

NOTICE OF MEETING

**OF THE
BOARD OF DIRECTORS
OF THE**



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

WILL BE HELD ON

WEDNESDAY, JUNE 17, 2015

10:00 A.M.

**AT THE OFFICE OF THE AGENCY
6075 KIMBALL AVENUE, BUILDING A,
CHINO, CA 91710**



AGENDA

MEETING OF THE BOARD OF DIRECTORS

**WEDNESDAY, JUNE 17, 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.

2. PUBLIC HEARING AND ADOPTION OF THE AGENCY'S BIENNIAL BUDGET FOR FISCAL YEAR (FYS) 2015/16 AND 2016/17

It is recommended that the Board:

1. Hold a public hearing to receive public comments on the proposed Agency's Biennial Budget for FYs 2015/16 and 2016/17;
2. After closing the public hearing, adopt Resolution No. 2015-6-1, approving the Agency's Biennial Budget for FYs 2015/16 and 2016/17, including the Agency-wide departmental goals and objectives; an inter-fund loan from the Administrative Services (GG) fund to the Water Resources (WW) fund

for a not-to-exceed amount of \$2 million in FY 2015/16, and Rate Resolution Nos. 2015-6-4 through 2015-6-7 for the Non-Reclaimable Wastewater System as outlined in the Agency's Biennial Budget;

3. Approve an annual allocation of property taxes from the GG fund to the WW fund in the amount of \$1.5 million beginning in FY 2014/15; and
4. Increase the \$5.5 million inter-fund loan from the Regional Wastewater Capital Improvement (RC) fund to the Recycled Water (WC) fund approved by the Board of Directors in FY 2013/14 for a not-to-exceed amount of \$10.5 million for FY 2014/15.

3. 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 May 20, 2015 Board meeting.

B. TREASURER'S REPORT ON GENERAL DISBURSEMENTS

It is recommended that the Board approve the total disbursements for the month of April 2015, in the amount of \$15,881,432.46.

C. ADOPTION OF RESOLUTION NO. 2015-6-10, ESTABLISHING THE APPROPRIATION LIMITS FOR FISCAL YEAR 2015/16

It is recommended that the Board adopt Resolution No. 2015-6-10, establishing the Appropriation Limits for Fiscal Year (FY) 2015/16.

D. ADOPTION OF RESOLUTION NO. 2015-6-3, APPROVING THE BIENNIAL UPDATE OF THE AGENCY'S INVESTMENT POLICY

It is recommended that the Board adopt Resolution No. 2015-6-3, approving the biennial update of the Agency's Investment Policy for Fiscal Years (FYs) 2015/16 and 2016/17.

E. ADOPTION OF THE UPDATE RESERVE POLICY

It is recommended that the Board adopt the updated Reserve Policy as of June 2015 governing all Agency funds.

F. ENGINEERING CONTRACT AWARD FOR THE RECHARGE MASTER PLAN UPDATE BASIN YIELD ENHANCEMENT PROJECTS

It is recommended that the Board:

1. Approve the consulting engineering services contract award for the preliminary design efforts for the Recharge Master Plan Update Yield Enhancement Improvements, Project No. RW15003, to

Stantec Consulting Services, Inc. for the not-to-exceed amount of \$768,950; and

2. Authorize the General Manager to execute the contract.

G. AMENDMENTS TO EXTEND THE CONTRACTS FOR FEDERAL LEGISLATIVE SERVICES

It is recommended that the Board:

1. Amend Contract No. 4600001343 with Innovative Federal Strategies (IFS) to provide federal legislative services from July 1, 2015 through June 30, 2016, at a monthly retainer fee of \$6,500 per month, plus reasonable business expenses, with no change in the current rate;
2. Amend Contract No. 4600001344 with Agricultural Resources to provide federal legislative services from July 1, 2015 through June 30, 2016, at a monthly retainer fee of \$6,000 per month, plus reasonable business expenses, with no change in the current rate; and
3. Authorize the General Manager to finalize and execute the amendments.

H. AMENDMENT TO EXTEND THE CONTRACT WITH WEST COAST ADVISORS

It is recommended that the Board:

1. Amend Contract No. 4600001846 with West Coast Advisors to provide state legislative consulting services from July 1, 2015 through June 30, 2016, at a monthly retainer fee of \$9,800 per month, plus reasonable business expenses, with no change in the current rate; and
2. Authorize the General Manager to finalize and execute the amendment.

I. AMENDMENT TO EXTEND THE CONTRACT WITH CALIFORNIA STRATEGIES, LLC

It is recommended that the Board:

1. Amend Contract No. 4600000419 with California Strategies, LLC to provide strategic local government consulting services from July 1, 2015 through June 30, 2016, at a monthly retainer fee of \$6,000 per month, plus reasonable business expenses, with no change in the current rate; and
2. Authorize the General Manager to finalize and execute the amendment.

J. ADOPTION OF RESOLUTION NO. 2015-6-11, HONORING THE 65TH ANNIVERSARY OF THE INLAND EMPIRE UTILITIES AGENCY

It is recommended that the Board adopt Resolution No. 2015-6-11, honoring the 65th anniversary of the Inland Empire Utilities Agency.

K. ADOPTION OF RESOLUTION NO. 2015-6-18, COMMENDING THE 65TH ANNIVERSARY OF THE THREE VALLEYS MUNICIPAL WATER DISTRICT

It is recommended that the Board adopt Resolution No. 2015-6-18, commending the 65th anniversary of the Three Valleys Municipal Water District.

4. ACTION ITEMS

A. ADOPTION OF RESOLUTION NO. 2015-6-12, AMENDING THE EMPLOYER PAID MEMBER CONTRIBUTIONS TO CALPERS FOR ALL CLASSIC EMPLOYEES

It is recommended that the Board adopt Resolution No. 2015-6-12, amending the Employer Paid Member Contributions (EPMC) to CalPERS for all classic employees.

B. ADOPTION OF RESOLUTION NOS. 2015-6-13 THROUGH 2015-6-17, APPROVING THE AMENDMENTS TO THE SALARY SCHEDULES/MATRIXES FOR UNREPRESENTED EMPLOYEES, EXECUTIVE MANAGEMENT EMPLOYEES, AND ALL UNITS

It is recommended that the Board adopt Resolution Nos. 2015-6-13 through 2015-6-17, amending the salary schedules/matrixes for Unrepresented Employees, Executive Management Employees, and all Units.

C. ADOPTION OF RESOLUTION NO. 2015-6-2, APPROVING THE SANTA ANA WATERSHED PROJECT AUTHORITY ADOPTED BUDGET FOR FY 2015/16 AND FY 2016/17

It is recommended that the Board:

1. Ratify the Santa Ana Watershed Project Authority (SAWPA) adopted budget for Fiscal Years (FYs) 2015/16 and 2016/17, as submitted; and
2. Adopt Resolution No. 2015-6-2, approving the SAWPA general and specific project budgets for FYs 2015/16 and 2016/17.

D. RECYCLED WATER PROGRAM STRATEGY

It is recommended that the Board concur with the finding of the recycled water program as outline in the Recycled Water Program Strategy.

5. INFORMATION ITEMS

A. REGIONAL CONTRACT AUDIT REVIEW – INTERIM AUDIT REPORT FOR THE CITY OF CHINO HILLS AND DRAFT INTERIM AUDIT REPORT FOR THE CITY OF ONTARIO (WRITTEN)

- B. ENGINEERING AND CONSTRUCTION MANAGEMENT MONTHLY UPDATE (POWERPOINT)
- C. EAST DECLEZ: INTENT TO PURCHASE PROPERTY (WRITTEN)
- D. MWD AND DROUGHT UPDATE (ORAL)

RECEIVE AND FILE INFORMATION ITEMS

- E. TREASURER'S REPORT OF FINANCIAL AFFAIRS (WRITTEN/ POWERPOINT)
- F. FY 2014/15 THIRD QUARTER BUDGET VARIANCE, PERFORMANCE GOALS UPDATES, AND BUDGET TRANSFERS (WRITTEN)
- G. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)
- H. LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN)
- I. LEGISLATIVE REPORT FROM WEST COAST ADVISORS (WRITTEN)
- J. LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES (WRITTEN)
- K. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN)
- L. FEDERAL LEGISLATION TRACKER (WRITTEN)
- M. STATE LEGISLATION TRACKER (WRITTEN)
- N. FOLLOW UP ON OUTSTANDING RECOMMENDATIONS – PRETREATMENT & SOURCE CONTROL (WRITTEN)
- O. REPORT ON OUTSTANDING AUDIT RECOMMENDATIONS (WRITTEN)
- P. INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR JUNE 2015 (WRITTEN)

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.

6. AGENCY REPRESENTATIVES' REPORTS

- A. SAWPA REPORT (WRITTEN)
- B. MWD REPORT (WRITTEN)

- C. REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT
(Meeting was cancelled for June 4th; next scheduled meeting July 2nd)
- D. CHINO BASIN WATERMASTER REPORT (WRITTEN)
- 7. GENERAL MANAGER'S REPORT (WRITTEN)
- 8. BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS
- 9. DIRECTORS' COMMENTS
- 10. 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.

11. 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
- 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. Two (2) Cases


D. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL MATTERS

1. Various Positions – Compensation Study
2. Various Positions

12. ADJOURN

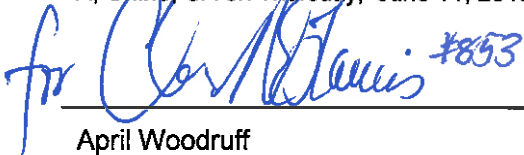
*A Municipal Water District

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: 

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, June 11, 2015.

 #853

April Woodruff

**PUBLIC
HEARING
NO. 2**

Date: June 17, 2015

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (06/10/15)

From: *fr* P. Joseph Grindstaff *PG*
General Manager

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

JL
#382 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: Adoption of the Agency's Biennial Budget for Fiscal Years (FYs) 2015/16
and 2016/17

RECOMMENDATION

It is recommended that the Board of Directors:

1. Hold a public hearing to receive public comments on the proposed Agency's Biennial Budget for FYs 2015/16 and 2016/17;
2. After closing the public hearing, adopt Resolution No. 2015-6-1, approving the Agency's Biennial Budget for FYs 2015/16 and 2016/17, including the Agency-wide departmental goals and objectives; an inter-fund loan from the Administrative Services (GG) fund to the Water Resources (WW) fund for a not to exceed amount of \$2 million in FY 2015/16, and Rate Resolution Nos. 2015-6-4 to 2015-6-7 for the Non-Reclaimable Wastewater System as outlined in the Biennial Budget;
3. Approve an annual allocation of property taxes from the GG fund to the WW fund in the amount of \$1.5 million beginning in FY 2014/15; and
4. Increase the \$5.5 million inter-fund loan from the Regional Wastewater Capital Improvement (RC) fund to the Recycled Water (WC) fund approved by the Board of Directors in FY 2013/14 for a not to exceed amount of \$10.5 million for FY 2014/15.

BACKGROUND

The FYs 2015/16 – 2016/17 operating budget is the first biennial budget for the Agency. The transition from a single year budget to a biennial budget supports the Agency's commitment to enhance financial planning and fiscal stabilization for IEUA and its customers, as defined in the IEUA Business Goals (Business Goals) adopted in October 2013. The FYs 2016 – 2025 Ten Year Capital Improvement Plan (TYCIP) adopted by the Board of Directors (Board) on March 18, 2015 is also consistent with the Business Goals of Water Reliability, Wastewater Management and Environmental Stewardship. Capital projects outlined in the TYCIP support the initiatives defined in the Agency's long term planning documents, amongst them the Facilities Master Plan, Recycled Water Program Strategy, and Asset Management Plan.

Another key commitment in the Business Goal of Fiscal Responsibility and the IEUA Strategic Plan for FYs 2015-2019 is the adoption of multi-year rates and fees. The proposed biennial budget includes the first two years of the five year rates and fees adopted for the Agency's Regional Wastewater and Recycled Water Programs for FYs 2015/16 – 2019/20.

The following policy principles served as the basis for the adopted multi-year rates and fees;

- *Fully recover costs* – adoption of multi-year rates that achieve full cost of service;
- *Be equitable* – ensure rates and fees maintain a clear nexus between what a customer pays and the benefit received;
- *Ensure regional water reliability and sustainability* – continue development of regional water supplies;
- *Make "growth pay for growth"* – increase the regional wastewater connection fee and establish a new water connection fee to support future expansion and improvement of the regional wastewater and water systems;
- *Eliminate property tax subsidies for operations and maintenance* – use of property tax receipts to support regional capital investments in water reliability and sustainability;
- *Provide fiscal stability* – maintain rates and fees that ensure uninterrupted service during times of revenue uncertainty; and
- *Be legally compliant* – ensure rates and fees are reasonable as mandated by Proposition 26.

On March 18, 2015, the Board adopted the Regional Wastewater EDU volumetric rate for FYs 2015/16 – 2019/20. On May 20, 2015, the Board adopted the regional wastewater connection fee, the new water connection fee and the recycled water rates for FYs 2015/16 - 2019/20, following a unanimous recommendation by the Regional Committees. A schedule of the multi-year rates and effective dates is included in Appendix A.

Adoption of the rates and charges for the Non-Reclaimable Wastewater (NRW) program was deferred to allow for review by the NRW customers. An NRW budget workshop was held on May 27, 2015 to provide an overview of the proposed rates included in the biennial budget for

FYs 2015/16 and 2016/17. A recap of the NRW biennial budget and proposed rates is provided in Appendix B.

FYs 2015/16 & 2016/17 Total Revenues and Other Funding Sources

Total revenues and other funding sources for FY 2015/16 and FY 2016/17 are projected to be \$223 million and \$258 million, respectively. FY 2015/16 total revenue is approximately \$7 million, or 3%, higher than the \$216 million projected in FY 2014/15. An increase of \$35 million in total revenues is also projected in FY 2016/17 compared to FY 2015/16.

As highlighted in Table 1, the estimated increases can be attributed to a combination of rate increases, a higher number of projected new regional wastewater connections, the new water connection fee levied on new and upsized connections to the Agency's regional water system, increased recycled water deliveries, as well as projected state loan proceeds and grant receipts associated with construction of the Water Quality Laboratory and recycled water related projects.

Table 1: Major Drivers of Estimated Change in Total Funding Sources (\$ in Millions)

Funding Sources	Type	FY 2013/14 Actual	FY 2014/15 Amended	FY 2014/15 Projected Actual	FY 2015/16 Proposed Budget	FY 2016/17 Proposed Budget
User Charges	Operating	\$55.9	\$61.8	\$62.1	\$67.0	\$76.7
Property Taxes	Mixed	38.5	40.2	39.6	41.1	42.4
Contract Cost Reimbursement*	Operating	6.1	8.6	7.4	10.5	12.7
Recycled Water Sales	Operating	10.8	11.6	11.6	14.0	17.8
Regional Connection Fees	Other Sources	9.8	15.3	15.3	23.3	30.6
Imported Potable Water Sales (Pass-Through)	Operating	40.2	40.8	40.8	41.4	42.1
State Loan Proceeds	Other Sources	10.2	11.1	20.2	12.3	23.6
Grants	Other Sources	2.4	2.3	2.3	8.9	7.7
Other**	Mixed	1.7	5.7	16.3	4.1	4.3
Total		\$175.6	\$197.4	\$215.6	\$222.6	\$257.9

* Includes reimbursement from Joint Power Authorities (JPAs), Chino Basin Desalter Authority, Inland Empire Regional Composting Authority, and Chino Basin Watermaster.

** Includes capital contract reimbursements from Chino Basin Watermaster for various joint recharge basin improvement projects, lease revenues, sale of assets, and inter-fund loans.

Also included in the total revenues is a projected growth in property tax receipts of 4 % in FY 2015/16 and 3% in FY 2016/17. In support of the Agency's commitment to assist member agencies in meeting the Governor's statewide mandate to reduce urban water use by 25% by February 2016 brought about by the severe drought issues throughout the state; the Agency re-allocated property tax receipts from the GG fund to the WW fund in the amount of \$1.5 million each fiscal year beginning in FY 2014/15 through FY 2024/25. The property taxes in the WW fund will support integrated regional water resource management projects, including water use efficiency and drought resiliency projects.

FYs 2015/16 & 2016/17 Total Expenses and Other Uses of Funds

Total expenses and other uses of funds for FY 2015/16 of \$221 million is 9% lower than the FY 2014/15 projected actual of \$241 million. As highlighted in Table 2 below, the decrease in total expenditures of approximately \$21 million is primarily due to decreases in capital project expenditures and debt service costs. Included in FY 2014/15 debt service projected actual is the early retirement of the 2005A Revenue Bonds completed in November 2014.

The projected decrease in total expenditures is partially offset by an increase in operating expenses in FY 2015/16. The operating expense increase of nearly \$20 million in FY 2015/16 is primarily due to an increase in non-capital, or operations and maintenance (O&M), projects of \$14 million, including drought resiliency and water quality projects. Projected increase of total expenditures to \$228 million in FY 2016/17 compared to \$221 million in FY 2015/16 is primarily due to higher Capital Improvement Plan (CIP) costs which include construction of the Water Quality Laboratory.

Table 2: Major Drivers of Estimated Change in Total Uses of Funds (\$ in Millions)

Uses of Funds	Type	FY 2013/14 Actual	FY 2014/15 Amended	FY 2014/15 Projected Actual	FY 2015/16 Proposed Budget	FY 2016/17 Proposed Budget
Employment	Operating	\$33.2	\$40.5	\$39.4	\$40.6	\$42.7
Operating Expenses*	Operating	82.0	95.2	93.1	112.6	107.8
CIP**	Capital	34.9	66.7	53.8	43.9	52.5
Debt Service	Operating	20.5	44.4	54.8	23.5	24.7
Total		\$170.6	\$246.8	\$241.1	\$220.6	\$227.7

*Includes chemicals, utilities, office & administration, biosolids, materials and supplies, operating contribution to RCA biosolids recycling, professional fees, and operating fees.

**Includes expense for SDLAC 4Rs

FYs 2016 – 2025 Ten Year Capital Improvement Plan (TYCIP)

Since the Board's adoption of the TYCIP in March 2015, further analysis, project changes, reductions, and additions have resulted in a reduction from \$901 million to \$692 million. The \$209 million decrease is primarily due to a reduction of \$200 million for local water supply resiliency projects, initially included in the WW fund, and a reduction of \$25 million of asset management related projects in the Recycled Water program.

Of the \$692 million, nearly 83%, or \$576 million is designated for capital projects, \$111 million for O&M projects, and the remaining \$5 million for SDLAC capital replacement, repair, relocation, and refurbishment (4Rs) project costs. Execution of critical replacement & rehabilitation (R&R) necessary to meet reliability and regulatory requirements remains one of the primary focuses of the TYCIP.

The FY 2015/16 CIP budgeted at \$66 million, includes \$44 million for capital projects and \$22 million for O&M projects, approximately 8% higher than the \$62 million projected for FY 2014/15. Water conservation, drought resilience project, water quality focused projects, such as the Chino Basin Groundwater Supply Wells and Raw Water Pipeline, account for the increase with a budget of \$12 million over the next two years.

Table 3: TYCIP by Fund (\$ in Millions)

Program Fund	FY 2014/16 <i>Projected Actual</i>	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21 through FY 2024/25	10 Year Total 2015/16 to 2024/25
Regional Wastewater Capital (RC)	\$8.6	\$12.8	\$16.1	\$16.8	\$55.5	\$58.0	\$189.7	\$348.9
Regional Wastewater Operations (RO)	8.9	21.5	15.9	16.1	11.3	2.9	63.3	131.0
Recycled Water (WC)	32.5	18.4	20.8	15.3	4.9	4.4	11.4	75.2
Non-Reclaimable Wastewater (NC)	3.0	1.5	1.3	1.1	2.5	1.1	9.7	17.2
Water Resources (WW)	5.2	7.1	8.4	7.9	7.9	7.9	21.7	60.9

Program Fund	FY 2014/16 <i>Projected Actual</i>	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21 through FY 2024/25	10 Year Total 2015/16 to 2024/25
Recharge Water (RW)	0.8	1.6	4.7	12.7	22.0	8.3	-	49.3
Administrative Services (GG)	2.6	3.2	1.4	1.0	0.6	0.9	2.4	9.5
Total	\$61.6	\$66.1	\$68.6	\$70.9	\$104.7	\$83.5	\$298.2	\$692.0

Debt Service

Total debt service costs for FY 2015/16, including principal, interest, inter-fund loan and financial expenses are budgeted at \$24 million or 11% of the total expenditures. FY 2016/17 debt service budget is projected at \$25 million.

Included in the five year business plan is the early repayment of the 2008A Revenue Bonds (2008A Bonds) with an outstanding principal balance of \$125 million and annual interest rate of 5%. The proposed repayment is planned over a five year period beginning in FY 2017/18 when the bonds are eligible for refunding. At an interest rate of 5% and scheduled maturity of 2038, total interest savings are estimated at \$80 million with present value savings of over \$50 million.

Total outstanding debt, exclusive inter-fund loans, at end of FY 2015/16 is approximately \$367 million comprised of \$235 million in bond indentures, \$125 million in low interest State Revolving Fund (SRF) loans, and \$7 million in other notes payable.

FYs 2015/16 & 2016/17 Inter-Fund Loans

Repayment of the \$35 million outstanding inter-fund loans (\$13.5 million due to RC fund, \$15 million due to the NC fund, and \$6.3 million due to the GG fund are scheduled to begin in FY 2016/17, with full repayment projected by FY 2024/25. The inter-fund loan from the RC fund to the WC fund approved by the Board in FY 2013/14 in the amount of \$5.5 million is proposed to increase to \$10.5 million in FY 2014/15. The additional \$5 million is needed to support the cash flow deficit resulting from the timing of state loan proceed reimbursements expected to be received in July 2015. An additional \$2.0 million of inter-fund loan from GG fund to the WW fund is proposed in FY 2015/16 to support the implementation of integrated regional water management projects. A summary of inter-fund loans is provided in Table 4 below.

Table 4: Summary of Inter-fund Loans (\$ in Millions)

Date Issued	Due to	Loan Amount	Repayment Schedule
FY 2007/08	NC Fund	\$9.0	FYs 2016/17-2020/21
FY 2007/08	RC Fund	3.0	FYs 2022/23-2024/25
FY 2009/10	NC Fund	6.0	FYs 2020/21-2022/23
FY 2014/15	RC Fund	10.5	FYs 2022/23-2024/25
FY 2014/15	GG Fund	4.3	FYs 2019/20-2021/22
FY 2015/16	GG Fund	2.0	FYs 2022/23-2023/24
Total		\$34.8	

Debt Coverage Ratio (DCR)

The DCR is the measurement of an entity's ability to generate enough cash to cover debt payments (principal payments and related interest), and serves as a critical financial measure in determining its overall credit rating. DCR also affects an entity's market accessibility for future borrowings and the associated costs.

Current bond covenants require the Agency to maintain a minimum total DCR of 1.25 times (x) or higher on total outstanding debt. The Agency has established a minimum DCR target of 1.6x for parity debt. The Agency has no legal debt limits imposed by state legislation. As indicated in Table 5, the projected upward trend of the Agency's DCR projected through FY 2019/20 is driven by a combination of higher revenues and early retirement of high interest debt.

Table 5: Projected Debt Coverage Ratio

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
	<i>Projected</i>	<i>Proposed Budget</i>		<i>Forecast</i>		
DCR	2.46x	2.32x	3.19x	3.44x	3.70x	3.96x

Fund Balances

Total fund balance, the net worth measured by total assets minus total liabilities, is a strong indicator of the Agency's financial health. In addition to calculating fund balances at the Agency-wide level, IEUA also maintains a fund balance for each program fund. The aggregate ending fund balance in FY 2015/16 is estimated to be \$128 million, a slight increase of \$2 million compared to the FY 2014/15 projected ending fund balance of \$126 million. The slight, increase

can be attributed to higher property tax receipts. A significant increase of \$30 million is projected at the end of FY 2016/17, primarily driven by higher revenues and other funding sources due to a combination of rate increases, higher volume of recycled water deliveries, greater number of new regional wastewater connections, new connection fees levied on new and upsized connections to the regional water system, and proceeds from state loans for capital construction projects.

Table 6 below shows the beginning and estimated ending fund balances, including estimated changes in fund balances, net increase/(decrease), by FY.

Table 6: Total Estimated Ending Fund Balance (\$ in Millions)

	FY 2013/14 Actual	FY 2014/15 Amended Budget	FY 2014/15 Projected Actual	FY 2015/16 Proposed Budget	FY 2016/17 Proposed Budget
Net Increase (Decrease) in Fund Balance	\$5 0	(\$49.4)	(\$25.5)	\$2 0	\$30.2
Beginning Balance, July 01	146.1	151.1	151.1	125.6	127.6
Ending Balance, June 30	\$151.1	\$101.7	\$125.6	\$127.6	\$157.8

Conclusion

The FYs 2015/16 & 2016/17 Biennial Budget and the Adopted FYs 2015/16 – 2024/25 TYCIP continue to demonstrate the IEUA Board and staff’s steadfastness to deliver reliable, high quality, essential services to its customers in a regionally planned, cost-effective manner, consistent with the IEUA Business Goals.

The rates proposed for the five-year period support this commitment. Additionally, adoption of five-year rates for the Agency’s Regional Wastewater and Recycled Water programs and biennial budget provide the Agency and its member agencies a stable financial plan to more effectively meet the committed level of service.

Attached in the Appendix are the Sources and Uses of Funds reports for all of the Agency’s funds programs. The proposed budget for these programs is consistent with the IEUA Business Goals of *Fiscal Responsibility, Water Reliability, Wastewater Management, Environmental Stewardship, and Business Practices.*

PRIOR BOARD ACTION

On June 11, 2014, the Board adopted the FY 2014/15 Operating Budget and FYs 2014/15 - 2023/24 TYCIP.

IMPACT ON BUDGET

None.

Attachments:

- Appendix A1 – Adopted Multi-Year Rates and Effective Dates
- Appendix A2 – Biennial Budget Key Assumptions
- Appendix B – FY 2015/16 and FY 2016/17 NC Fund Proposed Budget and Rates
- Appendix C1 – Budget Summary of FYs 2015/16 and 2016/17
- Appendix C2 – Consolidated Fund Report, FYs 2012/13 to 2019/20
- Appendix C3 – Consolidated Fund Report, by Fund Type
- Appendix D1-D7 – Program Fund Reports (/RC/RO/WC/RW/WW/NC/GG Funds)
- Appendix E – Budget Message
- Appendix F – Executive Summary
- Rate Resolutions:
 - 2015-6-1 Budget Adoption
 - 2015-6-4 Inland Empire Brine Line (IEBL) Rate
 - 2015-6-5 Regional Rate for Wastewater Discharge
 - 2015-6-6 Non-Reclaimable Wastewater Rate for Volumetric, Strength Charges and Application Fees
 - 2015-6-7 Etiwanda Wastewater Line (EWL) Rate

Appendix A1: Adopted Multi-Year Rates and Effective Dates

Regional Wastewater Volumetric EDU

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<i>Effective Date</i>		10/01/15	7/01/16	7/01/17	7/01/18	7/01/19
EDU Volumetric Rate	\$14.39	\$15.89	\$17.14	\$18.39	\$19.59	\$20.00

Regional Wastewater Connection Fees

	FY 2014/15	FY 2015/16		FY 2016/17		FY 2017/18	FY 2018/19	FY 2019/20
<i>Effective Date</i>		7/01/15	1/01/16	7/01/16	1/01/17	7/01/17	7/01/18	7/01/19
Wastewater Connection Fee / EDU	\$5,107	\$5,107	\$5,415	\$5,415	\$6,009	\$6,309	\$6,624	\$6,955

Water Connection Fees

	FY 2014/15	FY 2015/16	FY 2016/17		FY 2017/18	FY 2018/19	FY 2019/20
<i>Effective Date</i>		1/01/16	7/01/16	1/01/17	7/01/17	7/01/18	7/01/19
Water Connection Fee / MEU	N/A	\$693	\$693	\$1,455	\$1,457	\$1,604	\$1,684

Recycled Water Rates

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<i>Effective Date</i>		10/01/15	7/01/16	7/01/17	7/01/18	7/01/19
Direct Delivery / Acre Feet (AF)	\$290	\$350	\$410	\$470	\$480	\$490
Groundwater Recharge / AF	\$335	\$410	\$470	\$530	\$540	\$550

Potable Water Rates

	FY 2014/15 Current	FY 2015/16 Adopted	FY 2016/17 Estimated*	FY 2017/18 Estimated	FY 2018/19 Estimated	FY 2019/20 Estimated
AF Surcharge	\$15.00	\$15.00	\$67.00	\$68.00	\$70.00	\$73.00
Water Meter Rate	\$2.105	\$2.105	N/A	N/A	N/A	N/A
Meter Equivalent Unit (MEU) Rate	N/A	N/A	\$1.10	\$1.20	\$1.30	\$1.40

*Resume rate evaluation in July with plan to adopt new rates by Fall 2015 for FY 2016/17

Appendix A2: Biennial Budget Key Assumptions

Table A2: Key Assumptions for the FYs 2015/16 & 2016/17 Biennial Budget

	FY 2015/16	FY 2016/17
Revenues and Other Funding Sources	4,330 new regional wastewater connections 3,940 new or upsized regional water connections 3.2 million total billable EDU volumetric 35,150 AF recycled water deliveries 50,000 AF imported potable water deliveries 4% growth in property tax receipts \$1.5 million property tax re-allocation from the GG fund to WW fund to support water conservation and resiliency projects.	4,580 new regional wastewater connections 4,167 new or upsized regional water connections 3.2 million plus 0.25% growth total billable EDU volumetric 37,100 AF recycled water deliveries 50,000 AF imported potable water deliveries 3% growth in property tax receipts \$1.5 million property tax re-allocation from the GG fund to WW fund to support water conservation and resiliency projects.
Expenses and Other Uses of Funds	290 FTE, no change 4% vacancy factor reduced from 5% to support succession planning 3% COLA (5.5% employee funded CalPers contribution) \$4.5M annual payment against retirement long term unfunded liability (UAL) 6% increase in health insurance premium 9% increase in CalPers employer rate Debt service costs decreased by \$10M from FY 2014/15 due to retirement of 2005A Bonds in 2014. \$65 million CIP based on the adopted FYs 2016 – 2025 TYCIP.	290 FTE, no change 3% vacancy factor reduced from 4% to support succession planning 3.5% COLA (7.0% employee funded CalPers contribution) \$4.5M UAL 6% increase in health insurance premium 4% increase in CalPers employer rate \$67 million CIP based on the adopted FYs 2016 – 2025 TYCIP.

Appendix B: FY 2015/16 and FY 2016/17 NC Fund Proposed Budget and Rates

The Non-Reclaimable Wastewater (NC) fund records the transactions for the acquisition, construction, expansion, replacement, and operation of the Agency's non-reclaimable wastewater sewer lines, interceptors, and appurtenant facilities.

The FY 2015/16 and FY 2016/17 total revenues and other funding sources are budgeted at \$12 million and \$5 million, respectively. Increase in FY 2016/17 is due to \$2 million inter-fund loan payment from the Recycled Water (WC) fund. Total FY 2015/16 expenditures of \$12 million are \$1.3 million lower compared to FY 2014/15 projected actual of \$14 million. The decrease is mainly due to lower capital spending. FY 2016/17 expenditures are projected to remain at the same level of \$12 million.

Non-Reclaimable Wastewater System (NRWS) Rates: For the board review and approval are the FY 2015/16 pass-through rates of Sanitation District of Los Angeles County (SDLAC) for the north NRWS and the Santa Ana Watershed Project Authority (SAWPA) for the south NRWS. The SDLAC annual rate structure for the NRW north system is updated based on the new agreement entered in 2014. The NRW south system rates are based on SAWPA rates. There is no change in SAWPA's agreement for the south NRWS. Both NRWS rates are effective July 1, 2015 as listed in Table B-1.

The Agency recovers the NRWS program costs through capacity charges for the north system. For FY 2015/16, the capacity charge per unit is \$18.37. The NRW south system program costs are recovered through a 50% operating surcharge imposed on volumetric, capacity and strength charges for non-recycled water users.

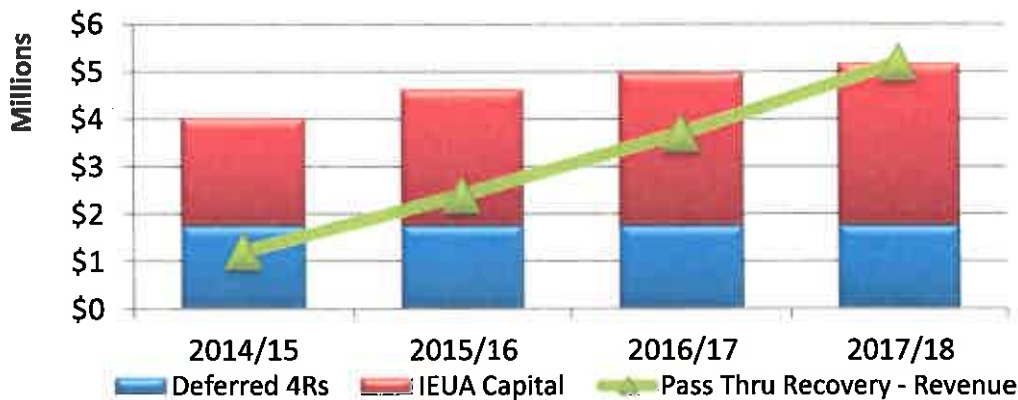
Table B-1: NRW Proposed Program Rates – North and South Systems

Rate Description	FY 2014/15 Adopted	FY 2015/16 Effective 7/1/15	% Change
North System			
Flow/mg	\$835.80	\$948.00	13%
COD/klb	\$147.84	\$210.00	42%
TSS/klb	\$418.22	\$433.00	4%
Peak/mg	\$317.54	\$360.00	13%
Ad Valorem Tax	5%	5.5%	10%
South System			
Capacity/cu	\$334.43	\$351.17	5%

Rate Description	FY 2014/15 Adopted	FY 2015/16 Effective 7/1/15	% Change
Flow/mg	\$777.00	\$817.00	5%
BOD/klb	\$295.00	\$301.00	2%
TSS/klb	\$411.00	\$420.00	2%

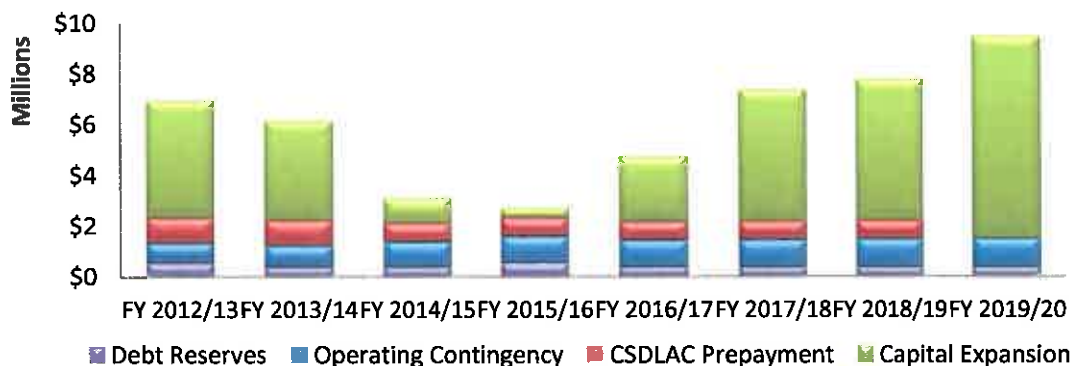
The Agency capital expenditures include IEUA capital projects and SDLAC capital charges (4Rs). The capital expenditures are recovered through the collection of \$1.2 million each year from north NRW users, and the 4Rs related balance is funded by the NRWS reserves. Full recovery of capital cost is projected to achieve in FY 2017/18.

Table B-2: Recovery of Deferred SDLAC 4Rs and IEUA Capital Expenditures



The FY 2015/16 and FY 2016/17 fund balances are projected to be \$3 million and \$5 million, respectively. The receipt of inter-fund loan repayment from WC fund beginning in FY 2016/17 will improve the NC fund balances for the ensuing years (Figure B3).

Figure B-3: NC Fund Estimated Ending Fund Balance



Appendix C1: Budget Summary of FYs 2015/16 and 2016/17 (\$ Millions)

\$ Millions	FY 2013/14 Actual	FY 2014/15 Projected	FY 2015/16 Proposed	FY 2016/17 Proposed
Operating Revenue	\$116.3	\$123.2	\$132.9	\$147.1
Operating Expense	(115.1)	(132.5)	(153.3)	(150.5)
Net Operating Incr./<u>(Decr.)</u>	1.2	(9.3)	(20.4)	(3.4)
Other Funding Sources	59.3	92.4	89.7	110.8
Other Uses of Funds	(55.5)	(108.6)	(67.3)	(77.2)
Net Non-Operating Incr./<u>(Decr.)</u>	3.8	(16.2)	22.4	33.6
Total Net Change	5.0	(25.5)	2.0	30.2
Beginning Fund Balance	146.1	151.1	125.6	127.6
Ending Fund Balance	\$151.1	\$125.6	\$127.6	\$157.8

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Appendix C2: Consolidated Fund Budget FYs 2012/13 to FY 2019/20

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET
ALL FUNDS - SOURCES AND USES OF FUNDS (In Thousands)

	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	PROPOSED BUDGET	FORECAST	FORECAST	FORECAST
REVENUES									
User Charges	\$51,184	\$55,989	\$61,813	\$62,138	\$67,041	\$78,655	\$81,666	\$86,581	\$89,985
Property Tax - O&M	3,789	3,144	3,216	1,666	1,793	1,891	1,993	2,063	2,134
Cost Reimbursement from JPA	5,397	4,980	5,438	5,203	5,493	5,738	5,972	6,130	6,289
Contract Cost reimbursement	1,123	602	1,193	1,193	2,063	1,593	1,593	1,593	1,593
Interest Revenue	812	551	743	623	1,036	1,221	1,868	2,472	3,196
Recycled Water Sales	7,952	10,831	11,582	11,582	14,022	17,614	18,055	21,467	23,376
Water Sales	30,805	40,225	40,828	40,828	41,441	42,052	42,693	43,334	43,984
TOTAL REVENUES	\$101,061	\$116,301	\$124,813	\$123,234	\$132,878	\$147,085	\$153,340	\$163,638	\$170,896
OTHER FINANCING SOURCES									
Property Tax - Debt Capital Reserves	\$44,268	\$35,343	\$36,987	\$37,908	\$39,364	\$40,500	\$41,670	\$42,473	\$43,293
Connection Fees	14,614	9,789	15,321	15,321	23,328	30,636	28,754	26,755	27,969
State Loans	6,350	10,178	11,074	20,243	12,315	23,641	26,912	34,769	40,679
Grants	2,775	2,372	2,320	2,338	8,942	7,710	4,500	5,600	4,000
Sale of Assets	4,805	48	0	0	0	0	0	0	0
Capital Contract Reimbursement	362	550	1,909	1,030	2,931	5,419	13,596	24,096	8,951
Other Revenues	1,639	1,006	607	732	895	913	948	993	1,994
Sale of Capacity	215	0	0	0	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	4,308	14,808	2,000	2,000	2,000	1,000	1,000
TOTAL OTHER FINANCING SOURCES	\$75,029	\$88,286	\$72,887	\$82,379	\$89,777	\$110,819	\$118,380	\$136,678	\$127,886
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$176,091	\$204,587	\$197,700	\$205,613	\$222,655	\$257,904	\$271,720	\$299,317	\$298,782
EXPENSES									
Employment Expense	\$31,945	\$33,166	\$40,539	\$39,381	\$40,810	\$42,737	\$44,939	\$46,224	\$47,480
Contract Work:Special Projects	3,666	2,623	11,306	7,809	22,207	16,117	11,117	11,107	11,782
Utilities	8,773	9,586	9,220	10,428	11,150	11,617	12,183	13,056	13,673
Operating Fees	7,060	8,658	11,039	13,048	13,806	13,651	14,108	18,372	14,957
Chemicals	3,736	4,245	4,523	3,981	4,395	4,524	4,860	4,800	4,944
Professional Fees and Services	6,208	6,902	7,753	7,629	9,250	8,539	8,088	8,246	8,428
Office and Administrative Expense	1,282	1,431	1,983	1,518	2,057	2,455	2,318	2,631	2,363
Biosolids Recycling	3,398	3,567	4,080	3,991	4,359	4,330	4,386	4,465	4,564
Materials & Supplies	2,495	2,509	2,959	2,514	2,799	2,659	2,996	3,076	3,166
Operation Contribution to IERCA	71	0	0	0	0	0	0	0	0
MWD Water Purchases	30,754	40,225	40,828	40,828	41,441	42,052	42,693	43,334	43,984
Other Expenses	2,851	2,228	1,492	1,371	1,697	1,596	1,481	1,565	1,597
TOTAL EXPENSES	\$102,238	\$116,138	\$138,702	\$132,496	\$163,270	\$160,492	\$148,967	\$166,877	\$168,938
CAPITAL PROGRAM									
CSDLAC 4Rs	\$1,206	\$776	\$738	\$738	\$738	\$738	\$738	\$738	\$737
IERCA investment	500	0	500	500	0	500	0	500	0
Capital Construction & Expansion	21,271	21,562	65,483	52,561	43,149	51,292	59,067	92,303	71,025
Rehab & Replacement	0	12,564	0	0	0	0	0	0	0
TOTAL CAPITAL PROGRAM	\$22,977	\$34,902	\$66,721	\$63,799	\$43,888	\$62,530	\$59,804	\$83,540	\$71,762
DEBT SERVICE									
Financial Expenses	\$205	(\$146)	\$3,871	\$3,847	\$640	\$349	\$349	\$549	\$349
Interest	10,015	9,063	9,805	9,526	9,801	9,810	10,294	8,966	7,806
Principal	11,307	11,629	26,612	26,612	11,281	12,628	39,797	38,003	36,609
Short Term Inter-Fund Loan	0	0	4,308	14,830	2,032	2,032	2,047	1,063	2,053
TOTAL DEBT SERVICE	\$21,628	\$20,546	\$44,586	\$54,815	\$23,463	\$24,716	\$52,487	\$48,581	\$46,817
FUND BALANCE									
Net Increase (Decrease)	\$29,419	\$4,999	(\$49,419)	(\$25,497)	\$2,033	\$30,185	\$10,961	\$318	\$22,925
Beginning Fund Balance July 01	\$116,714	\$146,133	\$151,132	\$151,132	\$125,835	\$127,671	\$157,838	\$168,797	\$169,116
ENDING BALANCE AT JUNE 30	\$146,133	\$151,132	\$101,713	\$125,635	\$127,868	\$157,856	\$168,797	\$169,116	\$192,041
RESERVE BALANCE SUMMARY									
Operating Contingencies	\$21,198	\$23,910	\$25,191	\$27,423	\$27,527	\$27,606	\$29,398	\$27,827	\$30,360
Capital Expansion & Replacement	26,446	19,993	(19,909)	8,383	8,349	13,284	12,660	14,945	22,882
CCRA Capital Construction	28,247	36,785	36,106	25,106	30,885	40,021	39,585	31,510	31,427
Rehabilitation/Replacement Reserve	17,694	19,903	10,051	15,524	16,880	26,279	34,045	39,944	50,892
CSDLAC Prepayment	1,008	1,008	738	738	733	738	738	737	0
Debt Service & Redemption	27,246	23,048	27,249	27,452	22,898	29,285	30,601	31,144	31,131
Insurance & Other	5,519	5,644	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Retirement reserves	18,775	21,842	16,286	15,030	13,625	14,625	15,770	17,007	19,349
ENDING BALANCE AT JUNE 30	\$146,133	\$151,132	\$101,713	\$125,635	\$127,868	\$157,856	\$168,797	\$169,116	\$192,041

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Appendix C3: Consolidated Fund Budget by Fund Type

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET
SOURCES AND USES OF FUNDS - BY PROGRAM FUND (in Thousands)

	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16 PROPOSED BUDGET							FY 2016/17	
	ACTUAL	ACTUAL	PROJECTED ACTUAL	Administrative Services Program	Non-Reclaimable Wastewater Program	Regional Wastewater Capital Improvement Fund	Regional Wastewater Operations & Maintenance Program	Recharge Water Program	Recycled Water Program	Water Resources Program	TOTAL	ADOPTED BUDGET
REVENUES												
User Charges	\$51,184	\$55,989	\$62,138	\$0	\$11,725	\$0	\$49,696	\$0	\$0	\$5,620	\$67,041	\$76,665
Property Tax	3,789	3,144	1,666	1,793	0	0	0	0	0	0	1,793	1,891
Cost Reimbursement JPA	5,397	4,960	5,203	1,391	0	0	3,350	742	0	0	5,483	5,738
Contract Cost reimbursement	1,123	602	1,193	0	0	0	531	50	5	1,477	2,063	1,593
Interest Revenue	1,179	551	623	215	85	\$365	154	10	192	14	1,036	1,321
Recycled Water Sales	34,855	10,831	11,582	0	0	\$0	0	0	14,022	0	14,022	17,814
Water Sales	0	40,225	40,828	0	0	\$0	0	0	0	41,441	41,441	42,062
TOTAL REVENUES	\$101,081	\$118,901	\$129,234	\$3,399	\$11,810	\$365	\$53,731	\$802	\$14,219	\$48,582	\$132,878	\$147,085
OTHER FINANCING SOURCES												
Property Tax - Debt and Capital	\$44,265	\$35,343	\$37,906	\$0	\$0	\$26,752	\$0,054	\$0	\$2,058	\$1,500	\$39,364	\$40,500
Regional System Connection Fees	14,614	9,789	15,321	0	0	\$22,647	0	0	683	0	23,329	30,635
State Loans	6,350	10,178	20,243	0	0	0	948	0	11,367	0	12,315	23,641
Grants	2,775	2,972	2,398	0	0	0	3,525	0	4,417	1,000	8,942	7,710
Sale of Assets	4,805	48	0	0	0	0	0	0	0	0	0	0
Capital Cost Reimbursement	362	550	1,030	0	0	0	0	1,487	1,444	0	2,931	5,419
Other Revenues	1,639	1,006	732	34	117	6	738	0	0	0	895	913
Sale of Capacity	215	0	0	0	0	0	0	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	14,805	0	0	0	0	0	0	2,000	2,000	2,000
TOTAL OTHER FINANCING SOURCES	\$75,029	\$88,286	\$92,379	\$34	\$117	\$46,405	\$14,288	\$1,487	\$19,989	\$4,500	\$89,777	\$110,819
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$176,081	\$176,587	\$215,613	\$3,432	\$11,927	\$46,770	\$67,997	\$2,289	\$34,198	\$53,082	\$222,654	\$257,904
EXPENSES												
Employment Expenses	\$31,945	\$33,166	\$39,381	\$2,030	\$2,030	\$3,013	\$27,887	\$650	\$3,249	\$1,750	\$40,610	\$42,737
Contract Work/Special Projects	3,666	2,623	7,809	1,425	210	850	10,445	100	2,100	7,077	22,207	16,117
Utilities	8,773	9,586	10,428	699	72	0	7,381	122	2,877	0	11,150	11,617
Operating Fees	7,060	8,658	13,046	6	7,020	240	2,274	5	198	3,562	13,306	13,651
Chemicals	3,736	4,245	3,981	0	170	0	4,225	0	0	0	4,395	4,524
Professional Fees and Services	6,208	6,902	7,629	4,254	150	300	3,216	530	643	157	9,250	8,539
Office and Administrative expenses	1,282	1,431	1,518	1,575	0	0	406	16	0	60	2,057	2,465
Biosolids Recycling	3,396	3,567	3,991	25	25	0	4,233	76	0	0	4,350	4,300
Materials & Supplies	2,485	2,509	2,514	438	106	0	2,005	82	169	0	2,799	2,883
Operation Contribution to IERCA	71	0	0	0	0	0	0	0	0	0	0	0
MWD Water Purchases	30,754	40,225	40,828	0	0	0	0	0	0	41,441	41,441	42,062
Other Expenses	2,851	2,228	1,371	(7,921)	598	1,605	5,662	0	1,356	406	1,607	1,596
TOTAL EXPENSES	\$102,238	\$115,138	\$132,498	\$2,632	\$10,382	\$6,008	\$67,723	\$1,680	\$10,692	\$64,483	\$183,270	\$180,492
CAPITAL PROGRAM												
CSDLAC 4Rs	\$1,206	\$776	\$736	\$0	\$738	\$0	\$0	\$0	\$0	\$0	\$738	\$738
IERCA Investment	500	0	500	0	0	0	0	0	0	0	0	500
Capital Construction and Expansion	21,271	21,562	52,561	1,770	600	11,960	11,071	1,455	16,293	0	43,149	51,292
TOTAL CAPITAL PROGRAM	\$22,977	\$22,338	\$53,798	\$1,770	\$1,338	\$11,960	\$11,071	\$1,455	\$16,293	\$0	\$43,886	\$52,530
DEBT SERVICE												
Financial Expenses	\$205	(\$146)	\$3,847	\$18	\$2	\$361	\$2	\$145	\$2	\$0	\$549	\$349
Interest	10,015	9,063	9,526	0	385	6,043	214	143	2,816	0	9,601	9,810
Principal	11,307	11,629	26,612	0	159	7,078	0	632	3,412	0	11,281	12,528
Short Term Inter-Fund Loan	0	0	14,830	2,000	0	0	0	0	0	32	2,032	2,032
TOTAL DEBT SERVICE	\$21,626	\$20,546	\$54,815	\$2,016	\$546	\$13,502	\$216	\$920	\$6,230	\$32	\$23,463	\$24,718
TRANSFERS IN (OUT)												
Capital Contribution	\$0	\$0	\$0	\$1,059	(\$36)	(\$1,069)	\$62	\$315	(\$351)	\$0	\$0	\$0
Debt Service	0	0	0	0	0	(1,925)	0	460	1,465	0	0	0
Operation support	0	0	0	0	0	(6,000)	6,000	466	(466)	0	0	0
TOTAL INTERFUND TRANSFERS IN (OUT)	\$0	\$0	\$0	\$1,059	(\$36)	(\$8,094)	\$6,082	\$1,241	\$646	\$0	\$0	\$0
FUND BALANCE												
Net Increase (Decrease)	\$29,419	\$4,999	(\$25,497)	(\$1,118)	(\$180)	\$4,988	(\$1,492)	(\$364)	\$1,593	(\$1,391)	\$2,036	\$30,165
Beginning Fund Balance July 01	116,714	146,133	151,132	21,809	3,080	48,333	33,545	3,107	12,798	2,963	125,635	127,671
ENDING BALANCE AT JUNE 30	\$146,133	\$151,132	\$125,635	\$20,691	\$2,900	\$53,321	\$32,053	\$2,743	\$14,391	\$1,572	\$127,671	\$157,836
RESERVE BALANCE SUMMARY												
Operating Contingencies	\$21,198	\$23,910	\$27,423	\$1,066	\$1,051	\$0	\$18,458	\$1,744	\$3,637	\$1,572	\$27,527	\$27,606
Capital Expansion & Replacement	25,446	18,993	8,363	0	566	3,821	0	500	4,461	0	9,349	13,284
CCRA Capital Construction	28,247	36,785	25,108	0	0	30,885	0	0	0	0	30,885	40,021
Rehabilitation/Replacement Reserve	17,694	19,903	15,524	0	0	3,000	13,380	0	500	0	16,880	26,278
CSDLAC Prepayment	1,008	1,008	738	0	738	0	0	0	0	0	738	738
Debt Service & Redemption	27,246	23,048	27,452	0	546	15,615	216	499	5,792	0	22,668	29,285
Insurance & Other	5,519	5,644	6,000	6,000	0	0	0	0	0	0	6,000	6,000
Retirement reserves	18,775	21,842	15,030	13,625	0	0	0	0	0	0	13,625	14,625
ENDING BALANCE AT JUNE 30	\$146,133	\$151,132	\$125,635	\$20,691	\$2,900	\$53,321	\$32,053	\$2,743	\$14,391	\$1,572	\$127,671	\$157,836

Appendix D-1: Regional Wastewater Capital Improvement (RC) Fund Budget

**INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET
 RC FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	2012/2013	2013/2014	2014/15	2014/15	2015/2016	2016/2017	2017/18	2018/19	2019/20
	ACTUAL	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET	PROPOSED BUDGET	FORECAST		
REVENUES									
Contract Cost reimbursement	\$12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Revenue	399	149	174	174	365	545	791	1,030	1,167
TOTAL REVENUES	\$411	\$149	\$174	\$174	\$365	\$545	\$791	\$1,030	\$1,167
OTHER FINANCING SOURCES									
Property Tax - Debt and Capital	\$31,505	\$24,759	\$26,132	\$25,723	\$28,752	\$27,554	\$28,381	\$28,949	\$29,528
Regional System Connection Fees	14,614	9,789	15,321	15,321	22,647	26,161	23,564	21,925	22,917
State Loans	1,570	3	0	0	0	0	6,650	31,750	40,075
Grants	25	0	0	0	0	0	1,000	2,000	2,000
Sale of Assets	4,805	48	0	0	0	0	0	0	0
Other Revenues	328	(35)	6	6	6	6	6	6	6
TOTAL OTHER FINANCING SOURCES	\$52,847	\$34,564	\$41,469	\$41,050	\$48,408	\$53,721	\$59,601	\$84,630	\$94,526
EXPENSES									
Employment Expenses	\$2,822	\$4,178	\$3,063	\$3,347	\$3,013	\$3,171	\$3,334	\$3,430	\$3,523
Contract Work/Special Projects	2,195	278	452	226	850	750	950	950	950
Operating Fees	338	479	678	247	240	247	255	262	270
Professional Fees and Services	429	381	310	237	300	299	277	280	283
Other Expenses	2,894	1,951	1,713	1,629	1,605	1,790	1,323	1,826	1,435
TOTAL EXPENSES	\$8,678	\$7,267	\$6,216	\$5,685	\$6,008	\$6,258	\$6,139	\$6,748	\$6,461
CAPITAL PROGRAM									
IERCA investment	\$500	\$0	\$500	\$500	\$0	\$500	\$0	\$500	\$0
Work In Progress	3,850	6,198	7,859	7,859	11,960	14,845	15,900	54,050	57,100
TOTAL CAPITAL PROGRAM	\$4,350	\$6,198	\$8,359	\$8,359	\$11,960	\$15,345	\$15,900	\$64,550	\$57,100
DEBT SERVICE									
Financial Expenses	-\$20	-\$205	\$249	\$249	\$381	\$248	\$248	\$381	\$248
Interest	7,158	8,565	6,857	6,857	6,043	6,125	6,175	5,024	3,932
Principal	7,906	8,165	23,083	23,083	7,078	7,279	25,467	23,923	22,756
Short Term Inter-Fund Loan	0	0	0	10,500	0	0	0	0	0
TOTAL DEBT SERVICE	\$15,045	\$14,525	\$30,190	\$40,690	\$13,502	\$13,652	\$31,889	\$29,328	\$26,935
TRANSFERS IN (OUT)									
Capital Contribution	-\$3,198	-\$1,531	-\$2,189	-\$1,642	-\$1,069	\$1,014	\$361	\$984	\$1,155
Debt Service	(1,831)	(1,940)	(506)	(1,970)	(1,925)	(1,964)	(2,221)	(794)	(764)
Operation support	0	0	0	0	(6,000)	0	0	0	0
Capital - Connection Fees Allocation	0	0	0	0	(4,318)	(4,600)	(5,923)	(3,867)	(957)
TOTAL INTERFUND TRANSFERS IN (OUT)	(6,029)	(3,472)	(2,695)	(3,612)	(13,312)	(6,550)	(7,783)	(3,677)	(565)
FUND BALANCE									
Net Income (Loss)	\$20,156	\$3,251	-\$5,826	-\$17,122	\$4,988	\$13,461	-\$1,330	-\$8,643	\$4,831
Fund Balance Adj. FY 11/12 CAFR	9,000	0	0	0	0	0	0	0	0
Beginning Fund Balance July 01	33,048	82,205	85,455	65,455	48,333	53,321	66,782	65,452	56,809
ENDING FUND BALANCE AT JUNE 30	\$62,205	\$65,455	\$58,629	\$48,333	\$53,321	\$66,782	\$65,452	\$56,809	\$61,440
RESERVE BALANCE SUMMARY									
Capital Expansion / Construction	\$12,531	\$14,663	\$2,097	\$1,801	\$3,821	\$7,969	\$9,341	\$9,630	\$14,904
CCRA Capital Construction	28,247	36,785	36,106	25,106	30,885	40,021	39,585	31,510	31,427
Rehabilitation/Replacement	0	0	0	0	3,000	3,000	3,000	3,000	3,000
Debt Service & Redemption	21,427	14,007	21,427	21,427	15,615	15,793	13,527	12,668	12,108
ENDING BALANCE AT JUNE 30	\$62,205	\$65,455	\$58,629	\$48,333	\$53,321	\$66,782	\$65,452	\$56,809	\$61,440

Adoption of the Agency's Biennial Budget for FY 2015/16 and FY 2016/17

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Appendix D-2: Regional Wastewater Operations & Maintenance (RO) Fund Budget

**INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET
RO FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	2012/2013	2013/2014	2014/2015	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
			AMENDED	PROJECTED	PROPOSED	PROPOSED			
	ACTUAL	ACTUAL	BUDGET	ACTUAL	BUDGET	BUDGET	FORECAST		
REVENUES									
User Charges	\$39,570	\$42,971	\$45,988	\$45,988	\$49,698	\$55,023	\$59,173	\$63,182	\$64,663
Cost Reimbursement JPA	3,253	3,055	3,471	3,347	3,350	3,523	3,707	3,813	3,917
Contract Cost Reimbursement	517	66	93	93	531	93	93	93	93
Interest Revenue	129	150	165	165	154	150	250	360	550
TOTAL REVENUES	\$43,468	\$46,241	\$49,717	\$49,694	\$63,731	\$68,782	\$63,224	\$67,449	\$69,223
OTHER FINANCING SOURCES									
Property Tax Revenues	\$10,407	\$8,634	\$8,845	\$8,706	\$9,054	\$9,326	\$9,606	\$9,798	\$9,994
State Loans	0	0	0	0	948	7,857	7,364	82	0
Grants	42	35	0	0	3,525	3,525	0	0	0
Other Revenues	598	725	565	565	738	757	776	795	816
TOTAL OTHER FINANCING SOURCES	\$11,048	\$9,394	\$9,410	\$9,272	\$14,265	\$21,264	\$17,745	\$10,675	\$10,810
EXPENSES									
Employment Expenses	\$23,615	\$23,035	\$28,381	\$26,976	\$27,887	\$29,348	\$30,860	\$31,742	\$32,805
Contract Work/Special Projects	131	586	3,004	1,194	10,445	4,110	1,110	1,100	1,100
Utilities	6,101	6,561	5,853	7,163	7,391	7,687	7,918	8,155	8,400
Operating Fees	580	683	1,144	1,952	2,274	2,339	2,410	2,483	2,557
Chemicals	3,578	4,126	4,351	3,811	4,225	4,349	4,480	4,614	4,753
Professional Fees and Services	1,873	2,133	2,378	2,715	3,216	2,721	2,652	2,721	2,796
Office and Administrative expenses	19	22	279	179	408	408	407	407	407
Biosolids Recycling	3,323	3,528	3,958	3,893	4,233	4,188	4,272	4,356	4,441
Materials & Supplies	1,689	1,654	1,908	1,870	2,005	2,020	2,089	2,132	2,195
Other Expenses	862	1,290	4,161	3,965	5,652	4,857	4,673	4,538	5,068
TOTAL EXPENSES	\$41,769	\$43,617	\$55,417	\$53,717	\$67,723	\$62,025	\$60,860	\$62,248	\$64,321
CAPITAL PROGRAM									
Due from City of Ontario	0	0	0	0	0	0	0	0	0
Capital Construction & Expansion (WIP)	\$6,094	\$5,129	\$11,377	\$7,695	\$11,071	\$11,794	\$14,950	\$10,200	\$1,800
TOTAL CAPITAL PROGRAM	\$6,094	\$5,129	\$11,377	\$7,695	\$11,071	\$11,794	\$14,950	\$10,200	\$1,800
DEBT SERVICE									
Financial Expenses	\$4	\$0	\$0	\$0	\$2	\$2	\$2	\$2	\$2
Interest	214	214	(0)	214	214	214	551	497	447
Principal	0	0	0	0	0	0	1,312	1,232	1,161
Short Term Inter-Fund Loan	0	0	0	0	0	0	0	0	0
TOTAL DEBT SERVICE	\$219	\$215	\$0	\$215	\$216	\$216	\$1,864	\$1,731	\$1,609
TRANSFERS IN (OUT)									
Capital Contribution	(\$400)	\$0	\$0	\$0	\$82	(\$1,545)	(\$791)	(\$1,195)	(\$1,200)
Debt Service	0	0	0	0	0	0	182	182	182
Operation support	0	0	0	0	6,000	0	0	0	0
Capital - Connection Fees Allocation	0	0	0	0	3,440	4,111	5,487	3,277	504
Property Tax Transfer	0	(2,200)	0	0	0	0	0	0	0
TOTAL INTERFUND TRANSFERS IN (OUT)	(\$400)	(\$2,200)	\$0	\$0	\$9,522	\$2,566	\$4,678	\$2,263	(\$516)
FUND BALANCE									
Net Income (Loss)	\$6,034	\$4,473	(\$7,667)	(\$2,761)	(\$1,492)	\$8,589	\$8,182	\$6,208	\$11,788
Beginning Fund Balance July 01	\$25,799	\$31,833	\$36,306	\$36,306	\$33,545	\$32,053	\$40,642	\$48,824	\$55,032
ENDING FUND BALANCE AT JUNE 30	\$31,833	\$36,306	\$28,639	\$33,545	\$32,053	\$40,642	\$48,824	\$55,032	\$66,820
RESERVE BALANCE SUMMARY									
Capital / Operation Contingencies	\$13,923	\$14,539	\$18,472	\$17,906	\$18,458	\$18,500	\$19,048	\$19,478	\$20,134
Rehabilitation/Replacement	17,694	19,903	9,951	15,424	13,380	20,278	28,045	33,944	44,892
Debt Service & Redemption	216	1,864	216	216	216	1,864	1,731	1,809	1,793
ENDING BALANCE AT JUNE 30	\$31,833	\$36,306	\$28,639	\$33,545	\$32,053	\$40,642	\$48,824	\$55,032	\$66,820

Appendix D-3: Recycled Water (WC) Fund Budget

**INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET
 WC FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	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	PROPOSED BUDGET	FORECAST		
REVENUES									
Contract Cost reimbursement	\$32	\$249	\$5	\$5	\$5	\$0	\$0	\$0	\$0
Interest Revenue	98	75	103	103	192	216	288	381	660
Water Sales	7,952	10,831	11,582	11,582	14,022	17,814	18,055	21,467	23,376
TOTAL REVENUES	\$8,082	\$11,165	\$11,689	\$11,689	\$14,219	\$18,030	\$18,323	\$21,848	\$24,036
OTHER FINANCING SOURCES									
Property Tax - Debt/Capital	\$2,355	\$1,950	\$2,010	\$1,979	\$2,058	\$2,120	\$2,183	\$2,227	\$2,271
Connection Fees	0	0	0	0	893	4,475	5,190	4,830	5,052
State Loans	4,780	10,175	11,074	20,243	11,357	15,985	12,999	2,938	604
Grants	2,494	2,253	2,320	2,338	1,417	2,125	1,500	1,600	0
Capital Contract Reimbursement	16	207	1,112	525	1,444	718	398	1,482	69
Other Revenues	18	0	0	0	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	0	10,500	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES	\$9,660	\$14,585	\$16,817	\$36,584	\$19,988	\$25,422	\$ 22,167	\$ 13,056	\$ 7,997
EXPENSES									
Employment Expenses	\$3,174	\$2,806	\$3,549	\$3,347	\$3,249	\$3,419	\$3,595	\$3,698	\$3,798
Contract Work/Special Projects	188	344	589	295	2,100	2,225	825	825	1,150
Utilities	2,092	2,377	2,570	2,427	2,877	3,010	3,318	3,926	4,269
Operating Fees	102	159	212	188	198	152	201	251	207
Professional Fees and Services	901	865	810	457	313	654	663	673	682
Materials & Supplies	84	78	267	130	169	169	174	178	183
Other Expenses	326	229	1,153	1,099	1,350	1,283	1,132	1,245	1,225
TOTAL EXPENSES	\$7,167	\$6,867	\$8,960	\$7,943	\$10,582	\$10,911	\$9,909	\$10,796	\$11,614
CAPITAL PROGRAM									
Work in Progress	\$8,627	\$6,665	\$39,564	\$32,228	\$16,293	\$18,630	\$14,465	\$4,115	\$3,210
TOTAL CAPITAL PROGRAM	\$8,627	\$12,570,988	\$39,564	\$32,228	\$16,293	\$18,630	\$14,465	\$4,115	\$3,210
DEBT SERVICE									
Financial Expenses	(\$37)	(\$31)	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Interest	2,207	2,087	2,055	2,055	2,816	2,822	2,812	2,797	2,871
Principal	2,704	2,738	2,773	2,773	3,412	4,433	10,802	10,749	10,897
Short Term Inter-Fund Loan	0	0	0	0	0	2,000	2,000	1,000	1,000
TOTAL DEBT SERVICE	\$4,874	\$4,794	\$4,830	\$4,830	\$6,230	\$9,257	\$15,616	\$14,548	\$14,569
TRANSFERS IN (OUT)									
Capital Contribution	\$1,238	(\$198)	(\$355)	(\$397)	(\$331)	(\$459)	(\$16)	(\$8)	(\$2)
Debt Service	1,465	1,465	0	1,465	1,465	1,465	1,465	0	0
Operation support	(75)	(600)	(892)	(892)	(892)	(791)	(828)	(841)	(873)
One Water	0	0	0	0	(130)	(378)	(342)	(302)	(319)
Property Tax Transfer	0	(500)	0	0	0	0	0	0	0
TOTAL INTERFUND TRANSFERS IN (OUT)	\$2,628	\$166	(\$1,247)	\$176	\$618	(\$184)	\$279	(\$1,160)	(\$1,194)
FUND BALANCE									
Net Income (Loss)	(\$298)	(\$4,974)	(\$26,085)	\$2,447	\$1,593	\$4,490	\$779	\$4,295	\$1,545
Beginning Fund Balance July 01	15,623	15,326	10,351	10,351	12,796	14,391	18,861	19,680	23,955
ENDING BALANCE AT JUNE 30	\$15,326	\$10,351	(\$15,733)	\$12,798	\$14,389	\$18,881	\$19,660	\$23,985	\$25,501
RESERVE BALANCE SUMMARY									
Operating Contingencies	\$1,714	\$4,125	\$2,983	\$2,648	\$3,637	\$3,303	\$3,598	\$3,838	\$3,816
Capital Expansion & Replacement	8,786	1,364	(23,582)	5,285	4,461	3,427	0	2,301	3,869
Rehabilitation/Replacement Reserve	0	0	100	100	500	3,000	3,000	3,000	3,000
Debt Service & Redemption	4,825	4,842	4,785	4,785	5,792	9,151	13,062	14,816	14,816
ENDING BALANCE AT JUNE 30	\$15,326	\$10,351	(\$15,733)	\$12,798	\$14,389	\$18,881	\$19,660	\$23,985	\$25,501

Appendix D-4: Recharge Water (RW) Fund Budget

**INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2015/2016 AND FISCAL YEAR 2016/17 BIENNIAL BUDGET
 RW FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	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	PROPOSED BUDGET	FORECAST		
REVENUES									
Cost Reimbursement from JPA	\$757	\$719	\$742	\$595	\$742	\$773	\$796	\$819	\$844
Contract Cost reimbursement	7	0	0	0	50	0	0	0	0
Interest Revenue	10	10	15	15	10	10	15	20	25
TOTAL REVENUES	\$774	\$729	\$757	\$610	\$802	\$783	\$811	\$839	\$869
OTHER FINANCING SOURCES									
Grants	\$0	\$0	\$0	\$0	\$0	\$60	\$0	\$0	\$0
Capital Contract Reimbursement	347	343	557	505	1,487	4,701	13,200	22,635	8,882
Other Revenues	39	(2)	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES	\$385	\$340	\$557	\$505	\$1,487	\$4,761	\$13,200	\$22,635	\$8,882
EXPENSES									
Employment Expenses	\$460	\$380	\$817	\$788	\$850	\$684	\$719	\$740	\$760
Contract Work/Special Projects	0	0	0	0	100	0	0	0	0
Utilities	96	102	126	120	122	122	126	129	133
Operating Fees	5	6	4	4	5	5	5	5	5
Professional Fees and Services	444	549	603	696	530	593	610	626	644
Office and Administrative expenses	8	8	14	14	16	16	16	16	17
Expense Allocation	71	0	52	48	76	61	62	56	68
Materials & Supplies	45	88	86	58	82	83	85	88	91
TOTAL EXPENSES	\$1,128	\$1,133	\$1,702	\$1,727	\$1,580	\$1,564	\$1,623	\$1,661	\$1,717
CAPITAL PROGRAM									
Capital Expansion/Construction	\$183	\$255	\$1,317	\$735	\$1,455	\$4,735	\$12,731	\$22,023	\$8,300
TOTAL CAPITAL PROGRAM	\$183	\$255	\$1,317	\$735	\$1,455	\$4,735	\$12,731	\$22,023	\$8,300
DEBT SERVICE									
Financial Expenses	\$219	\$84	\$106	\$82	\$145	\$78	\$78	\$145	\$78
Interest	26	9	299	6	143	273	369	368	346
Principal	563	585	607	607	632	647	663	710	739
TOTAL DEBT SERVICE	\$808	\$677	\$1,011	\$694	\$920	\$998	\$1,150	\$1,223	\$1,163
TRANSFERS IN (OUT)									
Capital Contribution	\$263	\$142	\$275	\$338	\$315	\$440	\$0	\$0	\$0
Debt Service	366	476	506	506	460	499	575	612	582
Operation support	275	700	892	892	488	791	828	841	873
Property Tax Transfer	0	0	0	0	62	96	19	4	4
TOTAL INTERFUND TRANSFERS IN (OU)	\$905	\$1,318	\$1,673	\$1,735	\$1,302	\$1,826	\$1,422	\$1,457	\$1,459
FUND BALANCE									
Net Income (Loss)	(\$55)	\$323	(\$1,044)	(\$306)	(\$364)	\$73	(\$71)	\$24	\$29
Beginning Fund Balance July 01	\$3,145	\$3,090	\$3,413	\$3,413	\$3,107	\$2,743	\$2,816	\$2,745	\$2,768
ENDING FUND BALANCE AT JUNE 30	\$3,090	\$3,413	\$2,368	\$3,107	\$2,743	\$2,816	\$2,745	\$2,768	\$2,797
RESERVE BALANCE SUMMARY									
Operating Contingencies	\$2,347	\$2,431	\$1,572	\$2,108	\$1,744	\$1,741	\$1,633	\$1,686	\$1,658
Capital Expansion / Construction	500	550	500	500	500	500	500	500	500
Debt Service & Redemption	243	432	297	499	499	575	612	582	639
ENDING BALANCE AT JUNE 30	\$3,090	\$3,413	\$2,368	\$3,107	\$2,743	\$2,816	\$2,745	\$2,768	\$2,797

Appendix D-5: Water Resources (WW) Fund Budget

**INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET
 WW FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	2012/2013	2013/2014	2014/15	2014/15	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
			AMENDED	PROJECTED	PROPOSED	PROPOSED		FORECAST	
	ACTUAL	ACTUAL	BUDGET	ACTUAL	BUDGET	BUDGET			
REVENUES									
User Charges	\$4,262	\$4,824	\$5,817	\$5,817	\$5,620	\$9,498	\$9,825	\$10,399	\$11,986
Contract Cost reimbursement	377	263	1,095	1,095	1,477	1,500	1,500	1,500	1,500
Interest Revenue	7	9	6	6	14	31	60	99	141
Water Sales	30,805	40,225	40,828	40,828	41,441	42,062	42,693	43,334	43,984
TOTAL REVENUES	\$35,452	\$45,421	\$47,746	\$47,746	\$48,552	\$53,091	\$54,078	\$55,332	\$57,611
OTHER FINANCING SOURCES									
Propety Tax - Debt and Capital	\$0	\$0	\$0	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Grants	\$214	\$84	\$0	\$0	\$1,000	\$2,000	\$2,000	\$2,000	\$2,000
Other Revenues	24	0	0	0	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	4,308	4,308	2,000	0	0	0	0
TOTAL OTHER FINANCING SOURCES	\$238	\$84	\$4,308	\$5,808	\$4,500	\$3,500	\$3,500	\$3,500	\$3,500
EXPENSES									
Employment Expenses	\$740	\$829	\$1,225	\$1,181	\$1,750	\$1,842	\$1,937	\$1,992	\$2,046
Contract Work/Special Projects	1,143	1,228	6,324	5,205	7,077	8,372	7,872	7,872	7,872
Operating Fees	2,965	3,798	3,783	3,777	3,562	3,669	3,780	7,693	4,010
Professional Fees and Services	81	98	203	175	157	157	157	157	157
Office and Administrative expenses	6	36	80	48	80	80	82	84	86
MWD Water Purchases	30,754	40,225	40,828	40,828	41,441	42,062	42,693	43,334	43,984
Other Expenses	154	66	323	271	408	338	346	315	374
TOTAL EXPENSES	\$35,843	\$46,280	\$52,747	\$51,486	\$54,453	\$56,501	\$56,846	\$61,427	\$58,509
DEBT SERVICE									
Short Term Inter-Fund Loan	\$0	\$0	\$0	\$22	\$32	\$32	\$47	\$63	\$1,053
TOTAL DEBT SERVICE	\$0	\$0	\$0	\$22	\$32	\$32	\$47	\$63	\$1,053
TRANSFERS IN (OUT)									
Operation support	(\$200)	(\$100)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
One Water	0	0	0	0	41	269	311	290	303
TOTAL INTERFUND TRANSFERS IN (OUT)	(\$200)	(\$100)	\$0	\$0	\$41	\$269	\$311	\$290	\$303
FUND BALANCE									
Net Income (Loss)	(\$354)	(\$878)	(\$692)	\$2,047	(\$1,391)	\$328	\$996	(\$2,368)	\$1,852
Beginning Fund Balance July 01	\$2,145	\$1,791	\$916	\$916	\$2,963	\$1,572	\$1,899	\$2,896	\$528
ENDING FUND BALANCE AT JUNE 30	\$1,791	\$917	\$223	\$2,963	\$1,572	\$1,899	\$2,896	\$528	\$2,380
RESERVE BALANCE SUMMARY									
Capital / Operation Contingencies	\$1,791	\$916	\$223	\$2,963	\$1,572	\$1,899	\$2,896	\$528	\$2,380
ENDING BALANCE AT JUNE 30	\$1,791	\$916	\$223	\$2,963	\$1,572	\$1,899	\$2,896	\$528	\$2,380

Appendix D-6: Non Reclaimable Wastewater (NC) Fund Budget

**INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET
 NC FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	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	PROPOSED BUDGET	FORECAST		
REVENUES									
User Charges	\$7,352	\$8,095	\$10,008	\$10,333	\$11,725	\$12,144	\$12,868	\$12,999	\$13,336
Contract Cost reimbursement	0	0	0	0	0	0	0	0	0
Interest Revenue	66	57	170	51	85	90	138	160	150
TOTAL REVENUES	\$7,418	\$8,152	\$10,178	\$10,384	\$11,810	\$12,234	\$12,806	\$13,159	\$13,486
OTHER FINANCING SOURCES									
Other Revenues	\$628	\$138	\$34	\$137	\$117	\$117	\$117	\$117	\$117
Sale of Capacity	215	0	0	0	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	0	0	0	2,000	2,000	1,000	1,000
TOTAL OTHER FINANCING SOURCES	\$843	\$138	\$34	\$137	\$117	\$2,117	\$2,117	\$1,117	\$1,117
EXPENSES									
Employment Expenses	\$1,928	\$1,908	\$2,246	\$2,166	\$2,090	\$2,137	\$2,247	\$2,311	\$2,374
Contract Work/Special Projects	8	157	92	46	210	210	210	210	210
Utilities	59	78	65	66	72	75	77	80	82
Operating Fees	3,064	3,526	5,212	6,872	7,020	7,231	7,448	7,671	7,902
Chemicals	158	119	172	170	170	175	180	186	191
Professional Fees and Services	45	293	134	95	150	148	147	151	155
Office and Administrative expenses	(0)	1	0	0	0	0	0	0	0
Biosolids Recycling	4	23	25	25	26	25	26	27	27
Materials & Supplies	46	35	120	101	106	107	110	113	117
Other Expenses	(242)	117	489	438	598	530	493	501	535
TOTAL EXPENSES	\$5,069	\$6,258	\$8,554	\$9,979	\$10,382	\$10,639	\$10,939	\$11,250	\$11,593
CAPITAL PROGRAM									
CSDLAC 4Rs SRF Loan	\$1,206	\$776	\$738	\$738	\$738	\$738	\$738	\$738	\$737
Capital Expansion/Construction	342	1,671	3,017	2,283	600	350	200	1,500	200
TOTAL CAPITAL PROGRAM	\$1,548	\$2,448	\$3,755	\$3,021	\$1,338	\$1,088	\$938	\$2,238	\$937
DEBT SERVICE									
Financial Expenses	\$36	(\$8)	\$1	\$1	\$2	\$2	\$2	\$2	\$2
Interest	409	188	394	394	385	376	367	280	210
Principal	133	141	150	150	158	168	1,534	1,388	1,256
TOTAL DEBT SERVICE	\$578	\$322	\$544	\$544	\$545	\$546	\$1,902	\$1,670	\$1,468
TRANSFERS IN (OUT)									
Capital Contribution	(\$78)	(\$58)	(\$80)	(\$60)	(\$35)	(\$19)	(\$16)	(\$8)	(\$2)
Connection Fee	0	0	0	0	194	134	98	410	98
TOTAL INTERFUND TRANSFERS IN (OUT)	(\$78)	(\$58)	(\$80)	(\$60)	\$158	\$115	\$82	\$403	\$97
FUND BALANCE									
Net Income (Loss)	\$986	(\$794)	(2,722)	-\$3,083	(180)	\$2,194	\$1,226	(478)	\$701
Beginning Fund Balance July 01	\$5,971	\$6,957	\$6,163	\$6,163	\$3,080	\$2,904	\$5,094	\$6,320	\$5,842
ENDING FUND BALANCE AT JUNE 30	\$6,957	\$6,163	\$3,442	\$3,080	\$2,900	\$5,094	\$6,320	\$5,842	\$6,543
RESERVE BALANCE SUMMARY									
Capital / Operation Contingencies	\$785	\$857	\$1,083	\$1,020	\$1,051	\$1,066	\$1,094	\$1,123	\$1,160
Capital Expansion / Construction	4,629	2,396	1,076	777	686	1,368	2,819	2,513	3,808
CSDLAC Prepayment	1,008	1,008	738	738	738	738	738	737	0
Debt Service & Redemption	535	1,902	545	545	648	1,902	1,670	1,468	1,774
ENDING BALANCE AT JUNE 30	\$6,957	\$6,163	\$3,442	\$3,080	\$2,900	\$5,094	\$6,320	\$5,842	\$6,543

Adoption of the Agency's Biennial Budget for FY 2015/16 and FY 2016/17

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Appendix D-7: Administrative Services (GG) Fund Budget

**INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET
GG FUND - SOURCES AND USES OF FUNDS (In Thousands)**

	2012/2013	2013/2014	2014/2015		2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
	ACTUAL	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET	PROPOSED BUDGET	FORECAST		
REVENUES AND OTHER FINANCING SOURCES									
User Charges									
Property Tax	\$3,789	\$3,144	\$3,216	\$1,666	\$1,793	\$1,891	\$1,993	\$2,063	\$2,134
Cost Reimbursement from JPA	1,387	1,187	1,225	1,261	1,381	1,439	1,468	1,497	1,527
Contract Cost reimbursement	179	24	-	-	-	-	-	-	-
Interest Revenue	101	101	110	110	215	278	347	422	503
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$5,457	\$4,455	\$4,551	\$3,037	\$3,398	\$3,610	\$3,808	\$3,982	\$4,165
OTHER FINANCING SOURCES									
Grants	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenues	6	181	2	24	34	34	49	85	1,055
TOTAL OTHER FINANCING SOURCES	\$7	\$181	\$2	\$24	\$34	\$34	\$49	\$85	\$1,055
EXPENSES									
Employment Expenses	(\$1,093)	\$30	\$1,258	\$1,575	\$2,030	\$2,137	\$2,247	\$2,311	\$2,374
Contract Work:Special Projects	2	32	843	843	1,425	450	150	150	500
Utilities	426	468	806	653	699	723	744	766	789
Operating Fees	6	6	7	6	6	6	6	6	6
Professional Fees and Services	2,435	2,583	3,515	3,255	4,254	3,957	3,582	3,639	3,712
Office and Administrative expenses	1,249	1,364	1,630	1,276	1,575	1,983	1,834	2,145	1,874
Biosolids Recycling	0	16	25	25	25	25	28	27	27
Materials & Supplies	631	654	578	358	438	505	557	585	580
Other Expenses	(1,143)	(1,427)	(6,347)	(6,031)	(7,921)	(7,202)	(6,485)	(6,860)	(7,040)
TOTAL EXPENSES	\$2,513	\$3,726	\$2,116	\$1,958	\$2,532	\$2,584	\$2,660	\$2,748	\$2,823
CAPITAL PROGRAM									
Capital Expansion & Construction (WIP)	\$2,175	\$1,643	\$2,349	\$1,761	\$1,770	\$938	\$821	\$415	\$415
TOTAL CAPITAL PROGRAM	\$2,175	\$1,643	\$2,349	\$1,761	\$1,770	\$938	\$821	\$415	\$415
DEBT SERVICE									
Financial Expenses	\$2	\$14	\$3,513	\$3,513	\$18	\$18	\$18	\$18	\$18
Short Term Inter-Fund Loan	-	-	4,308	4,308	2,000	-	-	-	-
TOTAL DEBT SERVICE	\$2	\$14	\$7,821	\$7,821	\$2,018	\$18	\$18	\$18	\$18
TRANSFERS IN (OUT)									
Capital Contribution	\$2,175	\$1,643	\$2,349	\$1,761	\$1,059	\$571	\$472	\$227	\$48
Capital - Connection Fees Allocation	-	-	-	-	684	355	338	180	355
One Water	-	-	-	-	27	13	12	8	12
Property Tax Transfer	-	2,700	-	-	-	-	-	-	-
TOTAL INTERFUND TRANSFERS IN (OUT)	\$2,175	\$4,343	\$2,349	\$1,761	\$1,770	\$938	\$821	\$415	\$415
FUND BALANCE									
Net Income (Loss)	\$2,949	\$3,596	(\$5,383)	(\$6,719)	(\$1,118)	\$1,031	\$1,179	\$1,281	\$2,379
Beginning Fund Balance July 01	\$21,983	\$24,932	\$28,528	\$28,528	\$21,809	\$20,691	\$21,722	\$22,901	\$24,182
ENDING FUND BALANCE AT JUNE 30	\$24,932	\$28,528	\$23,145	\$21,809	\$20,691	\$21,722	\$22,901	\$24,182	\$26,560
RESERVE BALANCE SUMMARY									
Capital / Operation Contingencies	\$638	\$1,042	\$858	\$779	\$1,068	\$1,097	\$1,130	\$1,174	\$1,211
Insurance & Other	5,519	5,644	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Retirement reserves	18,775	21,842	16,286	15,030	13,825	14,625	15,770	17,007	19,349
ENDING BALANCE AT JUNE 30	\$24,932	\$28,528	\$23,145	\$21,809	\$20,691	\$21,722	\$22,901	\$24,182	\$26,560

General Manager's Message

Appendix E

The Honorable Board of Directors
Inland Empire Utilities Agency

June 17, 2015

This year, the Inland Empire Utilities Agency (IEUA), formerly known as the Chino Basin Municipal Water District (CBMWD), celebrates its 65th anniversary. Since its formation, the Agency's mission has evolved from a purveyor of water imported as a member of the Metropolitan Water District of Southern Area (MWD) to a population of approximately 80,000 people, to becoming a "water resources steward of the region" as a regional provider of wastewater treatment with domestic and industrial systems, developing energy production facilities, taking a leadership role in promoting integrated water resource management, and maintaining a high standard of community and educational outreach. Through its member agencies, the Agency now serves approximately 830,000 residents in a 242 square mile area in the southwest corner of the San Bernardino County.

The General Manager's biennial budget for Fiscal Year's (FYs) 2015/16 and 2016/17 and the Ten Year Capital Improvement Plan (TYCIP) for Fiscal Years 2015/16 through 2024/25 uphold the Agency's commitment to safeguarding and enhancing the quality of life in the Inland Empire in a sustainable and cost effective manner. A summary of the key revenues, expenses and changes in fund balance is provided in Table 1.

**Table 1: Summary of Adopted Biennial Budget FYs 2015/16 and 2016/17
(\$Millions)**

Description	FY 2015/16	FY 2016/17
Major Revenues and Funding Sources:		
Operating System Revenues	\$122.4	\$136.6
Connection Fees	\$23.3	\$30.6
Property Tax Receipts	\$41.1	\$42.4
Grants	\$8.9	\$7.7
Other	\$26.9	\$40.6
Total Revenues and Funding Sources	\$222.6	\$257.9
Major Expenses and Uses of Funds:		
Operating System Costs	\$153.2	\$150.5
Capital Improvement Plan (CIP)	\$43.9	\$52.5
Debt Service	\$23.5	\$24.7
Total Expenses and Other Uses of Funds	\$220.6	\$227.7
Net Increase (Decrease)	\$2.0	\$30.2
Beginning Fund Balance, July 1st	\$125.6	\$127.6
Estimated Ending Fund Balance, June 30	\$127.6	\$157.8

The 2015 Strategic Plan, which identifies the major initiatives to be accomplished through 2019, is the basis for the biennial budget for FYs 2015/16 – 2016/17 and TYCIP for FYs 2017-2025. These initiatives ensure the Agency continues to fulfill its mission, vision, and values and the Board's key policy objectives defined in the IEUA Business Goals; Water Reliability, Environmental Stewardship, Fiscal Responsibility, Wastewater Management and Business Practices. The summary of the key assumptions, drivers, changes, and objectives for the biennial budget and TYCIP are provided in the Executive Summary section.

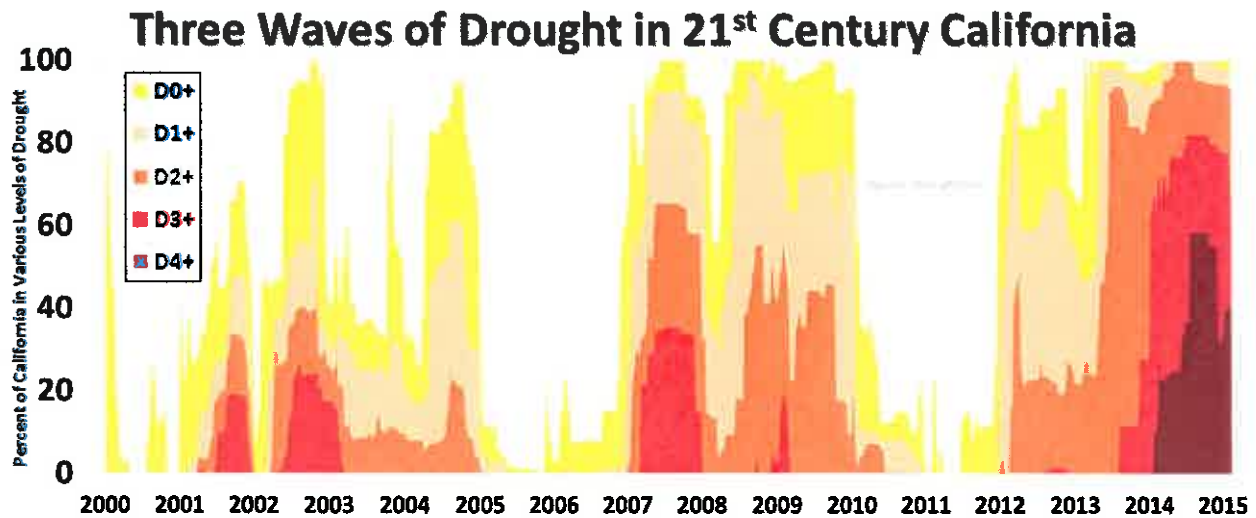
Opportunities and Challenges

Despite a weakening global economy, nearly every sector of the U.S. economy continues to show signs of steady growth. According to the Beacon Economics Quarterly Report (Q1 2015), employment levels have returned to their pre-recession high corporate profits and the equity markets are near all-time highs, and interest rates remain low. At the forefront of the growth is the California economy with nearly every key economic indicator trending in the right direction. The CalCheck Report: Updated on the California's Economic Health (May 6, 2015) describes the state's economy as "both deepening and broadening" with job growth outperforming the nation for 37 consecutive months. The state's unemployment rate has dropped significantly from a peak of 12.2% in March 2010 to 6.5% in March 2015. The higher employment level and favorable economic conditions are resulting in significantly higher revenues by the state than projected in the FY 2014/15 budget. The Governor's FY 2015/16 May revised budget reported a \$6.7 billion increase in General Fund revenues compared to the January budget. The increase was primarily driven by increased capital gains and personal income taxes.

With the state's economy in stronger footing, attention has shifted to the water shortages caused by the ongoing drought. Although drought conditions are prevalent throughout the southwestern region of the U.S.; coping with a fourth consecutive year of historically dry weather, California has become the focal point of the current drought crisis.

Droughts are not uncommon in California. Since the year 2000, California has experienced three waves of drought: 2001-2005, 2007-2010, and the ongoing drought of 2012. However, as depicted in the graph below, none have been as severe as the current one.

General Manager's Message



In April 2015, the U.S. Drought Monitor reported 98 percent of California was experiencing some level of drought. Over 40 percent of the state was reported to be under “exceptional drought” conditions: the most intense rating issued by the U.S. Drought Monitor. These unprecedented drought conditions and the possibility that they will continue into a fifth consecutive year in 2016 and beyond, led to the enactment of historic sustainable groundwater laws in September 2014 aimed to protect the groundwater basins that provide more than half of the water California’s use in dry years. Agency management was a key participant in the crafting of the Sustainable Groundwater Management Act which requires local agencies to form sustainable groundwater management agencies by June 2017 and adopt sustainability plans by 2022.

In January 2014 Governor Edmund G. Brown, Jr. declared a drought state of emergency and urged for a voluntary reduction of water use by 20 percent. The Governor issued a second Executive Order in April 2014 and a directive in July 2014 adopting emergency regulations for water conservation to prevent waste and unreasonable use. The severity of California’s drought was further heightened by the Department of Water (DWR) annual measurement of the Sierra Nevada snowpack on April 1, 2015 of only 5 percent; the lowest average since 1950. This prompted the Governor to issue another Executive Order (B-29-15) calling for a statewide mandatory reduction in urban water use of 25 percent from 2013 levels by February 2016. The statewide mandate was the first in California’s history and underscores the severity of the current drought and the need to conserve diminishing water supplies across the state.



The strong leadership and foresight demonstrated by the Governor in responding to the current drought will provide long term benefits in preserving and optimizing the beneficial use of the water resources throughout the state. In addition to promoting a more holistic and collaborative approach to water resource management throughout the state, these regulations will undoubtedly transform the way Californian's think about and use water going forward.

Water Reliability

The Agency, in partnership with its member agencies, invests in a wide range of programs to promote water use efficiency, eliminate waste and unreasonable use, and enhance regional water resiliency. In support of the Governor's statewide mandate to reduce water use, the IEUA Board of Directors adopted Drought Resolution (2015-5-8) in May 2015. The Drought Resolution calls for aggressive actions to reduce outdoor water use and preserve remaining water supplies in the Chino Basin. Included in the FY 2015/16 – 2016/17 biennial budget is an expansion of the Agency's regional conservation program including; rebates for turf removal, landscape equipment upgrades, indoor water saving devices, free landscape evaluations, and increased public outreach and messaging to heighten public awareness on the urgency to preserve our regional water supplies.

Also in support of the Governor's Executive Order, MWD implemented a Water Supply Allocation Plan (WASP) Level 3, declaring a regional shortage level and reducing tier 1 allocations by 15 percent effective July 1, 2015. As a member of MWD, all of the water imported into the region by the Agency is through the State Water Project (SWP). About one fourth of the water used in the region is imported from MWD. The reduced allocation directly impact wholesale deliveries by the Agency to its member agencies. Pursuant to the Governor's Executive Order B-29-15, all of Agency's member agencies are required to reduce urban water use between 24 to 36 percent by February 2016.

To mitigate the uncertainty of SWP water supplies due to recurring drought conditions and operational constraints, over the last 20 years the Agency has invested more than \$275 million in developing and enhancing regional water supplies, including infrastructure improvements, construction of state-of-the-art recycled water and groundwater recharge facilities, and water use efficiency programs. A major facet of the Agency's integrated water resource management program is optimizing beneficial use of recycled water generated in its recycling water facilities.

In FY 2013/14, the Agency achieved a new milestone with the delivery of nearly 38,000 acre foot (AF) of recycled water; 14,000 AF of which was recharged into the Chino Basin for future use. A significant accomplishment is the completion of the Central/Wineville Area recycled water projects in July 2015. These projects will distribute recycled water to the southern part of the City of Fontana and the eastern part of the City of Ontario; completing the backbone of the regional recycled water distribution system. Total project yield is estimated between 3,000 and

General Manager's Message

4,000 acre-feet per year (AFY); comprised primarily of additional groundwater recharged to the RP-3 and Declez basins.

The Recycled Water Program Strategy (RWPS), one of the Agency's master plans, was recently updated to help maximize the beneficial use of recycled water throughout the year by shifting towards groundwater recharge, injection and possibly direct potable reuse. The projects proposed through 2035, with a focus on the first ten years (TYCIP), address improvements necessary to either increase the ability to deliver reuse supply to groundwater recharge, or relieve capacity constraints in order to meet the demand forecast.

More information on these programs is provided in the Water Resources program section.

Environmental Stewardship

The Agency is committed to protection of the environment through conservation and sustainable practices implemented on a regional and watershed basis. Included in the biennial budget are various projects that pool together multiple agencies in the region to collaborate in large-scale water supply reliability and water use efficiency projects that could benefit the entire Santa Ana Watershed. As one of ten agencies participating in the Santa Ana River Multiple Species Habitat Conservation Plan, led by the San Bernardino Valley Municipal Water District (SBVMWD), the Agency will work closely with the U. S. Fish and Wildlife Service to mitigate any potential impact to federally-listed endangered, threatened, or special status species from future water projects in the Upper Santa Ana River region.

The Agency is also a key participant in the Santa Ana River Watershed-Scale Conjunctive Use Program (SARCUP), along with San Bernardino Valley Municipal Water District (SBVMWD), Eastern Municipal Water District (EMWD), Western Municipal Water District (WMWD), and Orange County Water District (OCWD). The primary objective of the participants, known as the Santa Ana River Watermaster Action Team (Action Team), is to develop cooperative plans for SARCUP to maximize development of local and imported water supplies as equitable partners and not to compete for grants or imported water supplies that can be used for SARCUP. These projects will be the basis for the 2015 One Water One Watershed (OWOW) grant application for \$60 million from the Department of Water Resources (DWR) Proposition 84 grant funding. The Action Team will also work collaboratively on regional water use efficiency programs and habitat restoration/Arundo removal programs.

Fiscal Responsibility

The Operating Budget for FYs 2015/16 – 2016/17 is the Agency's first biennial budget. The transition from a single year budget to a biennial budget was one of the key objectives of the IEUA Business Goal Fiscal Responsibility. Another important milestone is the adoption of five year rates and fees for FYs 2015/16 – 2019/20 for the Agency's regional wastewater and recycled water programs and the new water connection fee. Included in the FY 2015/16 – 2016/17 biennial budget are the first two years of five year rates. These multi-year rates

achieve another key policy principle; the establishment of rates and fees that fully recover the cost of providing the service. Having full of cost of service rates and fees is essential in ensuring the Agency has the fiscal fortitude to effectively address economic and environmental variability. The incremental increases over the five year period lessen the impact to ratepayers, as well as provide our member agencies with more stable and predictable forecasts.

Other key policy principles defining the adopted multi-year rates include: ensuring rates are reasonable and equitable by establishing a clear nexus between what a customer pays and the benefit of the services received, as legally mandated; making growth pay for growth by establishing a new regional water connection fee and adjusting the regional wastewater connection fee to adequately fund future capacity expansion and enhancement of existing facilities to support future growth; and eliminating reliance on property taxes to subsidize day-to-day operating costs and ensure uninterrupted service during times of revenue shortfall. Property tax receipts make up approximately 20 percent of the Agency's total revenues, including connection fees. Although the state's fiscal position has drastically improved over the last several years lessening the risk of another shift of local property taxes to cover state budget shortfalls; the next economic downturn increases the risk of another shift by the state exponentially. As noted in the Governor's FY 2015/16 May revised budget, despite higher revenues "the budget remains precariously balanced and faces the prospect of deficits in succeeding years".

Another significant milestone for the Agency is the establishment of a regional water connection fee to support future expansion and enhancement of its regional water system. Premised on the policy principle "growth pays for growth", the new water connection fee will ensure that future users pay for the benefit provided by the regional water system comprised of potable water, recycled water and groundwater recharge facilities. Based on the adopted TYCIP for FYs 2016 -2025, approximately 94 percent of the new water connection fees will be designated to support expansion and enhancement of the Agency's recycled water and groundwater recharge facilities. The remaining six percent will support investment in the Agency's regional integrated water resource management program. The Agency worked closely with its member agencies and the Business Industry Association (BIA) in establishing the new regional water connection fee. BIA recognizes the need to have a reliable and resilient water supply that supports economic development by meeting the needs of current and future customers.

The Agency continues to be committed to sustainable cost containment as demonstrated in the adopted biennial budget. The number of authorized full time equivalent (FTEs) of 290 is maintained over the two year budget period, and projected to be sustained over the ensuing three years. Succession planning for the impending retirement of the Agency's "baby boomers", many of whom are in senior positions, will be managed through an incremental reduction in the vacancy factor. Budgeted at a rate of five percent in FY 2014/15, the vacancy factor is reduced to four percent and then three percent over the next two fiscal years, respectively. Over the prior three fiscal years, the actual vacancy factor has averaged just below nine percent; indicative of the Agency's commitment to cost containment.

General Manager's Message

In late April 2015, the Agency submitted a pre-application for an SRF loan and Proposition 1A grant for \$31 million in support of the 2015 Drought Relief Recycled Water Supply Optimization Program Phase 1 (Optimization Program). The Optimization Program will deliver an estimated 4,000 AFY of recycled water, bringing the Agency closer to its goal of 50,000 AFY of recycled water deliveries by 2025. The Agency will continue to aggressively pursue federal, state and regional grants and incentives, including rebates offered by MWD, and low interest State Revolving Fund (SRF) loans, to reduce the cost of executing the planned programs and projects included in the adopted biennial budget and TYCIP.

Wastewater Management

Although the pace of new development lost some momentum in 2015 compared to the prior fiscal year, forecasts by the Agency's member agencies indicate a rebound in new development over the next five to ten years. As a regional wastewater service provider, the Agency is required to maintain capacity within systems and facilities to meet essential service demands to protect public health and the environment. One of the key objectives included in the IEUA Business Goal Wastewater Management is to ensure that systems are managed and constructed so that 90 percent of capacity is never exceeded.

To prepare for the anticipated growth, the Agency initiated an update of some of the key long term planning documents, amongst them the Wastewater Facilities Master Plan (WFMP) last updated in 2002, the Recycled Water System Master Plan, and the Chino Basin Organics

Management Master Plan (Master Plans). The update included an assessment of the general plans for each of the Agency's member agencies to identify planned land use and growth projections through 2060. These growth forecasts served as the basis to identify future water, wastewater and organics infrastructure needs throughout the Agency's service area.

As identified in the updated WFMP, member agencies project a total of 40,523 new EDU connections over the next ten years. Approximately 60 percent of the growth is expected in the southern section of the Agency's service area; predominantly in the cities of Ontario and



Fontana. Some of the major construction projects to be executed over the next ten years include: the relocation of the Regional Plant 2 (RP-2) solids handling processes to the RP-5 facility, expansion of RP-5 liquid treatment, rehabilitation and expansion of the RP-1 solids and liquid treatment processes. The RP-2 solids handling facility is located in the City of Chino on land leased from the U. S. Army Corps of Engineers (Army Corps). Portions of the RP-2 facility are located in the 100-year flood plain. Triggering the relocation of the RP-2 facility is

the proposed raising of the maximum operation water level behind the Prado Dam to allow for greater water storage and conservation by the Army Corps and Orange County Flood Control District. As reported in the adopted TYCIP, the estimated cost of these major construction projects is about \$400 million, excluding the ultimate decommission of the RP-2 site prior to expiration of the lease in 2035.

The acquisition, construction, improvement and expansion of the Agency's regional wastewater system are supported by the regional wastewater connection fee. To ensure timely completion of capital projects, the Agency conducted an engineering study of its regional wastewater connection fee. The study determined an adjustment of \$1,182 to the existing fee of \$5,107 per new equivalent dwelling unit (EDU) connection was needed to adequately support future expansion of the regional wastewater system. A phased implementation of the necessary adjustment is included in the adopted multi-year rates.

Conclusion

Over the last twelve months, the Agency accomplished many significant milestones; none of which could have been possible without the collaboration of our member agencies, stakeholders, and dedicated Agency team. Some of these milestones will help position the Agency in a more stable fiscal and operational status to more effectively execute the planned initiatives as outlined in the adopted biennial budget and TYCIP, as well as leverage opportunities and address unplanned challenges that arise along the way. One of these challenges is meeting the Governor's mandate to reduce urban water use by 25 percent. Assisting our member agencies to meet this requirement is a top priority for the Agency. Proceeds received from the SAWPA Prop 84 grant will be used to develop a "toolkit" member agencies can use to enhance water use efficiency and mitigate the impact of the mandated cutbacks; such as expansion of the turf removal program rebates, compilation of parcel and climate data for use in the implementation of financially stable rate structures, and state-of-the-art technology to more effectively detect water leaks.

As the "Steward of the Region", the Agency is committed to sustainably enhancing the quality of life in the Inland Empire by ensuring that a clean, reliable and resilient water supply is available now in the future. These principles will continue to guide the Agency and its member agencies in developing and prioritizing initiatives to effectively address the effects of climate change and its impact to our region's vital water resources.

The Operating Budget for Fiscal Years (FYs) 2015/16 - 2016/17 is the Agency's first biennial budget. The transition from a single year budget to a biennial budget was one of the key objectives of the IEUA Business Goal Fiscal Responsibility. Included in the biennial Operating Budget are the first two years of five year rates adopted for FYs 2015/16 – 2019/20 for the Agency's Regional Wastewater and Recycled Water programs. The adoption of multi-year rates is another key objective identified in the IEUA Business Goals and the Strategic Plan for FYs 2015-2019. The projects included in the FYs 2016 – 2025 Ten Year Capital Improvement Plan (TYCIP) adopted by the IEUA Board on March 18, 2015 are necessary to accomplish the Agency's goals based on the physical condition of assets and forecasted regional projections of water and wastewater needs. The biennial Operating Budget and the TYCIP continue to demonstrate the Agency's commitment to deliver reliable, high quality essential services to its customers in a regionally planned, cost effective manner.

IEUA BUSINESS GOALS

The IEUA Business Goals align with the Agency's mission, vision, and values which are defined by the needs of the Agency's stakeholders and the public value provided to the communities served. The IEUA Business Goals, adopted by the IEUA Board on October 2013, are categorized into six main areas as indicated in Figure 1-1:

Figure 1-1 IEUA's Business Goals



Within each *Business Goal*, the key *Objectives* developed highlight major elements, such as Funding and Appropriation, Budget Planning, Reserves and Creditworthiness under Fiscal Responsibility. These high level *Objectives* are further defined by *Commitments* which align with the level of service the Agency is committed to provide to its customers and stakeholders. For example, the *Commitment* under the key *Objective* Funding and Appropriations of the IEUA Business Goal Fiscal Responsibility calls for the adoption of multiyear budgets and rates; "IEUA will provide multiyear forecasts for operational, repair & replacement, capital investment and

debt service costs to support the adoption of multiyear budgets and rates to enhance predictability and stability for its customers”.

The IEUA Business Goals served as the basis for the Agency’s Strategic Plan for FYs 2015-2019 which defines the strategy and work plans to be integrated in the Agency’s planning documents, amongst them the biennial Operating Budget, TYCIP, Facilities Master Plan, Asset Management Plan, Integrated Resources Plan, Energy Management Plan and Urban Water Management Plan. The current Strategic Plan guides the development of departmental goals and objectives as part of the budget process and included in the Department section.

FY 2015/16 – 2016/17 BUDGET OVERVIEW

The FYs 2015/16 – 2016/17 biennial Operating Budget include the first two years of the five year rates (FYs 2015/16 - 2019/20) for the Regional Wastewater and Recycled Water programs, a significant milestone in the Agency’s adopted rate history. Establishing rates and fees that fully recover the cost of providing services is essential in ensuring the Agency can effectively respond to economic and environmental variability. The incremental increases over the five year period lessen the impact to ratepayers, as well as provide our member agencies with more stable and predictable forecasts.

Another major milestone for the Agency is the establishment of a water connection fee to support future expansion and enhancement of its regional water system which is comprised of potable water, recycled water, and groundwater recharge facilities. Similar to the existing wastewater connection fee, the new water connection fee will be levied on new development to ensure future customers pay their proportionate share for the benefit received from existing available capacity and expansion of the system to meet their future needs. Continual development of the regional water system is essential to ensuring water reliability and resiliency for the region now and in the future. A detail listing of the adopted rates and fees is provided in the Program Rates section below.

The adopted multi-year rates and fees are premised on the following key policy principles:

- **Fully recover costs** – adoption of multi-year rates that achieve full cost of service;
- **Be equitable** – ensure rates and fees maintain a clear nexus between what a customer pays and the benefit received;
- **Ensure regional water reliability and sustainability** – continue development of regional water supplies;
- **Make “growth pay for growth”** – increase the regional wastewater connection fee and establish a new water connection fee to support future expansion and improvement of the regional wastewater and water systems;
- **Eliminate property tax subsidies for operations and maintenance** – use of property tax receipts to support regional capital investments in water reliability and sustainability;
- **Provide fiscal stability** – maintain rates and fees that ensure uninterrupted service during times of revenue uncertainty; and

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- **Be legally compliant** – ensure rates and fees are reasonable as mandated by Proposition 26.

PROGRAM RATES AND FEES

As a municipal water district, the Agency engages in primarily enterprise operations supported by user charges and fees, which are recorded in enterprise funds or programs. In some cases, a program consists of a group of Enterprise Funds, as shown in the fund structure in Figure 1-8 under the Programs section below.

Wastewater Connection Fees

The wastewater connection fee supports the acquisition, construction, improvement, and expansion of the Agency’s regional wastewater system. The Agency’s updated Facilities Master Plan, Asset Management Plan, and Capital Improvement Plans (CIPs) identified capital projects over the next 20 years (through 2035) needed to meet anticipated growth and increased service demand in the region. In order to secure the financial resources needed for the timely execution the major wastewater projects needed to support future growth, Carollo Engineers, Inc. (Carollo) was commissioned to conduct a rate analysis of IEUA’s regional wastewater connection fee.

The rate study determined an increase to the existing connection fee from \$5,107 to \$6,289 per equivalent dwelling unit (EDU) was needed to adequately support future expansion and improvement of the Agency’s regional wastewater system, (The 2015 Wastewater Connection Fee Report dated April 10, 2015). To lessen the impact on new development for projects already underway or in the pipeline, IEUA Board agreed to defer the effective date for the FY 2015/16 fee until January 1, 2016; maintaining the current wastewater connection fee unchanged through December 31, 2015. Additionally, the increase to the wastewater connection will be phased in through FY 2019/20 as reported on Table 1-1.

Table 1-1: Wastewater Connection Fees Fiscal Years 2015/16 – 2019/20

Fiscal Year	Effective date	Fee/EDU	Key Assumptions
FY 2015/16	7/01/2015	\$5,107	No change in the existing fee.
	1/01/2016	\$5,415	Phased implementation of the proposed increase from \$5,107 to \$6,289 per EDU; \$308 1/1/16 and \$308 1/1/17 plus 5% per annum.
FY 2016/17	07/01/2016	\$5,415	No change.

Fiscal Year	Effective date	Fee/EDU	Key Assumptions
FY 2016/17	01/01/17	\$6,009	Phased implementation of \$308 per EDU + 5%.
FY 2017/18	7/01/2017	\$6,309	Assumes a 5% increase each fiscal year.
FY 2018/19	7/01/2018	\$6,624	
FY 2019/20	7/01/2019	\$6,955	

Water Connection Fee

Premised on the principle that “growth pays for growth”, the new water connection fee will support future capital investment and expansion of the Agency’s regional water system which is comprised of potable water, recycled water, and groundwater recharge facilities. The Governor’s Executive Order issued on April 1, 2015, mandating a statewide cutback in urban water use of 25 percent through February 2016 as compared to 2013, coupled with the reduced allocation of imported water supplies from the State Water Project, make it essential for the region to secure and develop more reliable and resilient local water supplies. Future economic development is dependent on having a reliable and sustainable water supply that can meet the needs of existing and future residents throughout the region. Included in IEUA’s long term planning documents is the expansion of the Agency’s regional recycled water distribution system and groundwater recharge facilities, as well as continual development of local water supplies.

Based on the Carollo 2015 Water Connection Fee Update Final Report dated April 16, 2015, the new water connection fee should have been \$1,386 per meter equivalent unit. To lessen the impact on new development, the new connection fee will be initially set at \$693 per meter equivalent units (MEU) with an effective date of January 1, 2016, as reported on Table 1-2. This represents 50 percent of the proposed rate in 2015 Water Connection Fee Update Final Report (April 16, 2015). The proposed implementation of the water connection fee is phased in over a period of 18 months with annual adjustment of 5 percent beginning January 1, 2017.

Table 1-2: Water Connection Fee for Fiscal Years 2015/16 – 2019/20

	FY 2015/16	FY 2016/17		FY 2017/18	FY 2018/19	FY 2019/20
<i>Effective Date</i>	1/01/16	7/01/16	01/01/17	7/01/17	7/01/18	7/01/19
Water Connection Fee /MEU*	\$693	\$693	\$1,455	\$1,527	\$1,604	\$1,684

* MEU based on standard residential meter sizes of 5/8" and 3/4"

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Based on the adopted TYCIP for FYs 2016-2025, approximately 94 percent of the new water connection fee is designated for capital projects needed to enhance and expand the Agency's regional recycled water distribution system and groundwater recharge facilities. The remaining six percent is allocated to support investment in water resource capital, such as the development of regional water supplies and water resources capital projects, including a small portion of the Agency's committed contribution to support regional resiliency projects submitted by member agencies budgeted in the Water Resources (WW) Fund.

Recycled Water Program Rates

The recycled water volumetric rates support the costs associated with the operations and maintenance of the Agency's water recycling facilities, operating costs for the groundwater recharge basins not reimbursed by Chino Basin Watermaster (Watermaster), including the Agency's pro-rata share for basins recharged with recycled water, and debt service costs related to the financing of existing facilities and infrastructure (including the Southern Area and Wineville Area capital projects).

The recycled water rates for FYs 2015/16 through 2019/20, shown on Table 1-3, as recommended by the IEUA Board, achieve full cost of service over three years. The adopted multiyear rates are maintained at 70 percent of the MWD Untreated Tier 1 rate. The "70 percent" threshold established by the IEUA Board ensures that rates remain affordable and recycled water continues to be a good value for the region.

Table 1-3: Recycled Water Program Proposed Multi-Year Rates

	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<i>Effective Date</i>	10/01/15	7/01/16	7/01/17	7/01/18	7/01/19
Direct Delivery/AF	\$350	\$410	\$470	\$480	\$490
Groundwater Recharge/AF	\$410	\$470	\$530	\$540	\$550

Non-Reclaimable Wastewater (NRW) Rates

The Agency operates a non-reclaimable wastewater (NRWS) collections system which includes pipelines and pump stations to export the high-salinity industrial wastewater generated within the Agency's service area for treatment and eventual discharge to the Pacific Ocean. The NRWS is comprised of two separate collection systems independent of the Agency's regional wastewater system; the North System which discharges to the County Sanitation District of Los Angeles (SDLAC) treatment facility in the city of Carson, and the South System which discharges to the Santa Ana Watershed Project Authority (SAWPA) and the Orange County Sanitation District (OCSD) facility in Fountain Valley. The treated brine is then discharged to the Pacific Ocean. The

NRW rates are primarily based on pass-through charges from SDLAC and SAWPA for volumetric, capacity, and strength as summarized in Table 1-4.

Table 1-4: NRW System Rates for FYs 2015/16

Program	Rate Description	FY 2014/15	FY 2015/16
	Effective Date	07/01/14	07/01/15
Non-Reclaimable Wastewater Rates	North System SDLAC	13,112 CU	13,611 CU
	Flow/mg	\$835.80	\$948.00
	COD/klb	\$147.84	\$210.00
	TSS/klb	\$418.22	\$433.00
	Peak/mg	\$317.54	\$360.00
	Ad Valorem Tax	5%	5.5%
	South System (SAWPA)		
	Capacity/cu	\$334.43	\$351.17
	Flow/mg	\$777.00	\$817.00
	BOD/klb	\$295.00	\$301.00
	TSS/klb	\$411.00	\$420.00

Rates for FY 2016/17 will be adopted in June 2016 based on pass-through rates established by SAWPA and SDLAC.

Potable Water Rates

Currently, the potable water rates are comprised of a monthly meter charge and an acre foot (AF) surcharge imposed on imported water deliveries. Revenue generated from these rates is recorded in the Agency's Water Resources (WW) fund. An evaluation of the potable water rates was initiated as part of the rate study conducted by Carollo. The key objective of the evaluation was to restructure the rates to more equitably align the incurrence and recovery of costs amongst ratepayers. Since the evaluation and analysis is slated for completion in the fall of 2015; no changes to the current rates are proposed for FY 2015/16, as reported on Table 1-5. Based on the IEUA Board adoption of the new multiyear rates in the fall of 2015; the estimated rates for FY 2016/17 through FY 2019/20 reported on Table 1-5 reflect the most likely rate structure to be implemented.

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Table 1-5 Potable Water Rates

	FY 2014/15 Current	FY 2015/16	FY 2016/17 Estimated	FY 2017/18 Estimated	FY 2018/19 Estimated	FY 2019/20 Estimated
AF Surcharge	\$15.0	\$15.0	\$67.0	\$68.0	\$70.0	\$73.0
Water Meter Rate/Account	\$2.105	\$2.105	n/a	n/a	n/a	n/a
Meter Equivalent Units (MEU)	n/a	n/a	\$1.10	\$1.20	\$1.30	\$1.40

TOTAL REVENUES, EXPENDITURES, AND FUND BALANCE

A comparative overview of total revenues and other funding sources, total operating expenses and other uses of funds, and ending fund balance for fiscal years beginning FY 2012/13 through FY 2019/20 are provided on Table 1-6.

FYs 2015/16 and 2016/17 total operating revenues are budgeted at \$132.9 million and \$147.1 million, respectively. Multi-year rate increases for wastewater volumetric user charges, recycled water sales, as well as projected increase in recycled water deliveries account for an increase of \$6.2 million in operating revenues for FY 2015/16, and \$9.2 million for FY 2016/17. A higher number of new connections and the establishment of a new water connection fee account for most of the increase in non-operating revenue of \$8 million in FY 2015/16 and \$7.3 million in FY 2016/17. Additionally, grant receipts and proceeds from state loans to support the new water quality laboratory and recycled water capital project expenditures account for \$36.4 million in these two fiscal years.

Total operating expenses are budgeted at \$153.3 million for FY 2015/16 and \$150.5 million for FY 2016/17. The significant increases of operating expense in both years as compared to FY 2014/15 are due to an increase in special (O&M) project costs; approximately \$15 million for water conservation and resiliency projects and \$12 million for water quality related projects. Also, a payment of \$4.5 million is budgeted in each fiscal year against the Agency's long term unfunded pension liability.

Total non-operating expense is comprised primarily of debt service payments and capital improvement plan (CIP) expenditures, which account for \$67 million and \$76 million in the two fiscal years. The projected increase of \$9 million in FY 2016/17 is due to higher CIP costs for projects such as the RP-5 Solids Treatment Facility of \$4 million and the Supervisory Control and Data Acquisition (SCADA) Enterprise System of \$4.2 million.



Included in both revenue and expense categories are the “pass-through” sale and purchase of imported potable water deliveries of approximately \$41 million which is based on a budget of 50,000 AF per fiscal year.

Based on key budget and rate assumptions, total ending fund balance is projected to increase in FY 2015/16 and FY 2016/17 and in ensuing years.

Table 1-6: Comparative of Total Revenues, Total Expenses, and Fund Balance (\$Millions)

Fiscal Year	Actual	Actual	Amended Budget	Projected Actual	Biennial Budget		Forecast		
	2012/13	2013/14	2014/15	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Operating Revenues	\$101.1	116.3	124.8	123.2	132.9	147.1	153.8	163.6	170.6
Operating Expense	(102.2)	(115.1)	(135.7)	(132.5)	(153.3)	(150.5)	(148.9)	(156.9)	(157.0)
Operating Net Increase (Decrease)	(1.1)	1.2	(10.9)	(9.3)	(20.4)	(3.4)	4.9	6.7	13.6
Other Funding Sources	75.0	59.3	72.6	92.4	89.7	110.8	118.4	136.7	127.9
Debt Service	(21.5)	(20.6)	(44.4)	(54.8)	(23.5)	(24.7)	(52.5)	(49.6)	(46.8)
Capital Program	(23.0)	(34.9)	(66.7)	(53.8)	(43.8)	(52.5)	(59.8)	(93.5)	(71.8)
Non-Operating Increase (Decrease)	30.5	3.8	(38.5)	(16.2)	22.4	33.6	6.1	(6.4)	9.3
Total Increase (Decrease)	29.4	5.0	(49.4)	(25.5)	2.0	30.2	11.0	0.3	22.9
Beginning Fund Balance	116.7	146.1	151.1	151.1	125.6	127.6	157.8	168.8	169.1
Ending Fund Balance	\$146.1	151.1	101.7	125.6	127.6	157.8	168.8	169.1	192.0

The following sections provide further details on total revenues and other funding sources and total expenses and other uses of funds for major categories.

REVENUES AND OTHER FUNDING SOURCES HIGHLIGHTS

Total revenues and other funding sources of \$222.6 million and \$257.9 million are budgeted for FY 2015/16 and FY 2016/17 respectively. In FY 2015/16, total revenues and funding sources are approximately \$7.0 million, or three percent, higher than the \$215.6 million projected in FY 2014/15. An additional increase of \$35.3 million is budgeted in FY 2016/17 compared to FY 2015/16. As highlighted in Table 1-7, user charges, recycled water sales and regional

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connections fees account for most of the anticipated increases. The key drivers for the increases are a combination of higher volume of recycled water deliveries, a greater number of new regional connections, the new water connection fee effective on January 1, 2016, and rate increases. Offsetting the increases is a reduction of approximately \$12.2 million in other funding sources from \$16.3 million in FY 2014/15 to \$4.1 million in FY 2015/16. Included in FY 2014/15 is an inter-fund loan of \$10.5 million from the Regional Wastewater Capital Improvement (RC) fund to the Recycled Water program and a \$4.3 million loan from Administrative Services (GG) fund to Water Resources (WW) fund to support administrative costs and regional water use efficiency and resiliency projects.

Table 1-7: Major Revenues and Funding Sources (\$Millions)

Funding Sources	Types	ACTUAL	AMENDED	PROJECTED	BIENNIAL BUDGET	
		2013/14	2014/15	2014/15	2015/16	2016/17
User Charges	Operating	\$55.9	\$61.8	\$62.1	\$67.0	\$76.7
Property Taxes	Mixed	38.5	40.2	39.6	41.1	42.4
Contract Cost Reimbursement*	Operating	6.1	8.6	7.4	10.5	12.7
Recycled Water Sales	Operating	10.8	11.6	11.6	14.0	17.8
Regional Connection Fees	Other Sources	9.8	15.3	15.3	23.3	30.6
Water Sales	Operating	40.2	40.8	40.8	41.4	42.1
State Loans	Other Sources	10.2	11.1	20.2	12.3	23.6
Grants	Other Sources	2.4	2.3	2.3	8.9	7.7
Other**	Mixed	1.7	5.7	16.3	4.1	4.3
Total		\$175.6	\$197.4	\$215.6	\$222.6	\$257.9

*Includes reimbursement from Joint Power Authorities (JPAs), Chino Basin Desalter Authority, Inland Empire Regional Composting Authority, and Chino Basin Watermaster.

**Includes capital contract reimbursements from Chino Basin Watermaster for various joint recharge basin improvement projects, lease revenues, and inter-fund loans

The primary sources of the \$222.6 million and \$257.9 million total revenues and other funding sources budgeted in FY 2015/16 and FY 2016/17 is summarized in Table 1-8:

Table 1-8: Total Revenues and Other Funding Sources (\$ Millions)

Revenues	FY 2015/16	FY 2016/17	Description
User Charges	\$67.0	\$76.7	Regional Wastewater Program EDU service charges; Non-Reclaimable Wastewater (NRW) program pass-through volumetric, capacity and strength charges; Imported potable water surcharge and monthly meter charges.
State and Other Loans	12.3	23.6	State Revolving Fund (SRF) loan proceeds for Recycled Water and Regional Wastewater capital construction projects.
Property Tax	41.1	42.4	San Bernardino County-wide ad-valorem property taxes and pass-through incremental taxes.
Grants	8.9	7.7	Federal, state and local grants for regional recycled water distribution system, construction of the water quality laboratory, and support of water resource programs.
Recycled Water Sales	14	17.8	Direct and groundwater recharge recycled water sales and Metropolitan Water District of Southern California (MWD) Local Program Project (LPP) rebate.
Connection Fees	23.3	30.6	New connection fees for the Regional Wastewater and Regional Water systems.
Water Purchases	41.4	42.1	Purchases of pass-through MWD imported potable water budgeted at 50,000 acre feet per year (AFY).
Other Revenues	14.6	17.0	Reimbursements for operational and administration support from Chino Basin Water Master (CBWM), Chino Desalter Authority (CDA), Inland Empire Regional Composting Authority (IERCA), inter-fund loans, lease revenues, and interest earnings.
Total Revenues & Other Funding Sources	\$222.6	\$257.9	

Total imported water deliveries of 50,000 AF are budgeted in FY 2015/16 and are equal to the projected deliveries for the same fiscal year. The “pass-through” sale of imported water deliveries is estimated at \$41.4 million. The \$15 per AF surcharge totaling \$750,000 imposed on imported water deliveries is included in User Charges.

To demonstrate the Agency’s commitment in addressing the critical drought issues in California, the Agency re-allocated property tax receipts from the GG Fund to the WW Fund in the amount

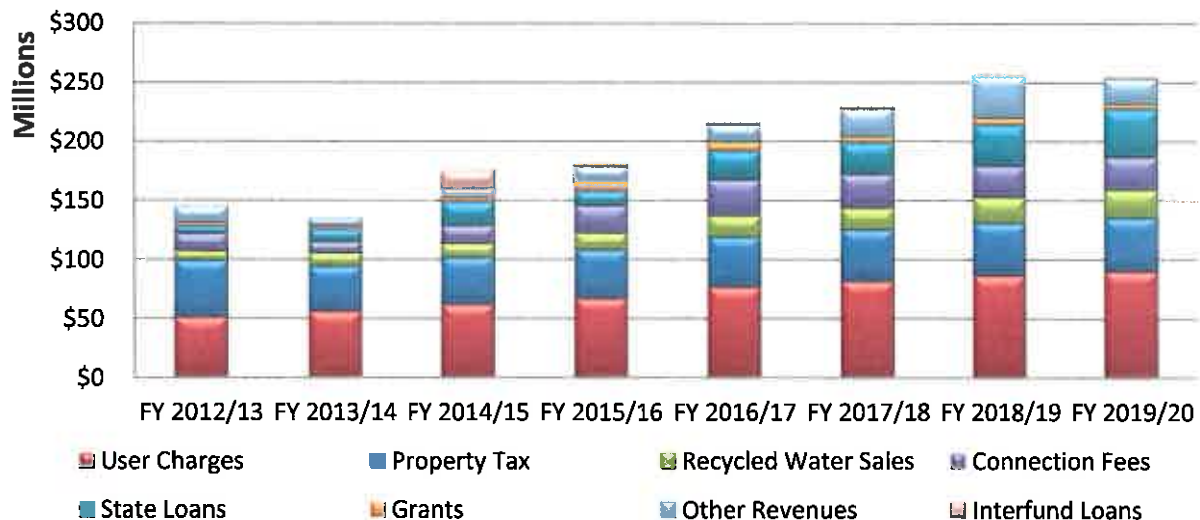
EXECUTIVE SUMMARY

of \$1.5 million each fiscal year beginning in FY 2014/15 through FY 2024/25. The property tax receipts will support regional drought resiliency, water use efficiency and reliability projects. Further details on key revenue and other funding sources are included in the Agency's biennial budget document under "Revenue" section.

TREND IN TOTAL REVENUES AND OTHER FUNDING SOURCES

Figure 1-2 shows actual revenues for FY 2012/13 and FY 2013/14, projected actuals for FY 2014/15, biennial Operating Budget for FYs 2015/16 and 2016/17, forecasts through FY 2019/20.

Figure 1-2: Trend of Revenues and Other Funding Sources



Adoption of the five-year rates for the Agency's core programs that fully recover the cost of providing the service provides the Agency with stable and predictable revenue stream as shown future years (FYs 2017/18 – 2019/20).

EXPENSES AND OTHER USES OF FUNDS HIGHLIGHTS

Total expenses and other uses of funds for FY 2015/16 of \$220.6 million is approximately 9 percent, or \$20.5 million, lower than the \$241.1 million projected for FY 2014/15. As highlighted in Table 1-9 below, the decrease is primarily due to lower capital project expenditures and debt service costs. Included in debt service costs in FY 2014/15 is the early retirement of the 2005A Revenue Bond of \$14 million executed in November 2014. The decrease is partially offset by an increase of \$19.5 million in operating expenses in FY 2015/16 compared to the \$93.1 million projected for FY 2014/15. The increase in operating expense is primarily due to higher non-

capital (O&M) project costs of \$22.2 million budgeted in FY 2015/16 which includes the Chino Basin Groundwater Supply Wells and Raw Water supplies project targeting trichloroethylene (TCE) clean up in Chino Basin. The slight increase of \$7.1 million in total expenses and other uses of funds in FY 2016/17 compared to FY 2015/16 are primarily due to higher CIP costs.

Table 1-9: Major Drivers of Estimated Change in Total Uses of Funds (\$Millions)

Uses of Funds	Type	ACTUAL	AMENDED	PROJECTED	BIENNIAL BUDGET	
		FY 2013/14	FY 2014/15	FY 2014/15	FY 2015/16	FY 2016/17
Employment	Operating	\$33.2	\$40.5	\$39.4	\$40.6	\$42.7
Operating Expenses*	Operating	82.0	95.2	93.1	112.6	107.8
CIP	Capital	34.9	66.7	53.8	43.9	52.5
Debt Service	Operating	20.5	44.4	54.8	23.5	24.7
Total		\$170.6	\$246.8	\$241.1	\$220.6	\$227.7

*Includes chemicals, utilities, materials and supplies, biosolids recycling, operating fees, professional fees, and office & admin.

The major expenses and other uses of funds budgeted in FYs 2015/16 and 2016/17 are summarized on Table 1-10.

Table 1-10: Total Expenses and Other Uses of Funds by Category (\$Millions)

Expenses	BIENNIAL BUDGET		Description
	FY 2015/16	FY 2016/17	
Employment Expenses	\$40.6	\$42.7	Includes wages and benefits, net of the Capital Improvement Plan (CIP) allocation. Maintain 290 FTEs with a vacancy factor of 3%.
Utilities	11.2	11.6	Includes electricity, natural gas, fuel cell, solar power, telephone, and potable water costs.
Operating Fees	13.3	13.7	Includes pass-through charges from Sanitation District of Los Angeles County (SDLAC) and Santa Ana Watershed Project Authority (SAWPA) for volumetric charges, capacity, excess strength, and biochemical oxygen demand / chemical oxygen demand.
Chemicals	4.4	4.5	Chemicals necessary to meet the wastewater treatment process compliance performance goals and sustainment of the high quality recycled water.
Professional Fees & Svs.	9.2	8.5	Includes contract services such as legal, external auditing, landscaping, security, janitorial services, etc.

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Expenses	BIENNIAL BUDGET		Description
	FY 2015/16	FY 2016/17	
Biosolids Recycling	4.4	4.3	Includes hauling costs and Inland Empire Regional Composting Authority (IERCA) tipping fees for biosolids recycling.
MWD Water Purchase	41.4	42.1	Pass-through purchase imported potable water from Metropolitan Water District of Southern California (MWD).
Other Expenses	28.7	23.1	Includes contract work/operations projects, office and administration expenses, and materials and supplies.
Capital	43.9	52.5	Includes expenditures for over 100 capital projects over the next two fiscal years and CSDLAC 4Rs.
Debt Service	23.5	24.7	Includes principal and interest payment of SRF loans and bonds.
Total Expenses and Other Uses of Funds	\$220.6	\$227.7	

TREND IN TOTAL EXPENSES AND OTHER USES OF FUNDS

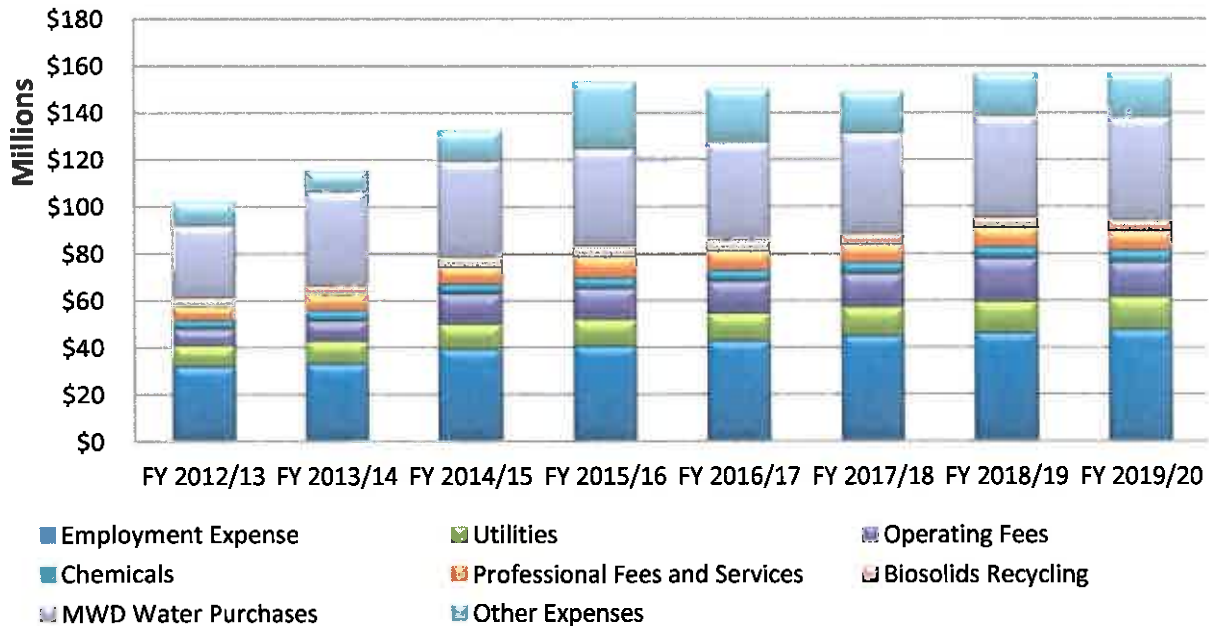
Figure 1-3 below compares actual total expenses and other uses of funds for FY 2012/13 and FY 2013/14, projected actuals for FY 2014/15, biennial budget for FY 2015/16 and FY 2016/17, and forecasts for FY 2017/18 through FY 2019/20. Overall, operating expenses are stable and average about \$153 million between FY 2015/16 and FY 2019/20. A key expense that fluctuates is the special (O&M) projects.

Compared to the \$241.1 million projected actual for FY 2014/15, the decrease of nearly \$21 million to \$220.6 million budgeted in the FY 2015/16 is primarily due to lower capital expenditures of \$9.9 million and lower debt service costs of \$31.3 million offset by higher non-capital project costs of \$14.4 million. Completion of two major construction projects; the Southern Area and Wineville/Central Area recycled water projects; and early retirement of 2005A Revenue Bonds account for the higher CIP and debt service costs as projected in FY 2014/15.

For FY 2016/17, the CIP is estimated at \$52.5 million (which includes SDLAC CIP costs of \$738,000 and \$500,000 of capital investment for IERCA) compared to \$43.9 million budgeted in FY 2015/16 primarily accounts for the increase of \$7.1 million in total expenses and other uses of funds. Process improvement projects at the Agency's oldest facility (Regional Plant No.1) located in the city of Ontario account for a major portion of the higher CIP expenditures.

Forecasted total expenses and other uses of funds for fiscal years subsequent to FY 2015/16 as indicated in Figure 1-3, are relatively stable as a result of the Agency's continuing commitment to cost containment.

Figure 1-3: Trend of Expenses and Other Uses of Funds



STAFFING/EMPLOYMENT EXPENSES

No change in the 290 authorized full time equivalent (FTE) positions is included in the biennial budget for FYs 2015/16 and 2016/17, or proposed through FY 2019/20, as reported in Figure 1-4. Succession planning for the impending retirement of the Agency's "baby-boomers" will be accommodated through an incremental reduction in the budgeted vacancy factor. Included the biennial budget is a reduction of the vacancy factor from 8.6 percent (actual average over the last three fiscal years) to 4 percent in FY 2015/16 and 3 percent in FY 2016/17, and projected to be maintained at 3 percent through FY 2019/20 (Figure 1-4).

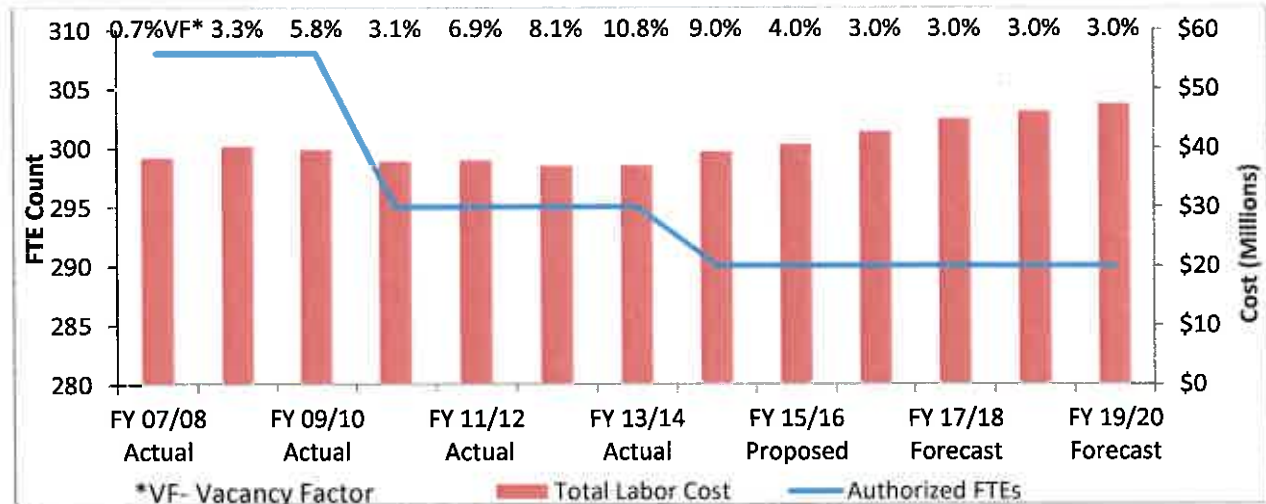
In addition to the 278 FTEs budgeted in the FY 2015/16 (net of a 4 percent vacancy factor), 20 interns and 18 limited-term positions are also included; primarily to support engineering, construction management, finance and accounting, and grants administration activities.

Employment costs of \$40.6 million in FY 2015/16 and \$42.7 million in FY 2016/7 (Tables 1-9 and 1-10), are comprised of wages and benefits and are net of labor charges allocated to the Agency's Capital Improvement Program (CIP). Net employment costs represent approximately 26 percent of the Agency's total FY 2015/16 operating expenses of \$153.3 million. Included in the FY 2015/16 employment budget is the prefunding of unfunded accrued liabilities (UALs) for

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employee retirement benefits, projected increase in health insurance premiums, and pension rate contributions.

Figure 1-4: Net Employment Costs and Staffing Trend



As part of the Agency’s continual commitment to cost containment, only vacant positions deemed critical to day-to-day operations and business enterprises are filled. By following this policy, the Agency has achieved substantial savings in employment costs as indicated by the significantly high vacancy factor maintained since FY 2011/12 reported in Figure 1-3. The reduced staffing level has been supported by cross-training, leveraging enhanced technology to automate and streamline business processes, and more strategic allocation of resources throughout the organization. Since FY 2007/08, the Agency has successfully reduced FTE staffing level from 308 to 290.

CAPITAL IMPROVEMENT PROGRAM (CIP)

The key emphasis of the FYs 2016-2025 TYCIP is the continual need for maintenance, rehabilitation, and replacement of aging equipment and facilities, and the need for expansion and enhancement of the regional wastewater and regional water systems to meet future growth. Based on member agency growth projections over the next ten years, expansion and improvement of existing facilities will be needed to adequately support higher service demands. A summary of the Agency’s CIP by fund for the next 10 fiscal years is summarized in Table 1-11.

Table 1-11: TYCIP by Fund (\$Millions)

Fund	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21 through FY 2024/25	Total
Regional Wastewater Capital (RC)	\$12.8	\$16.1	\$16.8	\$55.5	\$58.0	\$189.7	\$348.9
Regional Wastewater Operations (RO)	21.5	15.9	16.1	11.3	2.9	63.3	131.0
Recycled Water (WC)	18.4	20.8	15.3	4.9	4.4	11.4	75.2
Non-Reclaimable Wastewater (NC)	1.5	1.3	1.1	2.5	1.1	9.7	17.2
Water Resources (WW)	7.1	8.4	7.9	7.9	7.9	21.7	60.9
Recharge Water (RW)	1.6	4.7	12.7	22.0	8.3	-	49.3
Admin Services (GG)	3.2	1.4	1.0	0.6	0.9	2.4	9.5
Total	\$66.1	\$68.6	\$70.9	\$104.7	\$83.5	\$298.2	\$692.0

The FY 2015/16 total projects budgeted at \$66.1 million is comprised of \$43.2 million for capital project spending and \$22.2 million for operations and maintenance related projects, and includes \$738,000 million of SDLAC capital replacement, repair, relocation and refurbishment (4Rs) project costs. Total CIP costs are primarily funded by regional wastewater fees, regional water connection fees, property tax receipts and SRF loans and related grants.

Regional wastewater projects are major components of the FY 2015/16 and FY 2016/17 CIP budgets. The Chino Basin Groundwater Supply Wells and Raw Water Pipeline project, with budget of \$12 million over the next two years, will fund three new groundwater supply wells and approximately 30,000 feet of raw water pipeline. This project will enhance groundwater recharge facilities in the region. In addition, construction of the Water Quality Laboratory project, with a biennial budget of \$8.7 million, will replace the existing facility at Regional Water Recycling Plant (RP-1). The current facility is plagued with inadequate ventilation issues which make bioassay and other testing challenging. Other major projects include replacement of the

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Supervisory Control and Data Acquisition (SCADA) System network in Regional Wastewater Operations and Maintenance (RO) fund for \$5.2 million, and the RP-1 Mixed Liquor Return Pump Improvements and RP-5 Solids Treatment Facility in the Regional Wastewater Capital (RC) fund for \$4 million each.

A more detailed discussion on the CIP and major projects is provided under the Capital section and in the FY 2015/16 – 2024/25 TYCIP.

DEBT SERVICE COSTS

Total debt service costs of \$23.4 million budgeted in FY 2015/16 account for nearly 11 percent of total expenditures. A slight increase to \$24.7 million is projected in FY 2016/17. Debt service costs are comprised of principal, interest, and financial expenses related to outstanding bonds, low interest State Revolving Fund (SRF) loans and inter-fund loans.

Debt service costs are primarily funded with property tax receipts, consistent with the Agency's financial policy, which allocated property tax receipts first to fund debt service costs, then to fund capital improvement, and lastly to supplement operations and administrative costs. Other funding sources include regional connection fees and rates. Table 1-12 below shows the estimated biennial debt service costs by program, excluding inter-fund loans.

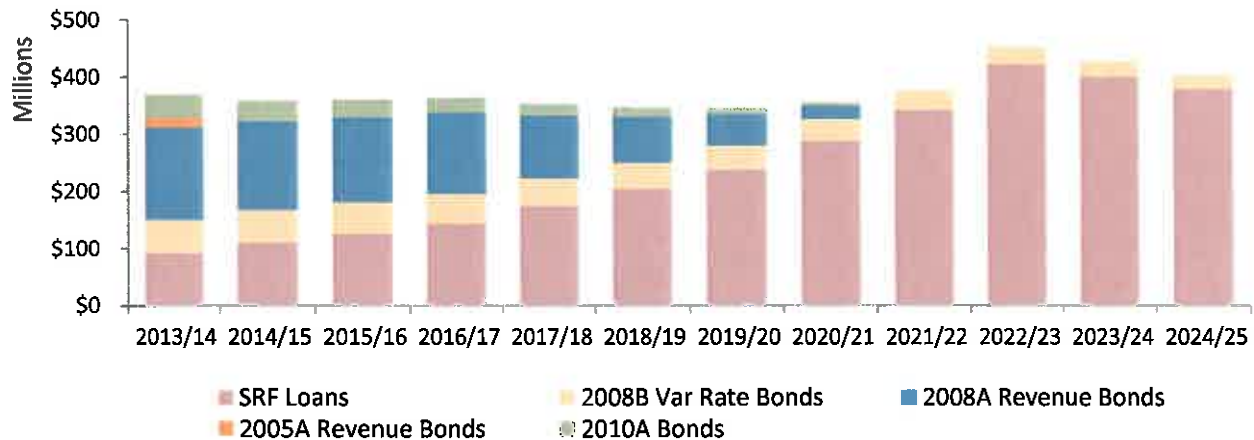
Table 1-12: Debt Service Costs by Program (\$Millions)

Program Fund	FY 2015/16	FY 2016/17
Admin Services (GG)	2.0	0.0
Non-Reclaimable Wastewater (NRW)	0.6	0.6
Regional Wastewater Capital (RC)	13.5	13.7
Regional Wastewater Operations (RO)	0.2	0.2
Recharge Water (RW)	0.9	1.0
Recycled Water (WC)	6.2	9.2
Total Debt Service Costs	\$23.4	\$24.7

Total outstanding debt, exclusive inter fund loans, at end of FY 2015/16 is approximately \$367 million comprised of \$235 million in bond indentures, \$125 million in low interest State Revolving Fund (SRF) loans, and \$7 million in other notes payable. Included in the five year business plan is the early repayment of the 2008A Revenue Bonds (2008A Bonds) with an outstanding principal balance of \$125 million and annual interest rate of 5 percent. The proposed

repayment is planned over a five year period beginning in FY 2017/18 when the bonds are eligible for refunding as indicated in Figure 1-5. At an interest rate of 5 percent and scheduled maturity of 2038, total interest savings are estimated at \$80 million with present value savings of over \$50 million.

Figure 1-5: Total Outstanding Principal Debt with 2008A Bond Payoff



TOTAL FUND BALANCE

Total fund balance (reserves), the net worth measured by total assets minus total liabilities, is a strong indicator of the Agency's financial health. In addition to calculating fund balances at the Agency-wide level, IEUA also maintains fund balances at the individual program fund level. The aggregate ending fund balance in FY 2015/16 is estimated to be \$127.6 million, a slight increase of \$2.0 million compared to the FY 2014/15 projected ending fund balance of \$125.6 million. The significant fund balance increase of \$30.2 million projected at the end of FY 2016/17 is primarily driven by an increase of revenues due to a combination of a projected higher volume of recycled water deliveries, a greater number of new regional wastewater connections, the addition of a new regional water connection fee and rate increases (Table 1-13).

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Table 1-13: Fund Balance Position (\$Millions)

Description	Actual FY 2013/14	Amended Budget FY 2014/15	Projected Actual FY 2014/15	Adopted FY 2015/16	Adopted FY 2016/17
Net Increase (Decrease) in Fund Balance	\$5.0	(\$49.4)	(\$25.5)	\$2.0	\$30.2
Beginning Fund Balance, July 1	146.1	151.1	151.1	125.6	127.6
Ending Fund Balance, June 30	\$151.1	\$101.7	\$125.6	\$127.6	\$157.8

Table 1-14 below provides an overview of estimated fund balances by fund for FYs 2014/15 through 2016/17.

Table 1-14: Changes in Fund Balances by Fund (\$Millions)

Fund	Projected FY 2014/15	Biennial Budget	
		FY 2015/16	FY 2016/17
Administrative Services (GG)	\$21.8	\$20.7	\$21.7
Regional Wastewater Capital Improvement (RC)	48.3	53.3	66.8
Regional Wastewater Operation & Maintenance (RO)	33.5	32.0	40.6
Non-Reclaimable Wastewater (NC)	3.1	2.9	5.1
Recharge Water (RW)	3.1	2.7	2.8
Recycled Water (WC)	12.8	14.4	18.9
Water Resources (WW)	3.0	1.6	1.9
Total	\$125.6	\$127.6	\$157.8

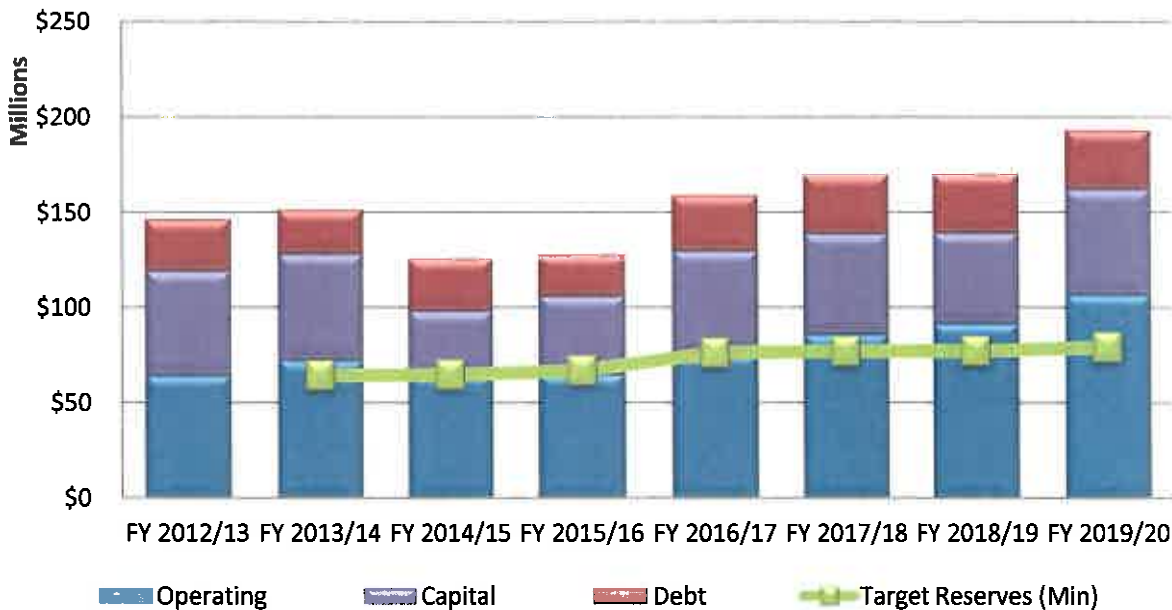
As noted on Table 1-14, the RC fund shows the most significant increases in both FY 2015/16 and FY 2016/17. This increase in RC fund balance is primarily due to a higher number in new wastewater connections projected for both fiscal years. Project spending is offset by additional state loans and grants.

Fund reserves are designated for specific purposes, as defined in the Agency's Reserve Policy updated as of June 2015. The primary designations include; an operating contingency of a minimum of four months and a target of six months, debt service minimum as required by the current bond covenants and loan agreements and target amount equal to the highest annual cost in the ensuing five years, capital construction and improvement minimum equal to total CIP

for the following fiscal year and a target equal to the total CIP requirements for the following three fiscal years, replacement and rehabilitation (R&R) minimum and target criteria equal to capital construction and improvement, supplemental water resources with a minimum of \$10 million and target of \$30 million, workers' compensation and liability self-insurance programs with a target of \$6 million, and employee retirement benefits, including other post-employment benefits (OPEB) and pension benefits at a minimum of \$6 million.

A comparison of the Agency's actual and projected total fund balance to the minimum and target levels beginning in FY 2012/13 through FY 2019/20 is provided in Figure 1-6. The upward trend beginning in FY 2016/17 reflects the projected increase in revenues in future years, particularly from connection fees, and additional state loans and grants.

Figure 1-6: Trend of Operating, Capital, and Debt Fund Balances



A forecast summary on the estimated fund balance is provided under the following Program Budgets section. The criterion for each minimum and maximum target level varies by type of reserve and is further defined in the Agency's Reserve Policy included in the Appendix.

DEBT COVERAGE RATIO (DCR)

The Debt Coverage Ratio (DCR) is the measurement of an entity's ability to generate enough cash to cover debt payments (principal and interest). Credit agencies, such as Moody's Investor Services (Moody's) and Standard & Poors (S&P) assign credit ratings to organizations

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and specific debt issues to reflect the credit worthiness and serve as a notable reference to the investment community. The DCR is one of the financial ratios applied in the evaluation of an organization’s overall credit rating can affect market accessibility and the cost of future borrowings.

Current covenants for outstanding bonded debt require the Agency to maintain a minimum total DCR of 1.25 times (x) or higher on total outstanding debt, including loans and notes. A DCR of 1.25 means the Agency will generate a minimum of 1.25 times more (or 25 percent more) than is required to pay debt service costs. The Agency has established a minimum DCR target of 1.60x for parity debt, which represents the majority of the total outstanding debt. There is no senior debt currently outstanding. The Agency has no legal debt limits imposed by state legislation. As indicated in Table 1-15, the favorable trend of the Agency’s DCR projected through FY 2019/20 is primarily driven by a combination of higher system revenues and the early retirement of high interest debt beginning in FY 2017/18.

Table 1-15: DCR Projected Trend

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
	<i>Projected</i>	<i>Biennial Budget</i>		<i>Forecast</i>		
DCR	2.46x	2.32x	3.19x	3.44x	3.70x	3.96x

LONG-RANGE PLAN OF FINANCE

In addition to the annual adoption of the Operating Budget and TYCIP, the Agency is also in the process of updating the Long-Range Plan of Finance (LRPF). The LRPF aligns the Agency’s financial capacity with long-term service objectives. The LRPF uses forecasts to provide insight into the Agency’s future financial capacity so that Agency strategies can achieve long term sustainability of financial and service objectives. It provides the most cost-effective funding strategy to support the operations and capital requirements in line with established policies and goals.

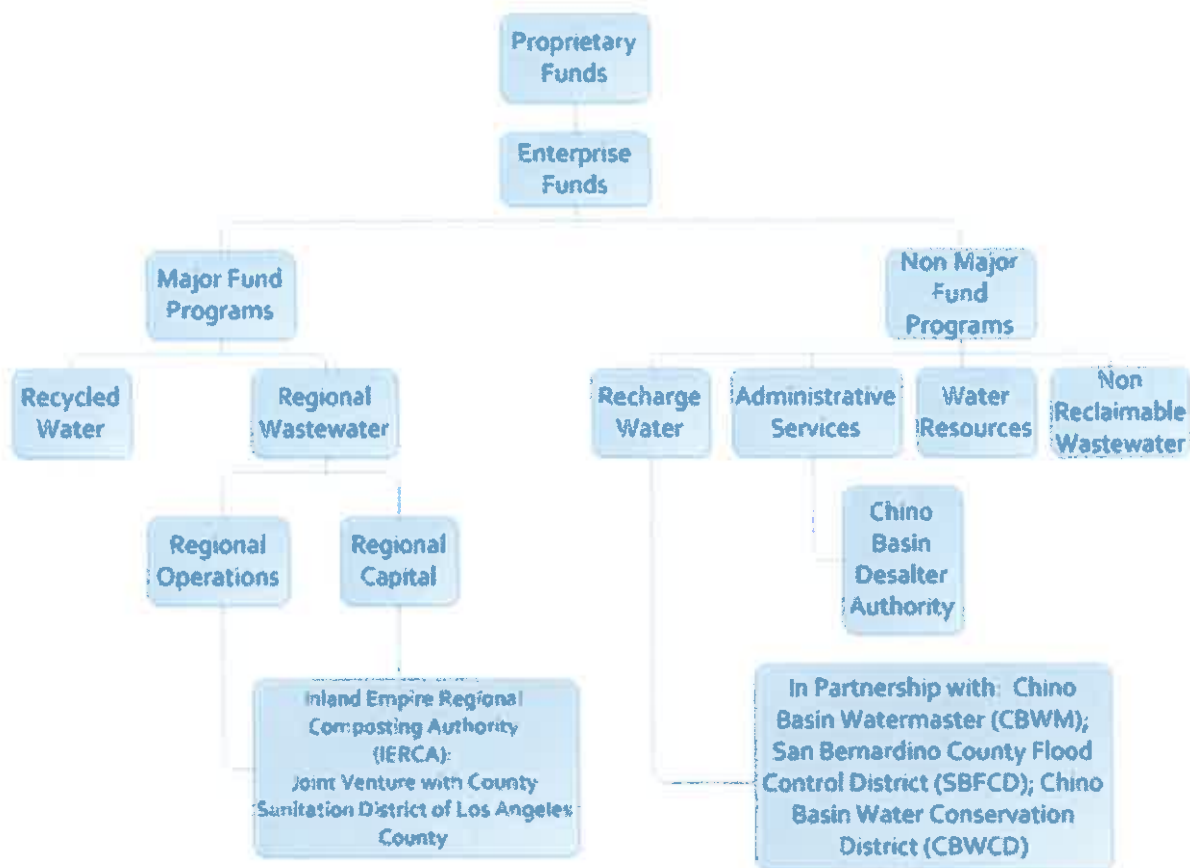
Development of the LRPF is ongoing. Some of the proposed features of the new financial model include an extended scope from 10 to 50 years, multiple “what if” scenarios to highlight the impact of a variation of inputs, and on-screen graphic presentations to more effectively communicate scenario alternatives and outcomes. The Agency’s long range financial model will allow integration of the Agency’s various long term planning initiatives, some of which include the Facilities Master Plan Update, Recycled Water Program Strategy, Integrated Resources Plan, and the Energy Management Plan. Integrating these critical initiatives into the financial planning process will help ensure the Agency has the appropriate funding, fund reserves, and other essential resources necessary to fulfill its mission, vision, and values.

PROGRAMS

Figure 1-7 below provides an overview of the Agency's fund structure. As a municipal water district, the Agency engages in primarily enterprise operations supported by user charges and fees, which are recorded in enterprise funds. In some cases, a program consists of a group of enterprise funds, such as the Regional Wastewater program comprised of the Regional

Operations and Capital funds and by extension the Inland Empire Regional Composting Authority.

Figure 1-7: Inland Empire Utilities Agency (IEUA) Fund Structure



Each individual enterprise fund is classified in either a Major Fund or Non-Major Fund group. Each fund group is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, including related liabilities and residual equities or balances. Changes in the fund group are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Table 1-16 contains definitions of Major and Non-Major Fund groups.

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The definitions are consistent with the Agency's audited FY 2013/14 Comprehensive Annual Financial Report (CAFR).

Table 1-16: Definition of Major and Non-Major Fund Groups

Major Funds	Non-Major Funds
<p>The Major Fund Group is used to account for the resources devoted to funding the operating, capital, and debt service costs associated with the operation, asset acquisition and capital construction, improvement and expansion of the Agency's domestic wastewater treatment plant facilities, the recycled water distribution system, and the recharge water basins. The following programs make up the Major Fund group:</p> <ul style="list-style-type: none"> ■ Regional Wastewater ■ Recycled Water 	<p>The Non-Major Funds record capital and operating costs associated with the non-reclaimable wastewater system including the acquisition, expansion, and construction of the interceptors, and appurtenant facilities and treatment capacity, the administrative and overhead expenses for the various departments, the operational and administrative support for the Chino Basin Desalter, the purchase of common Agency assets, the management and distribution of wholesale and potable water, the development and implementation of regional water conservation initiatives, and water resource planning. The following funds/programs make up the Non-Major Funds group:</p> <ul style="list-style-type: none"> ■ Administrative Services ■ Non-Reclaimable Wastewater ■ Water Resources ■ Recharge Water

Details of each programs' purpose, initiatives, rate setting, biennial budget and forecasts for the next three fiscal years, as well as the programs' reflection of the Agency's mission, goals, and objectives to service the region are included in the Program section.

DEPARTMENTS

The basis for departments' goals and objectives included in the FY 2015/16 and FY 2016/17 biennial Operating Budget is the Strategic Plan which identifies work plans that will guide the Agency over the next five years (2015 – 2019) in meeting the IEUA Business Goals and fulfilling its mission, vision, and values.

Each department updates their respective goals and objectives and develops measurable Key Performance Indicators (KPIs). These departmental KPIs serve as criteria for policy makers, management, and other stakeholders in determining and measuring the degree of goal attainment. The departmental budgets delineate the assignment and management of responsibilities and the human, financial, and capital resources necessary to support the Agency's mission, vision, and policy goals. Details on department budgets, goals and

objectives, staffing, major initiatives, and performance and workload indicators are presented by division and department in the Department section.

JOINT POWERS AUTHORITIES (JPAS)

Inland Empire Regional Composting Authority

The Inland Empire Regional Composting Authority (IERCA) was formed February, 2002 as a JPA to divert organic solids from landfill disposal and to become a consumer of recycled organic products generated from within the community. The JPA was entered into between the Agency and County Sanitation District No. 2 of Los Angeles County (CSDLAC) to implement their shared goal of development of a sustainable biosolids management project.

In 2007, the two joint powers agencies completed the construction of the 410,000 square feet facility called the Inland Empire Regional Composting Facility (IERCF) on approximately 22 acres of land in the City of Rancho Cucamonga. The property is ideally situated in an industrial area adjacent to Regional Plant No. 4 (RP-4), a wastewater treatment plant owned and operated by the Inland Empire Utilities Agency (IEUA). The proximity of the facility to the RP-4 provides opportunities to improve staffing options and optimize energy usage at the locations.

In 2013, IERCF received the Governor's Environmental and Economic Leadership Award (GEELA) for the design and construction of North America's largest, fully enclosed composting facility, which produces approximately 230,000 cubic yards of compost per year. The facility utilizes aerated static pile composting technology to process a mixture of biosolids, green waste, and wood waste to generate Class A exceptional quality compost for use in local agriculture and/or horticulture markets. All of the facility's emissions are processed through a biofilter to meet air quality requirements.

As a 50/50 partner in the JPA, the Agency is responsible for the operational and administrative activities of the IERCF and employs all of the staff assigned to the facility. Employment costs for IERCF staff are recorded in the Agency's RO Fund, and are fully reimbursable by the IERCA.

Starting in FY 2010/11, the IERCA Board implemented a tipping fee revenue base in lieu of partner contributions to cover operations and maintenance expenses for the IERCF. The tipping fee for FY 2015/16 will be \$54 per wet ton of biosolids, and is budgeted to pay for operating expenses and a portion of capital replacement costs. The fee is projected to generate revenue of \$7.8 million based on budgeted tonnage of 145,000, an increase of 2,500 tons from FY 2014/15 production.

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The Agency's share of the IERCA operating costs are budgeted in the RO fund under biosolids recycling costs. The budget of \$4.3 million assumes that 100 percent of the biosolids generated from the Agency's five regional water recycling plants will be transported to the IERCA composter for processing.

CHINO BASIN DESALTER AUTHORITY

Beginning in FY 2013/14, the Board of the Chino Basin Desalter Authority (CDA) decided to transition most of its administrative and financial reporting functions from IEUA and assume these responsibilities. However, IEUA continues to operate the Chino Desalter No. 1 facility and oversee grants administration activities related to the CDA Expansion Projects. Grant funded projects include a \$52 million grant awarded by the California Department of Public Health (CDPH), \$26 million United States Bureau of Reclamation Title XVI grants for the Lower Chino Dairy Area Desalination Demonstration, and Reclamation Project, and other future state and federal grants that IEUA receives on behalf of the CDA.

The CDA was formed in September 2001 as a Joint Power Authority (JPA) to manage and operate the Chino Desalter No. 1 (CDA 1). Chino Desalter No. 2 (CDA 2) is being managed and operated by Jurupa Community Services District (JCSD). The members of the JPA include the cities of Chino, Chino Hills, Ontario and Norco, the JCSD, the Santa Ana River Water Company, the Inland Empire Utilities Agency, and the Western Municipal Water District.

There are eight directors, one from each entity, on the CDA Board. As an ex-officio member of the JPA, the Agency has appointed one of its Board of Directors to sit on the JPA Board as a non-voting member to participate in all discussions concerning issues before the CDA Board of Directors.

CDA 1, located in the southern part of the city of Chino, started operating in September 2000, and is designed to produce 9,200 acre feet per year (AFYI) of desalinated water. The Agency's CDA 1 related costs, primarily comprised of employment costs, are recorded in the Administrative Service (GG) fund. Included in the FY 2015/16 GG Fund budget is an estimated CDA contract cost reimbursement budget of approximately \$1.4 million.

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET
SOURCES AND USES OF FUNDS - BY PROGRAM FUND (In Thousands)

	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16 PROPOSED BUDGET							FY 2016/17	
	ACTUAL	ACTUAL	PROJECTED	Administrative Services Program	Non-Reclaimable Wastewater Program	Regional Wastewater Capital Improvement Fund	Regional Wastewater Operations & Maintenance Program	Recharge Water Program	Recycled Water Program	Water Resources Program	TOTAL	PROPOSED BUDGET
REVENUES												
User Charges	\$51,184	\$55,989	\$62,138	\$0	\$11,725	\$0	\$49,696	\$0	\$0	\$5,620	\$67,041	\$76,665
Property Tax	3,789	3,144	1,666	1,793	0	\$0	0	0	0	0	1,793	1,891
Cost Reimbursement JPA	5,397	4,960	5,203	1,391	0	\$0	3,350	742	0	0	5,483	5,738
Contract Cost reimbursement	1,123	602	1,193	0	0	\$0	531	50	5	1,477	2,063	1,593
Interest Revenue	1,179	551	623	215	85	\$365	154	10	192	14	1,036	1,321
Recycled Water Sales	34,855	10,831	11,582	0	0	\$0	0	0	14,022	0	14,022	17,814
Water Sales	0	40,225	40,828	0	0	\$0	0	0	0	41,441	41,441	42,062
TOTAL REVENUES	\$101,061	\$116,301	\$123,234	\$3,398	\$11,810	\$365	\$53,731	\$602	\$14,219	\$48,552	\$132,676	\$147,085
OTHER FINANCING SOURCES												
Property Tax - Debt and Capital	\$44,268	\$35,343	\$37,908	\$0	\$0	\$26,752	\$9,054	\$0	\$2,058	\$1,500	\$39,364	\$40,500
Regional System Connection Fees	14,614	9,789	15,321	0	0	\$22,647	0	0	683	0	23,329	30,636
State Loans	6,350	10,178	20,243	0	0	0	948	0	11,367	0	12,315	23,641
Grants	2,775	2,372	2,338	0	0	0	3,525	0	4,417	1,000	8,942	7,710
Sale of Assets	4,805	48	0	0	0	0	0	0	0	0	0	0
Capital Cost Reimbursement	362	550	1,030	0	0	0	0	1,487	1,444	0	2,931	5,419
Other Revenues	1,639	1,006	732	34	117	6	738	0	0	0	895	913
Sale of Capacity	215	0	0	0	0	0	0	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	14,808	0	0	0	0	0	0	2,000	2,000	2,000
TOTAL OTHER FINANCING SOURCES	\$75,029	\$58,286	\$92,379	\$34	\$117	\$49,405	\$14,265	\$1,487	\$19,969	\$4,500	\$89,777	\$110,819
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$176,091	\$175,587	\$215,613	\$3,432	\$11,927	\$49,770	\$67,997	\$2,289	\$34,188	\$53,052	\$222,654	\$257,904
EXPENSES												
Employment Expenses	\$31,945	\$33,166	\$39,381	\$2,030	\$2,030	\$3,013	\$27,887	\$650	\$3,249	\$1,750	\$40,610	\$42,737
Contract Work/Special Projects	3,666	2,623	7,809	1,425	210	850	10,445	100	2,100	7,077	22,207	16,117
Utilities	8,773	9,586	10,428	699	72	0	7,381	122	2,877	0	11,150	11,617
Operating Fees	7,060	8,658	13,046	6	7,020	240	2,274	5	188	3,562	13,306	13,651
Chemicals	3,736	4,245	3,981	0	170	0	4,225	0	0	0	4,395	4,524
Professional Fees and Services	6,208	6,902	7,629	4,254	150	300	3,216	530	643	157	9,250	8,539
Office and Administrative expenses	1,282	1,431	1,518	1,575	0	0	406	16	0	60	2,057	2,465
Biosolids Recycling	3,398	3,567	3,991	25	25	0	4,233	76	0	0	4,359	4,300
Materials & Supplies	2,495	2,509	2,514	438	106	0	2,005	82	169	0	2,799	2,883
Operation Contribution to IERCA	71	0	0	0	0	0	0	0	0	0	0	0
MWD Water Purchases	30,754	40,225	40,828	0	0	0	0	0	0	41,441	41,441	42,062
Other Expenses	2,851	2,228	1,371	(7,921)	598	1,805	5,652	0	1,356	408	1,697	1,596
TOTAL EXPENSES	\$102,238	\$115,136	\$132,498	\$2,532	\$10,382	\$5,008	\$67,723	\$1,580	\$10,582	\$54,453	\$153,270	\$150,482
CAPITAL PROGRAM												
CSDLAC 4Rs	\$1,206	\$776	\$738	\$0	\$738	\$0	\$0	\$0	\$0	\$0	\$738	\$738
IERCA investment	500	0	500	0	0	0	0	0	0	0	0	500
Capital Construction and Expansion	21,271	21,562	52,561	1,770	600	11,960	11,071	1,455	16,293	0	43,149	51,282
TOTAL CAPITAL PROGRAM	\$22,977	\$22,338	\$53,799	\$1,770	\$1,338	\$11,960	\$11,071	\$1,455	\$16,293	\$0	\$43,886	\$52,530
DEBT SERVICE												
Financial Expenses	\$205	(\$146)	\$3,847	\$18	\$2	\$381	\$2	\$145	\$2	\$0	\$549	\$349
Interest	10,015	9,063	9,526	0	385	6,043	214	143	2,816	0	9,601	9,810
Principal	11,307	11,629	26,612	0	159	7,078	0	632	3,412	0	11,281	12,528
Short Term Inter-Fund Loan	0	0	14,830	2,000	0	0	0	0	0	32	2,032	2,032
TOTAL DEBT SERVICE	\$21,528	\$20,546	\$54,815	\$2,018	\$545	\$13,502	\$216	\$820	\$6,230	\$32	\$23,463	\$24,718
TRANSFERS IN (OUT)												
Capital Contribution	\$0	\$0	\$0	\$1,059	(\$36)	(\$1,069)	\$82	\$315	(\$351)	\$0	\$0	\$0
Debt Service	0	0	0	0	0	(1,925)	0	460	1,465	0	0	0
Operation support	0	0	0	0	0	(6,000)	6,000	466	(466)	0	0	0
TOTAL INTERFUND TRANSFERS IN (OUT)	\$0	\$0	\$0	\$1,059	(\$36)	(\$8,994)	\$6,082	\$1,241	\$648	\$0	\$0	\$0
FUND BALANCE												
Net Increase (Decrease)	\$29,419	\$4,999	(\$25,497)	(\$1,118)	(\$180)	\$4,988	(\$1,482)	(\$364)	\$1,593	(\$1,391)	\$2,036	\$30,165
Beginning Fund Balance July 01	116,714	146,133	151,132	21,809	3,080	48,333	33,545	3,107	12,798	2,963	125,635	127,671
ENDING BALANCE AT JUNE 30	\$146,133	\$151,132	\$125,635	\$20,691	\$2,900	\$53,321	\$32,063	\$2,743	\$14,391	\$1,572	\$127,671	\$157,836
RESERVE BALANCE SUMMARY												
Operating Contingencies	\$21,198	\$23,910	\$27,423	\$1,066	\$1,051	\$0	\$18,458	\$1,744	\$3,637	\$1,572	\$27,527	\$27,606
Capital Expansion & Replacement	26,446	18,993	8,363	0	566	3,821	0	500	4,461	0	9,349	13,284
CCRA Capital Construction	28,247	36,785	25,136	0	0	30,885	0	0	0	0	30,885	40,021
Rehabilitation/Replacement Reserve	17,694	15,903	15,524	0	0	3,000	13,380	0	500	0	16,880	26,278
CSDLAC Prepayment	1,008	1,008	738	0	738	0	0	0	0	0	738	738
Debt Service & Redemption	27,246	23,348	27,452	0	546	15,615	216	499	5,792	0	22,668	29,285
Insurance & Other	5,519	5,644	6,030	6,000	0	0	0	0	0	0	6,000	6,000
Retirement reserves	18,775	21,842	15,030	13,625	0	0	0	0	0	0	13,625	14,625
ENDING BALANCE AT JUNE 30	\$146,133	\$151,132	\$125,635	\$20,691	\$2,900	\$53,321	\$32,063	\$2,743	\$14,391	\$1,572	\$127,671	\$157,836

EXECUTIVE SUMMARY

**INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET
ALL FUNDS - SOURCES AND USES OF FUNDS (in Thousands)**

	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	PROPOSED BUDGET	FORECAST	FORECAST	FORECAST
REVENUES									
User Charges	\$51,184	\$55,989	\$61,813	\$62,138	\$67,041	\$76,665	\$81,666	\$86,581	\$89,985
Property Tax - O&M	3,789	3,144	3,216	1,666	1,793	1,891	1,993	2,063	2,134
Cost Reimbursement from JPA	5,397	4,960	5,438	5,203	5,483	5,738	5,972	6,130	6,289
Contract Cost reimbursement	1,123	602	1,193	1,193	2,063	1,593	1,593	1,593	1,593
Interest Revenue	812	551	743	623	1,036	1,321	1,868	2,472	3,196
Recycled Water Sales	7,952	10,831	11,582	11,582	14,022	17,814	18,055	21,467	23,376
Water Sales	30,805	40,225	40,828	40,828	41,441	42,062	42,693	43,334	43,984
TOTAL REVENUES	\$101,061	\$116,301	\$124,813	\$123,234	\$132,878	\$147,085	\$153,840	\$163,639	\$170,556
OTHER FINANCING SOURCES									
Property Tax - Debt, Capital, Reserves	\$44,268	\$35,343	\$36,987	\$37,908	\$39,384	\$40,500	\$41,670	\$42,473	\$43,293
Connection Fees	14,614	9,789	15,321	15,321	23,329	30,636	28,754	26,755	27,969
State Loans	6,350	10,178	11,074	20,243	12,315	23,641	26,912	34,769	40,679
Grants	2,775	2,372	2,320	2,338	8,942	7,710	4,500	5,600	4,000
Sale of Assets	4,805	48	0	0	0	0	0	0	0
Capital Contract Reimbursement	362	550	1,969	1,030	2,931	5,419	13,596	24,096	8,951
Other Revenues	1,639	1,006	607	732	895	913	948	983	1,994
Sale of Capacity	215	0	0	0	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	4,308	14,808	2,000	2,000	2,000	1,000	1,000
TOTAL OTHER FINANCING SOURCES	\$75,029	\$59,286	\$72,587	\$92,379	\$89,777	\$110,819	\$118,380	\$135,878	\$127,888
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$176,091	\$175,587	\$197,400	\$215,613	\$222,654	\$257,904	\$272,220	\$299,517	\$298,442
EXPENSES									
Employment Expense	\$31,945	\$33,166	\$40,539	\$39,381	\$40,610	\$42,737	\$44,939	\$46,224	\$47,480
Contract Work/Special Projects	3,666	2,623	11,306	7,809	22,207	16,117	11,117	11,107	11,782
Utilities	8,773	9,586	9,220	10,428	11,150	11,617	12,183	13,056	13,673
Operating Fees	7,060	8,658	11,039	13,046	13,306	13,651	14,106	18,372	14,957
Chemicals	3,736	4,245	4,523	3,981	4,395	4,524	4,660	4,800	4,944
Professional Fees and Services	6,208	6,902	7,753	7,629	9,250	8,539	8,088	8,246	8,428
Office and Administrative Expense	1,282	1,431	1,983	1,518	2,057	2,465	2,318	2,631	2,363
Biosolids Recycling	3,398	3,567	4,060	3,991	4,359	4,386	4,386	4,465	4,564
Materials & Supplies	2,495	2,509	2,959	2,514	2,799	2,883	2,996	3,076	3,166
Operation Contribution to IERCA	71	0	0	0	0	0	0	0	0
MWD Water Purchases	30,754	40,225	40,828	40,828	41,441	42,062	42,693	43,334	43,984
Other Expenses	2,851	2,228	1,492	1,371	1,697	1,586	1,481	1,565	1,597
TOTAL EXPENSES	\$102,238	\$115,139	\$135,702	\$132,496	\$153,270	\$150,482	\$148,967	\$156,877	\$156,938
CAPITAL PROGRAM									
CSDLAC 4Rs	\$1,206	\$776	\$738	\$738	\$738	\$738	\$738	\$738	\$737
IERCA Investment	500	0	500	500	0	500	0	500	0
Capital Construction & Expansion	21,271	21,562	65,483	52,561	43,149	51,292	59,067	92,303	71,025
Rehab & Replacement	0	12,564	0	0	0	0	0	0	0
TOTAL CAPITAL PROGRAM	\$22,977	\$34,902	\$66,721	\$53,799	\$43,886	\$52,530	\$59,804	\$93,540	\$71,762
DEBT SERVICE									
Financial Expenses	\$205	(\$146)	\$3,871	\$3,847	\$549	\$349	\$349	\$549	\$349
Interest	10,015	9,063	9,605	9,526	9,601	9,810	10,294	8,966	7,806
Principal	11,307	11,629	26,612	26,612	11,281	12,528	39,797	38,003	36,609
Short Term Inter-Fund Loan	0	0	4,308	14,830	2,032	2,032	2,047	1,063	2,053
TOTAL DEBT SERVICE	\$21,526	\$20,546	\$44,396	\$54,815	\$23,463	\$24,718	\$52,487	\$48,581	\$46,817
FUND BALANCE									
Net Increase (Decrease)	\$29,419	\$4,999	(\$49,419)	(\$25,497)	\$2,036	\$30,165	\$10,961	\$318	\$22,925
Beginning Fund Balance July 01	\$116,714	\$146,133	\$151,132	\$151,132	\$125,635	\$127,671	\$157,836	\$168,797	\$169,116
ENDING BALANCE AT JUNE 30	\$146,133	\$151,132	\$101,713	\$125,635	\$127,671	\$157,836	\$168,797	\$169,116	\$192,040
RESERVE BALANCE SUMMARY									
Operating Contingencies	\$21,198	\$23,910	\$25,191	\$27,423	\$27,527	\$27,606	\$29,398	\$27,827	\$30,360
Capital Expansion & Replacement	26,446	18,993	(19,909)	8,363	9,349	13,284	12,660	14,945	22,882
CCRA Capital Construction	28,247	36,785	36,106	25,106	30,885	40,021	39,585	31,510	31,427
Rehabilitation/Replacement Reserve	17,694	19,903	10,051	15,524	16,880	26,278	34,045	39,944	50,892
CSDLAC Prepayment	1,308	1,008	738	738	738	738	738	737	0
Debt Service & Redemption	27,246	23,048	27,249	27,452	22,668	29,285	30,801	31,144	31,131
Insurance & Other	5,519	5,644	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Retirement reserves	18,775	21,842	16,286	15,030	13,625	14,625	15,770	17,007	19,349
ENDING BALANCE AT JUNE 30	\$146,133	\$151,132	\$101,713	\$125,635	\$127,671	\$157,836	\$168,797	\$169,116	\$192,040

RESOLUTION NO. 2015-6-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, APPROVING AND ADOPTING ITS BUDGET FOR FISCAL YEARS 2015/2016 and 2016/2017.

NOW, THEREFORE, the Board of Directors of the Inland Empire Utilities Agency* does hereby RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. That this Board of Directors hereby approves and adopts the budgets for Fiscal Years 2015/16 and 2016/17, subject to amendment upon receipt from the County of San Bernardino final data regarding property tax valuations and allocations and/or loss of tax revenue by action of the State legislature.

ADOPTED this 17th day of June, 2015.

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

ATTEST:

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

*A Municipal Water District

STATE OF CALIFORNIA)
)SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO HEREBY CERTIFY that the foregoing Resolution being No. 2015-6-1 was adopted at a regular meeting on June 17, 2015, of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary/Treasurer

(SEAL)

* A Municipal Water District

RESOLUTION NO. 2015-6-4

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING INITIAL AND MONTHLY CAPACITY CHARGES, VOLUMETRIC CHARGES, EXCESS STRENGTH CHARGES, CAPITAL IMPROVEMENT PROJECT (CIP) CHARGES, IEUA ADMINISTRATIVE CHARGES, APPLICATION AND WASTEWATER DISCHARGE PERMIT APPLICATION FEES FOR THE INLAND EMPIRE BRINE LINE (BRINE LINE) FOR FISCAL YEAR 2015/16.

WHEREAS, it is necessary to establish initial and monthly capacity charges, volumetric flow charges, CIP charges, trucked wastewater delivery charges and excessive strength charges;

WHEREAS, it is necessary to establish application fees for processing applications for Capacity Right Agreements and Wastewater Discharge Permits for the use of the Inland Empire Utilities Agency (Agency)'s Brine Line;

WHEREAS, one Agency Capacity Unit (CU) is defined as an equalized discharge at the flow rate of 15 gallons per minute (GPM);

WHEREAS, under Section 13550, et seq., of the California Water Code, a Public Agency may require industries to use recycled water for certain purposes, where it is available and at reasonable cost;

WHEREAS, the Board of Directors of the Agency, pursuant to Ordinance No. 96, may establish said fees and charges by Resolution;

NOW, THEREFORE, the Board of Directors hereby RESOLVES, DETERMINES, AND ORDERS the following to be effective July 1, 2015

Section 1 That the Initial Capacity Charge for the purchase of Agency Capacity Rights shall be set at \$215,000 per CU.

Section 2 That the monthly charges for discharge to the Brine Line are as follows:

(A) CAPACITY CHARGES:

For discharge to the Brine Line, which reaches jurisdiction of the Santa Ana Watershed Project Authority (SAWPA), the monthly Capacity Charge is \$351.17 per CU.

The monthly Capital Improvements Program (CIP) charge for Brine Line is \$90.00 per CU per month.

(B) VOLUMETRIC CHARGES

For discharge to the Brine Line, the monthly Volumetric Charge is \$817.00 per Million Gallons of discharge. The minimum Volumetric Charge for discharge of 100,000 gallons or less per CU per month is \$81.70 per CU per month.

(C) STRENGTH CHARGES

That Strength Charges are applicable to all discharges to the Brine Line, via pipeline or hauled by truck, for excessive Biochemical Oxygen Demand (BOD), and Total Suspended Solids (TSS). The rates are as follows:

<u>QUANTITY</u>	<u>RATE</u>
BOD	\$301.00 per 1,000 pounds (dry weight)
TSS	\$420.00 per 1,000 pounds (dry weight)

Strength charges for the Brine Line discharges are calculated from the average of all the samples collected during the calendar month and invoiced on a monthly basis. If there is no sample data for a given month, strength charges for that month shall be determined by using the average of all available data within the billing quarter.

(D) AGENCY ADMINISTRATIVE CHARGES

Agency Administrative Charges of 50% shall be added to the charges of Section 2(A), 2(B), and 2(C).

(E) RECYCLED WATER USAGE CREDIT FOR BRINE LINE

This program is for recycled water (RW) Users and shall end when funding is exhausted or not later than June 30, 2024, whichever comes first. New Users who qualify for this program shall be given the recycled water credit in effect at the time of connection to the recycled water system.

Recycled Water Users, including contracting agencies, shall be given a monetary credit based on the actual amount of RW used. The RW credit shall start at 50% of the IEUA's FY 2014/15 recycled water direct sale rate, and shall decline at 5% intervals per year through FY 2023/2024.

For Fiscal Year 2015/16, the Recycled Water Usage Credit is \$400.52 per million gallons of recycled water used.

(F) Other Charges

IEUA will pass on any other charges from SAWPA invoiced to the Agency

to dischargers to the Brine Line, such as, but not limited to, flow and strength imbalance charges, permit, inspection, analytical fees, etc.

Section 3 For trucked discharges to the Brine Line, the wastewater discharge rate shall be based on the applicable Tiered Schedule as established by the higher concentration value for BOD or TSS. The Brine Line Tiered Rate Schedule for Trucks is shown in Table 1.

Table 1 – Brine Line Tiered Rate Schedule for Trucks

Tiered Schedule	BOD or TSS Concentration	Total Volumetric Charge Up to 5,000 gallon	Incremental Charge above 5,000 gallons, \$ per one (1) gallon	BOD Charges	TSS Charges
Brine	Less than 100 mg/L	\$237.69	\$0.010	N/A	N/A
Tier 1 (Non-Brine)	100 to 999 mg/L	\$262.69	\$0.015	N/A	N/A
Tier 2 (Non-Brine)	1,000 to 2,499 mg/L	\$347.69	\$0.032	N/A	N/A
Tier 3 (Non-Brine)	2,500 mg/L and higher	\$200.69	\$0.0026	\$0.694 per pound of BOD	\$0.661 per pound of TSS

Section 4 That Application fees for a Capacity Right Agreement shall be: \$ 200.00

Section 5 That Initial Wastewater Discharge Permit Application, Ownership Change with Process Changes, and Permit Renewal fees for wastewater generators who discharge directly through pipeline connection to the Brine Line shall be:

Initial Wastewater Discharge Permit Application Fees (Ownership Change with Process Changes included):

Categorical Industrial User	\$ 3,520.00
with Combined Waste Stream Formula, add	\$ 880.00
with Production Based Standards, add	\$ 440.00
with Multiple Categories, add	\$ 1,760.00
Non-Categorical, Significant Industrial User	\$ 2,640.00
Non-Categorical, Non-Significant Industrial User	\$ 2,200.00

Permit Renewal Fees:

Categorical Industrial User	\$ 2,640.00
with Combined Waste Stream Formula, add	\$ 440.00
with Production Based Standards, add	\$ 220.00
with Multiple Categories, add	\$ 880.00
Non-Categorical, Significant Industrial User	\$ 660.00
Non-Categorical, Non-Significant Industrial User	\$ 2,640.00

Section 6 That Initial Wastewater Discharge Permit Application, Ownership Change with Process Changes, and Permit Renewal fees for wastewater generators whose wastewater is hauled away, i.e., by a wastewater trucking company, and discharged into the Brine Line shall be:

Initial Wastewater Discharge Permit Application Fees:

Categorical Industrial User	\$ 2,200.00
with Combined Waste Stream Formula, add	\$ 880.00
with Production Based Standards, add	\$ 440.00
with Multiple Categories, add	\$ 1,760.00
Non-Categorical, Significant Industrial User	\$ 1,320.00
Non-Categorical, Non-Significant Industrial User	\$ 880.00

Permit Renewal Fees:

Categorical Industrial User	\$ 1,760.00
with Combined Waste Stream Formula, add	\$ 440.00
with Production Based Standards, add	\$ 220.00
with Multiple Categories, add	\$ 880.00
Non-Categorical, Significant Industrial User	\$ 660.00
Non-Categorical, Non-Significant Industrial User	\$ 440.00

Section 7 That initial Wastewater Hauler Permit application and Permit Renewal fees for the Brine Line shall be:

Initial Permit Application for Wastewater Hauler	\$ 176.00
Permit Renewal for Wastewater Hauler	\$ 88.00

Brine Line Liquid Waste Hauler Permit Application and Permit Renewal are processed and administered by Santa Ana Watershed Project Authority (SAWPA).

Section 8 That Permit Revision or Facility Expansion fees shall be: \$ 1,320.00

Permit Revisions shall be required if the modification affects the quantity/quality of the wastewater discharge to deviate from the conditions in the current permit by more than 25%. Such additions or modifications include, but are not limited to, the following: Maintenance, Monitoring, Change of Discharge Limits, Addition of Control Equipment, etc.

Section 9 That Permit Addendum fees shall be: \$ 616.00

That for change of business name with no process changes shall be: \$ 176.00

Permit Addendum shall be required if the addition or modification does not affect the existing wastewater quantity/quality by more than 25%. Such additions or modifications include, but are not limited to, the following: Maintenance, Monitoring, Change of Discharge Limits, Addition of Control Equipment, Ownership Change without Process Changes, etc.

Section 10 Toxic Organic Management Plan (TOMP) Processing No Charge

Section 11 Miscellaneous processing fees that do not fall under any of the above sections shall be charged based on time and material of staff(s) evaluating such process using adopted labor rates for the current fiscal year.

Section 12 That all provisions of the Brine Line Ordinance and any amendments thereto are hereby applicable and will remain in full force and effect.

Section 13 That upon the effective date of this Resolution, the Resolution No. 2014-06-02 pertaining to the South NRWS is hereby rescinded in its entirety.

ADOPTED this 17th day of June, 2015.

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

ATTEST:

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

*A Municipal Water District

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO HEREBY CERTIFY that the foregoing Resolution being No. 2015-06-04 as adopted at a regular Board meeting on June 17, 2015, of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary/Treasurer

(SEAL)

* A Municipal Water District

RESOLUTION NO. 2015-6-5

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING SERVICE RATES FOR WASTEWATER DISCHARGERS TO THE REGIONAL WASTEWATER SYSTEM FOR SEPTAGE, COMMERCIAL OR INDUSTRIAL WASTEWATERS, AND EXCESSIVE STRENGTH CHARGES FOR FISCAL YEAR 2015/2016.

WHEREAS, it is necessary to establish service rates for processing and issuing permits to domestic, commercial, or industrial wastewater dischargers and wastewater haulers permitted by IEUA, and service rates for processing and treatment of sanitary, commercial or industrial wastewater deliveries to the Inland Empire Utilities Agency (Agency)'s Regional Wastewater System;

WHEREAS, it is necessary to establish application fees for processing and issuing of wastewater discharge permits to industrial wastewater generators who discharge directly through pipeline connections to the Regional Sewer System;

WHEREAS, the Board of Directors of the Inland Empire Utilities Agency*, pursuant to Ordinance No. 97, may establish said service rates by resolution.

NOW, THEREFORE, the Board of Directors hereby **RESOLVES, DETERMINES, AND ORDERS** the following to be effective July 1, 2015:

Section 1 That Wastewater Permit Application for Domestic Wastewater Hauler fees is as follow:

Initial Permit Application Fee	\$ 176.00
Permit Renewal Fee	\$ 88.00

Section 2 That wastewater volumetric fee for domestic and industrial wastewater hauler is as follow:

For each load up to 2,000 gallons	\$ 65.24
Loads in excess of 2,000 gallons	\$ 0.033 per one (1) gallon

Section 3 That a rate schedule effective July 1, 2015, for delivery of domestic and industrial wastewater to regional plants with excessive biochemical oxygen demand and suspended solids is hereby established as follows:

<u>Quantity</u>	<u>Rate</u>
Biochemical Oxygen Demand (BOD) in excess of 409 mg/L	\$ 266.43 per 1,000 lb (dry weight)
Suspended Solids (SS) in excess of 379 mg/L	\$ 296.54 per 1,000 lb (dry weight)

Section 4 A Non-Compliance fee of \$100.00 will be assessed to reinstate elapsed or expired insurance requirements.

Section 5 That Initial Wastewater Discharge Permit Application and Permit Renewal fees for wastewater generators who discharge directly through pipeline connection to the Regional Sewer System shall be:

**Initial Wastewater Discharge Permit Application Fees
(Ownership Change with Process Changes included):**

Categorical Industrial User	\$ 3,520.00
with Combined Waste Stream Formula, add	\$ 880.00
with Production Based Standards, add	\$ 440.00
with Multiple Categories, add	\$ 1,760.00
Non-Categorical, Significant Industrial User	\$ 2,640.00
Non-Categorical, Non-Significant Industrial User	\$ 2,200.00

Permit Renewal Fees:

Categorical Industrial User	\$ 2,640.00
with Combined Waste Stream Formula, add	\$ 440.00
with Production Based Standards, add	\$ 220.00
with Multiple Categories, add	\$ 880.00
Non-Categorical, Significant Industrial User	\$ 660.00
Non-Categorical, Non-Significant Industrial User	\$ 440.00

Section 6 That Initial Wastewater Discharge Permit Application, Ownership Change with Process Changes, and Permit Renewal fees for wastewater generators whose wastewater is hauled away, i.e., by a wastewater trucking company, and discharged into the NRWS sewer system shall be:

Initial Wastewater Discharge Permit Application Fees:

Categorical Industrial User	\$ 2,200.00
with Combined Waste Stream Formula, add	\$ 880.00
with Production Based Standards, add	\$ 440.00
with Multiple Categories, add	\$ 1,760.00
Non-Categorical, Significant Industrial User	\$ 1,320.00
Non-Categorical, Non-Significant Industrial User	\$ 880.00

Permit Renewal Fees:

Categorical Industrial User	\$ 1,760.00
with Combined Waste Stream Formula, add	\$ 440.00
with Production Based Standards, add	\$ 220.00
with Multiple Categories, add	\$ 880.00
Non-Categorical, Significant Industrial User	\$ 660.00
Non-Categorical, Non-Significant Industrial User	\$ 440.00

Section 7 That Permit Revision or Facility Expansion fees shall be: \$ 1,320.00

Permit Revisions shall be required if the modification affects the quantity/quality of the wastewater discharge to deviate from the conditions in the current permit by more than 25%. Such additions or modifications include, but are not limited to, the following: Maintenance, Monitoring, Change of Discharge Limits, Addition of Control Equipment, Process Changes, etc.

Section 8 That Permit Addendum fees shall be: \$ 616.00

That for change of business name or ownership only with no process changes shall be: \$ 176.00

Permit Addendum shall be required if the addition or modification does not affect the existing wastewater quantity/quality by more than 25%. Such additions or modifications include, but are not limited to, the following: Maintenance, Monitoring, Change of Discharge Limits, Addition of Control Equipment, Ownership Change without Process Changes, etc.

Section 9 That IEUA will pass on to wastewater permit holder any other charges, such as, but not limited to, excessive strength, laboratory analysis, inspection activities, etc.

Section 11 Miscellaneous processing fees that do not fall under any of the above sections shall be charged based on time and material of staff(s) evaluating such process using adopted labor rates for the current fiscal year.

Section 12 That all provisions of the Regional Wastewater Ordinance and any amendments thereto are hereby applicable and will remain in full force and effect.

Section 13 That upon the effective date of this Resolution, Resolution No. 2014-6-3 is hereby rescinded in its entirety.

ADOPTED this 17th day of June, 2015.

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

ATTEST:

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

(SEAL)

* A Municipal Water District

STATE OF CALIFORNIA)
)SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the foregoing Resolution being No. 2015-6-5, was adopted at a Board
Meeting on June 17, 2015, of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary/Treasurer

(SEAL)

* A Municipal Water District

RESOLUTION NO. 2015-6-6

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING CAPACITY CHARGES, VOLUMETRIC CHARGES, STRENGTH CHARGES, AGENCY PROGRAM CHARGES, AND APPLICATION FEES FOR THE NON-RECLAIMABLE WASTEWATER SYSTEM (NRWS) FOR FISCAL YEAR 2015/16

WHEREAS, NRWS *Wastewater Disposal Agreement No. 4830* (Agreement) has been adopted between County Sanitation Districts of Los Angeles County (CSDLAC) and Inland Empire Utilities Agency (Agency);

WHEREAS, it is necessary to establish a rate structure for the collection of costs associated for the sewerage service under this Agreement;

WHEREAS, it is necessary to allocate User with Non Reclaimable Wastewater System Capacity Unit (NRWSCU), in order to collect such charges;

WHEREAS, it is necessary to allocate individual Users their fractional contribution of the Solids Discrepancy at East End (SD_{EE}) monitoring facility determined by the *Fractional Solids Discrepancy (FSD_i)* formula;

WHEREAS, it is necessary to establish application fees for processing applications for NRWSCU Allocations and Wastewater Discharge Permits for the use of the Inland Empire Utilities Agency (Agency)'s NRWS;

WHEREAS, under Section 13550, et seq., of the California Water Code, a Public Agency may require industries to use recycled water for certain purposes, where it is available and at reasonable cost;

WHEREAS, the Board of Directors of the Agency, pursuant to Ordinance No. 99, may establish said fees and charges by Resolution;

NOW, THEREFORE, the Board of Directors hereby RESOLVES, DETERMINES, AND ORDERS the following to be effective July 1, 2015

Section 1 That the acquisition of wastewater discharge right shall be as follows:

(A) NRWSCU ACQUISITION RATES

1. A NRWSCU for the NRWS is determined by the following formula:

$$\begin{aligned} NRWSCU &= \left(0.6513 \times \frac{Flow_{gpd}}{260} \right) + \left(0.1325 \times \frac{COD_{ppd}}{1.22} \right) \\ &+ \left(0.2162 \times \frac{TSS_{ppd}}{0.59} \right) \end{aligned}$$

Where:

gpd = gallons per day

ppd = pounds per day

2. The minimum number of NRWSCU shall be 25 NRWSCU.
3. The **purchase rate** for the right to discharge one (1) NRWSCU shall be \$5,150.00 per NRWSCU.
4. The optional **annual lease rate** for the right to discharge one (1) NRWSCU shall be 5% per year of the purchase rate, i.e. \$257.50 per NRWSCU per each year.

The above charges shall be paid in full upon the execution of the NRWSCU purchase or lease.

Section 2 That the monthly charges for discharge to the NRWS are:

(A) VOLUMETRIC CHARGES

For discharge to the NRWS, the monthly volumetric charge is \$948.00 per million gallons of discharge.

(B) PEAK FLOW CHARGES

For discharge to the NRWS, the monthly Peak Flow (PF) Charge shall be \$360.00 per million gallons of volumetric discharge.

(C) STRENGTH CHARGES

That Strength Charges are for excessive Chemical Oxygen Demand (COD) and Total Suspended Solids (TSS) and are applicable to all discharges to the NRWS. The rates are as follows:

<u>PARAMETER</u>	<u>RATE</u>
COD	\$210.00 per 1,000 pounds (dry weight)
TSS	\$433.00 per 1,000 pounds (dry weight)

Strength charges for the NRWS discharges are calculated from the average of all the samples collected during the calendar month and invoiced on a quarterly basis. If there is no sample data for a given month, strength charges for that month shall be determined by using the average of all available data within the billing quarter.

(D) SOLIDS DISCREPANCY CHARGE FOR NRWS

Solids Discrepancy Charge for an industry (SDC_i) shall be calculated on a monthly basis and invoiced on a quarterly basis. The charge shall be calculated by multiplying the individual industry's *Fractional Solids Discrepancy* (FSD_i) by the Total Solids Discrepancy at East End monitoring facility (TSD_{EE}) and by TSS rate:

$$SDC_i = (FSD_i) \times (TSD_{EE}) \times (TSS \text{ rate})$$

Individual industry's FSD_i for the NRWS is determined by the FSD_i formula to allocate the individual industry's solids contribution to the total solids discrepancy, based on their contribution to the overall loading of Alkalinity, Biological Oxygen Demand (BOD), Dissolved Calcium, and Flow.

$$FSD_i = 0.086 \times \left[\frac{Alk_i}{Alk_T} \right] + 0.541 \times \left[\frac{BOD_i}{BOD_T} \right] + 0.057 \times \left[\frac{Ca_i}{Ca_T} \right] + 0.316 \times \left[\frac{Flow_i}{Flow_T} \right]$$

Where:

- FSD_i = Fractional Solids Discrepancy for individual discharger (i)
- Alk_i = Individual dissolved alkalinity loading to the NRWS for discharger (i)
- Alk_T = Combined dissolved alkalinity loading from all dischargers to the NRWS
- BOD_i = Individual BOD_5 loading to the NRWS for discharger (i)
- BOD_T = Combined BOD_5 loading from all dischargers to the NRWS
- Ca_i = Individual dissolved calcium loading to the NRWS for discharger (i)
- Ca_T = Combine dissolved calcium loading from all dischargers to the NRWS
- $Flow_i$ = Individual flow contribution to the NRWS from discharger (i)
- $Flow_T$ = Combined flow from all dischargers to the NRWS

All the CSDLAC rates include the ad valorem charges.

(E) AGENCY CIP AND O&M CHARGES

The Agency's CIP and O&M charges shall be \$18.37 per NRWSCU per month.

(F) 4R DEFERRED CAPITAL CHARGES

The deferred 4R capital charges shall be \$212.60 per NRWSCU per month as assigned per Agreement 1679.

(G) RECYCLED WATER USAGE CREDIT

This program is for recycled water (RW) Users and shall end when funding is exhausted or not later than June 30, 2024, whichever comes first. New Users who qualify for this program shall be given the recycled water credit in effect at the time of connection to the RW system.

For Fiscal Year 15-16, the Recycled Water Usage Credit is \$400.52 per million gallons of recycled water used.

Section 3 OTHER CHARGES

IEUA will pass on any other charges from CSDLAC invoiced to the Agency to dischargers to the NRWS, such as, but not limited to, flow and strength imbalance charges, permit, inspection, analytical fees, etc.

Section 4 That Application fee for a NRWS Capacity Unit Purchase or Annual Lease shall be: \$ 200.00

Section 5 That Initial Wastewater Discharge Permit Application, Ownership Change with Process Changes, and Permit Renewal fees for wastewater generators who discharge directly through pipeline connection to the NRWS sewer system shall be:

Initial Wastewater Discharge Permit Application Fees (Ownership Change with Process Changes included):

Categorical Industrial User	\$ 3,520.00
with Combined Waste Stream Formula, add	\$ 880.00
with Production Based Standards, add	\$ 440.00
with Multiple Categories, add	\$ 1,760.00
Non-Categorical, Significant Industrial User	\$ 2,640.00
Non-Categorical, Non-Significant Industrial User	\$ 2,200.00

Permit Renewal Fees:

Categorical Industrial User	\$ 2,640.00
-----------------------------	-------------

with Combined Waste Stream Formula, add	\$ 440.00
with Production Based Standards, add	\$ 220.00
with Multiple Categories, add	\$ 880.00
Non-Categorical, Significant Industrial User	\$ 660.00
Non-Categorical, Non-Significant Industrial User	\$ 2,640.00

Section 6 That Permit Revision or Facility Expansion fees shall be: \$ 1,320.00

Permit Revisions shall be required if the modification affects the quantity/quality of the wastewater discharge to deviate from the conditions in the current permit by more than 25%. Such additions or modifications include, but are not limited to, the following: Maintenance, Monitoring, Change of Discharge Limits, Addition of Control Equipment, Process Changes, etc.

Section 7 That Permit Addendum fees shall be: \$ 616.00

That for change of business name with no process changes shall be: \$ 176.00

Permit Addendum shall be required if the addition or modification does not affect the existing wastewater quantity/quality by more than 25%. Such additions or modifications include, but are not limited to, the following: Maintenance, Monitoring, Change of Discharge Limits, Addition of Control Equipment, Ownership Change without Process Changes, etc.

Section 8 Toxic Organic Management Plan (TOMP) Processing No Charge

Section 9 Miscellaneous processing fees that do not fall under any of the above sections shall be charged based on time and material of staff(s) evaluating such process using adopted labor rates for the current fiscal year.

Section 10 That all provisions of the Non-Reclaimable Wastewater Ordinance and any amendments thereto are hereby applicable and will remain in full force and effect.

Section 11 That upon the effective date of this Resolution, the Resolution No. 2015-1-1 pertaining to the NRWS is hereby rescinded in its entirety.

* * *

ADOPTED this 17th day of June, 2015

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

ATTEST:

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

*A Municipal Water District

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO HEREBY CERTIFY that the foregoing Resolution being No. 2015-6-6 as adopted at a regular Board meeting on June 17, 2015, of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary/Treasurer

(SEAL)

* A Municipal Water District

RESOLUTION NO. 2015-6-7

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING CAPACITY CHARGES, VOLUMETRIC CHARGES, STRENGTH CHARGES, CAPITAL IMPROVEMENT PROJECT (CIP) CHARGES, IEUA ADMINISTRATIVE CHARGES, APPLICATION AND WASTEWATER DISCHARGE PERMIT APPLICATION FEES FOR THE ETIWANDA WASTEWATER LINE (EWL) FOR FISCAL YEAR 2015/16

WHEREAS, *Etiwanda Wastewater Line Disposal Agreement* (Agreement) was entered between County Sanitation Districts of Los Angeles County (CSDLAC) and Inland Empire Utilities Agency (Agency);

WHEREAS, it is necessary to establish a rate structure for the collection of costs associated for the sewerage service under this Agreement;

WHEREAS, it is necessary to allocate industries with Etiwanda Wastewater Line Capacity Unit (EWLCU), in order to collect such charges;

WHEREAS, one EWLCU for the EWL is defined as an equalized discharge not to exceed a flow rate of 15 gallons per minute;

WHEREAS, it is necessary to establish application fees for processing applications for Capacity Right Agreements and Wastewater Discharge Permits for the use of the Agency's EWL;

WHEREAS, under Section 13550, et seq., of the California Water Code, a Public Agency may require industries to use recycled water for certain purposes, where it is available and at reasonable cost;

WHEREAS, the Board of Directors of the Agency, pursuant to Ordinance No. 99, may establish said fees and charges by Resolution;

NOW, THEREFORE, the Board of Directors hereby RESOLVES, DETERMINES, AND ORDERS the following to be effective July 1, 2015

Section 1 That the acquisition of capacity rights shall be as follows:

(A) CAPACITY RIGHT ACQUISITION RATE

That the purchase rate for the right to discharge one (1) EWLCU for the EWL shall be \$215,000.00 per an equalized flow rate not to exceed 15 gallons per minute. This charge shall be paid in full upon the execution of the Capacity Right Agreement.

Section 2 That the monthly charges for discharge to the EWL are as follows:

(A) CAPACITY CHARGES

For discharge to the EWL, which reaches the jurisdiction of the CSDLAC, the monthly Capacity Charge is \$0.00 per EWLCU.

The monthly Capital Improvements Program (CIP) charge for EWL is \$90.00 per month per EWLCU.

(B) VOLUMETRIC CHARGES

The Volumetric Charge for EWL is \$1,037.34 per Million Gallons. The minimum Volumetric Charge for discharge of 100,000 gallons or less is \$103.73 per EWLCU per month.

(C) STRENGTH CHARGES

That Strength Charges are for excessive Chemical Oxygen Demand (COD) and Total Suspended Solids (TSS) and are applicable to all discharges to the EWL. The rates are as follows:

<u>PARAMETER</u>	<u>RATE</u>
COD	\$210.00 per 1,000 pounds (dry weight)
TSS	\$433.00 per 1,000 pounds (dry weight)

Strength charges for the EWL discharges are calculated from the average of all the samples collected during the calendar month and invoiced on a quarterly basis. If there is no sample data for a given month, strength charges for that month shall be determined by using the average of all available data within the billing quarter.

(D) AGENCY CIP AND O&M CHARGES

Agency CIP and O&M Charges of 50% shall be added to the charges of Section 2(A), 2(B), and 2(C).

(E) RECYCLED WATER USAGE CREDIT

This program is for recycled water (RW) Users and shall end when funding is exhausted or not later than June 30, 2024, whichever comes first. New Users who qualify for this program shall be given the recycled water credit in effect at the time of connection to the RW system.

For Fiscal Year 2015/16, the Recycled Water Usage Credit is \$400.52 per million gallons of recycled water used.

Section 4 OTHER CHARGES

IEUA will pass on any other charges from CSDLAC invoiced to the Agency to dischargers to the EWL, such as, but not limited to, flow and

strength imbalance charges, permit, inspection, analytical fees, etc.

Section 5 That Application fees for a EWL Capacity Right Agreement shall be: \$ 200.00

Section 6 That Initial Wastewater Discharge Permit Application, Ownership Change with Process Changes, and Permit Renewal fees for wastewater generators who discharge directly through pipeline connection to the EWL sewer system shall be:

**Initial Wastewater Discharge Permit Application Fees
(Ownership Change with Process Changes included):**

Categorical Industrial User	\$ 3,520.00
with Combined Waste Stream Formula, add	\$ 880.00
with Production Based Standards, add	\$ 440.00
with Multiple Categories, add	\$ 1,760.00
Non-Categorical, Significant Industrial User	\$ 2,640.00
Non-Categorical, Non-Significant Industrial User	\$ 2,200.00

Permit Renewal Fees:

Categorical Industrial User	\$ 2,640.00
with Combined Waste Stream Formula, add	\$ 440.00
with Production Based Standards, add	\$ 220.00
with Multiple Categories, add	\$ 880.00
Non-Categorical, Significant Industrial User	\$ 660.00
Non-Categorical, Non-Significant Industrial User	\$ 2,640.00

Section 7 That Permit Revision or Facility Expansion fees shall be: \$ 1,320.00

Permit Revisions shall be required if the modification affects the quantity/quality of the wastewater discharge to deviate from the conditions in the current permit by more than 25%. Such additions or modifications include, but are not limited to, the following: Maintenance, Monitoring, Change of Discharge Limits, Addition of Control Equipment, Process Changes, etc.

Section 8 That Permit Addendum fees shall be: \$ 616.00

That for change of business name with no process changes shall be: \$ 176.00

Permit Addendum shall be required if the addition or modification does not affect the existing wastewater quantity/quality by more than 25%. Such additions or modifications include, but are not limited to, the following: Maintenance, Monitoring, Change of

Discharge Limits, Addition of Control Equipment, Ownership Change without Process Changes, etc.

Section 9 Toxic Organic Management Plan (TOMP) Processing No Charge

Section 10 Miscellaneous processing fees that do not fall under any of the above sections shall be charged based on time and material of staff(s) evaluating such process using adopted labor rates for the current fiscal year.

Section 11 That all provisions of the Etiwanda Wastewater Line Ordinance and any amendments thereto are hereby applicable and will remain in full force and effect.

Section 12 That upon the effective date of this Resolution, the Resolution No. 2014-6-13 pertaining to the EWL is hereby rescinded in its entirety.

* * *

ADOPTED this 17th day of June, 2015

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

ATTEST:

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

*A Municipal Water District

STATE OF CALIFORNIA)
) SS
 COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO HEREBY CERTIFY that the foregoing Resolution being No. 2015-6-7 as adopted at a regular Board meeting on May 20, 2015, of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
 Secretary/Treasurer

(SEAL)

* A Municipal Water District



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

FYs 2015/16 & 2016/17 Biennial Budget Adoption

June 2015

Board Meeting

Key Assumptions

- ❖ Estimated increases due to rate increases (multi-year rates), a higher number of projected new regional wastewater connections, and increased in recycled water deliveries
- ❖ New water connection fee levied on new and upsized connections to the Agency's regional water system
- ❖ Projected growth in property tax receipts of 4% in FY 2015/16 and 3% in FY 2016/17
 - Reallocation of property tax from the Administrative Services (GG) fund to Water Resource (VW) fund beginning in FY 2014/15 for conservation program related grants/rebates
- ❖ Maintain the authorized full time equivalent (FTE) positions at 290 through FY 2019/20
- ❖ 3% average CPI for O&M expenses and \$4.5 million annual payment against pension unfunded accrued liability (UAL).

Non-Reclaimable Wastewater (NRW) Fund Proposed “Pass-Through” Rates

North System ¹		South System ²			
	FY 2014/15 Adopted	FY 2015/16 Proposed	FY 2014/15 Adopted	FY 2015/16 Proposed	% Change
Flow/mg	\$835.80	\$948.00	\$334.43	\$351.17	5%
COD/klb	\$147.84	\$210.00	\$777.00	\$817.00	5%
TSS/klb	\$418.22	\$433.00	\$295.00	\$301.00	2%
Peak/mg	\$317.54	\$360.00	\$411.00	\$420.00	2%
Ad Valorem Tax	5.0%	5.5%			

Notes 1: Cost recovery through capacity charges, \$18.37 per capacity units for FY 2015/16

2: Cost recovery through a 50% surcharge on volumetric/capacity/strength charges for non-recycled water users

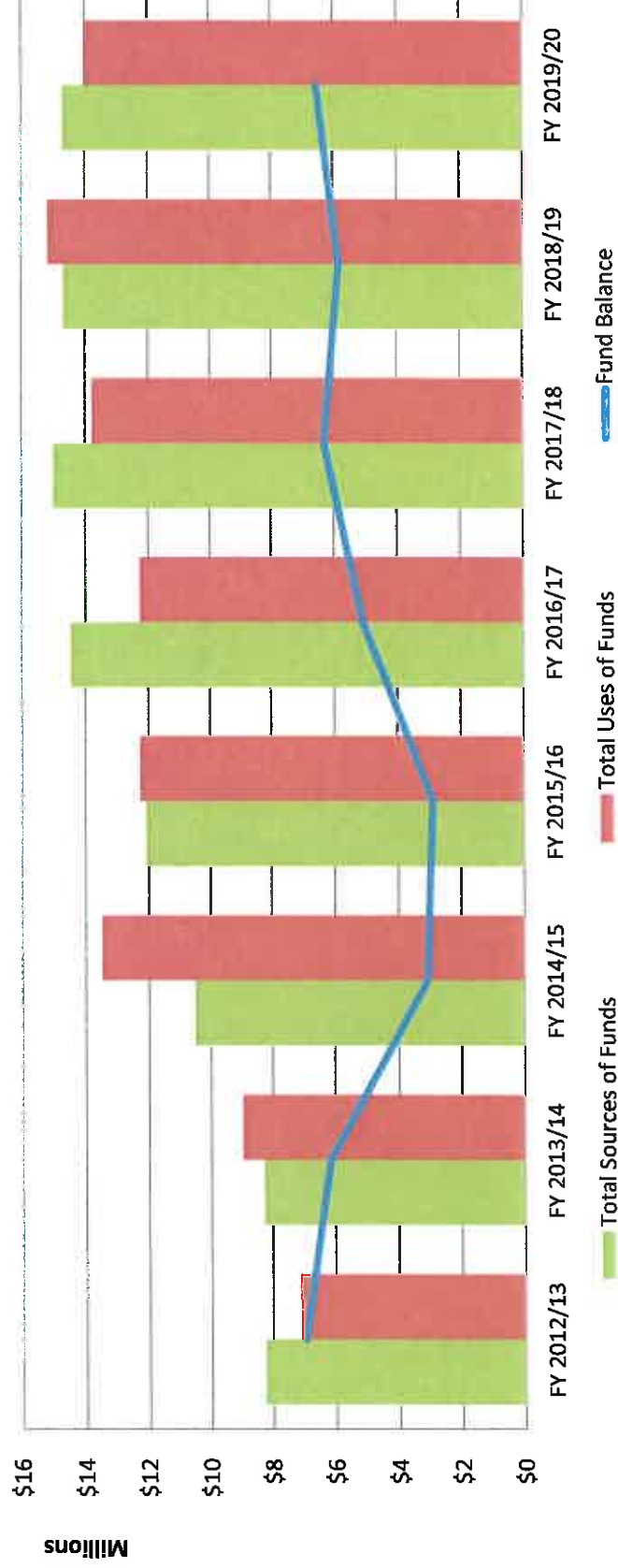
Non-Reclaimable Wastewater (NRW) Fund Sources & Uses of Funds and Fund Balance

FY 2014/15

- ❖ Gap between revenues and expenses is mainly due to the deferral of the Agency's capital cost recovery and outstanding 4Rs SRF loan being funded by reserves.

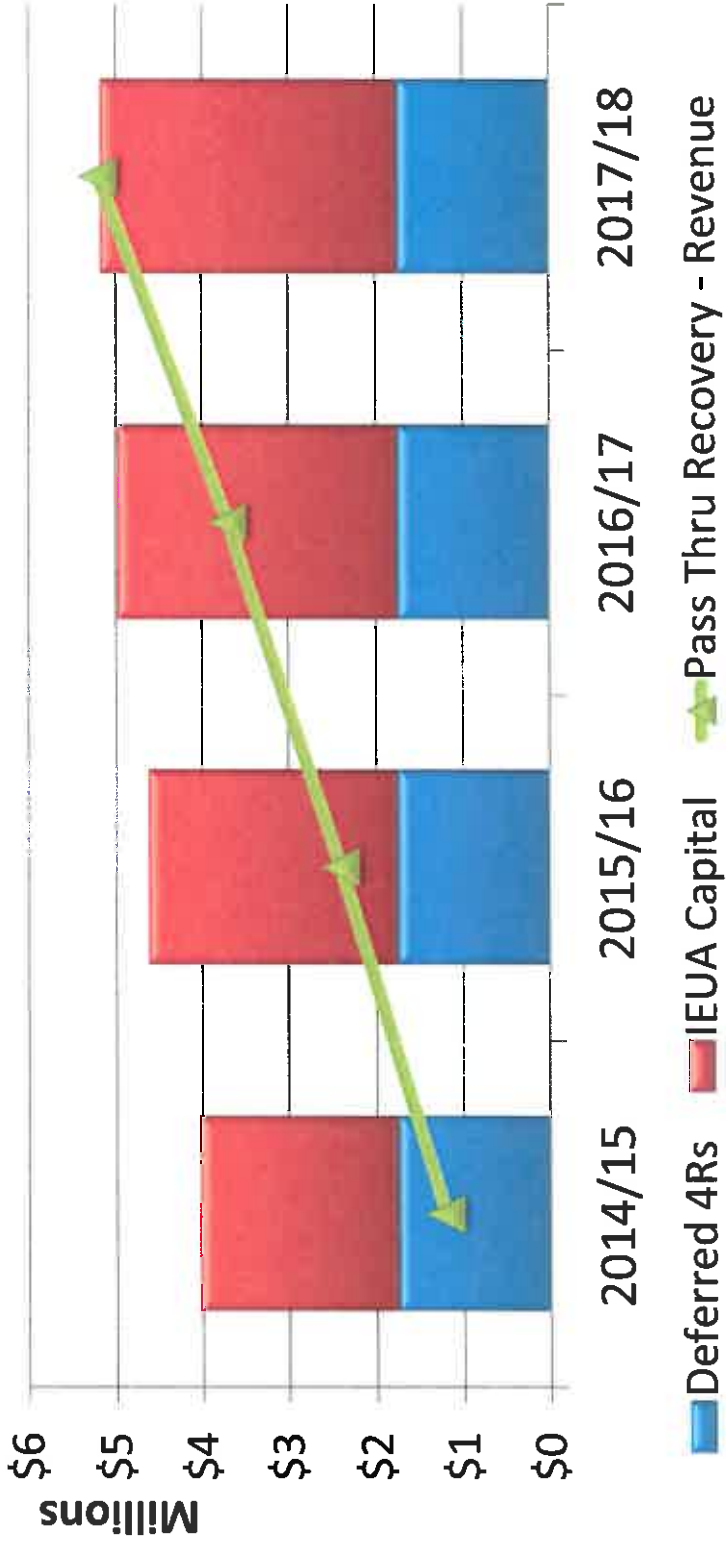
FYs 2016/17 & 2017/18

- ❖ Increase in revenues is due to inter fund loan repayment from Recycled Water fund.



Non-Reclaimable Wastewater (NRW) Fund Recovery of Deferred SDLAC 4Rs and IEUA Capital Expenditures

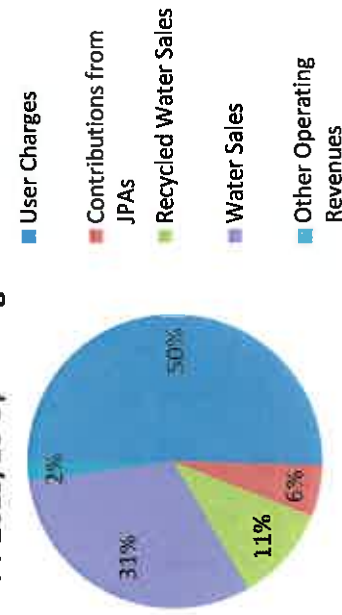
- ❖ Recovery of IEUA capital costs and deferred 4Rs (\$1.2 million) each year from the North NRWS customers.



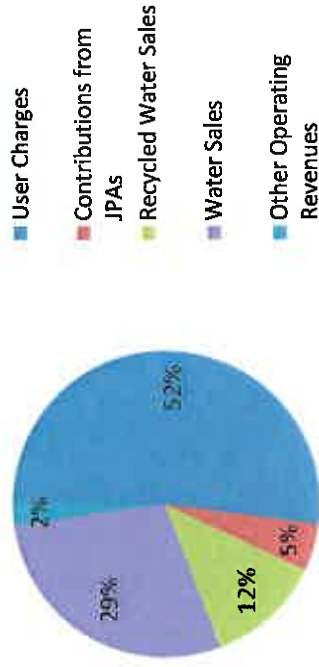
FYs 2015/16 & 2016/17 Operating Budget All Funds

\$ Millions	FY 2013/14 Actual	FY 2014/15 Projected	FY 2015/16 Proposed	FY 2016/17 Proposed
Operating Revenue	\$116.3	\$123.2	\$132.9	\$147.1
Operating Expense	(115.1)	(132.5)	(153.3)	(150.5)
Net Operating Incr./ (Decr.)	1.2	(9.3)	(20.4)	(3.4)

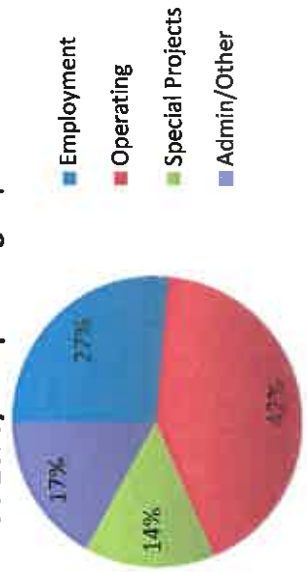
FY 2015/16 Operating Revenues



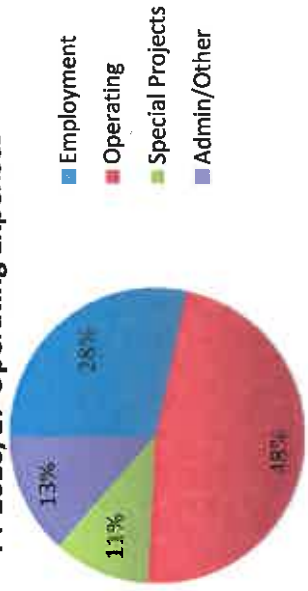
FY 2016/17 Operating Revenues



FY 2015/16 Operating Expenses



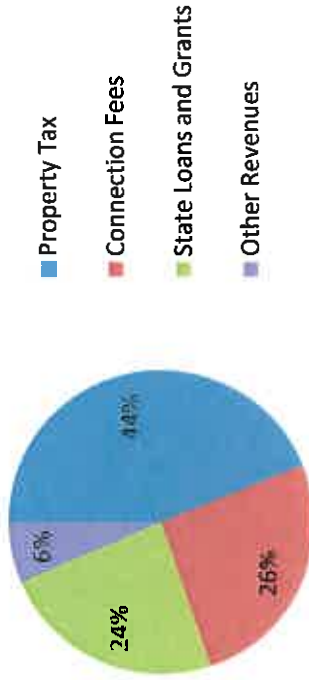
FY 2016/17 Operating Expenses



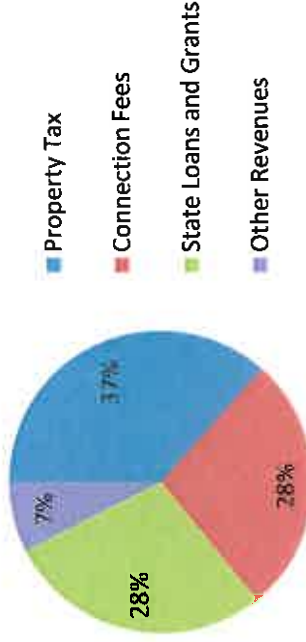
FYs 2015/16 & 2016/17 Non-Operating Budget - All Funds

\$ Millions	FY 2013/14 Actual	FY 2014/15 Projected	FY 2015/16 Proposed	FY 2016/17 Proposed
Other Funding Sources	59.3	92.4	89.7	110.8
Other Uses of Funds	(55.5)	(108.6)	(67.3)	(77.2)
Net Non-Operating Incr./ (Decr.)	3.8	(16.2)	22.4	33.6

FY 2015/16 Other Funding Sources



FY 2016/17 Other Funding Sources



FY 2015/16 Other Uses of Funds



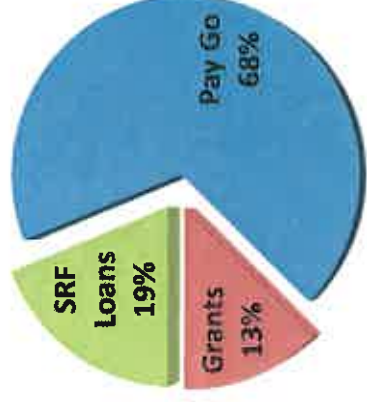
FY 2016/17 Other Uses of Funds



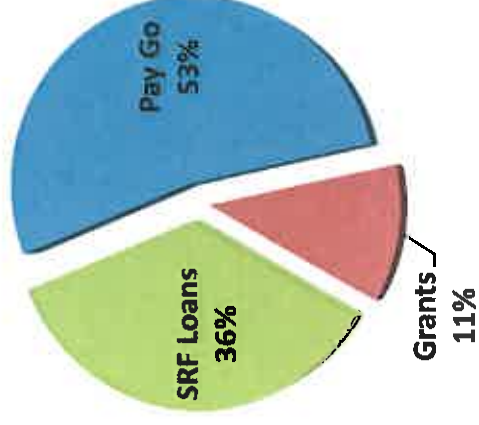
FYs 2015/16 & 2016/17 Capital Improvement Plan (\$ Millions)

Fund	FY 2015/16	FY 2016/17
GG Administrative Services	\$3.2	\$1.4
RW Recharge Water	1.6	4.7
NC Non-Reclaimable Wastewater	1.5	1.3
WC Recycled Water	18.4	20.8
WW Water Resources	7.1	8.4
RO Regional Wastewater Operations & Maintenance	21.5	15.9
RC Regional Wastewater Capital Improvement	12.8	16.1
Total	\$66.1	\$68.6

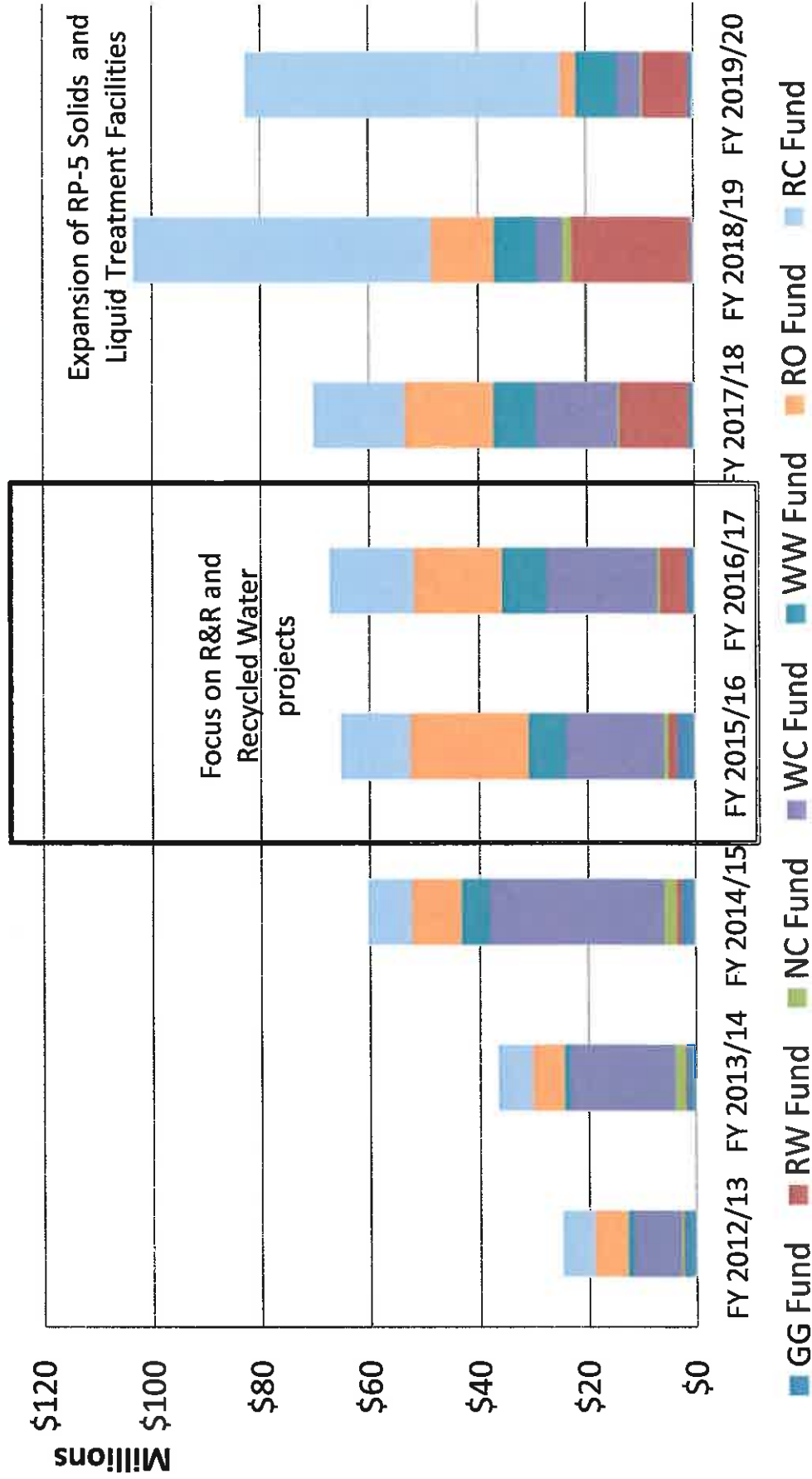
FY 2015/16 CIP Funding Sources



FY 2016/17 CIP Funding Sources



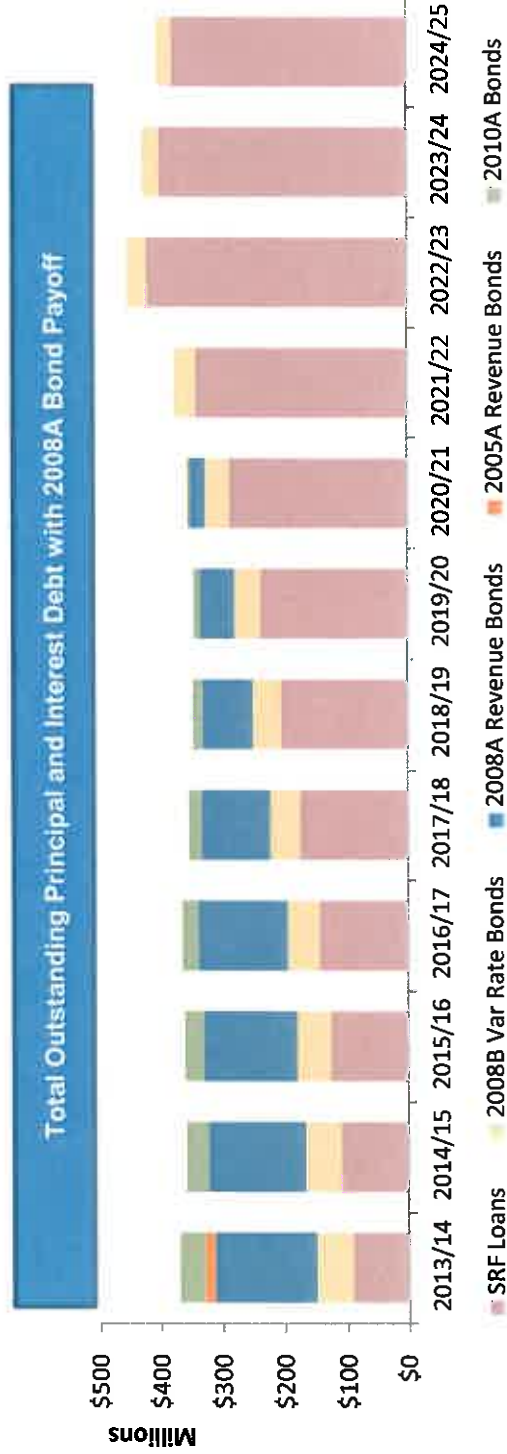
FYs 2015/16 & 2016/17 Capital Improvement Plan



Total Outstanding Debt

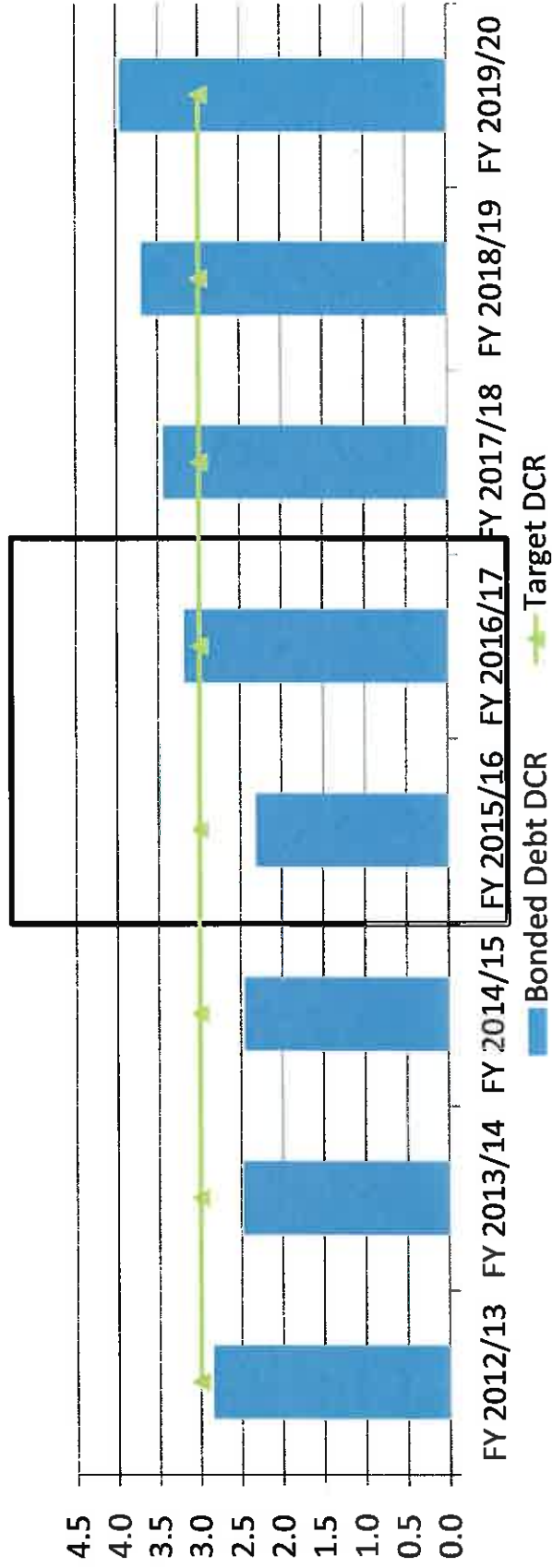
- ❖ Total inter-fund loans reaches \$34.8M in FY 2015/16
- ❖ Pay down \$125M of 2008A bonds starting FY 2017/18 through FY 2021/22
- ❖ Projected SRF loans (Principal/Interest) by 2025 reaches \$404M

Inter Fund Loans Issued	Due from Recycled Water (WC) Fund to:	Loan Amount
FY 2007/08	Non-Reclaimable Wastewater (NRW) Fund	\$9
FY 2007/08	Regional Wastewater Capital (RC) Fund	3
FY 2009/10	Non-Reclaimable Wastewater (NRW) Fund	6
FY 2014/15	Regional Wastewater Capital Improvement (RC) Fund	10.5
	Sub total:	\$28.5
	Due from Water Resources Fund to:	
FY 2014/15	Administrative Services (GG) Fund	\$4.3
	Total:	\$32.8



Projected Debt Coverage Ratio (DCR)

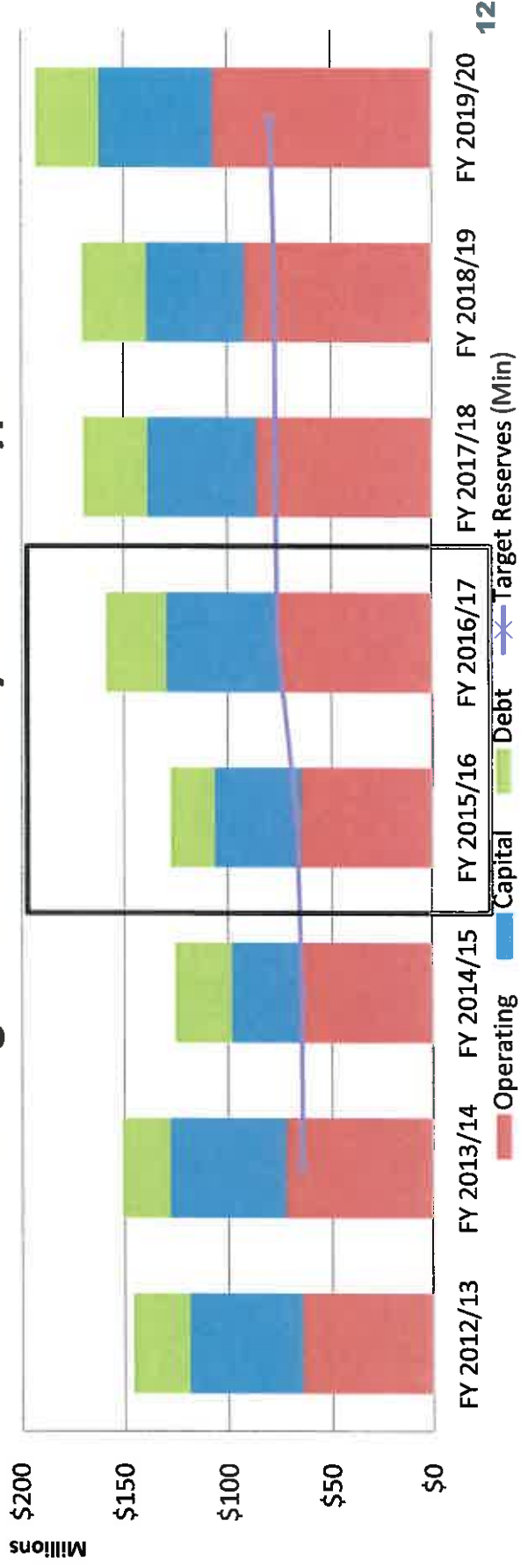
	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Projected	FY 2015/16 Projected	FY 2016/17 Projected	FY 2017/18 Projected	FY 2018/19 Projected	FY 2019/20 Projected
Agency DCR	2.85x	2.48x	2.46x	2.32x	3.19x	3.44x	3.70x	3.96x



FYs 2015/16 & 2016/17 Fund Balance

	FY 2013/14 Actual	FY 2014/15 Projected	FY 2015/16 Proposed	FY 2016/17 Proposed
\$ Millions				
Total Net Change	5.0	(25.5)	2.0	30.2
Beginning Fund Balance	146.1	151.1	125.6	127.6
Ending Fund Balance	\$151.1	\$125.6	\$127.6	\$157.8

Ending Fund Balance by Reserve Type



Recommendations

- ❖ Close the public hearing;
- ❖ Adopt Resolution No. 2015-6-1, approving the Agency's Biennial Budget for FYs 2015/16 and 2016/17, including;
 - the Agency-wide departmental goals and objectives,
 - Rate Resolutions 2015-6-4 to 2015-6 -7 for the Non-Reclaimable Wastewater System (NRW) fund,
 - An inter-fund loan from the Administrative Services (GG) fund to the Water Resources (WW) fund for a not to exceed amount of \$2 million in FY 2015/16,
- ❖ Approve an annual allocation of property taxes from the GG fund to the WW fund in the amount of \$1.5 million beginning in FY 2014/15; and
- ❖ Increase the \$5.5 million inter-fund loan from the Regional Wastewater Capital Improvement (RC) fund to the Recycled Water (WC) fund approved by the Board of Directors in FY 2013/14 for a not to exceed amount of \$10.5 million effective FY 2014/15.



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

The proposed budget for the Agency's programs is consistent with the IEUA Business Goals of:
Fiscal Responsibility, Water Reliability, Wastewater Management, Environmental Stewardship, and Business Practices.

Questions?

**CONSENT
CALENDAR
ITEM**

3A



**MINUTES OF THE REGULAR
MEETING OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, MAY 20, 2015
10:00 A.M.**

DIRECTORS PRESENT:

Terry Catlin, President
Michael Camacho, Vice President
Steven J. Elie, Secretary/Treasurer
Jasmin A. Hall
Gene Koopman

STAFF PRESENT:

P. Joseph Grindstaff, General Manager
Chris Berch, Executive Manager of Engineering/Assistant General Manager
Christina Valencia, Chief Financial Officer/Assistant General Manager
Ernest Yeboah, Executive Manager of Operations/Assistant General Manager
Sharon Acosta-Grijalva, Human Resources Analyst II
Joshua Aguilar, Senior Associate Engineer
Blanca Arambula, Deputy Manager of Human Resources
Sharmeen Bhojani, Manager of Human Resources
Andy Campbell, Deputy Manager of Planning
Javier Chagoyen-Lazaro, Manager of Finance and Accounting
Tina Cheng, Budget Officer
Warren Green, Manager of Contracts and Facilities Services
Nel Groenveld, Manager of Laboratories
Joel Ignacio, Senior Engineer
Majid Karim, Acting Manager of Engineering
Sylvie Lee, Manager of Planning and Environmental Resources
Jose Mendez, Operations Specialist
Lisa Morgan-Perales, Water Resources Analyst II
Jeff Ziegenbein, Manager of Regional Compost Operations
Jamal Zughbi, Senior Engineer
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT:

Gordon Nichols, BIA
Shawn Perumean, CVWD
Toby Weissert, Carollo

A regular meeting of the Board of Directors of the Inland Empire Utilities Agency* was held at the office of the Agency, 6075 Kimball Avenue, Bldg. A, Chino, California on the above date.

President Catlin called the meeting to order at 10:02 a.m., and he led with the pledge of allegiance to the flag. A quorum was present.

President Catlin stated that members of the public may address the Board. Mr. Gordon Nichols from the Building Industry Association requested to address the Board after the presentation of Action Item No.3, *Adoption of Resolutions for Rates/fees for Fiscal Years 2015/16-2019/20, and Review of Proposed Biennial Budget for Fiscal Years 2015/16 and 2016/17.*

President Catlin asked if there were any changes/additions/deletions to the agenda. There were no changes/additions/deletions to the agenda.

1. PUBLIC HEARING AND ADOPTION OF ORDINANCE NO. 103

President Catlin called the public hearing to order. President Catlin stated that the purpose of the hearing is to provide the public an opportunity to submit comments on the proposed Ordinance No. 103, establishing water connection fees, classes of water service, and regulating the sale and delivery of water within the Inland Empire Utilities Agency service area.

Manager of Planning and Environmental Resources Sylvie Lee stated that the purpose of this hearing is to provide the public with an opportunity to submit comments on Ordinance No.103. She introduced the following hearing panel members: Director Catlin, Director Camacho, Director Elie, Director Hall, and Director Koopman.

Ms. Lee stated that the current Ordinance No. 100, was adopted by the Board on June 14, 2014. She said that during the process of the Cost of Service Study, staff identified the need to have the Ordinance updated, primarily to include provisions for the proposed water connection fees. Ms. Lee stated that Ordinance No. 103 has been developed to include these revisions, and upon adoption by the Board, Ordinance No. 100 will be rescinded. Ms. Lee highlighted some of the key proposed revisions; such as, under Purpose and Objective, staff revised the Ordinance to include provisions for establishing water connection fees from each new connection or upsized connections within IEUA's service area as a condition of receiving water deliveries from any source provided by IEUA. She noted other revisions were made to the definition of terms, connection fees, right to inspect documents and property, lien for charges, rates of flow, and delinquent payment. Ms. Lee reported that no comments were received during the comment period.

President Catlin opened the Public Hearing at 10:06 a.m. President Catlin asked if there was anyone who would like to make a public comment. He also verified that there were no written comments. Hearing no comments, the Public Hearing was closed at 10:07 a.m.

Upon motion by Director Camacho, and seconded by Director Steven Elie, the motion carried (5-0):

M2015-5-1

MOVED, to adopt Ordinance No. 103, establishing water connection fees, classes of water service and regulating the sale and delivery of water within the Inland Empire Utilities Agency service area.

**ORDINANCE NO. 103
RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND
EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY,
CALIFORNIA, ESTABLISHING WATER CONNECTION FEES,
CLASSES OF WATER SERVICE AND REGULATING THE SALE AND
DELIVERY OF WATER WITHIN THE INLAND EMPIRE UTILITIES
AGENCY SERVICE AREA. (for full text, see Resolution Book)**

With the following roll call vote:

Ayes: Hall, Elie, Camacho, Koopman, Catlin
Noes: None
Abstain: None
Absent: None

2. CONSENT CALENDAR

Upon motion by Director Elie, seconded by Director Koopman, and unanimously carried:

M2015-5-2

MOVED, to approve the Consent Calendar.

- A. The Board approved the minutes from the April 15, 2015, Board meeting.
- B. The Board approved the total disbursements for the month of March 2015 in the amount of \$12,608,608.36.
- C. The Board:
 - 1. Adopted Resolution No. 2015-5-3, declaring its intent to adopt the FYs 2015/16 and 2016/17 budgets for the Agency's Regional Wastewater, Recycled Water, Non-Reclaimable Wastewater, and Water Resources Programs and fixing time and place of hearing thereon for Fiscal Year 2015/16; and

**RESOLUTION NO. 2015-5-3
RESOLUTION OF THE BOARD OF DIRECTORS OF THE
INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO
COUNTY, CALIFORNIA, DECLARING ITS INTENT TO
ADOPT THE FYS 2015/16 AND 2016/17 BUDGETS FOR
THE AGENCY'S REGIONAL WASTEWATER, RECYCLED
WATER, NON-RECLAIMABLE WASTEWATER, AND
WATER RESOURCES PROGRAMS AND FIXING TIME AND**

**PLACE OF HEARING THEREON FOR FISCAL YEAR
2015/16** (for full text, see *Resolution Book*)

2. Set a hearing date and directed staff to distribute the Resolution to the appropriate agencies in compliance with the Regional Sewage Service Contract.

- D. The Board adopted Resolution No. 2015-5-1, pertaining to the procedures for records retention, destruction, and amendment of the records retention schedules.

**RESOLUTION NO. 2015-5-1
RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND
EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY,
CALIFORNIA, PERTAINING TO THE PROCEDURES FOR
RECORDS RETENTION, DESTRUCTION, AND AMENDMENT OF
THE RECORDS RETENTION SCHEDULES** (for full text, see
Resolution Book)

- E. The Board:

1. Approved the consulting engineering services contract award for the San Sevaine Basin Recharge Master Plan Update Improvements, Project No. EN13001, to Dudek for the not-to-exceed amount of \$358,828; and
2. Authorized the General Manager to execute the contract.

- F. The Board:

1. Approved the Memorandum of Understanding (MOU) between Inland Empire Utilities Agency and San Bernardino Valley Municipal Water District for participation in the development of the Santa Ana River Multiple Species Habitat Conservation Plan to address permitting issues of threatened and endangered species associated with Recharge Master Plan construction projects; and
2. Authorized the General Manager to make non-substantive changes and execute the final MOU.

- G. The Board:

1. Approved the Aquifer Storage and Recover (ASR) Agreement between Monte Vista Water District, Chino Basin Watermaster, and Inland Empire Utilities Agency; and
2. Authorized the General Manager to execute the agreement.

- H. The Board:

1. Awarded Contract No. 4600001860 to Transformer Testing and Repairs, Inc. for the provision of testing and analyzing Agency-wide electrical power transformers for a five-year term

for the not-to-exceed amount of \$147,675; and

2. Authorized the General Manager to execute the contract.

I. The Board:

1. Approved the Contract Amendment No. 4600000676-005 to Polydyne Inc., extending the contract for one year to supply Flosperse 30S at a fixed unit price of \$0.919/pound, including sale tax and delivery; and
2. Authorized the General Manager to execute the amendment.

J. The Board:

1. Approved the award of Contract No. 4600001868 to superior Electric Motor Service, Inc. to provide repair, rebuild, or refurbishment services of rotating machinery for a total aggregate not-to-exceed amount of \$240,000 over a three-year period with a one-year option to extend;
2. Approved the award of Contract No. 4600001864 to Vaughn's Industrial Repair, Inc. to provide repair, rebuild, or refurbishment services of rotating machinery for a total aggregate not-to-exceed amount of \$240,000 over a three-year period with a one-year option to extend; and
3. Authorized the General Manager to execute the contracts.

3. **ACTION ITEMS**

A. ADOPTION OF RESOLUTIONS FOR RATES/FEEES FOR FISCAL YEARS 2015/16-2019/20, AND REVIEW OF PROPOSED BIENNIAL BUDGET FOR FISCAL YEARS 2015/16 AND 2016/17

Chief Financial Officer/AGM Christina Valencia stated that this presentation is for the five-year rates and the biennial budget presentation for FY 2015/16 and 2016/17 for all Agency funds, excluding the NRW fund. A workshop has been scheduled with the NRW industries for May 27, 2015. The NRW fund will be presented to the Finance Committee and Board in June. With the Boards permission, Ms. Valencia focused her presentation discussion on the proposed rates, as a comprehensive overview of all the proposed funds was provided to the finance committee earlier in May. As discussed in the previous rate workshops, the key policy principles driving the rate increases as established by the Board include; fully recover costs of service, equitability, reliability, and sustainability, growth paying for growth, elimination of property tax subsidies, fiscal stability and ensuring legal compliance. Ms. Valencia stated that of the key principles, achieving full cost of service (COS) rates is the most important. The rates being proposed achieve full COS within five years. By achieving this goal, the reliance on property taxes is eliminated, which are currently used to fund day-to-day operations of the Agency. Ms. Valencia stated that the rates are more equitable as shown by the Carollo rate study and that the new water connection fee ensures that growth is paying for growth. In the past, the Agency relied heavily on debt for financing the construction of the recycled water distribution. The proposed recycled water rates cover the existing debt and going forward the proposed water connection fee will cover the expansion

projects as needed. The proposed wastewater and recycled water rates were presented to the Regional Committees, both committees gave a unanimous recommendation to approve the rates as being proposed. Ms. Valencia gave an overview of the wastewater connection fees, which was also reviewed as part of the Carollo rate study. Based on the growth projections, a loss of \$9 million was projected as a result of the proposed phased implementation approach being recommended to lessen the impact to new development; staff will work diligently to secure funds/grants to help make up for the short fall. At the end of the five years, the Agency has committed to completing a thorough review of the connection fees, readjusting as necessary, ensuring that they fund and support capital investment and growth. As directed by the Board, the recycled water rates achieve COS within three years covering all related operation and existing debt service costs of the Agency. The imported potable water rates will have no change for FY 2015/16. The Agency will resume the evaluation of these rates as requested by the Member Agencies. It is anticipated that the potable water rates for FY 2015/16 will be adopted in October or November of 2015, implementing a new structure going forward. Ms. Valencia closed by asking the Board to adopt the rate resolutions, including the discussed funds and the equipment rental and laboratory fees.

PUBLIC COMMENTS

Mr. Gordon Nichols, Government Affairs Director for the Building Industry Association (BIA) Baldy View Chapter, thanked the Board for their time. Mr. Nichols stated that BIA participated in a peer review of the rates with IEUA staff. He stated that BIA has no further comments or questions regarding the rates or fees. Mr. Nichols went on to thank staff for allowing BIA to participate in this review, it was an open and transparent process. BIA looks forward to continuing work with IEUA in future events. BIS is supportive of the phase in approach and the proposal that was presented to the Board today. President Catlin and Director Elie thanked Mr. Nichols for participating in the review and the continuing relationship with IEUA.

Upon motion by Director Elie, seconded by Director Hall, and unanimously carried:

M2015-5-3

MOVED, to:

1. Adopt rate Resolution Nos. 2015-5-4 through 2015-5-7, 2015-5-9, and 2015-5-10, for the Regional Wastewater Operations and Maintenance (RO) fund, Regional Wastewater Capital Improvement (RC) fund, Recycled Water (WC) funds, Water Resources (WW) fund; and

RESOLUTION NO. 2015-5-4

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING RATES COVERING THE SALE OF RECYCLED WATER TO SUPPORT FUTURE EXPANSION OF IEUA'S REGIONAL WATER SYSTEM FOR FISCAL YEAR 2015/16 THROUGH YEAR 2019/20 *(for full text, see Resolution Book)*

RESOLUTION NO. 2015-5-5

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING THE REIMBURSEMENT

PAYMENT FOR FISCAL YEAR 2015/16 THROUGH 2019/20 *(for full text, see Resolution Book)*

RESOLUTION NO. 2015-5-6
RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING THE WATER CONNECTION FEE FOR FISCAL YEARS 2015/16 THROUGH 2019/20 *(for full text, see Resolution Book)*

RESOLUTION NO. 2015-5-7
RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING EXTRA-TERRITORIAL SEWER SERVICE CHARGE FOR SYSTEM USERS OUTSIDE THE AGENCY'S BOUNDARIES FOR FISCAL YEAR 2015/16 *(for full text, see Resolution Book)*

RESOLUTION NO. 2015-5-9
RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING RETAIL METER CHARGE RATE COVERING READINESS-TO-SERVE STANDBY CHARGE REVENUE DEBT *(for full text, see Resolution Book)*

RESOLUTION NO. 2015-5-10
RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING IMPORTED WATER RATES AND SUPPLEMENTAL SURCHARGE *(for full text, see Resolution Book)*

2. Adopt rate Resolution Nos. 2015-5-11 and 2015-5-12 for Fiscal Year 2015/16 equipment rental rates and laboratory fees.

RESOLUTION NO. 2015-5-11
RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING CHARGES FOR LABORATORY ANALYSES FOR FISCAL YEARS 2015/16 *(for full text, see Resolution Book)*

RESOLUTION NO. 2015-5-12
RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING EQUIPMENT RENTAL RATES FOR FISCAL YEAR 2015/16 *(for full text, see Resolution Book)*

B. COMMERCIAL, INDUSTRIAL, INSTITUTIONAL (CII) TURF REBATE PROGRAM POLICY PRINCIPLES

Water Resources Analyst II Lisa Morgan-Perales stated that she presented this item to the Committee as an Informational. She stated that MWD offers a \$2 per square foot rebate for commercial, industrial, institutional turf removal projects. In response to the Governor's Drought Declaration in July, the Agency staff elected to encourage CII

customers to participate in the program and remove turf by adding \$1 to MWD's rebate. The Agency received overwhelming demand due to increasing the rebate from \$2 to \$3. She reported that in October, staff recommended that the Board approve an inter-fund transfer and loan of \$3,000,000 in order to honor current and future requests. At that time, staff communicated to the Board that staff will be bringing this program back with an update. She highlighted the project scope and IEUA supplemental funding, program budget, program scopes. Ms. Morgan-Perales stated that the program continues to be very popular with a high-demand from the CII sector. She stated that the Agency supplemental funding of \$1,310,128.80 has been committed to date with \$1,879,841.20 remaining. She mentioned that in order to ensure that the Agency supplemental funding is equitably disbursed, staff is recommending that the Board consider policy principles that will be brought back to Board as an action item. A brief discussion ensued; whereby the Board requested that staff consider other services for major square feet sites to encourage large projects to remove turf. Some examples are partial funding, or assistance in finding funding through other opportunities. President Catlin requested a sense of feedback from the member participants of the conservation program, because they are funding what the Agency authorizes. Director Elie suggested that threshold should be higher than 100,000 square foot on the principle option.

Upon motion by Director Camacho, seconded by Director Koopman, and unanimously carried

M2015-5-4

MOVED, to:

1. Approve the Policy Principles for the CII Turf Removal Rebate Program; and
2. Authorize staff to execute the required Supplemental Funding Authorization, setting a maximum CII Turf application funding level.

C. ADOPTION OF RESOLUTION NO. 2015-5-8, CALLING FOR SUPPORT OF THE GOVERNOR'S EXECUTIVE ORDER B-29-15

Water Resources Analyst II Lisa Morgan-Perales provided a PowerPoint presentation of the request for adoption of the resolution supporting the Governor's Executive Order for statewide mandatory water reductions. The final numbers for the Agency's member agencies were finalized in April, 2015. Ms. Perales, provided an overview of the new proposed emergency regulations regarding irrigation of city medians with potable water and commercial, industrial and institutional property restrictions. Ms. Perales stated that the MWD water supply allocation plan (WSAP) was developed using the water usage for 2012/13 and 2013/14. On April 14, 2014, MWD recommended a level three allocation for the Agency's region. The Agencies drought response includes adoption of the resolution in support of the executive order, launching the residential turf removal rebate program, providing additional financial support for targeted outreach activities, as well as other outreach activities with residents and member agencies. Ms. Perales closed with reviewing the overall recommendations including support a level three reduction, the coordination of a regional message, increasing conservation efforts and acceleration of recycled water conversions. Mr. Grindstaff stated that there has been an increased interest in the use of recycled water; the City of Ontario had a workshop last week in which the City Council gave direction to their staff to significantly expand their efforts in the use of recycled water within the city.

Upon motion by Director Elie, seconded by Director Camacho, and unanimously carried:

M2015-5-5

MOVED, to adopt Resolution No. 2015-5-8, calling for support of the Governor's Executive Order B-29015; Statewide Mandatory Water Reductions to sustain regional water supplies in the Chino Basin.

RESOLUTION NO. 2015-5-8

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, CALLING FOR SUPPORT OF THE GOVERNOR'S EXECUTIVE ORDER B-29-15; STATEWIDE MANDATORY WATER REDUCTIONS TO SUSTAIN REGIONAL WATER SUPPLIES IN THE CHINO BASIN *(for full text, see Resolution Book)*

D. CONSULTING ENGINEERING SERVICES CONTRACT AWARD FOR THE NEW WATER QUALITY LABORATORY

Acting Manager of Engineering Majid Karim gave a PowerPoint presentation in reference to the consulting engineering contract for the new water quality lab. The current laboratory at RP-1 is limited in the ability to expand for future needs, as well as numerous other ongoing issues. The new water quality lab is proposed to be built behind the Headquarters building B. Mr. Karim provided an overview of the project from 2005 to April, 2015, as well as the project scope. The proposed laboratory will be approximately 16,000 sq. ft. and designed to be a L.E.E.D certified building. The project budget is anticipated to be approximately \$21 million with a completion date of May 2019. A low interest State Revolving Fund (SRF) loan has been secured to fund the project. The loan included a principal forgiveness of \$1 million.

Upon motion by Director Camacho, seconded by Director Elie, and unanimously carried:

M2015-5-6

MOVED, to:

1. Approve the consulting engineering services contract award to The Austin Company for the New Water Quality Laboratory, Project No. EN15008, for the not-to-exceed amount of \$1,273,900;
2. Approve a Fiscal Year (FY) 2014/15 budget appropriation in the amount of \$100,000; and
3. Authorize the General Manager to execute the budget appropriation and contract.

E. SANTA ANA RIVER WATERSHED-SCALE CONJUNCTIVE USE PROGRAM

Deputy Manager of Planning Andy Campbell gave a PowerPoint presentation on the SARCUP Phase I principles, MOU & grant application. He stated that the concepts of this program meet key grant goals including providing watershed-wide regional collaboration, creates new supply, increases resiliency of water supply, improves natural environment while reducing pollution and is a key element of OWOW. The action team's

foundational principles are to maximize development of local and imported supplies, collaborate as an equitable partnership of the SAR agencies and avoid competing as individual SAR agencies for grants. Mr. Campbell reviewed the proposed projects including costs, benefits and schedule. He highlighted the habitat restoration and water use efficiency and the groundwater bank projects.

Upon motion by Director Camacho, seconded by Director Hall, and unanimously carried:

M2015-5-7

MOVED, to:

1. Approve the Foundational Principles of the Santa Ana River Watermaster Action Team;
2. Approve the final draft Memorandum of Understanding (MOU) for the Santa Ana River Watershed-Scale Conjunctive Use Program (SARCUP);
3. Authorize the General Manager to make non-substantive changes and execute the final MOU; and
4. Approve in concept the submission of a grant application of \$60 million in funding from SAWPA and DWR for projects totaling \$125 million.

F. BIOSOLIDS TRANSPORTATION AND RECYCLING SERVICES CONTRACT

Manager of Regional Compost Operations Jeff Ziegenbein stated that staff completed a request for proposal (RFP) in March, 2015 for biosolids transportation and recycling services: a total of three proposals were received. He stated that the rates received are similar to the rates the Agency is currently paying though the scope has been expanded slightly. Viramontes has completed a variety of work for the Agency. The Agency has had a good experience within the joint ventures.

Upon motion by Director Koopman, seconded by Director Hall, and unanimously carried:

M2015-5-8

MOVED, to:

1. Approve a two-year contract with three one-year renewal options with Viramontes Express, Inc. for biosolids transportation and recycling services for approximately \$500,000 per year (renewals to be adjusted annually using the Consumer Price Index) not-to-exceed \$3,000,000 for five years; and
2. Authorize the General Manager to execute the contract.

4. INFORMATION ITEMS

A. ENGINEERING AND CONSTRUCTION MANAGEMENT FY 2014/15 MONTHLY UPDATE

Acting Manager of Engineering Majid Karim gave a PowerPoint presentation on Engineering and Construction Management Projects. Mr. Karim gave an overview of the Wineville projects, Segment A & B, both of which are scheduled to be completed in July 2015. Mr. Karim also highlighted the IERCF conveyance improvements, the RP-4 headwork's retrofits, the CCWRF rehab secondary clarifier, and the Agency wide HVAC improvements project. Lastly, Mr. Karim provided an overview of the Agency's current design build projects.

B. MWD UPDATE

Executive Manager of Engineering/AGM Chris Berch stated that the MWD update was provided within the CII Turf Rebate Program Policy Principles presentation.

THE FOLLOWING INFORMATION ITEMS WERE RECEIVED AND FILED BY THE BOARD:

C. TREASURER'S REPORT OF FINANCIAL AFFAIRS

D. PUBLIC OUTREACH AND COMMUNICATION

E. LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES

F. LEGISLATIVE REPORT FROM WEST COAST ADVISORS

G. LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES

H. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT

I. STATE LEGISLATIVE TRACKER

J. FY 2015/16 ADOPTED BUDGET FOR INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

K. RP-1 FUEL CELL UPDATE

L. ODOR STUDY

5. AGENCY REPRESENTATIVES' REPORTS

A. SAWPA REPORT

Director Hall reported that the SAWPA Commission meeting was routine. She reported that discussion took place regarding the SAWPA compensation study. The budget was also adopted without controversy.

B. MWD REPORT

Director Camacho had no additional comments.

C. REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

Director Camacho state that at the May 7, 2015 Policy Committee meeting, the budget was discussed with full support of the committee members.

D. CHINO BASIN WATERMASTER REPORT

Director Elie had nothing to report.

6. GENERAL MANAGER'S REPORT

The General Manager's Report was received and filed by the Board. Mr. Grindstaff reported that President Catlin accompanied him to an editorial board meeting. The BIA was also a participant. They met with the Managing Editor of the Sun and Inland Valley Daily Bulletin to discuss the drought and water supply long-term. Mr. Grindstaff also gave an update on LAFCO.

7. BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS

There were no requested future agenda items from the Board.

8. BOARD OF DIRECTORS' COMMENTS

Director Hall reported that she attended the Association of California Water Agencies (ACWA) 2015 Spring Exhibition in Sacramento.

Director Elie reported that he attended the ACWA 2015 Spring Exhibition in Sacramento. He also reported that he attended the Chino High School's Solar Cup Board Display.

Director Camacho reported that he attended the ACWA 2015 Spring Exhibition in Sacramento.

President Catlin reported that he attended the Editorial Board Meeting.

9. CLOSED SESSION

The Board went into Closed Session at 11:00 a.m., 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 B. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR: (1) Property: Water and Pipeline Capacity/Cadiz, Negotiating Parties: General Counsel Jean Cihigoyenetché; (2) Supplemental Water Transfer/Purchase, General Manager P. Joseph Grindstaff; C. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 – CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: One (1) Case 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: (1) Manager of Internal Audit

The meeting resumed at 12:00 p.m. and General Counsel Jean Cihigoyenetché stated that the below-mentioned matters were discussed in Closed Session, and the Board took the following actions:

Regarding Conference with Legal Counsel – Existing Litigation:

Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010

Martin vs. IEUA, Case No. CIVRS 1000767

Sheilds vs. IEUA, Case No. CIVRS 1301638

Desaddi vs. IEUA, Case No. CIVRS 1304617

Mwembu vs. IEUA, Case No. CIVDS 1415762

The Board took no reportable action.

Regarding Conference with Legal Counsel – Existing Litigation:

Southern California Edison vs. IEUA, Case No. CIVRS 1308495

The Board did not discuss.

Regarding Conference with Real Property Negotiator:

Property: Water and Pipeline Capacity/Cadiz

Supplemental Water Transfer/Purchase

The Board took no reportable action.

Regarding Conference with Legal Counsel – Anticipated Litigation:

One (1) Case

The Board took no reportable action.

Regarding Conference with Legal Counsel – Anticipated Litigation:

One (1) Case

The Board took no reportable action.

Regarding Personnel Matters:

Various Positions – Compensation Study

Various Positions

The Board took no reportable action.

Regarding Public Employee Performance Evaluation:

Manager of Internal Audit

The Board took no reportable action.

With no further business, President Catlin adjourned the meeting at 12:05 p.m.

Steven J. Elie, Secretary/Treasurer

APPROVED: JUNE 17, 2015