be available. In the event of litigation between the parties hereto arising from this Agreement, it is agreed that each party shall bear its own costs and attorney fees.

6.24 Unenforceable Provision

In the event that any provision of this Agreement is unenforceable or held to be unenforceable, then the parties agree that all other provisions of this Agreement have force and effect and shall not be affected thereby.

6.25 Useful Life.

The economic useful life of the Project, commencing at Project Completion, is at least equal to the term of this Agreement, as set forth in Exhibit B hereto.

6.26 Venue

The State Water Board and the Recipient hereby agree that any action arising out of this Agreement shall be filed and maintained in the Superior Court in and for the County of Sacramento, California.

6.27 Waiver and Rights of the State Water Board

Any waiver of rights by the State Water Board with respect to a default or other matter arising under the Agreement at any time shall not be considered a waiver of rights with respect to any other default or matter.

Any rights and remedies of the State Water Board provided for in this Agreement are in addition to any other rights and remedies provided by law.

EXHIBIT E — FEDERAL CONDITIONS & CROSS-CUTTERS

The Recipient agrees to comply with the following conditions required by USEPA:

1. No Recipient or subrecipient may receive funding under this Agreement unless it has provided its DUNS number to the State Water Board. (2011 Cap Grant)
2. Executive Compensation. Where the Recipient received 80 percent or more of its annual gross revenues from federal procurement contracts (and subcontracts) and \$25,000,000 or more in annual gross revenues from federal procurement contracts (and subcontracts), the Recipient agrees to notify the State Water Board. The Recipient agrees to provide information regarding executive compensation to the State Water Board upon request, in order for the State Water Board to comply with USEPA requirements.
3. Trafficking in Persons. The Recipient, its employees, contractors and subcontractors and their employees may not engage in severe forms of trafficking in persons during the term of this Agreement, procure a commercial sex act during the term of this Agreement, or use forced labor in the performance of this Agreement. The Recipient must include this provision in its contracts and subcontracts under this Agreement. The Recipient must inform the State Water Board immediately of any information regarding a violation of the foregoing. The Recipient understands that failure to comply with this provision may subject the State Water Board to loss of federal funds in the amount of \$101,065,000. The Recipient agrees to compensate the State Water Board for any such funds lost due to its failure to comply with this condition, or the failure of its contractors or subcontractors to comply with this condition. The State Water Board may unilaterally terminate this Agreement and full repayment will be due immediately, if a subrecipient that is a private entity is determined to have violated the foregoing. Trafficking Victims Protection Act of 2000.
4. Contractors, Subcontractors, Debarment and Suspension, Executive Order 12549; 2 CFR Part 180; 2 CFR Part 1532. The Recipient shall not subcontract with any party who is debarred or suspended or otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549, "Debarment and Suspension". The Recipient shall not subcontract with any individual or organization on USEPA's List of Violating Facilities. (40 CFR, Part 31.35, Gov. Code 4477)

The Recipient certifies to the best of its knowledge and belief, that it and its principals:

- (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal department or agency;
- (b) Have not within a three (3) year period preceding this Agreement been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- (c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (federal, state or local) with commission of any of the offenses enumerated in paragraph (b) of this certification; and
- (d) Have not within a three (3) year period preceding this application/proposal had one or more public transactions (federal, state or local) terminated for cause or default.

Suspension and debarment information can be accessed at <http://www.sam.gov>. The Recipient represents and warrants that it has or will include a term or conditions requiring compliance with



EXHIBIT E — FEDERAL CONDITIONS & CROSS-CUTTERS

this provision in all of its contracts and subcontracts under this Agreement. The Recipient acknowledges that failing to disclose the information as required at 2 CFR 180.335 may result in the termination, delay or negation of this Agreement, or pursuance of legal remedies, including suspension and debarment.

5. Anti-Lobbying Provisions (40 CFR Part 34) & Anti-Litigation Provisions (2 CFR 220, 225, or 230). The Recipient shall ensure that no funds under this Agreement are used to engage in lobbying of the federal government or in litigation against the United States unless authorized under existing law. The Recipient shall abide by 2 CFR 225 (OMB Circular A-87) (or, if not applicable, other parallel requirements), which prohibits the use of federal grant funds for litigation against the United States or for lobbying or other political activities. The Recipient agrees to comply with 40 CFR Part 24, New Restrictions on Lobbying. The Recipient agrees to submit certification and disclosure forms in accordance with these provisions. In accordance with the Byrd Anti-Lobbying Amendment, any Recipient who makes a prohibited expenditure under 40 CFR Part 34 or fails to file the required certification or lobbying forms shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such expenditure. The Recipient shall abide by its respective 2 CFR 200, 225, or 230, which prohibits the use of federal grant funds for litigation against the United States or for lobbying or other political activities.
6. Disadvantaged Business Enterprises. 40 CFR Part 33. The Recipient agrees to comply with the requirements of USEPA's Program for Utilization of Small, Minority and Women's Business Enterprises. The DBE rule can be accessed at [www.epa.gov/osbp](http://www.epa.gov/osbp). The Recipient shall comply with, and agrees to require its prime contractors to comply with 40 CFR Section 33.301, and retain all records documenting compliance with the six good faith efforts.
7. The Recipient agrees to comply with the Davis-Bacon provisions attached as Exhibit G.

The Recipient agrees to comply with the following federal laws, as applicable to recipients of CWSRF funding:

Environmental Authorities

1. Archeological and Historical Preservation Act of 1974, Pub. L. 86-523, as amended, Pub. L. 93-291 16 USC § 469a-1.
2. Clean Air Act, Pub. L. 84-159, as amended.
3. Coastal Barrier Resources Act, Pub. L. 97-348, 96 Stat. 1653; 16 USC § 3501 et seq.
4. Coastal Zone Management Act, Pub. L. 92-583, as amended; 16 USC § 1451 et seq.
5. Endangered Species Act, Pub. L. 93-205, as amended; 16 USC § 1531 et seq..
6. Environmental Justice, Executive Order 12898.
7. Floodplain Management, Executive Order, 11988 as amended by Executive Order 12148.
8. Protection of Wetlands, Executive Order 11990, as amended by Executive Order No. 12608.
9. Farmland Protection Policy Act, Pub. L. 97-98; 7 USC § 4201 et seq.
10. Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended.
11. National Historic Preservation Act of 1966, Pub. L. 89-665, as amended, 80 Stat. 917 (1966) 16 USC

EXHIBIT E — FEDERAL CONDITIONS & CROSS-CUTTERS

§ 470 et seq.

12. Safe Drinking Water Act, Pub. L. 93-523, as amended; 42 USC § 300f et seq.
13. Wild and Scenic Rivers Act, Pub. L. 90-542, as amended, 82 Stat. 913; 16 USC § 1271 et seq.
14. Essential Fish Habitat Consultation. Pub. L. 94-265, as amended, 16 USC § 1801 et seq.
15. Recycled Materials. Executive Order 13101; Section 6002 Resource Conservation and Recovery Act – 42 USC § 6962.

Economic and Miscellaneous Authorities

1. Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372/ 42 USC § 3331 et seq.
2. Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans; 42 USC § 7606; 33 USC § 1368; 40 CFR Part 31.
3. Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended; 42 USC §§4601-4655
4. Preservation of Open Competition and Government Neutrality Towards Government Contractors' Labor Relations on Federal and Federally Funded Construction Projects, EO 13202, as amended by EO 13208.
5. Hotel and Motel Fire Safety Act of 1990 (PL 101-391, as amended). All conference, meeting, convention, or training funded in whole or in part with federal funds shall comply with the protection and control guidelines of this act. Recipients may search <http://www.usfa.dhs.gov/applications/hotel/>.
6. Records and financial reporting requirements. 40 CFR Part 31.
7. Copyright requirements. 40 CFR Part 31.

Social Policy Authorities

1. Age Discrimination Act of 1975, Pub. L. 94-135; 42 USC § 6102.
2. Race Discrimination. Title VI of the Civil Rights Act of 1964, Pub. L. 88-352.1; 42 USC § 2000d; 40 CFR Part 7.
3. Sex Discrimination. Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act); 33 USC § 1251; 40 CFR Part 7.
4. Disability Discrimination. Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250); 29 USC § 794; 40 CFR Part 7.

Inland Empire Utilities Agency  
Agreement No.: 13-835-550  
Project No.: C-06-3849-030 (Proposition 50 Grant Funds)  
Project No.: C-06-5318-110 (CWSRF)

EXHIBIT E — FEDERAL CONDITIONS & CROSS-CUTTERS

5. Equal Employment Opportunity, Executive Order 11246.
6. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.

## EXHIBIT G – DAVIS BACON REQUIREMENTS

### 1. Contract and Subcontract provisions for Recipients

(a) The Recipient shall insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a treatment work under the CWSRF the following clauses:

(1) Minimum wages.

(i) All laborers and mechanics employed or working upon the site of the work will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics.

Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in § 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

Subrecipients may obtain wage determinations from the U.S. Department of Labor's web site, [www.dol.gov](http://www.dol.gov).

(ii)(A) The Recipient, on behalf of EPA, shall require that any class of laborers or mechanics, including helpers, which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. The State award official shall approve a request for an additional classification and wage rate and fringe benefits therefore only when the following criteria have been met:

- (1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and
  - (2) The classification is utilized in the area by the construction industry; and
  - (3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.
- (B) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and the Recipient agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), documentation of the action taken and the request, including the local wage determination shall be sent by the Recipient to the State award official. The State award official will transmit the request, to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, DC 20210 and to the EPA DB Regional Coordinator concurrently. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification request within 30 days of receipt and so advise the State award official or will notify the State award official within the 30-day period that additional time is necessary.
- (C) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and Recipient do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), the award official shall refer the request and the local wage determination, including the views of all interested parties and the recommendation of the State award official, to the Administrator for determination. The request shall be sent to the EPA DB Regional Coordinator concurrently. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt of the request and so advise the contracting officer or will notify the contracting officer within the 30-day period that additional time is necessary.
- (D) The wage rate (including fringe benefits where appropriate) determined pursuant to paragraphs (a)(1)(ii)(B) or (C) of this section, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.
- (iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.
- (iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program.



- (2) Withholding. The Recipient, shall upon written request of the EPA Award Official or an authorized representative of the Department of Labor, withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor, so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees, and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract. In the event of failure to pay any laborer or mechanic, including any apprentice, trainee, or helper, employed or working on the site of the work, all or part of the wages required by the contract, the (Agency) may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased.
- (3) Payrolls and basic records.
- (i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5(a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.
- (ii)(A) The contractor shall submit weekly, for each week in which any contract work is performed, a copy of all payrolls to the Recipient, that is, the entity that receives the sub-grant or loan from the State capitalization grant recipient. Such documentation shall be available on request of the State or EPA. As to each payroll copy received, the Recipient shall provide written confirmation in a form satisfactory to the State indicating whether or not the project is in compliance with the requirements of 29 CFR 5.5(a)(1) based on the most recent payroll copies for the specified week. The payrolls shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on the weekly payrolls. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all

subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the Recipient for transmission to the State Water Board or EPA if requested by EPA, the State Water Board, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the Recipient.

- (B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:
    - (1) That the payroll for the payroll period contains the information required to be provided under § 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under § 5.5 (a)(3)(i) of Regulations, 29 CFR part 5, and that such information is correct and complete;
    - (2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;
    - (3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.
  - (C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.
  - (D) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under section 1001 of title 18 and section 231 of title 31 of the United States Code.
  - (iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of the State, EPA or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency or State may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.
- (4) Apprentices and trainees.

- (i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.
- (ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which

provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

- (iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under this part shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR part 30.
- (5) Compliance with Copeland Act requirements. The contractor shall comply with the requirements of 29 CFR part 3, which are incorporated by reference in this contract.
- (6) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses contained in 29 CFR 5.5(a)(1) through (10) and such other clauses as the EPA determines may be appropriate, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in 29 CFR 5.5.
- (7) Contract termination; debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract, and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.
- (8) Compliance with Davis-Bacon and Related Act requirements. All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR parts 1, 3, and 5 are herein incorporated by reference in this contract.
- (9) Disputes concerning labor standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and Recipient, State, EPA, the U.S. Department of Labor, or the employees or their representatives.
- (10) Certification of eligibility.
  - (i) By entering into this contract, the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).
  - (ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001.

## 2. Contract Provision for Contracts in Excess of \$100,000.

- (a) Contract Work Hours and Safety Standards Act. The Recipient shall insert the following clauses set forth in paragraphs (a)(1), (2), (3), and (4) of this section in full in any contract in an amount in excess of \$100,000 and subject to the overtime provisions of the Contract Work Hours and Safety Standards Act. These clauses shall be inserted in addition to the clauses required by Section 1, above or 29 CFR 4.6. As used in this paragraph, the terms laborers and mechanics include watchmen and guards.
- (1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of forty hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of forty hours in such workweek.
  - (2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in paragraph (a)(1) of this section the contractor and any subcontractor responsible therefore shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in paragraph (a)(1) of this section, in the sum of \$10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in paragraph (a)(1) of this section.
  - (3) Withholding for unpaid wages and liquidated damages. The Recipient, upon written request of the EPA Award Official or an authorized representative of the Department of Labor, shall withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime contractor, such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (b)(2) of this section.
  - (4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in paragraph (a)(1) through (4) of this section and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (a)(1) through (4) of this section.
- (b) In addition to the clauses contained in Section 1, above, in any contract subject only to the Contract Work Hours and Safety Standards Act and not to any of the other statutes cited in 29 CFR 5.1, the Recipient shall insert a clause requiring that the contractor or subcontractor shall maintain payrolls and basic payroll records during the course of the work and shall preserve them for a period of three years from the completion of the contract for all laborers and mechanics, including guards and watchmen, working on the contract. Such records shall contain the name



and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid. Further, the Recipient shall insert in any such contract a clause providing that the records to be maintained under this paragraph shall be made available by the contractor or subcontractor for inspection, copying, or transcription by authorized representatives of the (write the name of agency) and the Department of Labor, and the contractor or subcontractor will permit such representatives to interview employees during working hours on the job.

### 3. Compliance Verification

- (a) The Recipient shall periodically interview a sufficient number of employees entitled to DB prevailing wages (covered employees) to verify that contractors or subcontractors are paying the appropriate wage rates. As provided in 29 CFR 5.6(a)(6), all interviews must be conducted in confidence. The subrecipient must use Standard Form 1445 (SF 1445) or equivalent documentation to memorialize the interviews. Copies of the SF 1445 are available from EPA on request.
- (b) The Recipient shall establish and follow an interview schedule based on its assessment of the risks of noncompliance with DB posed by contractors or subcontractors and the duration of the contract or subcontract. At a minimum, the Recipient should conduct interviews with a representative group of covered employees within two weeks of each contractor or subcontractor's submission of its initial weekly payroll data and two weeks prior to the estimated completion date for the contract or subcontract. The Recipient must conduct more frequent interviews if the initial interviews or other information indicates that there is a risk that the contractor or subcontractor is not complying with DB. The Recipient shall immediately conduct necessary interviews in response to an alleged violation of the prevailing wage requirements. All interviews shall be conducted in confidence.
- (c) The Recipient shall periodically conduct spot checks of a representative sample of weekly payroll data to verify that contractors or subcontractors are paying the appropriate wage rates. The Recipient shall establish and follow a spot check schedule based on its assessment of the risks of noncompliance with DB posed by contractors or subcontractors and the duration of the contract or subcontract. At a minimum, if practicable, the Recipient should spot check payroll data within two weeks of each contractor or subcontractor's submission of its initial payroll data and two weeks prior to the completion date the contract or subcontract. The Recipient must conduct more frequent spot checks if the initial spot check or other information indicates that there is a risk that the contractor or subcontractor is not complying with DB. In addition, during the examinations the Recipient shall verify evidence of fringe benefit plans and payments thereunder by contractors and subcontractors who claim credit for fringe benefit contributions.
- (d) The Recipient shall periodically review contractors and subcontractors use of apprentices and trainees to verify registration and certification with respect to apprenticeship and training programs approved by either the U.S Department of Labor or a state, as appropriate, and that contractors and subcontractors are not using disproportionate numbers of, laborers, trainees and apprentices. These reviews shall be conducted in accordance with the schedules for spot checks and interviews described in Item 5(b) and (c) above.
- (e) The Recipient must immediately report potential violations of the DB prevailing wage requirements to the EPA DB contact listed above and to the appropriate DOL Wage and Hour District Office listed at <http://www.dol.gov/esa/contacts/whd/america2.htm>.

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## DRUG-FREE WORKPLACE CERTIFICATION

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By signing this certification, the prospective contractor or recipient hereby certifies under penalty of perjury under the laws of the State of California that the contractor or recipient will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code Section 8350 et seq) and will provide a drug free workplace by taking the following actions:

- A. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations, as required by Government Code Section 8350(a).
  
- B. Establish a Drug-Free Awareness Program as required by Government Code Section 8355(b) to inform employees about all of the following:
  - 1. the dangers of drug abuse in the workplace;
  - 2. the person's or organization's policy of maintaining a drug-free workplace;
  - 3. any available counseling, rehabilitation, and employee assistance programs; and
  - 4. penalties that may be imposed upon employees for drug abuse violations.
  
- C. Provide, as required by Government Code Section 8355(c), that every employee who works with the proposed program/activity:
  - 1. will receive a copy of the company's drug-free policy statement; and
  - 2. will agree to abide by the terms of the company's drug-free workplace policies.

Failure to comply with these requirements may result in suspension of payments under the contract or termination of the contract, or cancellation of the purchase order, or all that may apply. In addition, the contractor or grantee may be ineligible for award of future contracts or purchase orders if it is determined that any of the following has occurred: (1) the false certification, or (2) failing to carry out the requirements of the certification as noted above. The signed copy must be submitted with the signed contract.

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**Organization**

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**Name & Title of Authorized Representative**

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**Signature**

**Date**

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**State Water Resources Control Board**  
**Division of Financial Assistance (Division)**  
1001 I Street • Sacramento, California 95814 • (916) 341-5700 FAX (916) 341-5707  
Mailing Address: P. O. Box 944212 • Sacramento, California • 94244-2120  
Internet Address: <http://www.waterboards.ca.gov>

**Guidelines for Clean Water State Revolving Fund (CWSRF) Program**  
**Disadvantaged Business Enterprise (DBE)**

**DBE REQUIREMENTS**

The DBE Program is an outreach, education, and goaling program designed to increase the participation of DBEs. The DBE Program encompasses many of the components of the former Minority/Women Owned Business Enterprise (MBE/WBE) Program and includes many new features.

Financial Assistance Recipients should award a "fair share" of sub-agreements to small, MBE/WBE businesses. Since each is a separate entity, the objective is to assure that each of these business entities is given the opportunity to participate in sub-agreement financial assistance agreements. This applies to all sub-agreements for equipment, supplies, construction, and services.

**How to Achieve the Purpose of the Program**

Recipients of financial agreements are required to seek, and are encouraged to utilize, MBE/WBE businesses for their procurement needs under the financial agreement. The key functional components of the DBE Program are as follows.

- Fair Share Objectives
- Six Good Faith Efforts
- Contract Administration Requirements
- MBE/WBE Reporting
- MBE/WBE Certification

**DBEs, MBEs and WBEs**

**DBEs are:**

- entities owned and/or controlled by socially and economically disadvantaged individuals as described by Title X of the Clean Air Act Amendments of 1990 (42 U.S.C. 7601 note) (10% statute), and Public Law 102-389 (42 U.S.C. 4370d) (8% statute), respectively;
- a Small Business Enterprise (SBE);
- a Small Business in a Rural Area (SBRA);
- a Labor Surplus Area Firm (LSAF); or
- an Historically Underutilized Business (HUB) Zone Small Business Concern or a concern under a successor program.

**MBEs are:**

- entities that are at least 51% owned and/or controlled by a socially and economically disadvantaged individual as described by Title X of the Clean Air Act Amendments of 1990 (42 U.S.C. 7601 note), and Public Law 102-389 (42 U.S.C. 4370d), respectively.

**WBEs are:**

- entities that are at least 51% owned and/or controlled by women.

**Certifying MBE and WBE firms**

Under the DBE Program, entities can no longer self-certify. Certifications will be accepted from:

- The Small Business Administration(SBA);
- The Department of Transportation’s State implemented DBE Certification Program (with U.S. citizenship);
- Tribal, State and Local governments; and
- Independent private organization certifications.

If an entity holds one of these certifications, it is considered acceptable for establishing MBE or WBE status under the DBE Program.

**GOOD FAITH EFFORT (GFE)**

The GFE is required for all financial agreement Recipients to ensure that all DBEs have the opportunity to compete for procurements funded by financial assistance dollars.

**Six Good Faith Efforts**

1. Ensure DBEs are made aware of contracting opportunities to the fullest extent practical through outreach and recruitment activities. For Tribal, State and Local Government Recipients, this will include placing DBEs on solicitation lists and soliciting them whenever they are potential sources.
2. Make information on forthcoming opportunities available to DBEs. Posting solicitations for bids or proposals for a minimum of 30 calendar days before bid opening.
3. Consider in the contracting process whether firms competing for large contracts could subcontract with DBEs.
4. Encourage contracting with a group of DBEs when a contract is too large for one firm to handle individually.
5. Use the services and assistance of the SBA and Minority Business Development Agency (MBDA) of the Department of Commerce.
6. If the prime contractor awards subcontracts, require the subcontractor to take the above steps.

The following forms (attached) are required to be submitted with the GFE:

<b>FORM</b>	<b>REQUIREMENT</b>	<b>PROVIDED BY</b>	<b>COMPLETED BY</b>	<b>SUBMITTED TO</b>
<b>DBE Contractor/Subcontractor Certification</b>	<b>Subcontractor required to provide proof of DBE certification</b>	<b>Recipient</b>	<b>Subcontractor</b>	<b>SWRCB by Recipient</b>
<b>DBE Selected Prime Contractor/Recipient</b>	<b>Prime Contractor list selected DBEs</b>	<b>Recipient</b>	<b>Prime Contractor</b>	<b>SWRCB by Recipient</b>

## **ADMINISTRATION REQUIREMENTS**

- A Recipient must require its prime contractor to pay its subcontractor for satisfactory performance no more than 30 days from the prime contractor's receipt of payment from the Recipient;
- A Recipient must be notified in writing by its prime contractor prior to any termination of a DBE subcontractor by the prime contractor;
- If a DBE subcontractor fails to complete work under the subcontract for any reason, the Recipient must require the prime contractor to employ the six GFEs if soliciting a replacement subcontractor;
- A Recipient must require its prime contractor to employ the six GFEs even if the prime contractor has achieved its fair share objectives; and
- The GFE documentation shall be submitted by the Recipient with the Approval of Award package.

## **BIDDERS LIST REQUIREMENTS**

- A Recipient of a financial agreement to capitalize CWSRF funds also must require entities receiving funds to create and maintain a Bidders List if the Recipient of the financing agreement is subject to, or chooses to follow, competitive bidding requirements;
- The Bidders list must include all firms that bid or quote on prime contracts, or bid or quote on subcontracts, including both MBE/WBEs and non-MBE/WBEs;
- The Bidders List must be kept until the Recipient is no longer receiving funding under the agreement; and
- The Recipient shall include Bidders List as part of the Approval of Award package.

### **Information Retained on the Bidders List:**

- Entity's name with point of contact;
- Entity's mailing address and telephone number;
- The project description on which the entity bid or quoted and when;
- Amount of bid/quote; and
- Entity's status as a MBE/WBE or non-MBE/WBE.



**DISADVANTAGED BUSINESS ENTERPRISE (DBE)  
CONTRACTOR SUBCONTRACTOR CERTIFICATION**

Firm Name:	Phone:
Address:	
Principal Service or Product:	Bid Amount \$

PLEASE INDICATE PERCENTAGE OF OWNERSHIP BELOW

<input type="checkbox"/> DBE _____% Ownership	
<input type="checkbox"/> Prime Contractor	<input type="checkbox"/> Supplier of Material/Service
<input type="checkbox"/> Subcontractor	
<input type="checkbox"/> Sole Ownership	<input type="checkbox"/> Corporation
<input type="checkbox"/> Partnership	<input type="checkbox"/> Joint Venture
Certified by:	Title:

Name:	Date:
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Contractors can no longer self-certify. They must be certified by EPA, Small Business Administration (SBA), Department of Transportation (DOT) or by State, Local, Tribal or private entities whose certification criteria match EPA's. Proof of Certification must be provided. A copy of the contractor certification must be submitted with this form.

**NOTE: This form shall be completed prior to Bid Opening.**

**DISADVANTAGED BUSINESS ENTERPRISE (DBE)  
SELECTED PRIME CONTRACTOR AND SUBCONTRACTOR(S)**

CONTRACT RECIPIENTS NAME		CONTRACT NO. OR SPECIFICATION NO.	
PROJECT DESCRIPTION		PROJECT LOCATION	
PRIME CONTRACTOR INFORMATION			
NAME AND ADDRESS (Include ZIP Code, Federal Employer Tax ID #)		<input type="checkbox"/> MBE	<input type="checkbox"/> WBE
PHONE		AMOUNT OF CONTRACT\$	
DBE INFORMATION			
<input type="checkbox"/> NONE*			
<input type="checkbox"/> DBE		NAME AND ADDRESS (Include ZIP Code,)	
<input type="checkbox"/> SUBCONTRACTOR <input type="checkbox"/> JOINT VENTURE	<input type="checkbox"/> SUPPLIER/SERVICE		
AMOUNT OF CONTRACT \$		PHONE	
WORK TO BE PERFORMED			
<input type="checkbox"/> DBE		NAME AND ADDRESS (Include ZIP Code)	
<input type="checkbox"/> SUBCONTRACTOR <input type="checkbox"/> JOINT VENTURE	<input type="checkbox"/> SUPPLIER/SERVICE		
AMOUNT OF CONTRACT \$		PHONE	
WORK TO BE PERFORMED			
<input type="checkbox"/> DBE		NAME AND ADDRESS (Include ZIP Code,)	
<input type="checkbox"/> SUBCONTRACTOR <input type="checkbox"/> JOINT VENTURE	<input type="checkbox"/> SUPPLIER/SERVICE		
AMOUNT OF CONTRACT \$		PHONE	
WORK TO BE PERFORMED			
TOTAL DBE AMOUNT: \$		TOTAL WBE AMOUNT: \$	
SIGNATURE OF PERSON COMPLETING FORM: _____			
TITLE: _____		PHONE: _____	DATE: _____

**NOTE: Negative reports are required. This form shall be completed prior to Bid Opening.**

## **APPROVAL OF AWARD (AOA) REQUIREMENTS**

The Disadvantaged Business Enterprise (DBE) Good Faith Effort (GFE) is one element of the AOA process summarized below. The AOA request package submitted to the Division of Financial Assistance (DFA) for approval must contain the following:

1. A completed AOA Request Form (Form 555-1). The form, with original signature, must be signed by the Recipient's Authorized Representative or Designee); and
2. All of the AOA attachments (listed on the back of Form 555-1), in accordance with the AOA instructions, including the DBE Good Faith Effort Certification Form, signed and submitted by the Recipient (Certification form attached), certifying that the Prime Contractor has met the DBE requirements,

**The GFE should be submitted with the Bid Proposal.** Recipient shall review the successful bidder's documents closely to determine that the GFE was performed. Documentation should indicate that the GFE occurred **prior** to bid opening. Failure of either the bidder or prime contractor/subcontractor to follow the GFE and provide the necessary information could jeopardize funding of the project. The following situations and circumstances require action as indicated:

1. If the apparent successful low bidder was rejected, a complete explanation must be provided;
2. Contractors must provide proof of DBE certification. Self-certification is not acceptable. Contractors must be certified at bid opening; and
3. Failure of the apparent low bidder to **perform** the GFE **prior** to bid opening will result in its bid being declared non-responsive. The construction contract may then be awarded to the next low, responsive, and responsible bidder that meets the requirements or the Recipient may re-advertise the project.
4. If there is a bid dispute, all disputes shall be settled **prior** to submission of the AOA package.

Each procurement contract signed by the Recipient must include the following term and condition:

**"The contractor shall not discriminate on the basis of race, color, national origin or sex in their performance of this contract. The contractor shall carry out applicable requirements of 40 CFR Part 33 in the award and administration of contracts awarded under EPA financial assistance agreements. Failure by the contractor to carry out these requirements is a material breach of this contract which may result in the termination of this contract."**

### **Reporting Requirements**

For the duration of the construction contract, the Recipient is required to submit to State Water Resources Control Board (SWRCB) reports of progress made in fulfilling the GFE in the Semi-Annual Report submitted by April 10 and October 10 of each fiscal year on the attached Utilization Report form (UR-334). Failure to provide this information as stipulated in the financial agreement language may be cause for withholding disbursements.

### **CONTACT FOR MORE INFORMATION**

SWRCB – CWSRF Barbara August 916-341-6952 [baugust@waterboards.ca.gov](mailto:baugust@waterboards.ca.gov)

SWRCB – CWSRF Susan Damian 916-341-5494 [sdamian@waterboards.ca.gov](mailto:sdamian@waterboards.ca.gov).

EPA Region 9 - Donna Turnley (415) 972-3833 [turnley.donna@epa.gov](mailto:turnley.donna@epa.gov).

**DISADVANTAGED BUSINESS ENTERPRISE (DBE)  
GOOD FAITH EFFORT CERTIFICATION BY RECIPIENT**

1. The apparent successful low bidder on Clean Water State Revolving Fund Program funded project number C-06-\_\_\_\_\_ is \_\_\_\_\_  
(Name of Bidder)

2. Before the State Water Resources Control Board can consider requests for an Approval Of Award (AOA) to any bidder, the Recipient must certify to the following:

DISADVANTAGED BUSINESS ENTERPRISE (DBE)

The bidder has obtained \_\_\_\_\_% of DBE participation for this contract.

Also submitted are the Contractor/Subcontractor Certification and Selected Prime Contractor/Recipient DBE forms that contain a complete list of those DBE firms subcontracted with or with whom other types of agreements were made. The list includes the names of the firm, address, phone number and dollar amount involved.

The following affirmative steps have been taken:

1. The contractor divided total requirements when economically feasible, into small tasks or quantities to permit maximum participation of DBE businesses.
2. The contractor established delivery schedules, where the requirements of the work permitted, which encouraged participation by DBE businesses.
3. The contractor included qualified DBE businesses on solicitation lists.
4. The contractor assures that DBE businesses were solicited, whenever they were potential sources.
5. The contractor used the services and assistance of the Small Business Administration, the Office of Minority Business Development Agency of the U.S. Department of Commerce, Department of General Services, or the Department of Transportation.

It must be understood that the Recipient in its role as a public trustee assumes primary responsibility to achieve an acceptable level of DBE utilization. This primary responsibility is a basic condition of the award of any Clean Water State Revolving Fund financial agreement. Where a Recipient fails to meet its obligations under these requirements the Recipient may be declared non-responsive and may have funding either annulled, suspended or terminated.

In accepting these responsibilities, I hereby certify to the above.

\_\_\_\_\_  
Name of Recipient

\_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name and Title of Authorized Representative

**NOTE:** This form shall be submitted with the AOA package.





**STATE WATER RESOURCES CONTROL BOARD - DIVISION OF FINANCIAL ASSISTANCE  
DISADVANTAGED BUSINESS ENTERPRISE (DBE) UTILIZATION  
CLEAN WATER STATE REVOLVING FUND FINANCING AGREEMENT  
INSTRUCTIONS FOR COMPLETING THE UR 334**

- Box 1** Grant or Financing Agreement Number.
- Box 2** Semi-annual reporting period. Choose one semi-annual period and enter the correct years.
- Box 3** Enter the dates between which you made procurements under this financing agreement or grant.
- Box 4** Enter the total amount of payments paid to the contractor or sub-contractors during this reporting period.
- Box 5** Enter Recipient's Name and Address.
- Box 6** Enter Recipient's Contact Name and Phone Number.
- Box 7** Enter details for the **DBE purchases only** and be sure to limit them to the current period. 1) Use either an "R" or a "C" to represent "Recipient" or "Contractor." 2) Enter a dollar total for DBE and total the two columns at the bottom of the section. 3) Provide the payment date. 4) Enter a product type choice from those at the bottom of the page. 5) List the vendor name and address in the right-hand column
- Box 8** Initial here if no DBE contractors or sub-contractors were paid during this reporting period.
- Box 9** Initial this box only if all purchases under this financing agreement or grant have been completed during this reporting period or a previous period. If you initial this box, we will no longer send you a survey.
- Box 10** This box is for explanatory information or questions.
- Box 11** Provide an authorized representative signature.
- Box 12** Enter the date form completed.

## 220 Signage

The Recipient shall place a sign at least four feet tall by eight feet wide made of ¾ inch thick exterior grade plywood or other approved material in a prominent location on the Project site and shall maintain the sign in good condition for the duration of the construction period. The sign shall include the following color logos (available from the Division) and the following disclosure statement:



"Funding for this project has been provided in full or in part by the Clean Water State Revolving Fund through an agreement with the State Water Resources Control Board. California's Clean Water State Revolving Fund is capitalized through a variety of funding sources, including grants from the United States Environmental Protection Agency and state bond proceeds."

Project is also financed under the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006, administered by State of California, Department of Water Resources through an agreement with the Santa Ana Watershed Project Authority and the One Water, One Watershed Plan"



The Project sign may include another agency's required promotional information so long as the above logos and disclosure statement are equally prominent on the sign. The sign shall be prepared in a professional manner.

The Recipient shall be required to maintain separate books, records and other material relative to the Project. The Recipient shall also be required to retain such books, records, and other material for itself and for each contractor or subcontractor who performed work on this project for a minimum of thirty-six (36) years after Project Completion. The Recipient shall require that such books, records, and other material be subject at all reasonable times (at a minimum during normal business hours) to inspection, copying, and audit by the State Water Board, the Bureau of State Audits, the United States Environmental Protection Agency (USEPA), the Office of Inspector General, the Internal Revenue Service, the Governor, or any authorized representatives of the aforementioned, and shall allow interviews during normal business hours of any employees who might reasonably have information related to such records. The Recipient agrees to include a similar right regarding audit, interviews, and records retention in any subcontract related to the performance of this Agreement. The provisions of this section shall survive the discharge of the Recipient's Obligation hereunder and shall survive the term of this Agreement.

## **Integrated Regional Water Management Grant Conditions**

### **D.1) ACCOUNTING AND DEPOSIT OF FUNDING DISBURSEMENT:**

a) Separate Accounting of Funding Disbursements and Interest Records: Grantee shall account for the money disbursed pursuant to this Grant Agreement separately from all other Grantee funds. Grantee shall maintain audit and accounting procedures that are in accordance with generally accepted accounting principles and practices, consistently applied. Grantee shall keep complete and accurate records of all receipts, disbursements, and interest earned on expenditures of such funds. Grantee shall require its contractors or subcontractors to maintain books, records, and other documents pertinent to their work in accordance with generally accepted accounting principles and practices. Records are subject to inspection by State at any and all reasonable times.

**D.5) AMERICANS WITH DISABILITIES ACT:** By signing this Grant Agreement, Grantee assures State that it complies with the Americans with Disabilities Act (ADA) of 1990, (42 U.S.C., 12101 et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.

**D.7) AUDITS:** State reserves the right to conduct an audit at any time between the execution of this Grant Agreement and the completion of Project(s), with the costs of such audit borne by State. After completion of the Project(s), State may require Grantee to conduct a final audit to State's specifications, at Grantee's expense, such audit to be conducted by and a report prepared by an independent Certified Public Accountant. Failure or refusal by Grantee to comply with this provision shall be considered a breach of this Grant Agreement, and State may elect to pursue any remedies provided in Paragraph 14 or take any other action it deems necessary to protect its interests.

Pursuant to Government Code Section 8546.7, the Grantee shall be subject to the examination and audit by the State for a period of three years after final payment under this Grant Agreement with respect to all matters connected with this Grant Agreement, including but not limited to, the cost of administering this Grant Agreement. All records of Grantee or its contractor or subcontractors shall be preserved for this purpose for at least three (3) years after project completion or final billing, whichever comes later.

**D.23) GOVERNING LAW:** This Grant Agreement is governed by and shall be interpreted in accordance with the laws of the State of California.

**D.24) INDEMNIFICATION:** Grantee shall indemnify and hold and save the State, its officers, agents, and employees, free and harmless from any and all liabilities for any claims and damages (including inverse condemnation) that may arise out of the Project(s) and this Agreement, including, but not limited to any claims or damages arising from planning, design, construction, maintenance and/or operation of levee rehabilitation measures for this Project and any breach of this Agreement. Grantee shall require its contractors or subcontractors to name the State, its officers, agents and employees as additional insured on their liability insurance for activities undertaken pursuant to this Agreement.

**D.25) INDEPENDENT CAPACITY:** Grantee, and the agents and employees of Grantees, in the performance of the Grant Agreement, shall act in an independent capacity and not as officers, employees, or agents of the State.

**D.26) INSPECTION OF BOOKS, RECORDS, AND REPORTS:** During regular office hours, each of the parties hereto and their duly authorized representatives shall have the right to inspect and to make copies of any books, records, or reports of either party pertaining to this Grant Agreement or matters related hereto. Each of the parties hereto shall maintain and shall make available at all times for such inspection accurate records of all its costs, disbursements, and receipts with respect to its activities under this Grant Agreement. Failure or refusal by Grantee to comply with this provision shall be considered a breach of this Grant Agreement, and State may withhold disbursements to Grantee or take any other action it deems necessary to protect its interests.

**D.27) INSPECTIONS OF PROJECT BY STATE:** State shall have the right to inspect the work being performed at any and all reasonable times during the term of the Grant Agreement. This right shall extend to any subcontracts, and Grantee shall include provisions ensuring such access in all its contracts or subcontracts entered into pursuant to its Grant Agreement with State.

**D.29) LABOR CODE COMPLIANCE:** The Grantee will be required to keep informed of and take all measures necessary to ensure compliance with applicable California Labor Code requirements, including, but not limited to, Section 1720 *et seq.* of the California Labor Code regarding public works, limitations on use of volunteer labor (California Labor Code Section 1720.4), labor compliance programs (California Labor Code Section 1771.5) and payment of prevailing wages for work done and funded pursuant to these Guidelines, including any payments to the Department of Industrial Relations under Labor Code Section 1771.3.

**D.31) NONDISCRIMINATION:** During the performance of this Grant Agreement, Grantee and its contractors or subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex (gender), sexual orientation, race, color, ancestry, religion, creed, national origin (including language use restriction), pregnancy, physical disability (including HIV and AIDS), mental disability, medical condition (cancer/genetic characteristics), age (over 40), marital status, and denial of medial and family care leave or pregnancy disability leave. Grantee and its contractors or subcontractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Grantee and its contractors or subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code § 12990 (a-f) *et seq.*) and the applicable regulations promulgated there under (California Code of Regulations, Title 2, Section 7285 *et seq.*). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Grantee and its contractors or subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

Grantee shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Grant Agreement.

**D.32) NO DISCRIMINATION AGAINST DOMESTIC PARTNERS:** For contracts over \$100,000 executed or amended after January 1, 2007, the Grantee certifies by signing this Grant Agreement, under penalty of perjury under the laws of State of California that Grantee is in compliance with Public Contract Code section 10295.3.

**D.42) SUSPENSION OF PAYMENTS:** This Grant Agreement may be subject to suspension of payments or termination, or both, and Grantee may be subject to debarment if the State determines that:

a) Grantee, its contractors, or subcontractors have made a false certification, or



b) Grantee, its contractors, or subcontractors violates the certification by failing to carry out the requirements noted in this Grant Agreement.

**D.51) WORKERS' COMPENSATION:** Grantee affirms that it is aware of the provisions of Section 3700 of the California Labor Code, which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and Grantee affirms that it will comply with such provisions before commencing the performance of the work under this Grant Agreement and will make its contractors and subcontractors aware of this provision.

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**INFORMATION  
ITEM**

**4A**




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Date: March 18, 2015

To: The Honorable Board of Directors

Through: Audit Committee (3/11/15)

From: Teresa V. Velarde   
Manager of Internal Audit

Subject: Regional Contract Review  
Interim Audit Report for Cucamonga Valley Water District

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### **RECOMMENDATION**

This is an information item for the Board of Directors.

### **BACKGROUND**

At the request of the Board and Executive Management, Internal Audit (IA) has been performing a review of the Agency's Regional Sewage Service Contract (Regional Contract Review) as implemented with the seven Regional Contracting Agencies. The objectives of the Regional Contract Review include:

- Evaluate of how each of the seven agencies apply the Regional Contract provisions
- Determine whether processes are in compliance with the Regional Contract requirements
- Determine opportunities to improve processes and procedures
- Identify opportunities and make recommendations for consideration as part of the Regional Contract renegotiation

The report for the Cucamonga Valley Water District (CVWD or Contracting Agency) has been completed and is attached. IA identified several observations and recommendations to strengthen administrative, accounting, recording, and reporting controls to ensure the intent of the Regional Contract is achieved. For example, with the previous four Regional Contract reports, most of the IA recommendations provided could be applied to all Contracting Agencies on a going-forward basis, as part of an amendment and/or as part of the Regional Contract review and renegotiation process; in order to ensure all Regional Contracting Agencies apply and administer the Regional Contract in a uniform and consistent manner. A summary of IA's recommendations are listed in Exhibit A for IEUA's Executive Management to consider. Following are summaries of the main observations noted and the attached reports provide additional details.

IA also identified areas where the Contracting Agency should to have tighter controls, stronger reconciliation procedures and greater oversight to ensure items are recorded, reported and

collected appropriately. As well as, to ensure the Regional Contract is administered and applied properly. IA's suggestions to the Contracting Agencies can be found in Exhibit A. Because the observations noted impact the fees owed/paid to IEUA, IA recommends the IEUA's Planning and Environmental Compliance Department staff work closely with the Contracting Agencies to ensure the observations and recommendations provided in these reports are resolved timely.

Cucamonga Valley Water District

The main observations noted during the CVWDs review include:

- No Connection Fees were collected for the Chaffey College – Rancho Cucamonga Campus, which included new construction and/or renovation of 10 buildings, since 2007. IA staff performed a physical observation but did not have access to most buildings and cannot estimate the Connection Fees that should have been collected by CVWD. In comparison, the City of Fontana collected \$52,800 for one new building on the Chaffey College in Fontana. The City of Chino did not collect for three new buildings on the Chaffey College in Chino, and IA estimated a low estimate of approximately \$90,000 in Connection Fees that were not collected.
- No Connection Fees were collected for a 14-classroom building with restrooms at Los Amigos Elementary School in the Cucamonga School District. IA reviewed aerial photographs before and after the new construction and noted a building and portable classrooms appear to have been removed. If any buildings were removed, a credit would be applied for any demolished fixture units. Without access to perform a physical observation on the school campus, IA cannot estimate the unpaid Connection Fees. However, for comparative purposes, a similar elementary school also built a building with 14-classrooms and restrooms in 2010; CVWD collected and reported Connection Fees totaling \$66,957.
- No Connection Fees have been collected for on-going and/or future improvements at Etiwanda High School and Rancho Cucamonga High School. IA staff performed a physical observation of the high schools sites and noted that construction is in progress. IA cannot estimate the unpaid Connection Fees since construction has not yet been completed. For comparative purposes, Alta Loma High School (also within the same School District) currently has on-going construction at their school campus for additions that are similar in nature to the expansions planned at the two high schools noted above, CVWD collected and reported Connection Fees totaling \$42,792 in 2014.

In the audit report "Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs" issued in June 2014, IA noted that other similar agencies (for example Los Angeles County Sanitation District) exclude local governments and schools from connection and sewer fees. IA noted that CVWD, like several of the other Contracting Agencies did not collect from most local Public Service Facilities.

- CVWD provided a credit of 119.5 EDUs totaling \$561,642 in Connection Fees to Evolution Fresh (a subsidiary of Starbucks), but has not been able to provide supporting documentation, nor an explanation to validate that the credit extended was justified. Without supporting documentation, it is unknown whether the credit to Evolution Fresh was warranted.

IA spoke with the Program Director at Evolution Fresh, who stated that the credit of 119.5 EDUs was provided because Evolution Fresh purchased the EDUs from a third party, not CVWD. The Program Director at Evolution Fresh also stated that the EDUs purchased from the third party were purchased at “reduced rate”. There is no clear supporting documentation that CVWD had knowledge of the transfer and/or reduce purchase of EDUs, however, CVWD signed the cost sheet that shows approval of the credit for the EDUs and also issued and signed the plumbing release. It is IA’s audit opinion that the credit extended does not follow the guidelines and provisions of the Regional Contract. (See the audit report for additional details).

IA recommends IEUA take the lead to facilitate on-going and regular meetings, tours, and workshops with Contracting Agency staff in the building departments, plan check, utility billing, etc. to discuss items related to the application of the Regional Contract, evolving businesses, new building activity, questionable items and individual situations. The on-going discussion will serve as a means to foster collaboration and maintain on-going dialogue about the application of the Regional Contract and address questions and issues timely.

IA also recommends adding contract provisions for recourse for under collection of fees; currently the Regional Contract does not provide enforcement language for Connection Fees.

Additionally, IA recommends developing standardized calculation worksheets for Connection Fees, requiring more detail to monthly sewerage reporting, to assist in increasing IEUAs oversight and involvement in reviewing information reported by the Contracting Agencies.

Finally, IA recommends IEUA to provide the final sign-off for Connection Fees as part of the permitting and plan check process as an additional verification step to ensure all Contracting Agencies have interpreted and applied the Regional Contract consistently.

- CVWD is the only Contracting Agency that reports and pays IEUA Sewer Service Fees based on revenues collected. The other Contracting Agencies reviewed to date (Chino, Fontana, Montclair, and Upland) report monthly EDUs to IEUA based on the amount billed. With CVWD applying a different methodology to report IEUA’s Sewer Service Fees, there is no consistency, among the Contracting Agencies, in reporting Volumetric Sewerage Fees.

The Regional Contract does not provide any guidelines on the methodology that should be applied to report IEUA’s Volumetric Fees, other than to report in EDUs to IEUA on a monthly basis. IA recommends IEUA work with the Contracting Agencies to evaluate both methods and



determine what the most appropriate methodology for Monthly Sewer Service Fees should be and ensure all Contracting Agencies are consistent.

IA would like to extend its appreciation to CVWD staff, as well as the IEUA Planning and Environmental Compliance Department for their cooperation and assistance during this review.

IA continues to work with the remaining two Contracting Agencies to finalize the evaluations:

- City of Chino Hills
- City of Ontario

To-date, IA has submitted as an information items to the following audit reports:

- Interim Audit Report for the City of Chino (December 2014)
- Interim Audit Report for the City of Fontana (December 2014)
- Interim Audit Report for the City of Montclair (September 2014)
- Interim Audit Report for the City of Upland (September 2014)
- “Survey of Comparative Information of the Seven Contracting Agencies” (September 2014)
- “Regional Contract Review – Review of the Ten Year Forecast” (June 2014)
- “Regional Contract Review – Survey of Comparable Agencies (June 2014)

#### **PRIOR BOARD ACTION**

On September 17, 2014, the Board approved the Fiscal Year 2014/15 Annual Audit Plan.

On December 18, 2013, the Board approved the Internal Audit Department Charter.

#### **IMPACT ON BUDGET**

None.

**Exhibit A - Internal Audit Recommendations for IEUA Management and the Contracting Agencies**

No.	Recommendations	Contracting Agencies					
		Upland	Montclair	Fontana	Chino	CVWD	
		\$505,462	\$262,500	\$830,226	\$2,620,202	\$1,901,701	
1.	<p><b>CONNECTION FEES RECOMMENDATIONS and FEES: 2013/2014</b></p> <p>In addition to the regular meetings of the Regional Technical and Regional Policy Committees, IEUA has already begun to provide ad-hoc meetings and training as needed for things such as the updated excel Building Activity Report and the Exhibit J subcommittee. IA noted that great variability and understanding of IEUA, the Regional Contract and Exhibit J exists amongst Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing. In order to develop greater consistency and uniformity throughout the region, IEUA should consider taking the lead in holding quarterly or more regular workshops, meetings, plant tours and similar activities as an avenue where Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing and/or others as well can discuss and ask questions about the application of the Regional Contract and Program. The workshops would provide a forum to discuss questions about category types to apply, definitions, other questionable items and individual situations, and foster cooperation and collaboration among all. A Contracting Agency may encounter questions or situations that could apply to other Contracting Agencies. Frequent and on-going dialogue about the application of the Regional Contract would benefit all Contracting Agencies and the Regional Program to ensure consistent application of the Regional Contract and that issues are addressed on a timely basis.</p>	X	X	X	X	X	
2.	IEUA and the Contracting Agencies should add language to the Regional Contract regarding IEUA's inspection and verification rights for connection fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported connection fees.	n/a	X	X	X	X	
3.	IEUA Planning and Pretreatment groups should take the lead to exercise the authority provided under Regional Contract Section 26 Inspection of Facilities, and establish an on-going monitoring program to inspect random facilities or those where there is a suspected discrepancy in order to ensure the intent of the Regional Contract is applied and ensure the integrity of the Regional Program.	n/a	n/a	X	n/a	X	
4.	IEUA and the Contracting Agencies should consider, as part of the permitting and plan check process, a requirement that an IEUA representative provide final sign-off and approval prior to the Contracting Agency issuing a permit to a nonresidential entity and allowing a connection to the regional system. This added approval step will ensure IEUA agrees with the interpretation of the contract and the appropriate category type and sewage factor have been applied so correct connection fees are assessed and collected.	X	X	X	X	X	
5.	IEUA and the Contracting Agencies should consider developing a standardized calculation worksheet to assist Contracting Agencies in the connection fee calculations. Currently, each Contracting Agency has its own unique calculation worksheet and it is not always consistent with the Regional Contract Exhibit J. A standardized calculation worksheet should mirror the fixture unit types in Exhibit J and provide additional clarification and uniformity to the fixture count process. The worksheet should be flexible enough to allow for multiple components of a business to be calculated at different commercial categories when there is more than one type of business at the same location (for example, a gas station/minimart with a car wash). A standardized calculation worksheet would provide assistance in computing the connection fees so that Contracting Agencies would not each need to develop their own tools, creating a lack of consistency and uniformity. IA noted varying application of fixture counts because the Contracting Agencies' calculation worksheets are not consistent.	X	X	(Calculation worksheet follows Exhibit J)	X / (Calculation worksheet now follows Exhibit J)	(Calculation worksheet follows Exhibit J)	
6.	IEUA should consider developing expertise in fixture count techniques and providing regular and ongoing training at the Building Departments of the Contracting Agencies to develop consistency in the IEUA fixture count process across the region, including obtaining IEUA's guidance on the treatment of commercial enterprises whose business type is unique and does not fall into the categories established in Exhibit J.	X	n/a	X	X	n/a	
7.	IEUA should require that Contracting Agencies provide copies of the connection calculation worksheets for all nonresidential entities included on their monthly Building Activity Reports. Calculation worksheets would provide additional support for the connections reported and the connection fees collected. This would provide IEUA staff greater visibility and documented support for the application of the category types and fixture counts utilized. IEUA staff would have the necessary information to contact the Contracting Agency if any questions or discrepancies are noted at the time that connections are reported rather than identifying these later on.	X	X	(Calculation worksheets provided with the BAR)	X	X	

X = Condition/exception noted at the Contracting Agency resulting in an Observation and Recommendation  
 ✓ = Procedure/practice employed at the Contracting Agency resulting in a Recommendation that may be worth consideration/adoption/emulation  
 N/A = Procedure/Practice not observed during the review process at this Contracting Agency  
 Note: Categorization of conditions present in the Internm Audit Report.

**Exhibit A - Internal Audit Recommendations for IEUA Management and the Contracting Agencies**

No.	Recommendations	Contracting Agencies					CVWD
		Upland	Montclair	Fontana	Chino		
8.	Exhibit J was recently updated and now provides detailed definitions for many business types, yet there is still room for varying interpretation and application. Businesses continue to evolve and new types of businesses emerge. Exhibit J should regularly be updated to provide additional language, definitions and guidance to ensure all types of commercial businesses are classified consistently. IEUA should consider documenting additional definitions and descriptions to the classification of businesses in Exhibit J. This would reduce the risk of misclassification of businesses and the potential under-collection of IEUA fees. Examples include fast-casual restaurants (where orders are placed at a register near the entrance but the restaurant provides table service for the food and beverage service), animal hospitals or shelters, community centers at newer residential communities and facilities that provide rehabilitative services. The review also identified a need for additional detailed definitions, clarification and descriptive information for categorizing public service facilities to expand and address the differences between publicly owned and publicly used.	X	X	X	X		n/a
9.	IEUA and the Contracting Agencies should develop and provide additional clarification and descriptive information for the various types of appliances, appurtenances or fixtures in the descriptions included in Exhibit J. Examples include defining the nature of an emergency drain, classification of a hub drain, clarifying differences between lavatories, wash fountains, receptors, sinks and mop basins and whether a drinking fountain that includes a separate basin for handicapped access consists of one or two fountains. The review revealed differences in interpretation.	X	n/a	X	X		X
10.	IEUA should consider a two tier process of determining connection fees as part of Exhibit J that distinguishes between common features that are part of any commercial facility such as restroom toilets and sinks and those features that are unique to a specific site, such as a fire hub drain, butcher shop drain, a restaurant dishwasher or washing sink, etc. This would create consistency in the treatment of same-type and same-use fixture units.	X	n/a	n/a	X		X
11.	Contracting Agencies should consider adopting an internal review process over connection fees calculations as part of preparing the Building Activity Report.	n/a	n/a	✓ (Use I/R process)	n/a		✓ (Use I/R process)

X = Condition/exception noted at the Contracting Agency resulting in an Observation and Recommendation  
 ✓ = Procedure/practice employed at the Contracting Agency resulting in a Recommendation that may be worth consideration/adoption/emulation  
 N/A = Procedure/Practice not observed during the review process at this Contracting Agency  
 Note: Categorization of conditions present in the Interim Audit Report.

**Exhibit A - Internal Audit Recommendations for IEUA Management and the Contracting Agencies Recommendations**

No.	Upland	Montclair	Fontana	Chino	CWWD
	<b>PUBLIC SERVICE FACILITIES RECOMMENDATIONS</b>				
	<b>Examples of recent Public Service Facilities with NO Connection Fees collected</b>				
1.	None noted, per audit sample	Moreno Elem. classroom building (OMSD) Montclair H. S. additions (CJUHSD)	None noted, per audit sample (City made conscious choice not to charge Kaiser Fontana)	Howard Cattle Elem. classroom building (CVUSD) Chaffey College-Chino Campus	Los Amigos Elem. Classroom building (Cucamonga SD) Edwards H. S. and Rancho Cucamonga H.S. (CJUHSD) Chaffey College-Rancho Cucamonga Campus
1.	IEUA and the Contracting Agencies should consider the exclusion of Public Service Facilities from the charge for Connection Fees and Monthly Sewerage Charges. As documented under the audit report "Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs", IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public K – 14 schools and City governments from both Connection Fees and Monthly Sewerage Charges.				
2.	Consider the City of Upland's cross-departmental approach to the development review process as a regional model for Contracting Agencies to follow. The City of Upland has formed an inclusive group from all city departments that meets regularly to review new development. The group includes representatives from the Planning, Building, Public Works, and Police and Fire departments. Since planning for fire safety is required for new construction to ensure access and egress, Fire department representatives are often the first to know about new PSF construction. This will trigger Public Works and Building department representatives to be involved resulting in the assessment of connection fees, including those for IEUA in accordance with Exhibit J.				
3.	IEUA should add language to the Regional Contract regarding IEUA's inspection and verification rights for Public Service Facilities as to connection and monthly sewer fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported such fees.				
	✓ (Use cross-departmental approach)	X	n/a	X	n/a
	n/a	X	n/a	X	X

**X** = Condition/exception noted at the Contracting Agency resulting in an Observation and Recommendation  
**✓** = Procedure/practice employed at the Contracting Agency resulting in a Recommendation that may be worth consideration/adoption/emulation  
**N/A** = Procedure/Practice not observed during the review process at this Contracting Agency  
 Note: Categorization of conditions present in the Interim Audit Report.



**Exhibit A - Internal Audit Recommendations for IEUA Management and the Contracting Agencies**

No.	Recommendations	Upland					CVWD
		Upland	Montclair	Fontana	Chino		
		\$4,294,863	\$7,981,117	\$8,196,601	\$4,592,930	\$10,288,244	
1.	<b>MONTHLY SEWERAGE BILLING RECOMMENDATIONS and FEES: 2013/2014</b> IEUA and the Contracting Agencies should consider establishing the collection of monthly sewerage fees directly for the entire region through the County's property tax roll. Collection of sewerage fees through the property tax roll could result in a more efficient process and reduce the administrative resources used by Contracting Agencies in billing and collecting these fees. Residential properties could be transferred initially until consideration is given to ways in which and whether to transition fees from commercial, industrial and other entities.	n/a	n/a	✓ (Property tax roll used for SFR & MFR)	n/a	n/a	n/a
2.	IEUA should add language to the Regional Contract regarding IEUA's inspection and verification rights as to monthly sewerage fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or underreported such fees.	X	X	n/a	X	X	X
3.	IEUA and the Contracting Agencies should evaluate the methodology used for billing monthly sewerage fees and consider alternatives, either by water consumption or EDUs purchased. Since the adoption of the existing billing methodology in a 1997 memorandum there have been greater efficiencies achieved in water usage, which may have an impact on the type and amount of sewerage discharged and the types of services provided to the region as a whole. The billing methodology should be aligned with the services provided. Another approach to consider as part of the billing methodology would be examining Winter season usage by residential properties to investigate a volumetric rather than an EDU based rate structure. The billing methodology should be presented to the IEUA Board of Directors and formally adopted, since the Regional Contract specifies that the role of the Regional Technical Committee is to make recommendations. As part of this process a Rate and Fee Study would assist in establishing a sustainable and equitable rate structure that recovers the cost of providing services.	X	X	✓ (EDU based rate structure)	X	X	X
4.	Evaluate and consider the relationship between monthly Sewer Service Fees and Connection Fees and determine the need to create a correlation between the two. For example, fast-food restaurants and full-service restaurants are both included in Category 8 for monthly sewerage billing purposes and pay at the same rate. However, for purposes of connection fees fast-food restaurants are grouped with office, retail and similar uses (which are Category 1 for monthly sewerage billing). Therefore, fast-food restaurants incur lower Initial Connection Fees, but pay monthly Sewer Service Fees at the higher rates charged to full-service restaurants.	X	X	X	X	X	X
5.	IEUA should evaluate the current process used for invoicing each Contracting Agency for monthly sewer fees. By establishing a contract for monthly payment rather than relying on invoices, each Contracting Agency could provide the EDU information and remit the funds to IEUA directly within a reasonable period of time. This contrasts with the current approach whereby Contracting Agencies provide EDU information and then wait for an invoice from IEUA before payment thereby delaying payment for up to 45 days. By reengineering the process, IEUA would receive monthly sewer fees in a more efficient and timely manner.	X	X	X	X	X	X
6.	IEUA and the Contracting Agencies should consider standardizing and providing automated and itemized listings of non-residential monthly sewerage charges. This would provide information that could be reviewed and researched for anomalies and reconciled on a regular basis.	X	X	X	X	X	X
7.	IEUA and Contracting Agency staff should work together to resolve the identified differences and over/under collected amounts and unreported service fees. The review identified businesses that are not reported to IEUA in the monthly sewer fee report and fees not paid for the services provided by IEUA as well as classification errors and formula mistakes.	X	X	n/a	X	X	X

X = Condition/exception noted at the Contracting Agency resulting in an Observation and Recommendation  
 ✓ = Procedure/practice employed at the Contracting Agency resulting in a Recommendation that may be worth consideration/adoption/emulation  
 N/A = Procedure/Practice not observed during the review process at this Contracting Agency  
 Note: Categorization of conditions present in the Interim Audit Report.





# Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

6075 Kimball Ave, • Chino, CA 91708  
P.O. Box 9020 • Chino, Hills, CA 91709  
TEL (909) 993-1600 • FAX (909) 597-8875  
www.ieua.org

DATE: March 2, 2015  
TO: Joe Grindstaff  
General Manager



FROM: Teresa V. Velarde  
Manager of Internal Audit

**SUBJECT: REGIONAL CONTRACT REVIEW  
Interim Audit Report  
Cucamonga Valley Water District**

### Audit Authority

The Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department (IA) performed a review of the Agency's Regional Sewage Service Contract (Regional Contract) as implemented with the Regional Contracting Agencies (Contracting Agency). The review was performed under the authority given by the IEUA Board of Directors as documented in the Internal Audit Department Charter and according to the Fiscal Year 2013/14 Annual Audit Plan.

### Audit Objective and Scope

The objectives of the Regional Contract Review are to evaluate how each of the seven Contracting Agencies apply the Regional Contract provisions, determine whether processes are in compliance with Regional Contract requirements, determine opportunities to improve processes and procedures and make recommendations to consider as part of the Regional Contract amendment/renegotiation. The review covered the period from July 1, 2012 through December 31, 2013 and where possible considered events subsequent to that period.

The review included audit procedures to evaluate compliance with the Regional Contract, Exhibit J Connection Fees provisions as well as the recurring Sewer Service Fees billing for the various types of land uses (commercial, industrial, residential, public service and extra-territorial). IA performed a variety of review procedures at each Contracting Agency to evaluate:

- Initial Connection Fees
- Public Service Facilities Connection Fees
- Monthly Volumetric Sewerage Charges
- Extra-Territorial Fees
- Reconciliations of fees collected and held for or paid to IEUA
- Overall Recordkeeping

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Vice President

Steven J. Elie  
Secretary/Treasurer

Jasmin A. Hall  
Director

Gene Koopman  
Director

P. Joseph Grindstaff  
General Manager

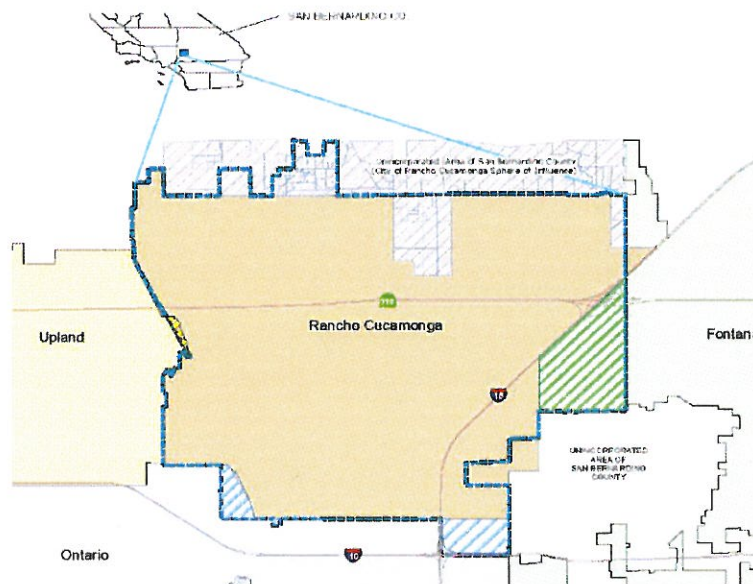
This report describes the results of the procedures performed at the Cucamonga Valley Water District.

### Cucamonga Valley Water District - Background

The Cucamonga Valley Water District (CVWD or the District) is an independent special district that operates under the authority of Division 12 of the California Water Code. The District is governed by a five-member elected Board of Directors and was incorporated on March 25, 1955. CVWD has a population of 171,058<sup>1</sup> and is located about 40 miles east of downtown Los Angeles. The District encompasses a minimum of 39<sup>1</sup> square miles, which is 16% of the 242-square-miles covered by IEUA's service area.

CVWD provides water, local wastewater, and recycled water services to residential, commercial, and industrial properties within its boundaries, while trash services are provided through Burrtec Waste Industries. The District's service area primarily includes the City of Rancho Cucamonga and portions of the cities of Fontana, Ontario, Upland, and some of the unincorporated areas of County of San Bernardino that are located to the north of CVWD's boundary limits.

Figure 1 – CVWD District Boundary



CVWD only provides water services to those sections within its District boundaries, which encompasses portions of the cities of Fontana, Ontario and Upland. For

<sup>1</sup> IEUA's Fiscal Year 2014/15 Operating and Capital Program Budget – June 2014, Table 5-11.

Fontana, the sewer services and the collection of the fees are performed by the City of Fontana. For the sections that cross over into Ontario and Upland, CVWD will assess and collect sewer service fees if the property is receiving Sewer Services from the District.

CVWD bills residential, commercial, and industrial properties on a bi-monthly basis for the water and sewer services provided. CVWD performs water meter readings on a regularly scheduled basis. The amount billed includes water, local sewer service fees, and IEUA sewer service treatment fees (Volumetric Fees). For sewer services, Single-family residents, Multi-family complexes, and certain other entities pay a flat fee, whereas commercial and industrial properties are billed according to the amount of water usage in accordance with IEUA's formulas.

#### **Financial Information**

As part of the Regional Contract, CVWD is required to report *Initial Connection Fees* and *Sewer Service Fees* on a monthly basis.

***Initial Connection Fees (Connection Fees):*** Connection Fees are one-time fees levied on new development connecting to the Regional Sewerage System, as well as existing users who expand their number of fixture units. These connections and corresponding fees are reported in the monthly Building Activity Reports (BAR) to the IEUA Planning & Environmental Compliance Department (Planning) and are recorded in the Agency's financial system.

The number of EDUs and amount of Connection Fees collected varies from year to year depending on the construction activity occurring within the Contracting Agency's boundaries. EDUs purchased and fees reported by the City during the last two fiscal years are:

**Cucamonga Valley Water District  
Connection Fees**

<b>Fiscal Year</b>	<b>EDUs</b>	<b>Fees collected</b>
2012/13	826	\$ 4,054,981
2013/14	382	\$ 1,901,701

EDUs and fees collected reflect the amounts reported in the BAR to IEUA's Planning and Environmental Compliance Department. For Fiscal Year 2012/13, the fees collected are substantially higher due to new construction activity occurring in new residential housing tracts.

***CCRA Account:*** Connection Fees are collected by the District and held in a Capital Connection Reimbursement Account (CCRA) until "called" by IEUA. The CCRA



balances as reported by CVWD in their June 30, 2013 and June 30, 2014 CAFR were \$6,929,681 and \$8,831,382, respectively.

**Sewer Service Fees (Volumetric Sewerage Fees):** Sewer Service Fees are recurring fees assessed and collected from users that discharge into the Agency’s Regional Sewage System. According to the Regional Contract, Contracting Agencies must pay IEUA for sewer services each month. The District self-reports the total number of EDUs to IEUA on a monthly basis, based on which cycle of their bi-monthly sewer billing process have come due and Sewer Service Fees collected. The EDUs reported are comprised of the following: one EDU for single-family residential, 0.7 EDU for multi-family residential, fixed EDUs for public schools and community college (based on student enrollment), and variable EDUs for commercial and industrial entities (based on water consumption information) in accordance with IEUA’s formulas.

**Cucamonga Valley Water District  
Sewer Service Fees**

Fiscal Year	EDUs	Fees
2012/13	769,392.01	\$ 9,532,767
2013/14	768,352.79	\$ 10,288,244

At December 31, 2014, the total number of EDUs billed to customers in CVWD service area consisted of the following:

Type of Account	Number of EDUs	Percentage of EDUs
Residential Customers:		
Single-Family Residential and Trailer Park	73,261	54%
Multi-Family Residential	38,241	28%
Non-Residential Customers <sup>1</sup>	24,473	18%
<b>Total</b>	<b>135,974</b>	<b>100%</b>

(1) = Non-Residential Customers include commercial, industries, public schools and a community college.

**Initial Connection Fees**

Each Contracting Agency is required to assess, collect, and report Connection Fees for any new development that connects to the Regional Sewerage System, or users who expand their fixture unit count. The fees are to be assessed and collected by the Contracting Agency in accordance with the provisions of Exhibit J in the Regional Contract. Exhibit J includes for purposes of fee calculation: ***“All structures designed for the purpose of providing permanent housing for enterprises engaged in exchange of good and services. This shall include, but not be limited to, all private business and service establishments, schools, churches, and public facilities.”***

CVWD is a special district whose main purpose is to provide potable water and wastewater services and therefore does not have the variety of departments and/or provide the variety of services as a general law City. CVWD is one of the seven members of the Regional Contract, while the other six contracting agencies are all cities. The cities have a specific department for Building and Safety that is dedicated to reviewing construction projects to ensure conformance with applicable ordinances, codes, regulations and laws. At the cities, a review of the projects occurs through the plan check and permit process along with issuance of the final building/occupancy permit and collection of any Connection Fees. The City of Rancho Cucamonga has a Building and Safety Department that reviews construction projects and issues building permits; however, the city does not assess nor collect Connection Fees. For CVWD's service area, the responsibility for the assessment and collection of Connection Fees lies with CVWD through the Development Services Department.

CVWD has a "coordinated approach" with the City of Rancho Cucamonga whereby the applicant must also submit the architectural/plumbing plans to CVWD and pay any Connection Fees due before the final building/occupancy permit can be issued. The process includes the submittal of an application, review and approval of the plans, collection of any Connection Fees due, and issuance of a "Plumbing Release" by CVWD. This "Plumbing Release" is a document that authorizes the applicant to make water and sewer improvements per the approved plumbing plan. The applicant is required to submit the "Plumbing Release" to the City of Rancho Cucamonga's Building and Safety department before any permits can be issued. The City of Rancho Cucamonga will not issue a final building permit to the applicant unless they are able to present a "Plumbing Release" from CVWD.

#### Public Service Facilities

CVWD staff does not have a comprehensive list of Public Service Facilities (PSF); therefore, IA performed a search of various websites to ascertain whether there had been any new construction or expansions of PSF's such as schools, hospitals, and local city or other government facilities. The websites reviewed included School Districts along with the School Accountability Report Cards for schools, Office of Statewide Health Planning and Development (OSHPD) for hospitals, and the City of Rancho Cucamonga for City facilities.

The Division of the State Architect's Office (DSA) of the State of California provides design and construction oversight for public schools (kindergarten through 12th grade), community colleges, and various other state-owned and leased facilities. Likewise, the Office of Statewide Health Planning and Development (OSHPD) regulates hospital construction. Entities that fall under the DSA or OSHPD have a permit and plan check process that is separate and includes limited or no coordination with the local jurisdiction. The permitting process under the DSA and OSHPD does not include the collection of Connection Fees, even though the construction projects reviewed could be new construction or expansions that result in additional fixture units. It is the



responsibility of each individual local jurisdiction to ensure collection of the Connection Fees from entities that fall under the DSA/OSHPD and reside within their service area.

IA selected various businesses and Public Service Facilities (PSF) to test whether Connection Fees were accurately calculated, collected and reported to IEUA in accordance with Exhibit J of the Regional Contract. The different businesses and PSF were selected from the following sources to verify the Contracting Agency applied and collected the correct EDU rate according to the Board-approved rates and to determine the accuracy of the categorization type used per Exhibit J of the Regional Contract:

- The new business license report provided by CVWD staff
- IA conducted physical observations of the CVWD's commercial districts
- Building Activity Reports submitted to IEUA
- Input received from IEUA's Planning Department.

#### **Initial Connection Fees & Public Service Facilities Review**

IA judgmentally selected 40 commercial businesses and 8 Public Service Facilities (PSF) for testing. Of the items reviewed, IA identified issues with one Industrial User and various Public Service Facilities as discussed in the following sections.

#### **Evolution Fresh**

Evolution Fresh, a juice manufacturer, is a subsidiary of the Starbucks Corporation and opened in Rancho Cucamonga in 2013.

#### **EDU Credit – not supported**

CVWD classified Evolution Fresh as an Industrial User and Connection Fees were assessed based on individual components; the office area was assessed using Commercial fixture units, while the manufacturing area was assessed based on Sewer Flow, Biochemical Oxygen Demand, and Total Suspended Solids. IA reviewed the "Tenant Improvement Cost Sheet" dated January 23, 2013, which is the calculation worksheet prepared by the CVWD to determine total new fixture units and assess the Connection Fees. CVWD assessed 233.96 new EDUs, and a credit of 119.54926 EDUs was recorded, Evolution Fresh was responsible for payment of the remaining 114.41079 EDUs and Connection Fees were collected in the amount of \$561,642.57, as reported to IEUA in the BAR for February 2013.

IA requested supporting documentation for the credit applied of 119.54926 EDUs to validate that a credit was due. According to CVWD staff, the EDU credit was applied because the building had existing fixture units. CVWD staff indicated that the 2013 Connection Fees were assessed based on an "EDU survey"/physical inspection that determined the existing and new fixture units; however, *CVWD was not able to provide supporting documentation to validate that the credit applied was accurately applied.*

The following is an excerpt from the Tenant Improvement Cost Sheet:

**SEWER FEES BREAKDOWN**

**CAPITAL CAPACITY REIMBURSEMENT FEES:**

• COMMERCIAL USE

130.5 FIXTURE UNITS × 0.0741 SEWER FACTOR = 9.67005 Equivalent Dwelling Units [EDUs]

• INDUSTRIAL USE

SEWER FLOW: 50,000 gallons per day (largest average discharge based on calendar month average)

BOD: 500 mg/liter (largest average concentration based on calendar month average)

TSS: 115 mg/liter (largest average concentration based on calendar month average)

$50000 \text{ gpd} / 270 \text{ gpd} \times [0.37 + 0.31 \times (500 \text{ mg/L} / 230 \text{ mg/L}) + 0.32 \times (115 \text{ mg/L} / 220 \text{ mg/L})] =$  224.29 EDUs

• CAPITAL CAPACITY CREDIT

*The following paid and available Capital Capacity EDUs are to be applied to this Tenant Improvement project per the Building Owner's written permission submitted to the District, or by demolition of existing sewer drainage fixtures within Tenant space:*

EDU Credit: 119.54926 EDUs

• TOTAL EDUs (Ord. 32-C, Exhibit A)

114.41079 EDUs × \$4,909.00 PER EDU = \$561,642.57

Fixture Re-count

IA requested the building plans for Evolution Fresh to perform a fixture re-count. The purpose of the re-count was to verify the number of fixture units, validate the existing and new fixture units reported on the BAR and determine that the EDUs were accurately assessed and collected. The building plans provided for review were incomplete, therefore, auditors were not able to perform the re-count. According to CVWD staff, the plans have been misplaced. *Without the plumbing plans, IA cannot validate the accuracy of the fixture units reported to IEUA and the accuracy of the credit extended.*

**CVWD has not been able to provide evidence to support the credit of 119.54926 EDUs given to Evolution Fresh. Without supporting documentation it is questionable whether the credit was justified. Connection Fees associated with the credit applied total \$586,867.32 (119.54926 EDUs x \$4,909 per EDU = \$586,867.32).**

IA Discussion with Evolution Fresh

IA discussed the EDU purchase with the Program Director of Evolution Fresh. Accordingly, Evolution Fresh purchased a total of 222.03005 EDUs, 114.41079 were purchased directly from CVWD and 107.61926 were purchased at a "reduced price" from a third party, and a credit of 11.93 EDUs was granted for existing fixture units. Evolution Fresh's Program Director stated that his understanding of the third party purchase was an "intra-district transfer" from a customer physically located at a different

While there is no supporting documentation to support whether CVWD had knowledge or involvement in the transfer and/or “reduced” purchase, the cost sheet, signed by CVWD approves the credit of the EDUs, and the Plumbing Release, also signed by CVWD indicates that CVWD approved and issued the Plan Check release. Therefore, it appears CVWD had direct knowledge of the transaction. *It is our audit opinion that the “intra-district transfer” does not follow the Regional Contract guidelines and therefore, CVWD should not have approved it.*

***IEUA and CVWD should work together to determine the correct number of EDUs and determine if any Connection Fees are due to IEUA as required by the Regional Contract. Additionally, CVWD should ensure the Regional Contract requirements are followed for each transaction. Lastly, CVWD and IEUA should ensure the correct number of EDUs is accurately reported to each tributary area.***

#### **Public Service Facilities - Public Schools**

IA noted that construction and/or expansions have occurred and/or are planned in the near future that could result in new or additional fixture units at public schools (kindergarten-12<sup>th</sup> grade) in the CVWD service area. IA noted the following:

#### **Cucamonga School District: Los Amigos Elementary School**

CVWD did not collect Connection Fees for a new 14 classroom building at Los Amigos Elementary School. CVWDs records show Connection Fees of \$10,809 were collected for a Cafeteria/Multipurpose building that resulted in a net increase in fixture units, as reported to IEUA in the BAR for April 2012. However, there is no information to support that fees were collected for the 14 classroom building.

IA obtained the 2012 aerial photograph and 2013, 2014 and 2015 Google Earth pictures for Los Amigos Elementary School. The purpose was to determine if there had been any new construction and if there were any existing buildings that were demolished during this time.

IA’s review revealed that a building and several portable classrooms were once located near the location of the new building. With only the Google Earth pictures, it is not possible to determine the type and size of the building, along with the total number of previous existing fixture units. The observation indicates an existing building was demolished, therefore, a credit would be due for existing fixture units. (See the Internal Audit Department to request copies of the aerial photographs reviewed.)

Currently, CVWD does not have a process in place to identify and pursue PSF construction or expansions. With the plan check process going through the DSA and no coordination with the local jurisdiction, the District noted that they only collect fees from schools when they come through CVWD’s plan check process. Otherwise fees are not collected as required by the Regional Contract.

For comparative purposes, IA identified another elementary school in CVWD's service area that had construction of a new 14 classroom and restroom building. In 2010, Bear Gulch Elementary School (Central Elementary School District) was assessed Connection Fees in the amount of \$ 66,957.53 which were collected and reported in the BAR to IEUA for December 2010.

*IEUA should provide guidance and assistance to the CVWD to adopt a collaborative approach and foster a relationship with the various School Districts to ensure Connection Fees are charged and collected for any future planned projects with new construction or expansion.*

**Chaffey Joint Union High School District (CJUHSD):**  
**Alta Loma High School, Etiwanda High School & Rancho Cucamonga High School**

The audit identified future/on-going improvements at **three high schools** that fall within CVWD's service area as noted below. The CJUHSD's website notes that construction has begun with the demolition of existing facilities and/or grading of the site at both Etiwanda High School and Rancho Cucamonga High School, however, Connection Fees have not been collected/reported.

<b>Name of the High School</b>	<b>New Additions/Renovations <sup>(1)</sup></b>	<b>Month/Year Fees Collected</b>	<b>Amount Collected</b>
Alta Loma High School	Classroom wing/building, Gymnasium Expansion, and Athletic Field Complex	December 2014	\$ 42,792
Etiwanda High School	Classroom wing/building (approximately 98,000 square feet), Food Service building, Performing Arts Auditorium (800 seats), and Athletic Field Complex	<b>No fees collected to-date</b>	<b>0</b>
Rancho Cucamonga High School	New Auditorium Building (approximately 22,500 square feet, 800 seats) and Athletic Field Complex	<b>No fees collected to-date</b>	<b>0</b>

(1) = New additions that could potentially add new fixtures units to the campus.

According to CVWD staff, construction projects for public schools do not come through the regular plan check and permit process and include limited or no coordination with CVWD. In this case, the new construction planned at Alta Loma High School came through the plan check and permit process resulting in the collection of Connection Fees. However, at the time of writing this report, no information has come through the plan check and permit process for the other two high schools.

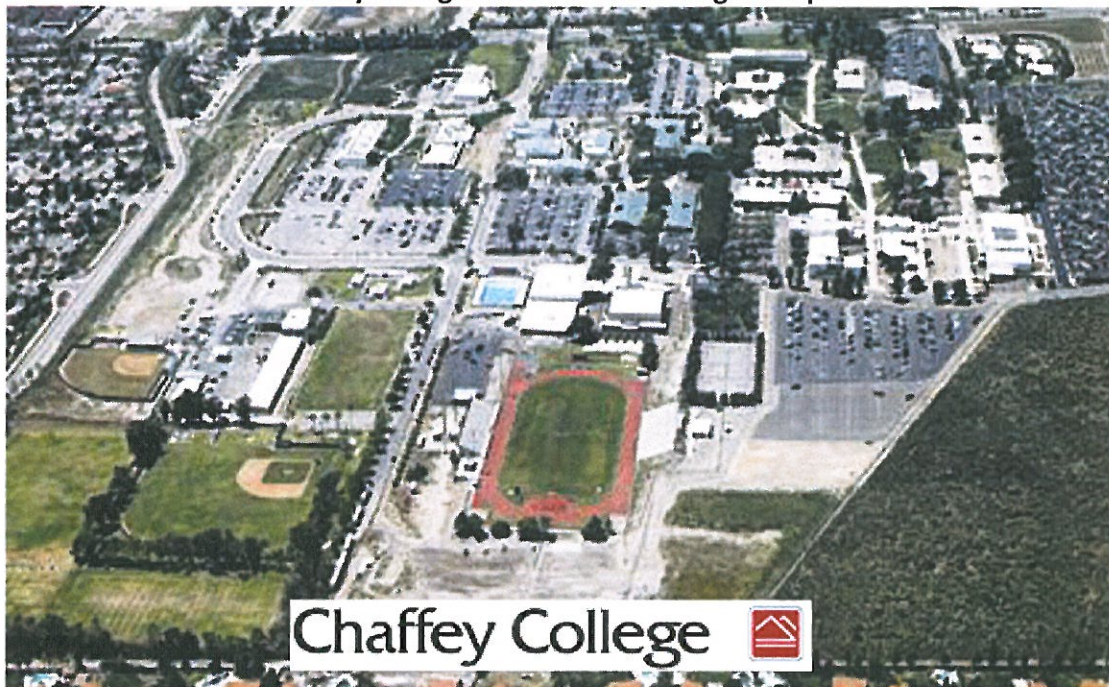
IA performed a physical observation of the high school sites and noted that construction is in progress. IA recommends that *IEUA and CVWD work together and collaborate with the school district to ensure Connection Fees are assessed and collected for projects in progress and any planned.*



### Chaffey College – Rancho Cucamonga Campus

Chaffey College, a two-year public Community College that offers various academic programs, moved to its current location in Rancho Cucamonga in 1960. The Chaffey Community College District has three campuses located in the cities of Chino, Fontana, and Rancho Cucamonga, all within IEUA's service area. The primary campus is the one located in the City of Rancho Cucamonga with at least 40 buildings.

Chaffey College - Rancho Cucamonga Campus



Based on IA's research, Chaffey College has added a total of **10 new buildings** and completed several renovations of existing buildings. The new buildings and modernization of existing buildings have resulted in new fixture units. See **Exhibit 1** for pictures of the new buildings added to the campus. The new buildings are listed on the following table.



**New Buildings at Chaffey College – Rancho Cucamonga Campus**

Name of the Building	Description	Building Size (square feet)	Year placed in Operation
<b>Chemistry<sup>(1)</sup></b>	Houses three general chemistry laboratories and an organic chemistry lab.	Unavailable	2007
<b>Beeks Laboratory<sup>(1)</sup></b>	Includes five laboratories and a herbarium.	Unavailable	2007
<b>De Lauriers Labs<sup>(1)</sup></b>	Includes three laboratories and space to house the zoological collections.	Unavailable	2007
<b>Zimmerman Hall<sup>(1)</sup></b>	Includes the Dean's office, faculty offices, two general purpose classrooms, and a science laboratory.	Unavailable	2007
<b>Don Berz Excellence Center</b>	Houses the Language Success Center, Multidisciplinary Success Center, Curriculum, and faculty offices.	8,770	2007
<b>Marie Kane Center for Student Services &amp; Administration</b>	A two-story building that provides the following services: admissions, assessment center, cashier, counseling, financial aid, transfer center, and administrative offices.	26,000	2007
<b>Center for the Arts – Visual and Performing Arts</b>	A three-story building that includes digital & analog media labs, photo studio, dance studio, post production lab, art studio, interior design lab, lecture rooms, and faculty offices.	32,641	2010
<b>Center for the Arts – Music and Choral</b>	A one-story music rehearsal building that includes both instrumental and choral rooms.	5,500	2010
<b>Sports Complex – Gymnasium</b>	Includes locker rooms and a snack bar.	22,000	2010
<b>Michael Alexander Campus Center</b>	<p>A new, larger, and more modernized two-story Campus Center that includes a student cafeteria, faculty dining room, health services, career services resource center, extended opportunity programs and services, and student government offices.</p> <p>This project included demolition of the existing Campus Center West building along with renovation of approximately 1,700 square feet of the existing Campus Center East building.</p>	16,400	2011

(1) = These buildings are known as the four Science buildings or Science Complex.

CVWD's staff indicated they attempted to collect Connection Fees from Chaffey College for the new buildings; however, the Chaffey Community College District chose not to comply and did not pay any Connection Fees for the new buildings. CVWD staff indicated that they become aware of new construction or expansions by PSF's only if the customer comes through the plan check and permit process. Currently, CVWD does not have a process in place to identify PSF construction or expansions. Since the plan check and permitting process goes through the DSA and does not include the local jurisdiction, CVWD noted they have a difficult time assessing and collecting Connection Fees. Therefore, these result in **non-collection of Connection Fees and noncompliance with the Regional Contract.**

The Regional Contract has several clauses that require the Contracting Agency to collect from customers for new EDUs. See **Exhibit 2** for a summary of the most relevant clauses.

#### Aerial Photograph Observations of Chaffey College

IA obtained aerial photographs for Chaffey College from 2004 through 2012 and the most recent campus map. The purpose was to determine the nature of the site for the new buildings and examine whether any original buildings existed prior to the construction of the new buildings and gymnasium. Based on IA's review of the aerial photographs, it appears that sites for the nine new buildings were previously parking lots, landscaping, or tennis courts. For the tenth building, it appears that the existing building was demolished to make room for a new larger Campus Center; however, from the aerial photograph, it is not possible to determine the size of the building and the total number of previously existing fixture units, or type of building.

Aerial photographs of Chaffey College in 2004, 2008, 2012 and a most recent one taken from Chaffey College's website on January 15, 2015 are included as attachments, See **Exhibit 3**. IA obtained a current 2015 map of the campus that shows all the buildings have been completed and are being utilized for classroom lectures, science laboratories and experiments, and providing activities and services to students.

#### IA Physical Observation at Chaffey College

IA performed a physical observation of the Rancho Cucamonga Campus and noted that the 10 new buildings are operational. Auditors were not able to access all buildings to perform an accurate fixture count; therefore, **it is not possible to quantify the estimated Connection Fees that were not collected.**

#### Comparative Information:

Chaffey College has two other locations in IEUA's service area, one in the City of Chino and another in the City of Fontana, and each of those campuses had recent construction projects and noted the following:

Contracting Agency	Location	Year Place in Operation	Minimum Estimated Connection Fees	Connection Fees Collected
CVWD	Chaffey College Rancho Cucamonga Campus (10 buildings, see prior table for details and description)	Various since 2007	Unable to estimate	\$ 0
City of Chino	Chaffey College Chino Campus (3 Buildings: Main Instructional, Health Sciences, and Community Center )	2008	\$ 55,000	\$ 0
City of Fontana	Chaffey College Fontana Campus (Academic Center, two-story and approximately 30,000 square feet)	2011	N/A	\$ 52,845

**IA Recommendation:**

- 1. IEUA and CVWD should work with Chaffey College to determine the number of fixture units at the Chaffey College – Rancho Cucamonga Campus, any applicable credit can be applied for the previously existing Campus Center, and if any Connection Fees are due to IEUA as required by the Regional Contract.**
- 2. In connection with a renegotiation of the Regional Contract, IEUA and the Contracting Agencies should consider the impact of eliminating the requirement for collecting Connection Fees and monthly sewerage charges from Public Service Facilities. As documented under the audit report “Comparison of the Regional Sewerage Service Contract and Program with similar contracts and programs”, IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public schools and City governments from these charges.**

**Quality Control Review Process**

The District has established an internal review process as an additional check to determine the appropriate collection and remittance of Connection Fees to IEUA. The staff members that participate in the review process have knowledge of the regional sewer collection system and pretreatment standards and regulations. One staff member will perform the plan check and complete the “Sewer Drainage Fixture Count” worksheet. Then, another staff member performs the review process, which includes re-reviewing the plumbing plans to ensure all fixtures have been captured, verifying the correct sewage factor is selected in accordance with Exhibit J of the Regional Contract and the appropriate IEUA Board-approved rate is applied. This review process is performed before a final sign-off is provided on the “Sewer Drainage Fixture Count”

worksheet and collection of any fees. The intent of performing this process before any fees are collected is an additional quality control review process and services as a tool to provide greater oversight to ensure contract compliance and reporting requirements are met in accordance with Exhibit J of the Regional Contract.

#### **Plumbing Plans – Fixture Unit Recount**

IA reviewed the plumbing plans for a total of five of the originally selected 40 commercial businesses and eight PSF's to ascertain the accuracy of the fixture count and the application of the required fees. The recount was performed by the District's Development Services staff and witnessed/verified by IA. The results of the recount were agreed upon by both parties.

No issues were noted for four of the five plumbing plans. The only issue noted was for the lack of documentation of the credit provided to Evolution Fresh. See discussion earlier in the report.

#### **Volumetric Sewerage Fees**

The Regional Contract delegates the details of determining monthly sewerage billing to the Regional Technical Committee. The most recent information about monthly sewerage billing is from a memorandum entitled "Procedures for Establishing a Regional Sewer Billing Formula", which was adopted by the Regional Technical Committee for monthly/bimonthly billing processes in 1997. For IEUA sewerage billing purposes, EDUs are calculated in accordance with 1997 memorandum.

#### **Reporting EDUs to IEUA**

The Regional Contract requires that all Contracting Agencies report monthly Volumetric EDUs to IEUA. The Regional Contract does not provide specific guidelines on the methodology that should be applied to report Volumetric Fees; only to report them to IEUA. CVWD reports monthly EDUs based on **Sewer Services Fees (revenues) collected from customers**. The other Contracting Agencies reviewed to date (Montclair, Upland, Chino, and Fontana) report monthly EDUs to IEUA based on the amount billed. Because CVWD applies a different methodology to report IEUA's Sewer Service Fees, there is no consistency, among the Contracting Agencies, in reporting the Volumetric Sewerage Fees. *As part of renegotiating the Regional Contract, IEUA should determine the best methodology for reporting Volumetric Sewer Services fees.*

#### **Billing Testwork**

IA selected for further testing and review, the following items: 40 commercial businesses; eight PSF customers, and various City facilities. IA tested all items to determine whether sewer billing is occurring, and to ensure the appropriate business categories and rates from Exhibit J are applied.

Based on IAs review, it appears that in most instances, CVWD applies the correct categories and rates. However, this review identified several instances where sewer services are not billed or billed incorrectly therefore; CVWD does not report the correct EDUs nor remits the appropriate fees. IA noted the following:

1. For nine customers, Sewer billing information could not be identified. At the time of writing this report, IA did not receive confirmation from the CVWD's Finance Division to support the fees and EDUs related to the businesses in question are reported to IEUA. Therefore, without supporting information, it appears that the EDUs corresponding to the following entities are not reported to IEUA, nor are Sewer Service Fees paid for sewer services.

Red Ribbon Bakeshop	11098 Foothill Blvd #100
U.S. Milk Corp.	10633 Seventh
The Art of Shaving	7843 Kew Avenue
Hair A Juku Salon	12455 Victoria Gardens Ln # 140
Buffalo Wings & Rings	12375 Baseline Road
Sixty6 Sports Lounge and The Wine Tailor Tasting	8916 E. Foothill Blvd.
Brio Tuscan Grille	12370 South Main Street
DR Horton Pacific Trails Multifamily	8724 E. Foothill Blvd.

*CVWD should review the Utility Billing system from time to time to verify that all the active sewer accounts have been captured and billing is in alignment with those receiving the sewer services. Additionally, the CVWD should ensure that any residential or commercial properties connected the Sewer System are included in the reporting of EDU's to IEUA as part of the Volumetric Sewerage Fees according to the requirements of the Regional Contract.*

**CVWD staff indicated they will research the instances noted and will implement corrective actions necessary and notify IA.**

2. For six customers, IA identified other issues. The following issues were noted in connection with IEUA's Sewer Service fees:
  - a. Fees billed and collected were based on one EDU, instead of water usage as is the method applied by the other Contracting Agencies (see columns A and B),

CVWD's practice is to assess sewer service fees based on actual water usage. When water consumption results in less than one EDU, CVWD will bill for one full EDU per month (two EDUs per bimonthly billing cycle). CVWD's rationale is that no business should pay less than the equivalent amount billed to a residential customer.



- b. Rate used to bill and collect the fee is not in accordance with IEUA's approved volumetric rate, the rate applied was lower and appears to be an old rate (see columns C and E),

For the six commercial businesses listed below, CVWD assessed a rate of \$22.28 for bimonthly services on behalf of IEUA for the billing cycle reviewed, instead of \$26.78, creating an underpayment to IEUA of \$4.50 for each account.

**CVWD confirmed the correct IEUA Volumetric Rate was updated and applied during the rate update and review process in Fiscal Year 2014/2015. IA is unable to determine the length of time or the number of accounts that had the incorrect Volumetric Rate applied; however, CVWD noted all fees collected are reported to IEUA and the most recent billed amounts support the correct IEUA Board-approved rate was billed and applied.**

- c. EDUs are over-reported monthly because revenue collected by the District is converted to EDUs (see columns B, D, and F).

The differences impact total EDUs reported to IEUA on a monthly basis because CVWD calculates total EDUs based on the total revenue collected. Therefore, if the fees billed were based on one EDU per month instead of water usage, then the fees have been over-billed and over-collected. Sewer Service Fees and EDUs have also been over-reported to IEUA. See the table for further detail:

Business Name	Address	Methodology consistent with other Contracting Agencies		Erroneously billed and reported by CVWD		Audited Calculation based on IEUA Board approved rate	
		Estimated IEUA's Sewer Service fees based on water consumption (A)	Number of EDUs based on water consumption <sup>(1)</sup> (B)	Fees billed and collected by CVWD (C)	Number of EDUs based on Fees billed and collected (D)	IEUA Volumetric Rate for FY 13/14 (E)	Number of EDUs based on EDU rate for FY 13/14 (F)
Foothill Fuel	8919 Foothill Blv.	\$ 15.35	0.57 EDU	\$ 22.28	0.83 EDU	\$ 26.78	1 EDU
Carbon Plus React Corp.	8740 White Oak	\$ 2.92	0.11 EDU	\$ 22.28	0.83 EDU	\$ 26.78	1 EDU
DCT Industrial	9089 Eighth St	\$ 21.45	0.80 EDU	\$ 22.28	0.83 EDU	\$ 26.78	1 EDU
Trident Cases	9076 Hyssop Dr	\$ 20.47	0.76 EDU	\$ 22.28	0.83 EDU	\$ 26.78	1 EDU
Total Wine & More	8201 Day Creek	\$ 20.47	0.76 EDU	\$ 22.28	0.83 EDU	\$ 26.78	1 EDU
CCIC North American Inc.	8835 Haven Ave	\$ 18.52	0.69 EDU	\$ 22.28	0.83 EDU	\$ 26.78	1 EDU
			3.69 EDUs		4.98 EDUs		6 EDUs

(1) = Calculated using IEUA's fees based on water consumption divided by the IEUA Volumetric rate in effect for FY 13/14. For example, \$15.35 / \$26.78 = 0.57s EDU for the bi-monthly billing cycle.

*As an added control, CVWD should periodically review and verify the accounts in the Utility Billing System are being assessed the correct Sewer Service Fees and ensure the appropriate EDUs and fees are reported to IEUA.*

3. The billing formulas are based on the memorandum entitled "Procedures for Establishing a Regional Sewer Billing Formula" that was apparently adopted by the Regional Technical Committee in 1997. The formulas are divided into Residential, Commercial and Industrial categories and the Commercial categories are further divided into 8 Commercial categories and an additional category for schools. Category 8 includes: "Restaurant – full service; Restaurant – Fast food; Market w/ grinder; and Bakery".

*IA notes that the inclusion of both full service and fast food restaurants in the same classification contradicts the guidance provided for initial Connection Fees where full-service restaurants are charged a significantly higher sewage factor to connect than are fast food restaurants. In general, full service restaurant(s) would probably pay higher sewer service fees due to higher water consumption as part of their business operations even though the sewer rate factor is the same for both fast food and full service restaurants. As part of renegotiating the Regional Contract, IEUA and the Contracting Agencies should evaluate and consider the relationship between monthly Sewer Service Fees and Connection Fees and determine the need to create a correlation between the two.*

*IA notes that documentation approving and mandating the billing methodology is not available. Any revision should be presented to the IEUA Board of Directors and formally adopted, based upon the recommendation of the Regional Technical Committee.*

**Total Sewer Service Fee Billings/Revenue**

IA compared the Sewer Billing Revenues recorded by IEUA for agreement to the CVWD's general ledger information to determine if all sewer related collections/billings by the District are paid to (or "passed-through") and reported to IEUA.

IA noted the following variances between the Contracting Agency's general ledger revenues and the revenues recognized by IEUA that are based upon Monthly Sewer Billing Reports submitted to IEUA:

IEUA Revenue compared to CVWD Revenue			
Fiscal Year	Sewer Utility Revenue ending balance from IEUA Financial System: CVWD	Sewer Utility Revenue ending balance from CVWD	Variance
2012/13	\$ 9,532,767	\$ 9,811,575	\$ 278,808
2013/14	\$ 10,288,244	\$ 10,617,398	\$ 329,154

Per CVWD staff, the Sewer Revenue in the District's general ledger is higher than amount reported to IEUA because revenues include sewer service fees that have been billed and not yet collected along with fees that have been accrued but not yet billed and collected from customers. Currently, CVWD is the only Contracting Agency that reports IEUA's sewer service fees based on the amount collected, not the amount billed. All other Contracting Agencies reviewed, report Sewer Revenue to IEUA based on the amount billed regardless of whether they collect the fees because the services have been rendered. This treatment creates a difference in the amount of revenue that has been recorded between CVWD and IEUA.

Additionally, IA noted the following variance between the Contracting Agency's general ledger expenses and the revenues recognized by IEUA that are based upon Monthly Sewer Billing Reports submitted to IEUA:

IEUA Revenue compared to CVWD Expense			
Fiscal Year	Sewer Utility Revenue ending balance from IEUA SAP for CVWD	Sewer Utility Expense ending balance per CVWD	Balance Variance over/(under) paid to IEUA
2012/13	\$ 9,532,767	\$ 9,583,680	\$ 50,913
2013/14	\$ 10,288,244	\$ 10,164,688	\$ 123,556

The variance identified above is due to the accrual of unbilled Sewer Utility Expense by IEUA and does not impact the fees paid to IEUA. According to CVWD, IEUA is always paid for Sewer Service Fees that have been collected.

#### **Extra-Territorial Fees**

CVWD does not have any Extra-Territorial (ET) areas, which are areas receiving sewer services and fall outside of IEUA's boundaries lines per the Regional Contract. The District has some unincorporated areas to the northern portion of the City of Rancho Cucamonga that are within the Contracting's Agency sphere of influence, which require approval into IEUA's service area.

#### **CCRA Reconciliation**

IA verified the CCRA account balance recorded in IEUA's records and its Comprehensive Annual Financial Report (CAFR) agree to the Contracting Agency's CAFR at June 30, 2013 and June 30, 2014.

Fiscal Year	CVWD CAFR	IEUA CAFR	Variance
2012/13	\$ 6,929,681	\$ 6,929,682	\$ 1
2013/14	\$8,831,382	\$ 8,831,383	\$ 1

### **Timeliness Testing**

IA tested the timeliness for remittance of the Sewer Service fees (Monthly Volumetric EDU fees) collected by the Contracting Agency and due to IEUA's Fiscal Management and the Building Activity Reports submitted to IEUA's Planning and Environmental Compliance Department for 18 months, covering period July 2012 to December 2013 and noted that they are remitted to IEUA on a timely basis.

### **Internal Audit Recommendations**

Through this evaluation, IA noted observations and recommendations to strengthen administrative, accounting, recording, and reporting controls to ensure the intent of the Regional Contract is achieved. The recommendations can be applied to all Contracting Agencies, as part of an amendment and/or as part of the Regional Contract review and renegotiation process in order to ensure all Regional Contracting Agencies apply and administer the Regional Contract in a similar and consistent manner. IA's recommendations are for IEUA's Executive Management to consider.

#### ***Recommendations relating to Connection Fees:***

***As part of the review and renegotiation of the Regional Contract, IEUA and the Contracting Agencies should consider:***

- 1. In addition to the regular meetings of the Regional Technical and Regional Policy Committees, IEUA has already begun to provide ad-hoc meetings and training as needed for things such as the updated excel Building Activity Report and the Exhibit J subcommittee. IA noted that great variability and understanding of IEUA, the Regional Contract and Exhibit J exists amongst Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing. In order to develop greater consistency and uniformity throughout the region, IEUA should consider taking the lead in holding quarterly or more regular workshops, meetings, plant tours and similar activities as an avenue where Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing and/or others as well can discuss and ask questions about the application of the Regional Contract and Program. The workshops would provide a forum to discuss questions about category types to apply, definitions, other questionable items and individual situations, and foster cooperation and collaboration among all. One Contracting Agency may encounter certain questions or situations that could apply to other Contracting Agencies. Frequent and on-going dialogue about the application of the Regional Contract would benefit all Contracting Agencies and the Regional Program to ensure consistent application of the Regional Contract and that issues are addressed on a timely basis.***
- 2. The exclusion of Public Service Facilities from the charge for Connection Fees and Monthly Sewerage Charges. As documented under the audit***

*report "Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs", IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public K – 14 schools and City governments from both Connection Fees and Monthly Sewerage Charges.*

- 3. Adding language in the Regional Contract regarding recourse for non-collection and over/under collection of Initial Connection Fees.*
- 4. The inclusion of the initial connection calculation worksheets for all nonresidential entities with monthly Building Activity Reports as additional support for the connections reported and the Connection Fees collected. This would provide IEUA staff greater visibility and documented support for the application of the category types and the fixture counts, particularly in instances where credits are given (such as Evolution Fresh). IEUA staff would have the necessary information to contact the Contracting Agency if any questions or discrepancies are noted at the time that connections are reported rather than identifying these later on.*
- 5. Additional clarification and descriptive information for the various types of appliances, appurtenances and/or fixtures in the descriptions included in Exhibit J. Examples include: defining the nature of an emergency drain, and classification of a fire hub drain, and any other types of appliances, appurtenances and/or fixtures that may be unique in nature and structure. The review revealed differences in interpretation.*
- 6. IEUA and the Contracting Agencies agreeing to establish, as part of the permitting and plan check process, the requirement of having an IEUA representative provide a final sign-off and approval, prior to the Contracting Agency issuing a permit to a nonresidential entity and allowing a connection to the system. This added approval step would ensure that IEUA is in agreement with the interpretation of the Contract and that the appropriate category type and sewage factor have been applied so that the correct Connection Fees are assessed and collected.*
- 7. A two tier process of determining Connection Fees as part of Exhibit J that distinguishes between common features that are part of any commercial facility such as restroom toilets and sinks and those features that are unique to a specific site, such as a fire hub drain or various types of sinks and low flow items, etc. This would create consistency in the treatment of same-type and same-use fixture units.*
- 8. Clarifying language describing the criteria for being classified a "Floor Drain, Emergency" in Exhibit J. CVWD does not charge for a "Floor Drain" in restrooms because California State Plumbing code considers all drains*



***as “Emergency” and charged zero Fixture Units whereas other Contracting Agencies charge two Fixture Units for floor drains under the general “Floor Drain” category.***

IEUA sewerage revenue from the seven Regional Contracting Agencies totaled over \$39 million for the 2012/2013 fiscal year, yet IEUA relies entirely on one-page self-reported monthly EDU counts from the Contracting Agencies to generate invoices for these revenues with no significant oversight or reconciliation. Once these self-reported EDU totals are provided to IEUA (generally approximately 15 days after the end of the month), IEUA generates invoices that are mailed to each of the Contracting Agencies. The Contracting Agencies then have 45 days to remit their payments. The following recommendations are intended to improve and make this process more efficient:

***Recommendations relating to Sewer Service Fees:***

***As part of the review and renegotiation of the Regional Contract IEUA and the Contracting Agencies should:***

- 9. Establishing the collection of the monthly Sewer Service Fees (Volumetric Fees) directly for the entire region through the County’s Property Tax Roll. Collection of the Sewer Service Fees through the property tax roll could result in a more efficient process and reduce the administrative resources used by Contracting Agencies in billing and collecting for these fees. Residential properties could be transferred initially until consideration is given to ways in which and whether to transition fees from commercial, industrial and other entities.***
- 10. Evaluate and consider the relationship between monthly Sewer Service Fees and Connection Fees and determine the need to create a correlation between the two. For example, fast-food restaurants and full-service restaurants are both included in Category 8 for monthly sewerage billing purposes and pay at the same rate. However, for purposes of Connection Fees fast-food restaurants are grouped with office, retail and similar uses (which are Category 1 for monthly sewerage billing). Therefore, fast-food restaurants incur lower Initial Connection Fees, but pay monthly Sewer Service Fees at the higher rates charged to full-service restaurants.***
- 11. Ensuring all current customers receiving sewer services are reported on the Monthly Volumetric report and the appropriate rates are paid to IEUA according to the Regional Contract. The review identified businesses that are not reported and fees not paid to IEUA for services provided by IEUA as well as commercial businesses assessed for fees based on one EDU that discharge or consume less than one EDU of water usage.***
- 12. Adding language to the Regional Contract regarding IEUA’s inspection and verification rights as to the monthly sewerage fees and the recourse IEUA***

*has when IEUA believes a Contracting Agency has under-collected and/or under-reported such fees.*

- 13. Standardizing and providing automated and itemized listing of non-residential monthly sewerage charges would provide information that could be reviewed and researched for anomalies and reconciled on a regular basis.*
- 14. Consider and determine the most appropriate methodology for billing commercial businesses who do not consume or discharge a minimum of one EDU. Currently, two member agencies bill a minimum base of one EDU determined by water consumption under the rationale that no business should pay less than the amount charged to a single family residence; while all others bill based on actual consumption. Provide contracting agencies' clear guidance, in the Regional Contract, as to the most appropriate methodology to ensure all contracting agencies' bill commercial customers in a consistent and uniform method.*
- 15. Evaluating the current process used for invoicing each Contracting Agency for monthly sewer fees collected. By establishing a contract for monthly payment rather than relying on invoices, each Contracting Agency could provide the EDU information and remit the funds collected to IEUA directly within a reasonable period of time. This contrasts with the current approach whereby Contracting Agencies provide EDU information and then wait for an invoice from IEUA before payment thereby delaying payment for up to 45 days. By reengineering the process, IEUA would receive the monthly sewer fees in a more efficient and timely manner.*

Although this is not a financial audit, and IA makes no recommendations to the CVWD, the following are suggested recommendations for the CVWD's consideration.

*IEUA and CVWD should work together:*

- 16. With Evolution Fresh to determine if the pre-existing credit for the existing EDUs are warranted, or if any additional Connection Fees are due to IEUA as required by the Regional Contract.*
- 17. With the School Districts and Chaffey College to determine and collect any additional connection fees that are due to IEUA as required by the Regional Contract.*
- 18. Implement additional controls and review the Utility Billing system from time to time to ensure all utility accounts are captured, all business types are assessed the correct category and rates, and ensure the appropriate EDUs and fees are reported to IEUA.*

### **Acknowledgements**

We would like to extend our appreciation to the CVWD and the IEUA Planning and Environmental Compliance Department for their cooperation and assistance during this review.

### **Discussions with the Cucamonga Valley Water District**

During the course of the audit and prior to finalizing this report, IA discussed the observations and recommendations noted in this report with Mr. Shawn Perumean, Development Services Supervisor and Mr. Chad Brantley, Finance Officer of CVWD, their comments have been incorporated where provided.

### **Discussions with IEUA's Planning and Environmental Compliance Department**

IA has met with Planning to discuss the contents and provide a copy of this report to Chris Berch, Executive Manager of Engineering/Assistant General Manager, Sylvie Lee, Manager of Planning and Environmental Compliance, Andy Campbell, Deputy Manager of Planning and Environmental Compliance, Craig Proctor, Pretreatment and Source Control Supervisor, Pietro Cambiaso, Senior Engineer, and Kenneth Tam, Environmental Compliance Officer of the IEUA's Planning and Environmental Compliance Department prior to finalizing this report, for their review and comments.

### **Action Items**

IA will submit a separate report for each of the seven Contracting Agencies as each review is completed. At the conclusion of the audit of all seven Contracting Agencies, IA will provide a comprehensive report summarizing all the identified observations and recommendations and any additional observations and recommendations identified throughout this process. IA anticipates finalizing the seven audit reports and the comprehensive report by June of 2015; in the meantime the recommendations provided in this report should be evaluated and considered at this time.



**Exhibit 1**  
**CHAFFEY COLLEGE**  
**Science Buildings**



**Chemistry Building**

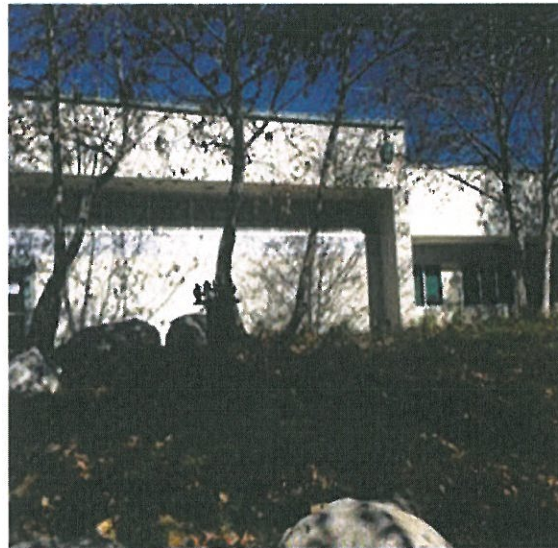
(Note: No restrooms in this building, only  
Science laboratories)



**Beeks Laboratory**

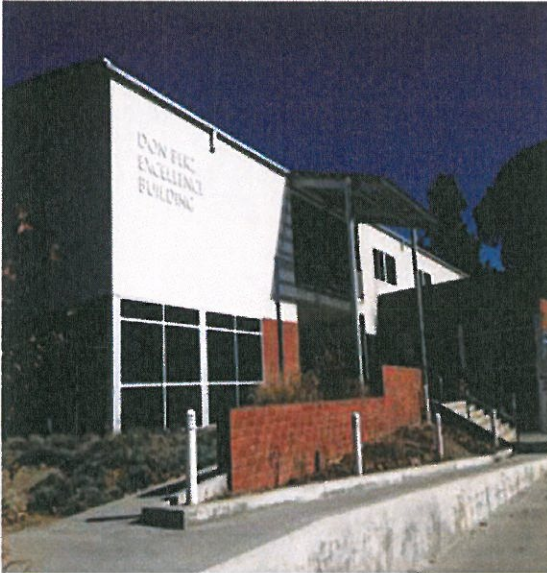


**De Lauriers Labs**



**Zimmerman Hall**

**Exhibit 1 – continued**  
**CHAFFEY COLLEGE**  
**Additional Buildings**



**Don Berz Excellence building**



**Marie Kane Center for Student Services  
& Administration building**



**Center for the Arts – Visual and Performing Arts**



**Exhibit 1 – continued**  
**CHAFFEY COLLEGE**  
**Additional Buildings**



**Michael Alexander Campus Center**



**Aerial Photo of the new Sports Complex**



**Interior view of the new Gymnasium**

**Exhibit 2**  
**Relevant Regional Contract Clauses**

Chino Basin Regional Sewage Service Contract and Exhibit J

The Chino Basin Regional Sewage Contract, Section 12.C (page 49) states:

"...the Contracting Agency shall deposit or credit its Capital Capacity Reimbursement Account a Capital Capacity reimbursement Payment for each new Residential Unit which was or is connected to its Community Sewer System within that territory subsequent to July 1, 1979 and for each newly constructed Commercial Unit or Industrial Unit which was or is connected to the Community Sewer System within that territory subsequent to January 1, 1980, the amount of which shall be determined as provided in subpart 2 of part E of Section 9 hereof."

Exhibit "J" of the Regional Contract, under Notes, Section B, Reimbursement Fees to be levied on Pre-1979 Structures Connecting to the Regional system, states:

"The CCRA fees will apply to all commercial and industrial development regardless of when the structure was constructed. When a non-residential use requests to connect to the regional system or modify its use if already connected, the CCRA fee should be based on the current fee in effect at the time the connection or modified use is made."

Exhibit "J" of the Regional Contract, under Notes, Section C, Reimbursement Fees to be Levied on Existing System Users Who Expand or Revise Use, states:

"In some situations existing commercial and industrial users will expand uses to meet increasing demands. As a result, additional fixture units will usually be included within the expanded facility. Under these situations the following criteria will apply:

- a. CCRA fees will only be levied on the fixture unit (FU) count difference between existing FU's and new FU's.
- b. The CCRA fee will be determined based on the fee in effect at the time of the building or sewer permit issuance for the expanding development.
- c. A change in use, placing a commercial development in a different Exhibit "J" category will not result in the recalculation of CCRA obligation for the existing FU's. Only the new added FU's will be levied CCRA fees based on the Exhibit "J" category which best defines the proposed use."

**Exhibit 2 – continued**  
**Relevant Regional Contract Clauses**

Exhibit "J" of the Regional Contract, under Notes, Section E, Attachment of Sewer Use Rights; Tied to Property or Structure, states:

"Under certain situations an existing discharger may want to relocate or renovate a business. The issue may then arise as to ownership of certain existing discharge rights in the regional system.

All sewer capacity remains with the existing building and should be sold to the building owners rather than tenants.

In cases where an existing building is completely demolished, the transfer or reuse of capacity rights can be permitted provided that:

- a. Proof of building demolition can be documented;
- b. Payment for original system capacity can be documented;
- c. The demolition occurs simultaneously with the transfer; and
- d. The transfer occurs within the Contracting Agency who originally sold the capacity.

Capacity rights would be determined based on fixture unit counts and the Exhibit "J" use category of the demolished structure. Because local collection systems may also be impacted by a relocation, this exception shall be at the sole discretion of the contracting agency who is accepting the relocated capacity.

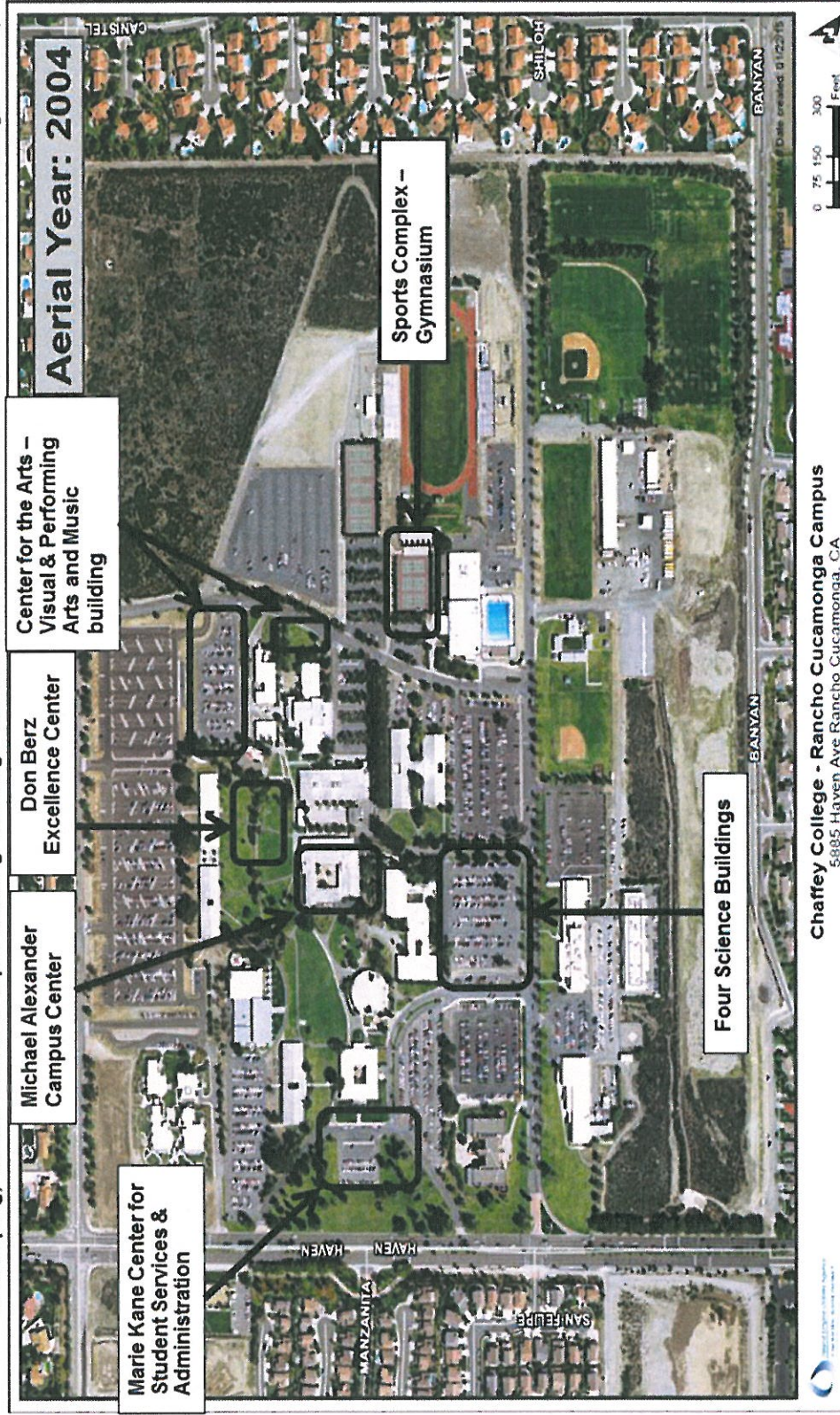
Any additional EDUs required shall be purchased per Note C of this Exhibit."



Exhibit 3

2004 Aerial Photograph of the Chaffey College – Rancho Cucamonga Campus

This is an aerial photograph before construction began. Proposed sites for the new buildings were previously parking lots, landscaping, tennis courts or a pre-existing building. Circled areas are the current location for the new buildings.



Chaffey College - Rancho Cucamonga Campus  
5885 Haven Ave Rancho Cucamonga, CA



Exhibit 3 - continued

2008 Aerial Photograph of the Chaffey College – Rancho Cucamonga Campus

This aerial photograph shows the six buildings completed, two buildings in progress, and the future site for two buildings.





**Exhibit 3 - continued**  
**2012 Aerial Photograph of the Chaffey College – Rancho Cucamonga Campus**  
This aerial photograph shows that all ten new buildings are complete.

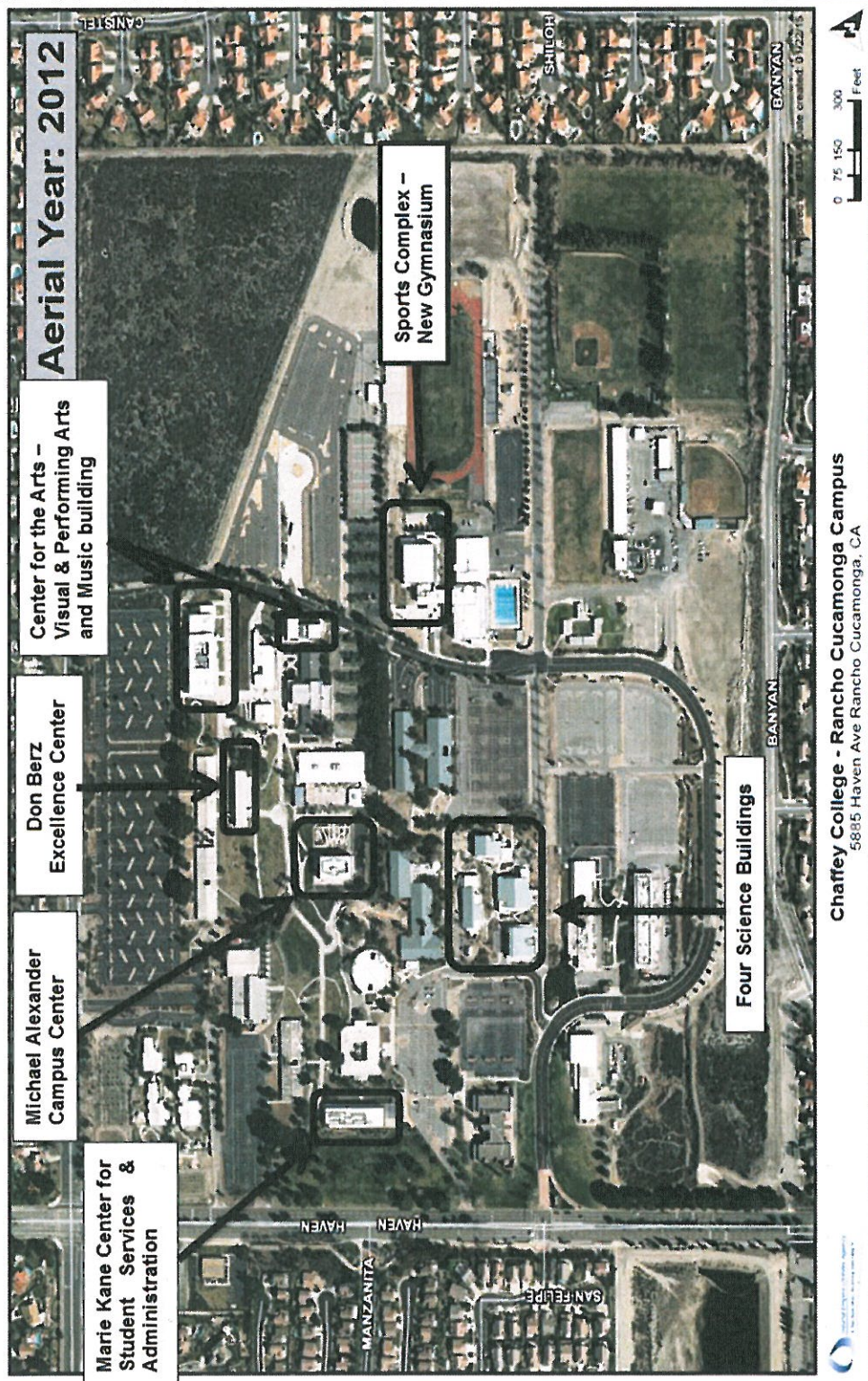
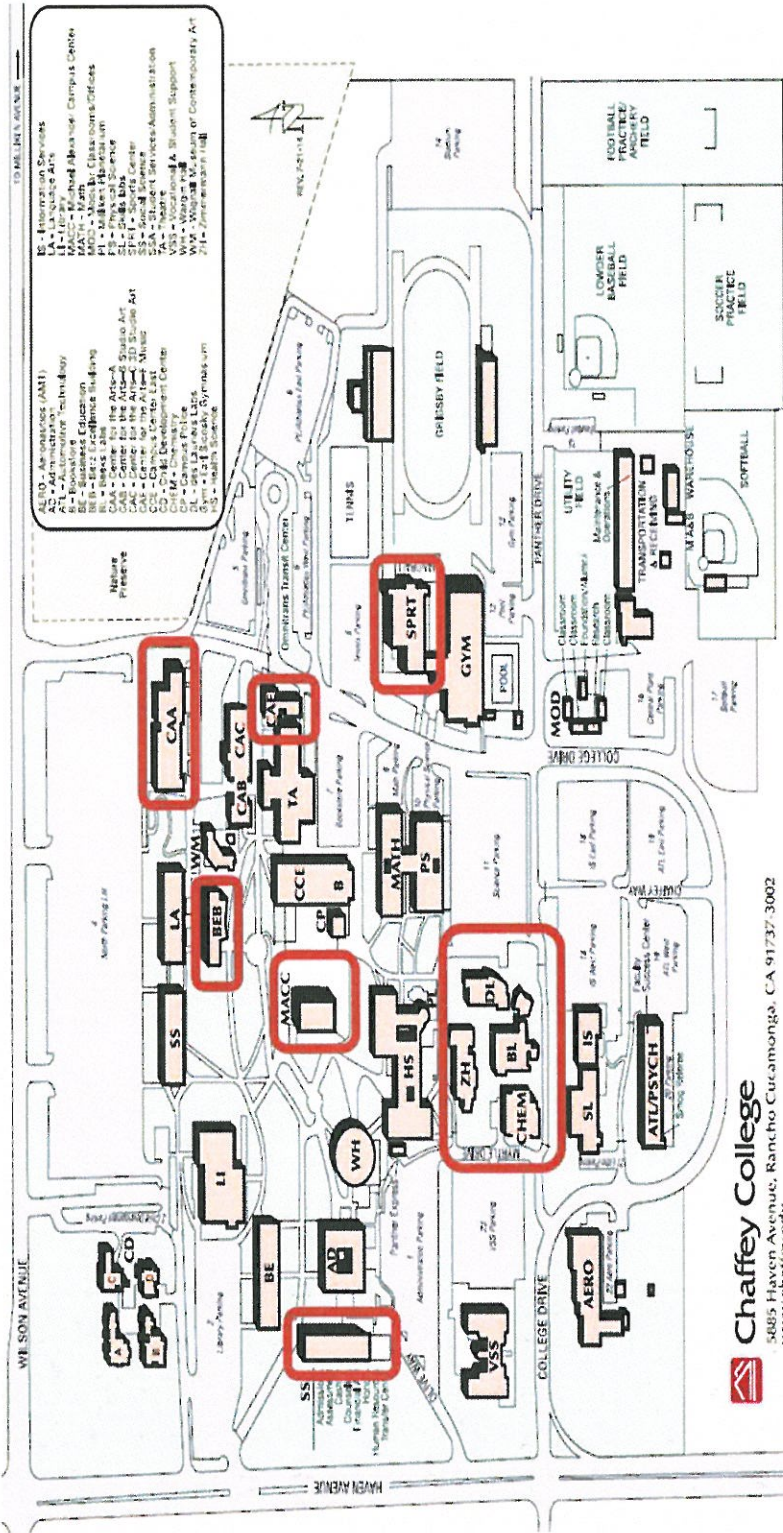




Exhibit 3 - continued

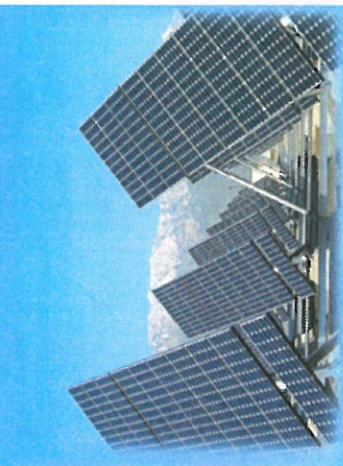
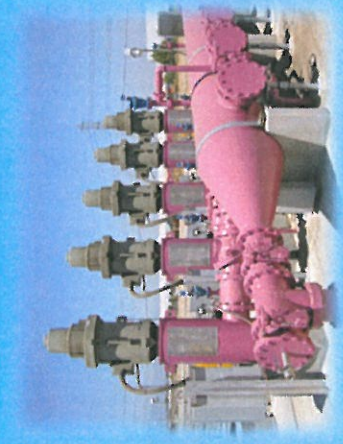
2015 (current) Map of the Chaffey College – Rancho Cucamonga Campus  
 This map was obtained from the College's website and shows all the buildings and facilities at this campus, which is consistent with our review of the 2012 aerial photograph. Circled items identify the location of the new buildings.





# Regional Contract Review Interim Audit Report

## Cucamonga Valley Water District



*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT

Internal Audit Department



# Regional Contract Review Interim Audit Reports

## Objective/Purpose:

- Regional Contract implementation
- Regional Contract renegotiation

## Approach:

- Physical observations
- Business license reports
- Planning and Environmental Compliance Department
- Building Activity Reports (BAR)

# Regional Contract Review Interim Audit Reports

- **Internal Audit (IA) has provided 23 recommendations for IEUA management to consider on a going-forward basis, and in renegotiating and/or reconsidering the Regional Contract.**
- **IA has provided recommendations for IEUA to work with CVWD to improve processes, record-keeping and controls.**



# Cucamonga Valley Water District

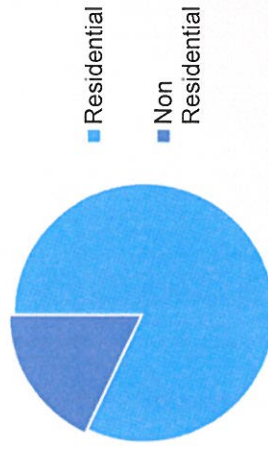
**Cucamonga Valley Water District  
Connection Fees**

Fiscal Year	EDUs	Fees collected
2012/13	826.0299	\$ 4,054,981
2013/14	381.5635	\$ 1,901,701

**Cucamonga Valley Water District  
Sewer Service Fees**

Fiscal Year	EDUs	Fees
2012/13	769,392.01	\$ 9,532,767
2013/14	768,352.79	\$ 10,288,244

Approximately 82% Residential  
 Approximately 18% Non-residential



# Regional Contract Review

# PUBLIC SERVICE FACILITIES



# Regional Contract Review Summary of Public Service Facilities

## Public Schools

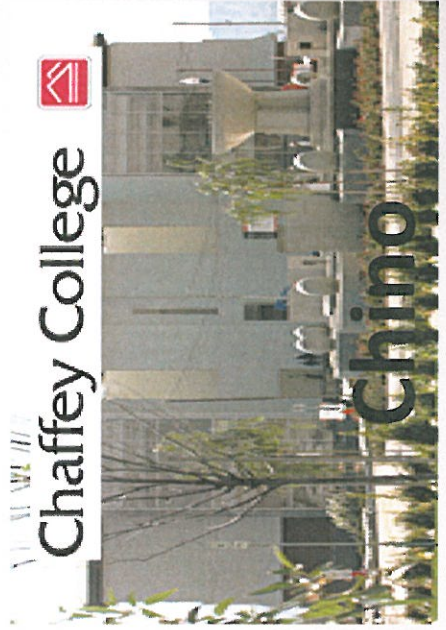
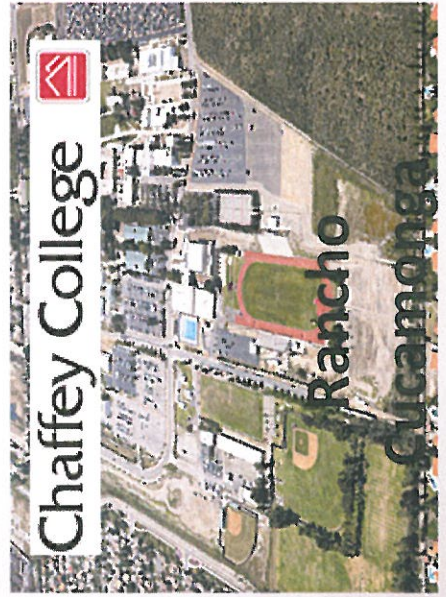
School Name	Type of Construction or Renovation	Date placed in operation	Estimated Connection Fees Not Paid
Los Amigos Elementary School	New 14-classroom building and bathroom	2013	Cannot be determined. A similar school paid \$67K in 2010 for similar construction.
Etiwanda High School	New Classroom wing/building (approximately 98,000 square feet), New Food Service building, New Performing Arts Auditorium (800 seats), and New Athletic Field Complex	In progress	Unable to estimate without a full physical observation and count of fixture units.
Rancho Cucamonga High School	New Auditorium Building (approximately 22,500 square feet, 800 seats) and New Athletic Field Complex	In progress	Unable to estimate without a full physical observation and count of fixture units. A nearby High School
Chaffey College – Rancho Cucamonga Campus	10 new buildings and several renovations of existing buildings, including Science buildings, Sports complex and Student cafeteria. Combined square footage of over 110,000 sq. ft.	2007 - 2011	Unable to estimate without a full physical observation and count of fixture units. City of Fontana collected over \$50K for 1 building at Chaffey College in Fontana.



# Regional Contract Review

## Chaffey College

Contracting Agency	College	Year placed in Operation	Connection Fees
Cucamonga Valley Water District	Chaffey College Rancho Cucamonga Campus	2007 through 2011 10 buildings	\$ 0
City of Chino	Chaffey College Chino Campus	2008	\$ 0
City of Fontana	Chaffey College Fontana Campus	2011	\$ 52,845





# Public Service Facilities Recommendations

- Additional language should be added to the Regional Contract regarding IEUA's inspection and verification rights for Public Service Facilities and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported Connection Fees and/or Monthly Sewerage Charges.
- Cucamonga Valley Water District should consider adopting a **collaborative** approach and **foster** a relationship with the **various School Districts** to ensure Connection Fees are charged and collected for any future planned projects with new construction or expansion.

# Regional Contract Review

## Connection Fees



# Regional Contract Review

## Evolution Fresh



- Unsupported Connection Fees total \$586,867.32
- IA discussed with Evolution Fresh:
  - EDUs were acquired from a 3<sup>rd</sup> Party as a “Intra-District” transfer.
  - EDUs were not previously at the current location.

Per CVWD:	
Calculation per Cost Sheet:	EDUs
Total EDUs required (Commercial and Industrial)	233.96005
<b>Unsupported Credit Applied</b>	<b>(119.54926)</b>
Total EDUs assessed	114.41079
Total Connection fees collected	\$ 561,642.57

Per Evolution Fresh:	
EDU purchase breakdown:	EDUs
Total EDUs required	233.96005
(-) Minus Existing Credits	-11.93
(-) Minus 3 <sup>rd</sup> Party Purchase	<u>-107.61926</u>
Total Existing EDUs and 3 <sup>rd</sup> party purchase	119.54926
(-) Minus purchase from CVWD	-114.41079
Fees paid to CVWD	\$561,642.57



# Connection Fees Recommendations

- IEUA and CVWD should work together to determine the correct number of EDUs at Evolution Fresh and determine if any Connection Fees are due to IEUA as required by the Regional Contract.
- IEUA provide final approval of nonresidential plumbing permits to verify connection count, categorization and fees.
- IEUA inspection, verification and recourse rights for under-collected and/or under-reported Connection Fees.
- IEUA require all calculation worksheets are submitted as support to the BAR.
- IEUA leadership to hold regular workshops, meetings, plant tours and similar activities with Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing.



# Regional Contract Review

## Monthly Sewer Service Fees

# Regional Contract Review

## Monthly Sewer Service Fees

### Findings

- Unable to find 9 of 48 selected businesses (almost 20%) in the Utility Billing system.
- Commercial and Industrial Sewer Service Fees are applied based on water consumption (not EDUs), unless usage results in less than one EDU. Then, CVWD will bill for a minimum one full EDU per month (two EDUs per bimonthly billing cycle).
- IEUA's Volumetric Rate for the one EDU minimum was incorrectly applied. CVWD noted the Volumetric rate was corrected during the rate update and review process in FY 2014/15.
- Fast-Food vs. Full-Service Restaurant – Included in the same category for monthly sewerage billing, but for Connection Fees, fast food pays fees at a lower rate than full service.



# Regional Contract Review Monthly Sewer Service Fees Recommendations

- **IEUA should standardize the monthly sewer fee report and require more detail and/or itemized information for non-residential charges.**
- **IEUA and all the Contracting Agencies should consider establishing the collection of monthly sewerage fees directly for the entire region through the County's property tax roll.**
- **CVWD should perform periodic reconciliations to ensure all accounts are reported and accounted for and fees paid utilizing the correct rates.**
- **IEUA and Contracting Agencies should evaluate and consider the relationship between monthly Sewer Service Fees and Connection Fees and determine the need to create a correlation between the two components.**



# Regional Contract Review Interim Audit Reports

To-date, through the Audit Committee, IA has submitted as an information item the following audit reports:

- Interim Audit Report for the City of Chino (December 2014)
- Interim Audit Report for the City of Fontana (December 2014)
- Interim Audit Report for the City of Montclair (September 2014)
- Interim Audit Report for the City of Upland (September 2014)
- “Survey of Comparative Information of the Seven Contracting Agencies” (September 2014)
- “Regional Contract Review – Review of the Ten Year Forecast” (June 2014)
- “Regional Contract Review – Survey of Comparable Agencies” (June 2014)





# Questions & Comments

