



**FINANCE, LEGAL, AND ADMINISTRATION  
COMMITTEE MEETING  
OF THE BOARD OF DIRECTORS  
INLAND EMPIRE UTILITIES AGENCY\*  
AGENCY HEADQUARTERS, CHINO, CALIFORNIA**

**WEDNESDAY, JUNE 10, 2015  
11:00 A.M.**

***Or immediately following the  
Engineering, Operations, and Biosolids Management  
Committee Meeting***

**CALL TO ORDER**

**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 is available on the table in the Board Room. Comments will be limited to five minutes per speaker. Thank you.

**ADDITIONS TO THE AGENDA**

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

**1. ACTION ITEMS**

**A. MINUTES**

The Committee will be asked to approve the Finance, Legal, and Administration Committee meeting minutes of May 13, 2015.

**B. TREASURER'S REPORT ON GENERAL DISBURSEMENTS**

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

**C. PUBLIC HEARING AND ADOPTION OF ORDINANCE NO. 102, ESTABLISHING FISCAL CONTROL**

It is recommended that the Committee/Board:

1. Hold a public hearing to receive public comments on the proposed Ordinance No. 102, establishing fiscal control; and
2. After closing the public hearing, adopt, by roll call vote, Ordinance No. 102.

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

It is recommended that the Committee/Board:

1. Hold a public hearing to receive public comments on the proposed Agency's Biennial Budget for FY's 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.

**E. 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 Committee/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.

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

It is recommended that the Committee/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.

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

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

**H. ADOPTION OF THE UPDATED RESERVE POLICY**

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

**I. AMENDMENTS TO EXTEND THE CONTRACTS FOR FEDERAL LEGISLATIVE SERVICES**

It is recommended that the Committee/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.

**J. AMENDMENT TO EXTEND THE CONTRACT WITH WEST COAST ADVISORS**

It is recommended that the Committee/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.

**K. AMENDMENT TO EXTEND THE CONTRACT WITH CALIFORNIA STRATEGIES, LLC**

It is recommended that the Committee/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.

**2. INFORMATION ITEMS**

**A. TREASURER'S REPORT OF FINANCIAL AFFAIRS (WRITTEN)**

**B. FY 2014/15 THIRD QUARTER BUDGET VARIANCE, PERFORMANCE GOALS UPDATES, AND BUDGET TRANSFERS (WRITTEN)**

**3. GENERAL MANAGER'S COMMENTS**

**4. COMMITTEE MEMBER COMMENTS**

**5. COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS**

**6. 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 (909-993-1736), 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Proofed by: ORS

**DECLARATION OF POSTING**

I, April Woodruff, Board Secretary/Office Manager of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of the agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Ave., Building A, Chino, CA on Thursday, June 4, 2015.





  
April Woodruff

**ACTION  
ITEM**

**1D**



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Date: June 17, 2015  
To: The Honorable Board of Directors  
Through: Finance, Legal, and Administration Committee (6/10/2015)  
From:  P. Joseph Grindstaff  
General Manager   
Submitted by: Christina Valencia   
Chief Financial Officer / Assistant General Manager  
 Javier Chagoyen-Lazaro  
Manager of Finance and Accounting  
Subject: Adoption of the Agency's Biennial Budget for Fiscal Years (FYs) 2015/16  
and 2016/17

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### **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 Resolutions 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 percent, 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
<b>Total</b>		<b>\$175.6</b>	<b>\$197.4</b>	<b>\$215.6</b>	<b>\$222.6</b>	<b>\$257.9</b>

\* 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 percent in FY 2015/16 and 3 percent 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 percent 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 percent 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
<b>Total</b>		<b>\$170.6</b>	<b>\$246.8</b>	<b>\$241.1</b>	<b>\$220.6</b>	<b>\$227.7</b>

\*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 percent, 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 percent 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

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

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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
<b>Total</b>	<b>561.6</b>	<b>566.1</b>	<b>568.6</b>	<b>570.9</b>	<b>5104.7</b>	<b>583.5</b>	<b>5298.2</b>	<b>5692.0</b>

**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 percent 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 percent. 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 percent 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
<b>Total</b>		<b>\$34.8</b>	

**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>		
<b>DCR</b>	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	<b>\$151.1</b>	<b>\$101.7</b>	<b>\$125.6</b>	<b>\$127.6</b>	<b>\$157.8</b>

**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
<b>Revenues and Other Funding Sources</b>	4,330 new regional wastewater connections	4,580 new regional wastewater connections
	3,940 new or upsized regional water connections	4,167 new or upsized regional water connections
	3.2 million total billable EDU volumetric	3.2 million plus 0.25% growth total billable EDU volumetric
	35,150 AF recycled water deliveries	37,100 AF recycled water deliveries
	50,000 AF imported potable water deliveries	50,000 AF imported potable water deliveries
	4% growth in property tax receipts	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.	\$1.5 million property tax re-allocation from the GG fund to WW fund to support water conservation and resiliency projects.
<b>Expenses and Other Uses of Funds</b>	290 FTE, no change	290 FTE, no change
	4% vacancy factor reduced from 5% to support succession planning	3% vacancy factor reduced from 4% to support succession planning
	3% COLA (5.5% employee funded CalPers contribution)	3.5% COLA (7.0% employee funded CalPers contribution)
	\$4.5M annual payment against retirement long term unfunded liability (UAL)	\$4.5M UAL
	6% increase in health insurance premium	6% increase in health insurance premium
	9% increase in CalPers employer rate	4% 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.	\$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 percent operating surcharge imposed on volumetric, capacity and strength charges for non-recycled water users.

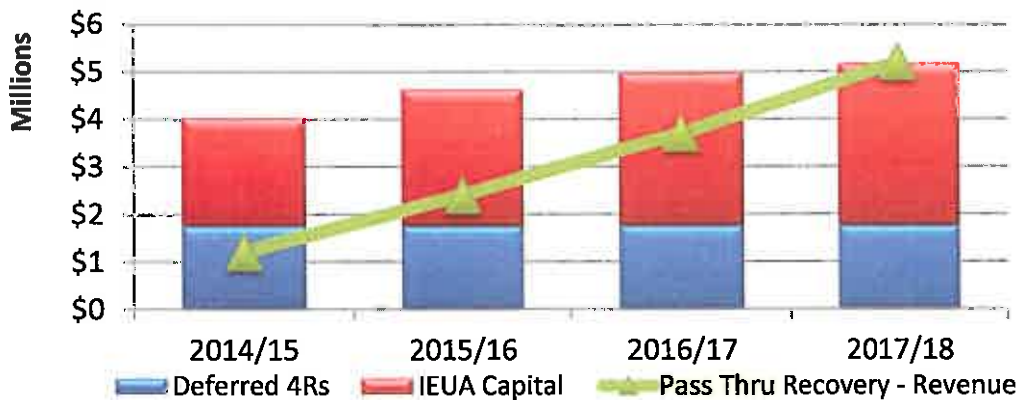
**Table B-1: NRW Proposed Program Rates – North and South Systems**

Rate Description	FY 2014/15 Adopted	FY 2015/16 Effective 7/1/15	% Change
<b>North System</b>			
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%
<b>South System</b>			
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%

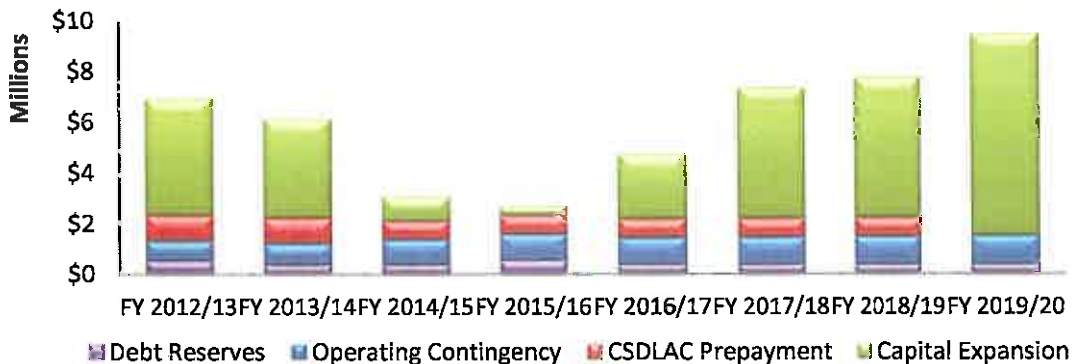
The Agency capital expenditures include IEUA capital projects and SDLAC capital charges (4Rs). The capital expenditures are recovered through the collection of \$1.2 million each year from north NRW users, and the 4Rs related balance is funded by the NRWS reserves. Full recovery of capital cost is projected 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)	(150.3)
<b>Net Operating Incr./<u>(Decr.)</u></b>	<b>1.2</b>	<b>(9.3)</b>	<b>(20.4)</b>	<b>(3.4)</b>
Other Funding Sources	59.3	92.4	89.7	110.8
Other Uses of Funds	(55.5)	(108.6)	(67.3)	(77.2)
<b>Net Non-Operating Incr./<u>(Decr.)</u></b>	<b>3.8</b>	<b>(16.2)</b>	<b>22.4</b>	<b>33.6</b>
<b>Total Net Change</b>	<b>5.0</b>	<b>(25.5)</b>	<b>2.0</b>	<b>30.2</b>
Beginning Fund Balance	146.1	151.1	125.6	127.6
<b>Ending Fund Balance</b>	<b>\$151.1</b>	<b>\$125.6</b>	<b>\$127.6</b>	<b>\$157.8</b>

**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	2018/2018	2019/2020
	ACTUAL	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET	PROPOSED BUDGET	FORECAST	FORECAST	FORECAST
<b>REVENUES</b>									
User Charges	\$51,184	\$55,989	\$61,513	\$62,156	\$67,041	\$70,665	\$61,656	\$66,581	\$69,985
Property Tax - O&M	2,799	3,144	3,216	1,662	1,793	1,691	1,393	2,063	2,134
Cost Reimbursement from JPA	5,397	4,960	5,430	5,203	5,483	5,738	5,972	6,130	6,289
Contract Cost reimbursement	1,123	902	1,193	1,193	2,003	1,593	1,593	1,593	1,593
Interest Revenue	812	551	743	523	1,035	1,321	1,868	2,472	3,186
Recycled Water Sales	7,952	10,831	11,582	11,582	14,022	17,814	18,055	21,467	23,378
Water Sales	30,805	40,225	40,826	40,828	41,441	42,032	42,693	43,334	43,964
<b>TOTAL REVENUES</b>	<b>\$101,061</b>	<b>\$116,301</b>	<b>\$124,813</b>	<b>\$123,234</b>	<b>\$132,678</b>	<b>\$147,089</b>	<b>\$163,840</b>	<b>\$163,638</b>	<b>\$176,658</b>
<b>OTHER FINANCING SOURCES</b>									
Property Tax - Debt, Capital, Reserves	\$44,268	\$36,343	\$36,987	\$37,908	\$39,364	\$40,500	\$41,670	\$42,473	\$43,293
Connection Fees	14,614	9,789	15,221	15,321	23,329	30,638	28,754	28,755	27,969
State Loans	6,350	10,178	11,074	20,243	12,315	21,641	26,912	34,769	40,679
Grants	2,775	2,372	2,320	2,338	8,942	7,710	4,500	5,800	4,000
Sale of Assets	4,805	48	0	0	0	0	0	0	0
Capital Contract Reimbursement	362	550	1,969	1,030	2,831	5,419	13,586	24,086	8,951
Other Revenues	1,539	1,008	607	732	895	911	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	14,908	2,000	2,000	2,000	1,000	1,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$75,029</b>	<b>\$69,266</b>	<b>\$72,587</b>	<b>\$92,379</b>	<b>\$89,777</b>	<b>\$110,819</b>	<b>\$118,380</b>	<b>\$135,676</b>	<b>\$127,866</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$176,091</b>	<b>\$185,567</b>	<b>\$197,400</b>	<b>\$215,613</b>	<b>\$222,454</b>	<b>\$257,904</b>	<b>\$282,220</b>	<b>\$299,317</b>	<b>\$298,442</b>
<b>EXPENSES</b>									
Employment Expense	\$31,945	\$33,166	\$40,539	\$39,581	\$40,910	\$42,737	\$44,929	\$46,224	\$47,480
Contract Work/Special Projects	3,966	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	7,090	8,858	11,039	13,046	13,303	12,851	14,106	16,372	14,957
Chemicals	3,736	4,245	4,523	3,981	4,395	4,324	4,860	4,800	4,944
Professional Fees and Services	6,208	6,902	7,753	7,629	9,250	6,559	8,086	8,246	8,428
Office and Administrative Expense	1,282	1,431	1,983	1,518	2,057	2,465	2,316	2,031	2,363
Biosolids Recycling	1,480	2,587	4,060	3,981	4,369	4,700	4,336	4,405	4,564
Materials & Supplies	2,485	2,509	2,969	2,514	2,789	2,883	2,998	3,076	3,168
Operation Contribution to IERCA	71	0	0	0	0	0	0	0	0
MWD Water Purchases	30,754	40,225	40,826	40,828	41,441	42,032	42,693	43,334	43,984
Other Expenses	2,851	2,228	1,482	1,371	1,697	1,598	1,481	1,585	1,597
<b>TOTAL EXPENSES</b>	<b>\$102,238</b>	<b>\$116,139</b>	<b>\$135,702</b>	<b>\$132,486</b>	<b>\$163,270</b>	<b>\$160,482</b>	<b>\$148,967</b>	<b>\$168,877</b>	<b>\$156,838</b>
<b>CAPITAL PROGRAM</b>									
CSDLAC IRs	\$1,206	\$76	\$738	\$738	\$738	\$738	\$736	\$738	\$737
IERCA investment	600	0	600	600	0	600	0	600	0
Capital Construction & Expansion	21,271	21,562	65,483	52,501	13,144	51,292	59,067	92,303	71,025
Rehab & Replacement	0	12,564	0	0	0	0	0	0	0
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$22,977</b>	<b>\$34,902</b>	<b>\$68,721</b>	<b>\$63,739</b>	<b>\$13,882</b>	<b>\$52,630</b>	<b>\$59,804</b>	<b>\$93,540</b>	<b>\$71,762</b>
<b>DEBT SERVICE</b>									
Financial Expenses	\$205	(\$146)	\$3,871	\$3,847	\$648	\$549	\$349	\$649	\$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	11,261	12,528	39,787	35,003	36,609
Short-Term Inter-Fund Loan	0	0	4,308	14,835	2,682	2,032	2,047	1,083	2,053
<b>TOTAL DEBT SERVICE</b>	<b>\$21,827</b>	<b>\$20,546</b>	<b>\$44,386</b>	<b>\$44,815</b>	<b>\$23,263</b>	<b>\$24,716</b>	<b>\$52,487</b>	<b>\$45,681</b>	<b>\$46,817</b>
<b>FUND BALANCE</b>									
Net Increase (Decrease)	\$29,419	\$4,995	(\$49,419)	(\$25,497)	\$2,036	\$30,165	\$10,961	\$318	\$22,925
Beginning Fund Balance July 01	\$116,714	\$148,135	\$151,132	\$151,132	\$125,835	\$127,671	\$167,838	\$169,797	\$169,116
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$146,133</b>	<b>\$153,132</b>	<b>\$101,713</b>	<b>\$125,635</b>	<b>\$127,871</b>	<b>\$157,836</b>	<b>\$178,799</b>	<b>\$170,116</b>	<b>\$192,041</b>
<b>RESERVE BALANCE SUMMARY</b>									
Operating Contingencies	\$21,198	\$23,910	\$25,191	\$27,423	\$27,527	\$27,606	\$20,398	\$27,827	\$30,360
Capital Expansion & Replacement	26,448	18,983	(19,909)	8,363	3,349	13,284	12,660	14,945	22,882
CCRA Capital Construction	28,247	38,785	36,106	25,106	30,855	40,021	39,585	31,510	31,427
Rehabilitation/Replacement Reserve	17,694	19,903	10,051	15,524	16,860	26,276	34,045	39,944	50,892
CSDLAC Prepayment	1,009	1,008	738	738	738	738	736	737	0
Debt Service & Redemption	27,246	23,646	27,249	27,452	22,568	25,285	30,601	31,144	31,131
Insurance & Other	5,519	5,644	6,050	6,000	6,030	6,000	6,000	6,000	6,000
Retirement reserves	18,775	21,842	16,280	15,030	13,625	14,025	15,770	17,307	19,349
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$146,133</b>	<b>\$153,132</b>	<b>\$101,713</b>	<b>\$125,635</b>	<b>\$127,871</b>	<b>\$157,836</b>	<b>\$168,797</b>	<b>\$169,116</b>	<b>\$192,041</b>



**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	PROPOSED ACTUAL	Administrative Services Program	Non-Recyclable Wastewater Program	Regional Wastewater Capital Improvement Fund	Regional Wastewater Operations & Maintenance Program	Recharge Water Program	Recycled Water Program	Water Resource Program	TOTAL	ADOPTED BUDGET
<b>REVENUES</b>												
User Charges	\$51,184	\$56,989	\$62,138	\$0	\$11,725	\$0	\$40,696	\$0	\$0	\$6,620	\$67,941	\$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	2,065	1,593
Interest Revenue	1,179	551	623	215	85	\$365	154	10	192	14	1,036	1,321
Recycling Water Sales	34,655	10,631	11,562	0	0	0	0	0	14,022	0	14,022	17,514
Water Sales	0	40,225	40,828	0	0	0	0	0	0	41,441	41,441	42,062
<b>TOTAL REVENUES</b>	<b>\$101,061</b>	<b>\$116,501</b>	<b>\$123,234</b>	<b>\$3,398</b>	<b>\$11,810</b>	<b>\$365</b>	<b>\$53,731</b>	<b>\$802</b>	<b>\$14,219</b>	<b>\$48,592</b>	<b>\$132,978</b>	<b>\$147,085</b>
<b>OTHER FINANCING SOURCES</b>												
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	\$22,547	0	0	683	0	23,929	30,636
State Loans	6,359	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	4,806	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	14,806	0	0	0	0	0	0	2,000	2,000	2,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$76,029</b>	<b>\$89,286</b>	<b>\$92,379</b>	<b>\$34</b>	<b>\$117</b>	<b>\$49,408</b>	<b>\$14,285</b>	<b>\$1,487</b>	<b>\$16,989</b>	<b>\$4,500</b>	<b>\$89,777</b>	<b>\$110,819</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$176,091</b>	<b>\$205,787</b>	<b>\$215,613</b>	<b>\$3,432</b>	<b>\$11,927</b>	<b>\$49,776</b>	<b>\$67,997</b>	<b>\$2,289</b>	<b>\$34,188</b>	<b>\$63,092</b>	<b>\$222,654</b>	<b>\$257,904</b>
<b>EXPENSES</b>												
Employment Expenses	\$31,945	\$33,166	\$39,381	\$2,030	\$2,020	\$3,013	\$27,887	\$650	\$3,248	\$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	9,606	10,428	699	72	0	7,381	122	2,877	0	11,180	11,617
Operating Fees	7,060	8,668	13,046	6	7,020	240	2,274	5	196	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	3,308	3,567	3,991	25	25	0	4,233	76	0	0	4,359	4,300
Materials & Supplies	2,485	2,609	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)	505	1,605	5,652	0	1,356	406	1,697	1,566
<b>TOTAL EXPENSES</b>	<b>\$102,238</b>	<b>\$118,138</b>	<b>\$132,498</b>	<b>\$2,532</b>	<b>\$10,582</b>	<b>\$9,008</b>	<b>\$67,723</b>	<b>\$1,690</b>	<b>\$10,592</b>	<b>\$64,463</b>	<b>\$163,270</b>	<b>\$160,482</b>
<b>CAPITAL PROGRAM</b>												
CSDLAC Fee	\$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	11,950	11,071	1,455	16,293	0	43,149	51,282
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$22,977</b>	<b>\$22,338</b>	<b>\$53,799</b>	<b>\$1,770</b>	<b>\$1,338</b>	<b>\$11,950</b>	<b>\$11,071</b>	<b>\$1,455</b>	<b>\$16,293</b>	<b>\$0</b>	<b>\$43,888</b>	<b>\$52,520</b>
<b>DEBT SERVICE</b>												
Financial Expenses	\$305	(\$146)	\$3,847	\$16	\$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	26,512	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
<b>TOTAL DEBT SERVICE</b>	<b>\$21,627</b>	<b>\$20,646</b>	<b>\$54,715</b>	<b>\$2,016</b>	<b>\$346</b>	<b>\$13,502</b>	<b>\$216</b>	<b>\$820</b>	<b>\$6,230</b>	<b>\$32</b>	<b>\$23,463</b>	<b>\$24,719</b>
<b>TRANSFERS IN (OUT)</b>												
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	465	(486)	0	0	0
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,059</b>	<b>(\$36)</b>	<b>(\$8,994)</b>	<b>\$6,062</b>	<b>\$1,241</b>	<b>\$648</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FUND BALANCE</b>												
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	146,135	151,132	21,809	3,059	45,333	33,545	3,107	12,798	2,063	125,635	127,671
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$146,133</b>	<b>\$151,132</b>	<b>\$125,635</b>	<b>\$20,691</b>	<b>\$2,900</b>	<b>\$50,321</b>	<b>\$32,053</b>	<b>\$2,743</b>	<b>\$14,391</b>	<b>\$1,672</b>	<b>\$127,671</b>	<b>\$167,836</b>
<b>RESERVE BALANCE SUMMARY</b>												
Operating Contingencies	\$21,198	\$23,910	\$27,423	\$1,066	\$1,051	\$0	\$18,458	\$1,744	\$5,697	\$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	13,264
OCRA Capital Construction	28,247	36,785	25,105	0	0	30,855	0	0	0	0	30,855	40,021
Rehabilitation/Replacement Reserve	17,694	19,903	15,524	0	0	3,000	13,386	0	500	0	16,660	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	3,792	0	22,668	29,255
Insurance & Other	5,519	5,644	6,000	6,000	0	0	0	0	0	0	6,000	6,000
Retirement reserves	18,775	21,642	15,033	13,625	0	0	0	0	0	0	13,625	14,625
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$146,133</b>	<b>\$151,132</b>	<b>\$125,635</b>	<b>\$20,691</b>	<b>\$2,900</b>	<b>\$50,321</b>	<b>\$32,053</b>	<b>\$2,743</b>	<b>\$14,391</b>	<b>\$1,672</b>	<b>\$127,671</b>	<b>\$167,836</b>

**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	2014/16	2014/16	2015/2016	2016/2017	2017/18	2018/18	2019/20
	ACTUAL	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET	PROPOSED BUDGET	FORECAST		
<b>REVENUES</b>									
Contract Cost reimbursement	\$12	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Revenue	399	149	174	174	385	545	791	1,030	1,167
<b>TOTAL REVENUES</b>	<b>\$411</b>	<b>\$149</b>	<b>\$174</b>	<b>\$174</b>	<b>\$385</b>	<b>\$545</b>	<b>\$791</b>	<b>\$1,030</b>	<b>\$1,167</b>
<b>OTHER FINANCING SOURCES</b>									
Property Tax - Debt and Capital	\$31,505	\$24,759	\$28,132	\$25,723	\$26,752	\$27,554	\$28,381	\$28,949	\$29,528
Regional System Connection Fees	14,814	9,789	15,321	15,321	22,847	28,181	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
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$52,847</b>	<b>\$34,564</b>	<b>\$41,459</b>	<b>\$41,050</b>	<b>\$49,605</b>	<b>\$56,721</b>	<b>\$59,601</b>	<b>\$84,630</b>	<b>\$94,525</b>
<b>EXPENSES</b>									
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	350	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
<b>TOTAL EXPENSES</b>	<b>\$8,678</b>	<b>\$7,267</b>	<b>\$6,216</b>	<b>\$5,686</b>	<b>\$6,008</b>	<b>\$6,258</b>	<b>\$6,139</b>	<b>\$6,748</b>	<b>\$6,461</b>
<b>CAPITAL PROGRAM</b>									
IERCA Investment	\$500	\$0	\$500	\$500	\$0	\$600	\$0	\$500	\$0
Work In Progress	3,850	6,198	7,859	7,859	11,990	14,945	15,900	54,050	57,100
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$4,350</b>	<b>\$6,198</b>	<b>\$8,359</b>	<b>\$8,359</b>	<b>\$11,990</b>	<b>\$16,345</b>	<b>\$15,900</b>	<b>\$64,550</b>	<b>\$67,100</b>
<b>DEBT SERVICE</b>									
Financial Expenses	-\$20	-\$205	\$249	\$249	\$381	\$248	\$248	\$381	\$248
Interest	7,158	6,565	6,857	6,857	6,043	6,125	6,175	5,024	3,932
Principal	7,906	8,165	23,083	23,083	7,070	7,279	25,467	23,923	22,756
Short Term Inter Fund Loan	0	0	0	10,500	0	0	0	0	0
<b>TOTAL DEBT SERVICE</b>	<b>\$15,046</b>	<b>\$14,525</b>	<b>\$30,190</b>	<b>\$40,690</b>	<b>\$13,802</b>	<b>\$13,652</b>	<b>\$31,889</b>	<b>\$29,328</b>	<b>\$26,936</b>
<b>TRANSFERS IN (OUT)</b>									
Capital Contribution	-\$3,198	-\$1,531	-\$2,189	-\$1,642	-\$1,069	\$1,014	\$351	\$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	(5,000)	0	0	0	0
Capital - Connection Fees Allocation	0	0	0	0	(4,318)	(4,600)	(5,923)	(3,867)	(957)
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>(5,029)</b>	<b>(3,472)</b>	<b>(2,695)</b>	<b>(3,612)</b>	<b>(13,312)</b>	<b>(6,550)</b>	<b>(7,793)</b>	<b>(3,677)</b>	<b>(666)</b>
<b>FUND BALANCE</b>									
Net Income (Loss)	\$20,156	\$3,251	-\$5,826	-\$17,122	\$4,988	\$13,481	-\$1,330	-\$8,643	\$4,631
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	65,455	65,455	48,333	53,321	65,782	65,452	56,809
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$62,205</b>	<b>\$85,456</b>	<b>\$69,629</b>	<b>\$48,333</b>	<b>\$53,321</b>	<b>\$66,762</b>	<b>\$64,452</b>	<b>\$56,809</b>	<b>\$61,440</b>
<b>RESERVE BALANCE SUMMARY</b>									
Capital Expansion - Construction	\$12,531	\$14,683	\$2,097	\$1,801	\$3,821	\$7,989	\$9,341	\$9,630	\$14,904
CCRA Capital Construction	28,247	38,785	36,106	25,106	38,885	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
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$62,205</b>	<b>\$66,456</b>	<b>\$69,629</b>	<b>\$48,333</b>	<b>\$63,321</b>	<b>\$66,762</b>	<b>\$64,452</b>	<b>\$56,809</b>	<b>\$61,440</b>

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

June 17, 2015

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

<b>INLAND EMPIRE UTILITIES AGENCY</b>									
<b>FISCAL YEAR 2015/16 and FISCAL YEAR 2016/17 BIENNIAL BUDGET</b>									
<b>RO FUND - SOURCES AND USES OF FUNDS (In Thousands)</b>									
	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		
<b>REVENUES</b>									
User Charges	\$39,570	\$42,971	\$45,988	\$45,988	\$49,596	\$55,023	\$59,173	\$63,182	\$64,663
Cost Reimbursement JPA	3,253	3,055	3,471	3,347	3,350	3,526	3,707	3,613	3,917
Contract Cost Reimbursement	517	66	93	93	531	93	93	93	93
Interest Revenue	129	150	165	165	154	150	250	300	550
<b>TOTAL REVENUES</b>	<b>\$43,468</b>	<b>\$48,241</b>	<b>\$49,717</b>	<b>\$49,594</b>	<b>\$57,731</b>	<b>\$58,792</b>	<b>\$63,224</b>	<b>\$67,449</b>	<b>\$69,223</b>
<b>OTHER FINANCING SOURCES</b>									
Property Tax Revenues	\$10,407	\$8,634	\$8,845	\$8,706	\$9,054	\$9,323	\$9,606	\$9,798	\$9,394
State Loans	0	0	0	0	948	7,657	7,364	82	0
Grants	42	35	0	0	3,525	3,525	0	0	0
Other Revenues	598	725	565	565	738	759	776	795	816
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$11,048</b>	<b>\$9,394</b>	<b>\$9,410</b>	<b>\$9,272</b>	<b>\$14,265</b>	<b>\$21,264</b>	<b>\$17,746</b>	<b>\$10,675</b>	<b>\$10,810</b>
<b>EXPENSES</b>									
Employment Expenses	\$23,615	\$23,035	\$28,381	\$26,976	\$27,897	\$29,348	\$30,880	\$31,742	\$32,605
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	7,381	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	406	406	407	407	407
Biosolids Recycling	3,323	3,528	3,953	3,993	4,233	4,166	4,272	4,356	4,441
Materials & Supplies	1,689	1,654	1,908	1,870	2,005	2,020	2,069	2,132	2,195
Other Expenses	602	1,250	4,161	3,965	5,652	3,857	4,673	4,538	5,038
<b>TOTAL EXPENSES</b>	<b>\$41,769</b>	<b>\$43,617</b>	<b>\$55,417</b>	<b>\$53,717</b>	<b>\$87,723</b>	<b>\$82,025</b>	<b>\$80,850</b>	<b>\$82,248</b>	<b>\$84,321</b>
<b>CAPITAL PROGRAM</b>									
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
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$6,094</b>	<b>\$5,129</b>	<b>\$11,377</b>	<b>\$7,695</b>	<b>\$11,071</b>	<b>\$11,794</b>	<b>\$14,950</b>	<b>\$10,200</b>	<b>\$1,800</b>
<b>DEBT SERVICE</b>									
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
<b>TOTAL DEBT SERVICE</b>	<b>\$218</b>	<b>\$214</b>	<b>\$0</b>	<b>\$214</b>	<b>\$216</b>	<b>\$216</b>	<b>\$1,864</b>	<b>\$1,731</b>	<b>\$1,609</b>
<b>TRANSFERS IN (OUT)</b>									
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
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>(\$400)</b>	<b>(\$2,200)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,522</b>	<b>\$2,566</b>	<b>\$4,878</b>	<b>\$2,263</b>	<b>(\$516)</b>
<b>FUND BALANCE</b>									
Net Income (Loss)	\$8,034	\$4,473	(\$7,667)	(\$2,761)	(\$1,492)	\$6,589	\$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
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$31,833</b>	<b>\$36,306</b>	<b>\$28,639</b>	<b>\$33,545</b>	<b>\$32,053</b>	<b>\$40,642</b>	<b>\$48,824</b>	<b>\$55,032</b>	<b>\$66,820</b>
<b>RESERVE BALANCE SUMMARY</b>									
Capital / Operation Contingencies	\$13,923	\$14,539	\$18,472	\$17,906	\$16,455	\$18,500	\$19,048	\$19,478	\$20,134
Rehabilitation/Replacement	17,694	19,903	9,951	15,424	13,380	20,276	28,045	33,944	44,892
Debt Service & Redemption	216	1,664	216	216	216	1,634	1,731	1,609	1,793
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$31,833</b>	<b>\$36,306</b>	<b>\$28,639</b>	<b>\$33,545</b>	<b>\$32,053</b>	<b>\$40,642</b>	<b>\$48,824</b>	<b>\$55,032</b>	<b>\$66,820</b>

**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		
<b>REVENUES</b>									
Contract Cost reimbursement	\$32	\$249	\$5	\$5	\$5	\$0	\$0	\$0	\$0
Interest Revenue	98	75	103	103	193	216	256	381	660
Water Sales	7,952	10,831	11,582	11,582	11,022	17,814	18,055	21,467	23,376
<b>TOTAL REVENUES</b>	<b>\$8,082</b>	<b>\$11,155</b>	<b>\$11,689</b>	<b>\$11,689</b>	<b>\$14,219</b>	<b>\$18,030</b>	<b>\$18,323</b>	<b>\$21,848</b>	<b>\$24,036</b>
<b>OTHER FINANCING SOURCES</b>									
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	683	4,475	5,190	4,830	5,052
State Loans	1,780	10,175	11,074	20,243	11,367	15,985	12,899	2,938	604
Grants	2,491	2,253	2,320	2,338	4,417	2,125	1,500	1,600	0
Capital Contract Reimbursement	16	207	1,412	525	1,411	718	396	1,462	69
Other Revenues	16	0	0	0	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	0	10,500	0	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$9,660</b>	<b>\$14,685</b>	<b>\$16,817</b>	<b>\$36,584</b>	<b>\$14,969</b>	<b>\$26,422</b>	<b>\$22,167</b>	<b>\$13,066</b>	<b>\$7,997</b>
<b>EXPENSES</b>									
Employment Expenses	\$3,474	\$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	625	1,150
Utilities	2,092	2,377	2,570	2,427	2,877	3,010	3,318	3,928	4,269
Operating Fees	102	159	212	188	198	152	201	251	207
Professional Fees and Services	901	865	610	457	613	654	663	673	662
Materials & Supplies	84	78	267	130	169	169	174	178	183
Other Expenses	326	229	1,153	1,099	1,366	1,283	1,132	1,245	1,225
<b>TOTAL EXPENSES</b>	<b>\$7,167</b>	<b>\$6,657</b>	<b>\$8,950</b>	<b>\$7,943</b>	<b>\$10,892</b>	<b>\$10,911</b>	<b>\$9,909</b>	<b>\$10,795</b>	<b>\$11,614</b>
<b>CAPITAL PROGRAM</b>									
Work in Progress	\$8,627	\$6,665	\$39,564	\$32,228	\$10,293	\$18,630	\$14,465	\$4,115	\$3,210
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$8,627</b>	<b>\$12,670,988</b>	<b>\$39,564</b>	<b>\$32,228</b>	<b>\$10,293</b>	<b>\$18,630</b>	<b>\$14,465</b>	<b>\$4,115</b>	<b>\$3,210</b>
<b>DEBT SERVICE</b>									
Financial Expenses	(\$37)	(\$31)	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Interest	2,207	2,087	2,055	2,055	2,816	2,522	2,812	2,797	2,971
Principal	2,704	2,739	2,773	2,773	3,412	3,453	10,802	10,749	10,697
Short Term Inter-Fund Loan	0	0	0	0	0	2,300	2,000	1,000	1,000
<b>TOTAL DEBT SERVICE</b>	<b>\$4,874</b>	<b>\$4,794</b>	<b>\$4,830</b>	<b>\$4,830</b>	<b>\$6,230</b>	<b>\$6,267</b>	<b>\$16,616</b>	<b>\$14,548</b>	<b>\$14,669</b>
<b>TRANSFERS IN (OUT)</b>									
Capital Contribution	\$1,238	(\$198)	(\$355)	(\$397)	(\$351)	(\$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)	(692)	(692)	(668)	(791)	(828)	(841)	(873)
One Water	0	0	0	0	(130)	(376)	(342)	(302)	(319)
Property Tax Transfer	0	(500)	0	0	0	0	0	0	0
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>\$2,628</b>	<b>\$166</b>	<b>(\$1,247)</b>	<b>\$176</b>	<b>\$618</b>	<b>(\$194)</b>	<b>\$279</b>	<b>(\$1,150)</b>	<b>(\$1,194)</b>
<b>FUND BALANCE</b>									
Net Income (Loss)	(\$290)	(\$4,974)	(\$26,085)	\$2,447	\$1,597	\$1,090	\$779	\$4,295	\$1,545
Beginning Fund Balance July 01	15,623	15,326	10,351	10,351	12,795	14,361	18,881	19,660	23,955
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$15,326</b>	<b>\$10,361</b>	<b>(\$16,733)</b>	<b>\$12,798</b>	<b>\$14,391</b>	<b>\$16,881</b>	<b>\$19,660</b>	<b>\$23,955</b>	<b>\$25,601</b>
<b>RESERVE BALANCE SUMMARY</b>									
Operating Contingencies	\$1,714	\$4,125	\$2,993	\$2,648	\$8,877	\$3,303	\$3,598	\$3,638	\$3,816
Capital Expansion & Replacement	8,780	1,384	(23,582)	5,285	1,461	3,427	0	2,301	3,869
Rehabilitation/Replacement Reserve	0	0	100	100	300	3,000	3,000	3,000	3,000
Debt Service & Redemption	4,825	4,842	4,765	4,765	5,792	9,151	13,062	14,846	14,816
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$15,326</b>	<b>\$10,361</b>	<b>(\$16,733)</b>	<b>\$12,798</b>	<b>\$14,391</b>	<b>\$16,881</b>	<b>\$19,660</b>	<b>\$23,955</b>	<b>\$25,601</b>



**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		
<b>REVENUES</b>									
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
<b>TOTAL REVENUES</b>	<b>\$774</b>	<b>\$729</b>	<b>\$757</b>	<b>\$610</b>	<b>\$802</b>	<b>\$783</b>	<b>\$811</b>	<b>\$838</b>	<b>\$869</b>
<b>OTHER FINANCING SOURCES</b>									
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
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$385</b>	<b>\$340</b>	<b>\$557</b>	<b>\$505</b>	<b>\$1,487</b>	<b>\$4,761</b>	<b>\$13,200</b>	<b>\$22,635</b>	<b>\$8,882</b>
<b>EXPENSES</b>									
Employment Expenses	\$460	\$380	\$817	\$788	\$950	\$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
<b>TOTAL EXPENSES</b>	<b>\$1,128</b>	<b>\$1,133</b>	<b>\$1,702</b>	<b>\$1,727</b>	<b>\$1,560</b>	<b>\$1,564</b>	<b>\$1,623</b>	<b>\$1,661</b>	<b>\$1,717</b>
<b>CAPITAL PROGRAM</b>									
Capital Expansion/Construction	\$183	\$255	\$1,317	\$735	\$1,455	\$4,735	\$12,731	\$22,023	\$8,300
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$183</b>	<b>\$255</b>	<b>\$1,317</b>	<b>\$735</b>	<b>\$1,455</b>	<b>\$4,735</b>	<b>\$12,731</b>	<b>\$22,023</b>	<b>\$8,300</b>
<b>DEBT SERVICE</b>									
Financial Expenses	\$219	\$84	\$106	\$82	\$145	\$78	\$78	\$145	\$78
Interest	28	9	299	6	143	273	389	368	346
Principal	563	585	607	607	632	647	683	710	739
<b>TOTAL DEBT SERVICE</b>	<b>\$808</b>	<b>\$677</b>	<b>\$1,011</b>	<b>\$694</b>	<b>\$820</b>	<b>\$998</b>	<b>\$1,150</b>	<b>\$1,223</b>	<b>\$1,163</b>
<b>TRANSFERS IN (OUT)</b>									
Capital Contribution	\$263	\$142	\$275	\$338	\$315	\$440	\$0	\$0	\$0
Debt Service	366	476	508	508	460	499	575	612	582
Operation support	275	700	892	892	466	791	828	841	873
Property Tax Transfer	0	0	0	0	62	96	19	4	4
<b>TOTAL INTERFUND TRANSFERS IN (OU)</b>	<b>\$905</b>	<b>\$1,318</b>	<b>\$1,673</b>	<b>\$1,735</b>	<b>\$1,302</b>	<b>\$1,826</b>	<b>\$1,422</b>	<b>\$1,457</b>	<b>\$1,459</b>
<b>FUND BALANCE</b>									
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
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$3,090</b>	<b>\$3,413</b>	<b>\$2,368</b>	<b>\$3,107</b>	<b>\$2,743</b>	<b>\$2,816</b>	<b>\$2,745</b>	<b>\$2,768</b>	<b>\$2,797</b>
<b>RESERVE BALANCE SUMMARY</b>									
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	600	500	500	500	500
Debt Service & Redemption	243	432	297	499	499	575	612	582	639
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$3,090</b>	<b>\$3,413</b>	<b>\$2,368</b>	<b>\$3,107</b>	<b>\$2,743</b>	<b>\$2,816</b>	<b>\$2,745</b>	<b>\$2,768</b>	<b>\$2,797</b>

**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
	ACTUAL	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET	PROPOSED BUDGET		FORECAST	
<b>REVENUES</b>									
User Charges	\$4,262	\$4,824	\$5,817	\$5,817	\$5,820	\$9,488	\$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
<b>TOTAL REVENUES</b>	<b>\$35,452</b>	<b>\$45,421</b>	<b>\$47,746</b>	<b>\$47,746</b>	<b>\$48,552</b>	<b>\$53,091</b>	<b>\$54,078</b>	<b>\$55,332</b>	<b>\$57,611</b>
<b>OTHER FINANCING SOURCES</b>									
Property 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
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$238</b>	<b>\$84</b>	<b>\$4,308</b>	<b>\$5,808</b>	<b>\$4,500</b>	<b>\$3,500</b>	<b>\$3,500</b>	<b>\$3,500</b>	<b>\$3,500</b>
<b>EXPENSES</b>									
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	3,582	3,689	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	60	48	60	60	62	64	66
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	406	338	346	315	374
<b>TOTAL EXPENSES</b>	<b>\$35,843</b>	<b>\$46,280</b>	<b>\$52,747</b>	<b>\$51,486</b>	<b>\$54,453</b>	<b>\$56,501</b>	<b>\$56,846</b>	<b>\$61,427</b>	<b>\$58,509</b>
<b>DEBT SERVICE</b>									
Short Term Inter-Fund Loan	\$0	\$0	\$0	\$22	\$32	\$32	\$47	\$63	\$1,053
<b>TOTAL DEBT SERVICE</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$22</b>	<b>\$32</b>	<b>\$32</b>	<b>\$47</b>	<b>\$63</b>	<b>\$1,053</b>
<b>TRANSFERS IN (OUT)</b>									
Operation support	(\$200)	(\$100)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
One Water	0	0	0	0	41	269	311	290	303
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>(\$200)</b>	<b>(\$100)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$41</b>	<b>\$269</b>	<b>\$311</b>	<b>\$290</b>	<b>\$303</b>
<b>FUND BALANCE</b>									
Net Income (Loss)	(\$354)	(\$876)	(\$692)	\$2,047	(\$1,391)	\$328	\$966	(\$2,368)	\$1,852
Beginning Fund Balance July 01	\$2,145	\$1,791	\$916	\$916	\$2,963	\$1,572	\$1,899	\$2,896	\$528
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$1,791</b>	<b>\$917</b>	<b>\$223</b>	<b>\$2,963</b>	<b>\$1,572</b>	<b>\$1,899</b>	<b>\$2,896</b>	<b>\$528</b>	<b>\$2,380</b>
<b>RESERVE BALANCE SUMMARY</b>									
Capital / Operation Contingencies	\$1,791	\$916	\$223	\$2,963	\$1,572	\$1,899	\$2,896	\$528	\$2,380
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$1,791</b>	<b>\$916</b>	<b>\$223</b>	<b>\$2,963</b>	<b>\$1,572</b>	<b>\$1,899</b>	<b>\$2,896</b>	<b>\$528</b>	<b>\$2,380</b>

**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		
<b>REVENUES</b>									
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	86	57	170	51	85	90	138	150	150
<b>TOTAL REVENUES</b>	<b>\$7,418</b>	<b>\$8,152</b>	<b>\$10,178</b>	<b>\$10,384</b>	<b>\$11,810</b>	<b>\$12,234</b>	<b>\$12,806</b>	<b>\$13,159</b>	<b>\$13,486</b>
<b>OTHER FINANCING SOURCES</b>									
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
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$843</b>	<b>\$138</b>	<b>\$34</b>	<b>\$137</b>	<b>\$117</b>	<b>\$2,117</b>	<b>\$2,117</b>	<b>\$1,117</b>	<b>\$1,117</b>
<b>EXPENSES</b>									
Employment Expenses	\$1,926	\$1,908	\$2,248	\$2,166	\$2,030	\$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	25	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
<b>TOTAL EXPENSES</b>	<b>\$5,069</b>	<b>\$6,258</b>	<b>\$8,554</b>	<b>\$9,979</b>	<b>\$10,362</b>	<b>\$10,639</b>	<b>\$10,939</b>	<b>\$11,250</b>	<b>\$11,593</b>
<b>CAPITAL PROGRAM</b>									
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
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$1,548</b>	<b>\$2,448</b>	<b>\$3,755</b>	<b>\$3,021</b>	<b>\$1,338</b>	<b>\$1,088</b>	<b>\$938</b>	<b>\$2,238</b>	<b>\$937</b>
<b>DEBT SERVICE</b>									
Financial Expenses	\$36	(\$8)	\$1	\$1	\$2	\$2	\$2	\$2	\$2
Interest	409	188	394	394	366	376	367	280	210
Principal	133	141	150	150	159	168	1,534	1,368	1,256
<b>TOTAL DEBT SERVICE</b>	<b>\$578</b>	<b>\$322</b>	<b>\$544</b>	<b>\$544</b>	<b>\$525</b>	<b>\$548</b>	<b>\$1,902</b>	<b>\$1,670</b>	<b>\$1,468</b>
<b>TRANSFERS IN (OUT)</b>									
Capital Contribution	(\$78)	(\$58)	(\$80)	(\$60)	(\$36)	(\$19)	(\$16)	(\$8)	(\$2)
Connection Fee	0	0	0	0	194	134	98	410	98
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>(\$78)</b>	<b>(\$58)</b>	<b>(\$80)</b>	<b>(\$60)</b>	<b>\$158</b>	<b>\$115</b>	<b>\$82</b>	<b>\$403</b>	<b>\$97</b>
<b>FUND BALANCE</b>									
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	\$2,900	\$5,094	\$6,320	\$5,842
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$6,957</b>	<b>\$6,163</b>	<b>\$3,442</b>	<b>\$3,080</b>	<b>\$2,900</b>	<b>\$5,094</b>	<b>\$6,320</b>	<b>\$5,842</b>	<b>\$6,543</b>
<b>RESERVE BALANCE SUMMARY</b>									
Capital / Operation Contingencies	\$785	\$857	\$1,083	\$1,020	\$1,051	\$1,068	\$1,094	\$1,123	\$1,180
Capital Expansion / Construction	4,829	2,396	1,076	777	668	1,388	2,619	2,513	3,608
CSDLAC Prepayment	1,008	1,008	738	738	738	738	738	737	0
Debt Service & Redemption	535	1,902	545	545	546	1,902	1,670	1,468	1,774
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$6,957</b>	<b>\$6,163</b>	<b>\$3,442</b>	<b>\$3,080</b>	<b>\$2,999</b>	<b>\$5,094</b>	<b>\$6,320</b>	<b>\$5,842</b>	<b>\$6,543</b>

**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		
<b>REVENUES AND OTHER FINANCING SOURCES</b>									
User Charges									
Property Tax	\$3,789	\$3,144	\$3,216	\$1,866	\$1,793	\$1,891	\$1,993	\$2,063	\$2,134
Cost Reimbursement from JPA	1,387	1,187	1,225	1,261	1,391	1,439	1,468	1,497	1,527
Contract Cost reimbursement	179	24	-	-	-	-	-	-	-
Interest Revenue	101	101	110	110	215	279	347	422	503
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$5,457</b>	<b>\$4,455</b>	<b>\$4,551</b>	<b>\$3,037</b>	<b>\$3,398</b>	<b>\$3,610</b>	<b>\$3,808</b>	<b>\$3,982</b>	<b>\$4,165</b>
<b>OTHER FINANCING SOURCES</b>									
Grants	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Revenues	6	181	2	24	34	34	49	65	1,055
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$7</b>	<b>\$181</b>	<b>\$2</b>	<b>\$24</b>	<b>\$34</b>	<b>\$34</b>	<b>\$49</b>	<b>\$65</b>	<b>\$1,055</b>
<b>EXPENSES</b>									
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	606	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	3,967	3,582	3,639	3,712
Office and Administrative expenses	1,249	1,364	1,830	1,276	1,575	1,983	1,834	2,145	1,874
Biosolids Recycling	0	16	25	25	25	25	26	27	27
Materials & Supplies	631	654	578	356	438	505	557	565	580
Other Expenses	(1,143)	(1,427)	(6,347)	(6,031)	(7,921)	(7,202)	(6,485)	(6,860)	(7,040)
<b>TOTAL EXPENSES</b>	<b>\$2,513</b>	<b>\$3,726</b>	<b>\$2,116</b>	<b>\$1,959</b>	<b>\$2,532</b>	<b>\$2,584</b>	<b>\$2,660</b>	<b>\$2,748</b>	<b>\$2,823</b>
<b>CAPITAL PROGRAM</b>									
Capital Expansion & Construction (WIP)	\$2,175	\$1,643	\$2,349	\$1,761	\$1,770	\$938	\$821	\$415	\$415
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$2,175</b>	<b>\$1,643</b>	<b>\$2,349</b>	<b>\$1,761</b>	<b>\$1,770</b>	<b>\$938</b>	<b>\$821</b>	<b>\$415</b>	<b>\$415</b>
<b>DEBT SERVICE</b>									
Financial Expenses	\$2	\$14	\$3,513	\$3,513	\$18	\$18	\$18	\$18	\$18
Short Term Inter-Fund Loan	-	-	4,308	4,308	2,000	-	-	-	-
<b>TOTAL DEBT SERVICE</b>	<b>\$2</b>	<b>\$14</b>	<b>\$7,821</b>	<b>\$7,821</b>	<b>\$2,018</b>	<b>\$18</b>	<b>\$18</b>	<b>\$18</b>	<b>\$18</b>
<b>TRANSFERS IN (OUT)</b>									
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	-	-	-	-	-	-	-
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>\$2,175</b>	<b>\$4,343</b>	<b>\$2,349</b>	<b>\$1,761</b>	<b>\$1,770</b>	<b>\$938</b>	<b>\$821</b>	<b>\$415</b>	<b>\$415</b>
<b>FUND BALANCE</b>									
Net Income (Loss)	\$2,949	\$3,596	(\$5,383)	(\$6,719)	(\$1,119)	\$1,091	\$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
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$24,932</b>	<b>\$28,528</b>	<b>\$23,145</b>	<b>\$21,809</b>	<b>\$20,691</b>	<b>\$21,722</b>	<b>\$22,901</b>	<b>\$24,182</b>	<b>\$26,560</b>
<b>RESERVE BALANCE SUMMARY</b>									
Capital / Operation Contingencies	\$638	\$1,042	\$858	\$779	\$1,068	\$1,097	\$1,130	\$1,174	\$1,211
Insurance & Other	5,519	5,544	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Retirement reserves	18,775	21,842	18,286	15,030	13,625	14,625	15,770	17,007	19,349
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$24,932</b>	<b>\$28,528</b>	<b>\$23,145</b>	<b>\$21,809</b>	<b>\$20,691</b>	<b>\$21,722</b>	<b>\$22,901</b>	<b>\$24,182</b>	<b>\$26,560</b>



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

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.

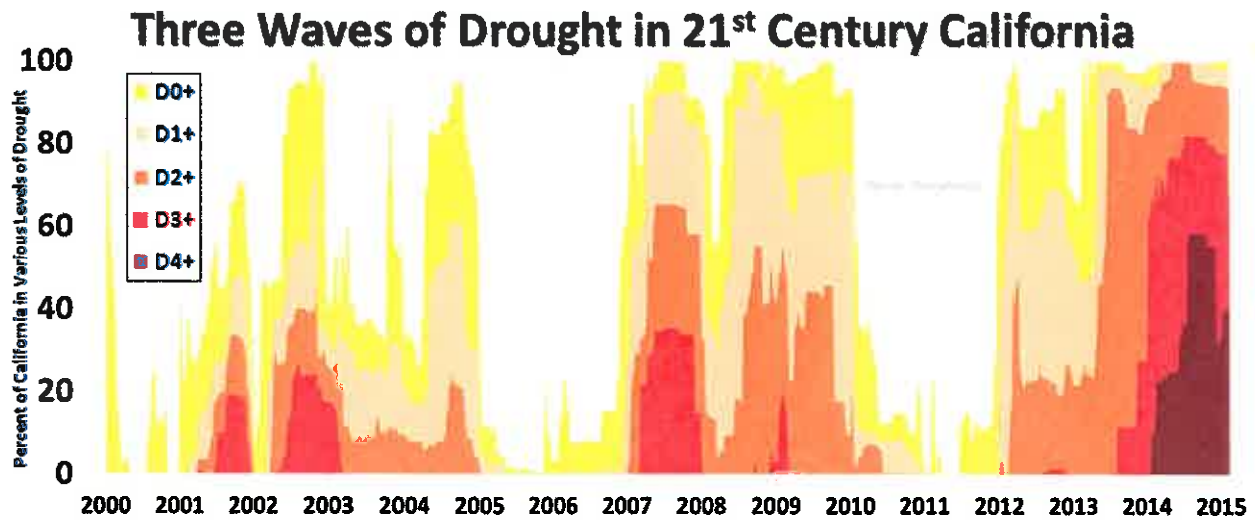
## Opportunities and Challenges

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.

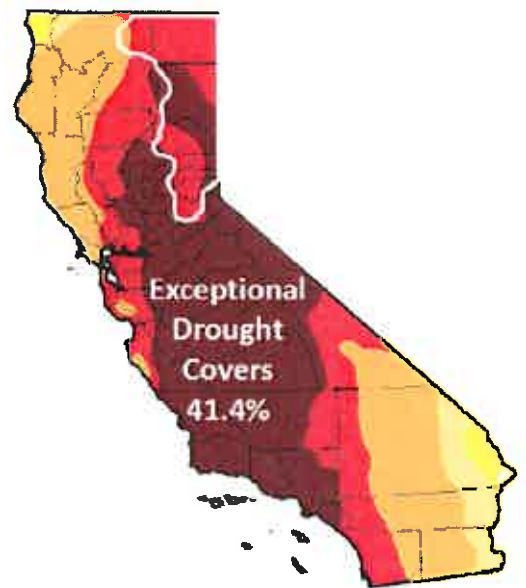
Droughts are not uncommon in California. Since the year 2000, California has experienced three waves of drought: 2001-2005, 2007-2010, and the ongoing drought of 2012. However, as depicted in the graph below, none have been as severe as the current one.

# 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

# EXECUTIVE SUMMARY

- **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
	<b>Effective Date</b>	07/01/14	07/01/15
<b>Non-Reclaimable Wastewater Rates</b>	<b>North System SDLAC</b>	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%
	<b>South System (SAWPA)</b>		
	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.

# EXECUTIVE SUMMARY

**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)**

		ACTUAL	AMENDED	PROJECTED	BIENNIAL BUDGET	
Funding Sources	Types	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
<b>Total</b>		<b>\$175.6</b>	<b>\$197.4</b>	<b>\$215.6</b>	<b>\$222.6</b>	<b>\$257.9</b>

\*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.
<b>Total Revenues &amp; Other Funding Sources</b>	<b>\$222.6</b>	<b>\$257.9</b>	

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

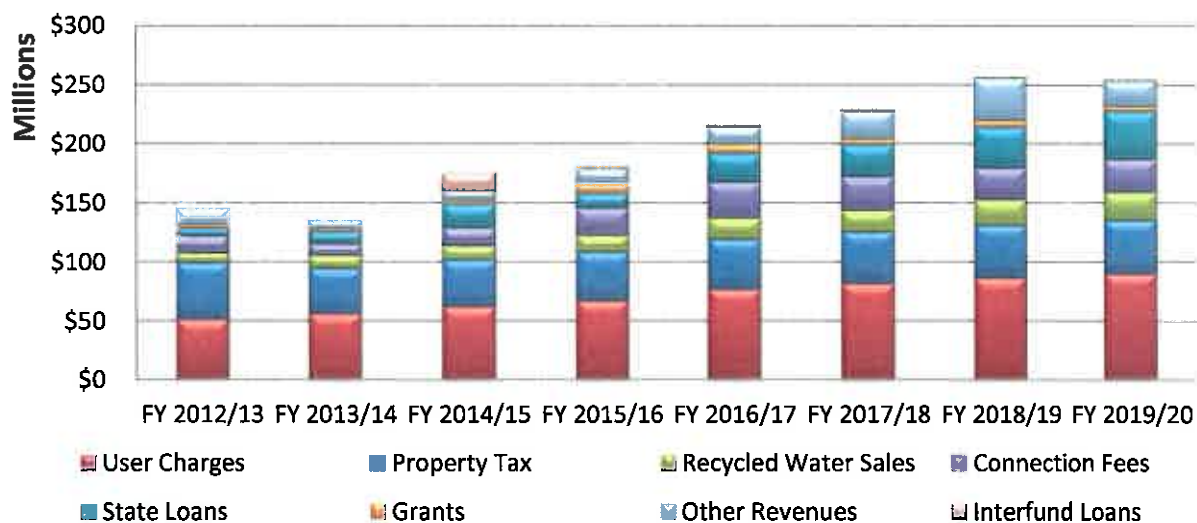
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of \$1.5 million each fiscal year beginning in FY 2014/15 through FY 2024/25. The property tax receipts will support regional drought resiliency, water use efficiency and reliability projects. Further details on key revenue and other funding sources 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
<b>Employment</b>	Operating	\$33.2	\$40.5	\$39.4	\$40.6	\$42.7
<b>Operating Expenses*</b>	Operating	82.0	95.2	93.1	112.6	107.8
<b>CIP</b>	Capital	34.9	66.7	53.8	43.9	52.5
<b>Debt Service</b>	Operating	20.5	44.4	54.8	23.5	24.7
<b>Total</b>		<b>\$170.6</b>	<b>\$246.8</b>	<b>\$241.1</b>	<b>\$220.6</b>	<b>\$227.7</b>

\*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	
<b>Employment Expenses</b>	\$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%.
<b>Utilities</b>	11.2	11.6	Includes electricity, natural gas, fuel cell, solar power, telephone, and potable water costs.
<b>Operating Fees</b>	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.
<b>Chemicals</b>	4.4	4.5	Chemicals necessary to meet the wastewater treatment process compliance performance goals and sustainment of the high quality recycled water.
<b>Professional Fees &amp; Svs.</b>	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.
<b>Total Expenses and Other Uses of Funds</b>	<b>\$220.6</b>	<b>\$227.7</b>	

## 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.

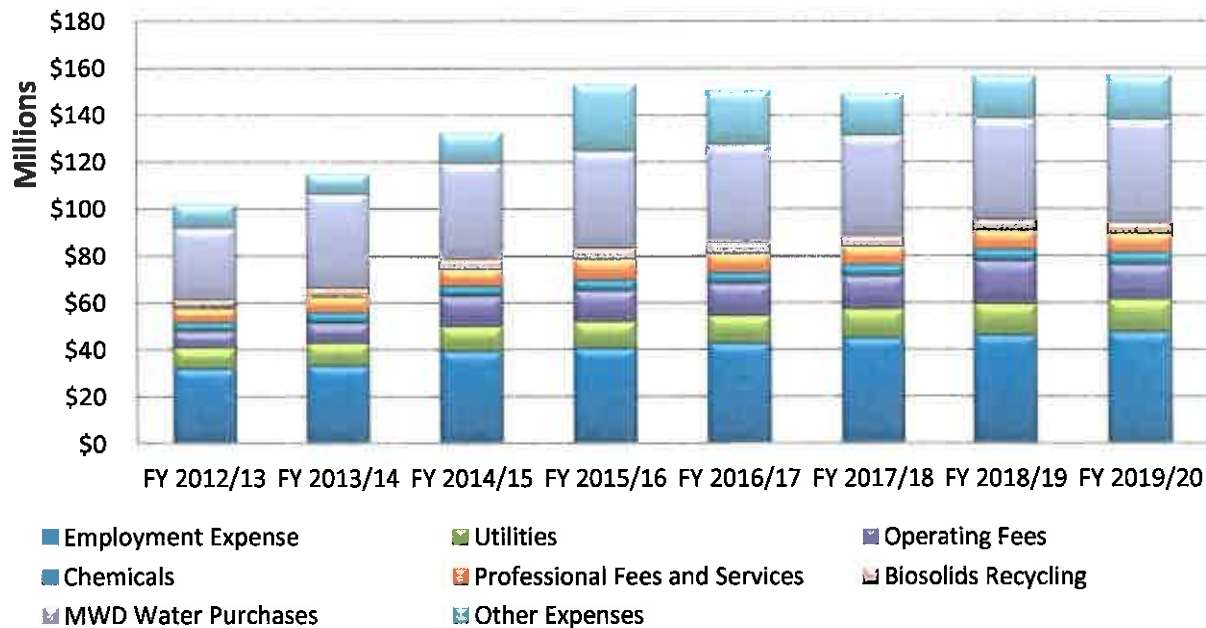
Compared to the \$241.1 million projected actual for FY 2014/15, the decrease of nearly \$21 million to \$220.6 million budgeted in the FY 2015/16 is primarily due to lower capital expenditures of \$9.9 million and lower debt service costs of \$31.3 million offset by higher non-capital project costs 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.

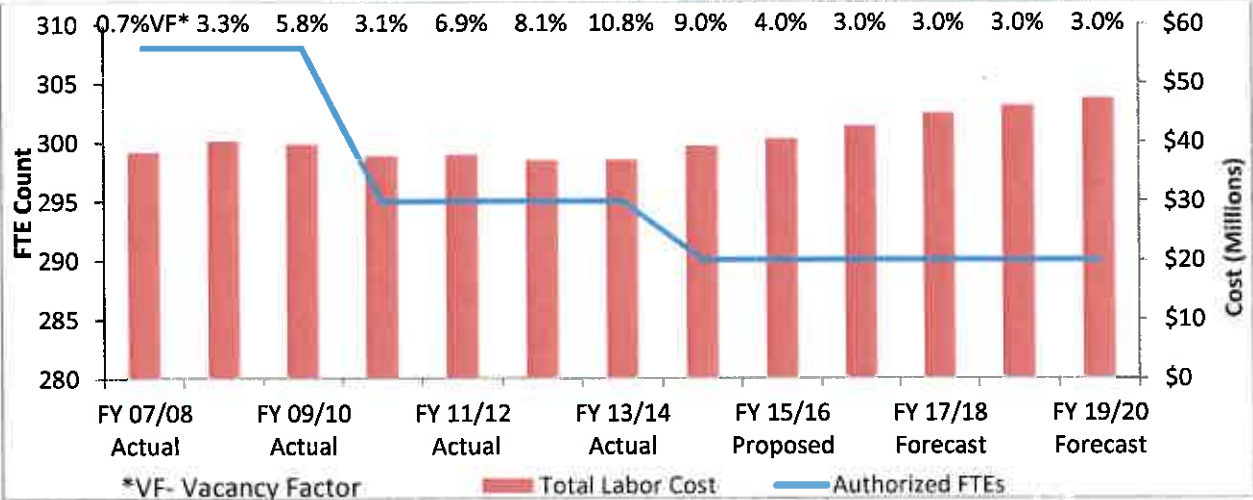
Employment costs of \$40.6 million in FY 2015/16 and \$42.7 million in FY 2016/7 (Tables 1-9 and 1-10), are comprised of wages and benefits and are net of labor charges allocated to the Agency’s Capital Improvement Program (CIP). Net employment costs represent approximately 26 percent of the Agency’s 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
<b>Total</b>	<b>\$66.1</b>	<b>\$68.6</b>	<b>\$70.9</b>	<b>\$104.7</b>	<b>\$83.5</b>	<b>\$298.2</b>	<b>\$692.0</b>

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.

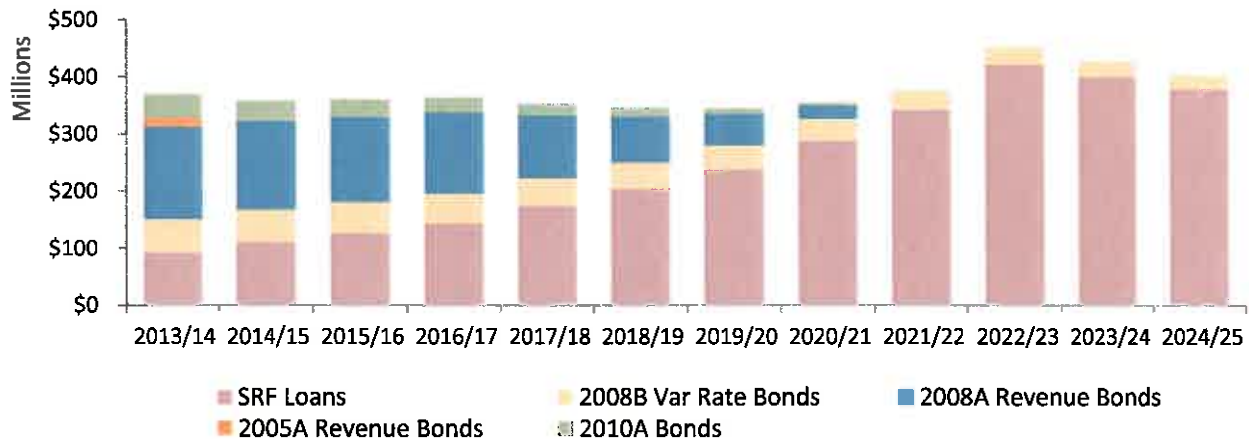
**Table 1-12: Debt Service Costs by Program (\$Millions)**

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
<b>Total Debt Service Costs</b>	<b>\$23.4</b>	<b>\$24.7</b>

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	<b>\$151.1</b>	<b>\$101.7</b>	<b>\$125.6</b>	<b>\$127.6</b>	<b>\$157.8</b>

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
<b>Total</b>	<b>\$125.6</b>	<b>\$127.6</b>	<b>\$157.8</b>

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.

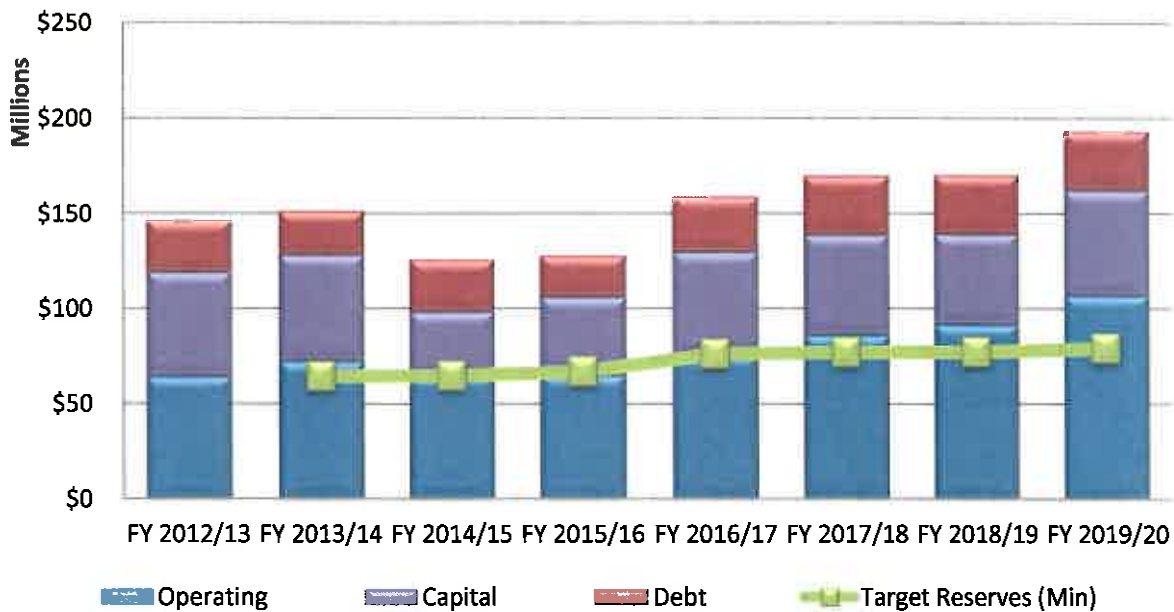
Fund reserves are designated for specific purposes, as defined in the Agency's Reserve Policy updated as of June 2015. The primary designations include; an operating contingency of a minimum of four months and a target of six months, debt service minimum as required by the current bond covenants and 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.

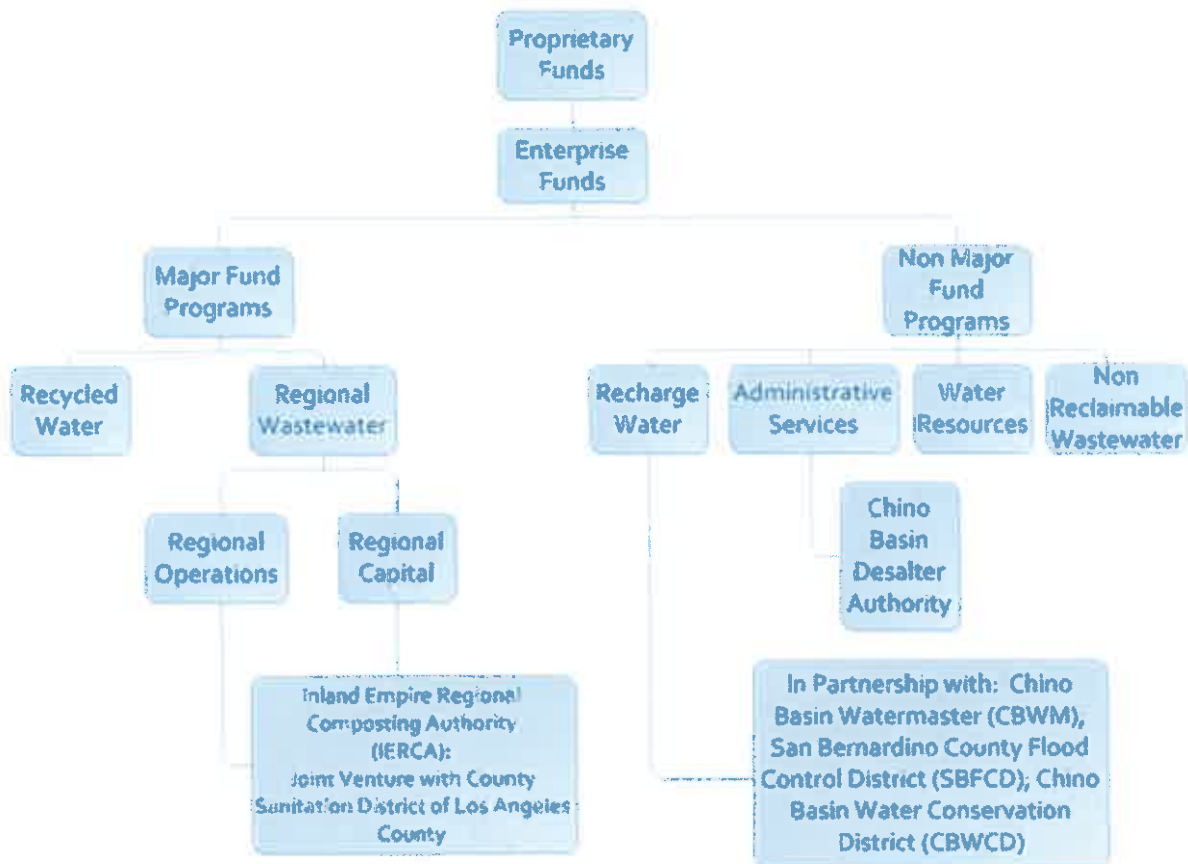
Development of the LRPF is ongoing. Some of the proposed features of the new financial model include an extended scope from 10 to 50 years, multiple “what if” scenarios to highlight the impact of a variation of inputs, and on-screen graphic presentations to more effectively communicate scenario alternatives 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.

# EXECUTIVE SUMMARY

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"> <li>■ Regional Wastewater</li> <li>■ Recycled Water</li> </ul>	<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"> <li>■ Administrative Services</li> <li>■ Non-Reclaimable Wastewater</li> <li>■ Water Resources</li> <li>■ Recharge Water</li> </ul>

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.



# EXECUTIVE SUMMARY

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
<b>REVENUES</b>												
User Charges	\$51,184	\$55,989	\$62,138	\$0	\$11,725	\$0	\$49,896	\$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
<b>TOTAL REVENUES</b>	<b>\$101,081</b>	<b>\$116,301</b>	<b>\$123,234</b>	<b>\$3,398</b>	<b>\$11,810</b>	<b>\$365</b>	<b>\$53,731</b>	<b>\$802</b>	<b>\$14,219</b>	<b>\$48,552</b>	<b>\$132,878</b>	<b>\$147,085</b>
<b>OTHER FINANCING SOURCES</b>												
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	736	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
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$75,029</b>	<b>\$59,286</b>	<b>\$92,379</b>	<b>\$34</b>	<b>\$117</b>	<b>\$48,495</b>	<b>\$14,285</b>	<b>\$1,487</b>	<b>\$19,869</b>	<b>\$4,500</b>	<b>\$89,777</b>	<b>\$110,818</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$176,091</b>	<b>\$175,587</b>	<b>\$215,613</b>	<b>\$3,432</b>	<b>\$11,927</b>	<b>\$49,770</b>	<b>\$67,997</b>	<b>\$2,289</b>	<b>\$34,188</b>	<b>\$53,052</b>	<b>\$222,654</b>	<b>\$257,904</b>
<b>EXPENSES</b>												
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	3,668	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	408	18	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	1,605	5,652	0	1,356	408	1,697	1,596
<b>TOTAL EXPENSES</b>	<b>\$102,238</b>	<b>\$115,139</b>	<b>\$132,496</b>	<b>\$2,532</b>	<b>\$10,382</b>	<b>\$6,088</b>	<b>\$67,723</b>	<b>\$1,580</b>	<b>\$10,582</b>	<b>\$34,453</b>	<b>\$153,270</b>	<b>\$150,492</b>
<b>CAPITAL PROGRAM</b>												
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	51,292
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$22,977</b>	<b>\$22,338</b>	<b>\$53,799</b>	<b>\$1,770</b>	<b>\$1,338</b>	<b>\$11,960</b>	<b>\$11,071</b>	<b>\$1,455</b>	<b>\$16,293</b>	<b>\$0</b>	<b>\$43,886</b>	<b>\$52,530</b>
<b>DEBT SERVICE</b>												
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
<b>TOTAL DEBT SERVICE</b>	<b>\$21,526</b>	<b>\$20,546</b>	<b>\$54,815</b>	<b>\$2,018</b>	<b>\$545</b>	<b>\$13,502</b>	<b>\$216</b>	<b>\$820</b>	<b>\$6,230</b>	<b>\$32</b>	<b>\$23,463</b>	<b>\$24,718</b>
<b>TRANSFERS IN (OUT)</b>												
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
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,059</b>	<b>(\$36)</b>	<b>(\$6,994)</b>	<b>\$6,082</b>	<b>\$1,241</b>	<b>\$648</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FUND BALANCE</b>												
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
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$146,133</b>	<b>\$151,132</b>	<b>\$125,635</b>	<b>\$20,691</b>	<b>\$2,900</b>	<b>\$53,321</b>	<b>\$32,053</b>	<b>\$2,743</b>	<b>\$14,391</b>	<b>\$1,572</b>	<b>\$127,671</b>	<b>\$157,836</b>
<b>RESERVE BALANCE SUMMARY</b>												
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	25,106	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	13,360	0	500	0	16,890	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	22,968	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
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$146,133</b>	<b>\$151,132</b>	<b>\$125,635</b>	<b>\$20,691</b>	<b>\$2,900</b>	<b>\$53,321</b>	<b>\$32,053</b>	<b>\$2,743</b>	<b>\$14,391</b>	<b>\$1,572</b>	<b>\$127,671</b>	<b>\$157,836</b>

# 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	2018/2018	2019/2020
	ACTUAL	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET	PROPOSED BUDGET	FORECAST	FORECAST	FORECAST
<b>REVENUES</b>									
User Charges	\$51,184	\$55,989	\$61,813	\$62,138	\$87,041	\$76,866	\$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	5,736	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
<b>TOTAL REVENUES</b>	<b>\$101,081</b>	<b>\$116,301</b>	<b>\$124,813</b>	<b>\$123,234</b>	<b>\$132,878</b>	<b>\$147,085</b>	<b>\$153,840</b>	<b>\$163,639</b>	<b>\$170,556</b>
<b>OTHER FINANCING SOURCES</b>									
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	23,329	30,636	28,754	28,755	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
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$75,029</b>	<b>\$59,286</b>	<b>\$72,587</b>	<b>\$82,379</b>	<b>\$89,777</b>	<b>\$110,819</b>	<b>\$118,380</b>	<b>\$135,678</b>	<b>\$127,886</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$176,091</b>	<b>\$175,587</b>	<b>\$197,400</b>	<b>\$215,613</b>	<b>\$222,654</b>	<b>\$257,904</b>	<b>\$272,220</b>	<b>\$299,317</b>	<b>\$298,442</b>
<b>EXPENSES</b>									
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	2,485	2,318	2,631	2,363
Biosolids Recycling	3,398	3,567	4,060	3,991	4,359	4,300	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	1,596	1,481	1,565	1,597
<b>TOTAL EXPENSES</b>	<b>\$102,238</b>	<b>\$115,139</b>	<b>\$135,702</b>	<b>\$132,496</b>	<b>\$153,270</b>	<b>\$150,492</b>	<b>\$148,967</b>	<b>\$156,877</b>	<b>\$156,938</b>
<b>CAPITAL PROGRAM</b>									
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
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$22,977</b>	<b>\$34,902</b>	<b>\$66,721</b>	<b>\$53,799</b>	<b>\$43,886</b>	<b>\$52,530</b>	<b>\$59,804</b>	<b>\$93,540</b>	<b>\$71,762</b>
<b>DEBT SERVICE</b>									
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
<b>TOTAL DEBT SERVICE</b>	<b>\$21,526</b>	<b>\$20,546</b>	<b>\$44,396</b>	<b>\$54,815</b>	<b>\$23,463</b>	<b>\$24,718</b>	<b>\$52,487</b>	<b>\$48,581</b>	<b>\$46,817</b>
<b>FUND BALANCE</b>									
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	\$148,133	\$151,132	\$151,132	\$125,635	\$127,671	\$157,836	\$168,797	\$169,116
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$146,133</b>	<b>\$151,132</b>	<b>\$101,713</b>	<b>\$125,635</b>	<b>\$127,671</b>	<b>\$157,836</b>	<b>\$168,797</b>	<b>\$169,116</b>	<b>\$192,040</b>
<b>RESERVE BALANCE SUMMARY</b>									
Operating Contingencies	\$21,198	\$23,910	\$25,191	\$27,423	\$27,527	\$27,806	\$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	1,008	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
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$146,133</b>	<b>\$151,132</b>	<b>\$101,713</b>	<b>\$125,635</b>	<b>\$127,671</b>	<b>\$157,836</b>	<b>\$168,797</b>	<b>\$169,116</b>	<b>\$192,040</b>

**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 17<sup>th</sup> day of June, 2015.

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

ATTEST:

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Steven J. Elie  
Secretary/ 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:

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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 17<sup>th</sup> day of June, 2015.

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

ATTEST:

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Steven J. Elie  
Secretary/ 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:

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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.

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

ATTEST:

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Steven J. Elie  
Secretary/ 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:

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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<sub>i</sub>)* 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
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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 17<sup>th</sup> 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 17<sup>th</sup> 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





*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 (WW) 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 <sup>1</sup>			South System <sup>2</sup>			
	FY 2014/15 Adopted	FY 2015/16 Proposed	% Change	FY 2014/15 Adopted	FY 2015/16 Proposed	% Change
Flow/mg	\$835.80	\$948.00	13%	\$334.43	\$351.17	5%
COD/klb	\$147.84	\$210.00	42%			
TSS/klb	\$418.22	\$433.00	4%	\$777.00	\$817.00	5%
Peak/mg	\$317.54	\$360.00	13%			
Ad Valorem Tax	5.0%	5.5%	10%	\$295.00	\$301.00	2%
				\$411.00	\$420.00	2%

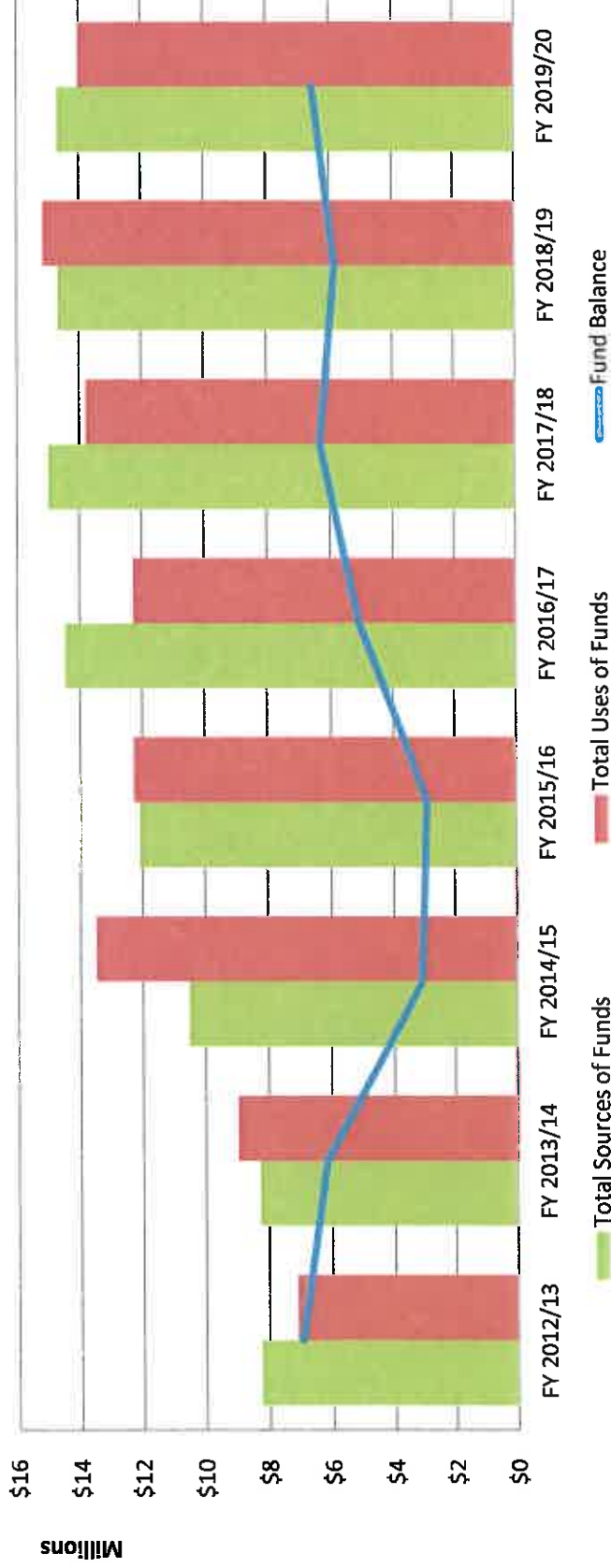
Notes 1: Cost recovery through capacity charges, \$18.37 per capacity units for FY 2015/16

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

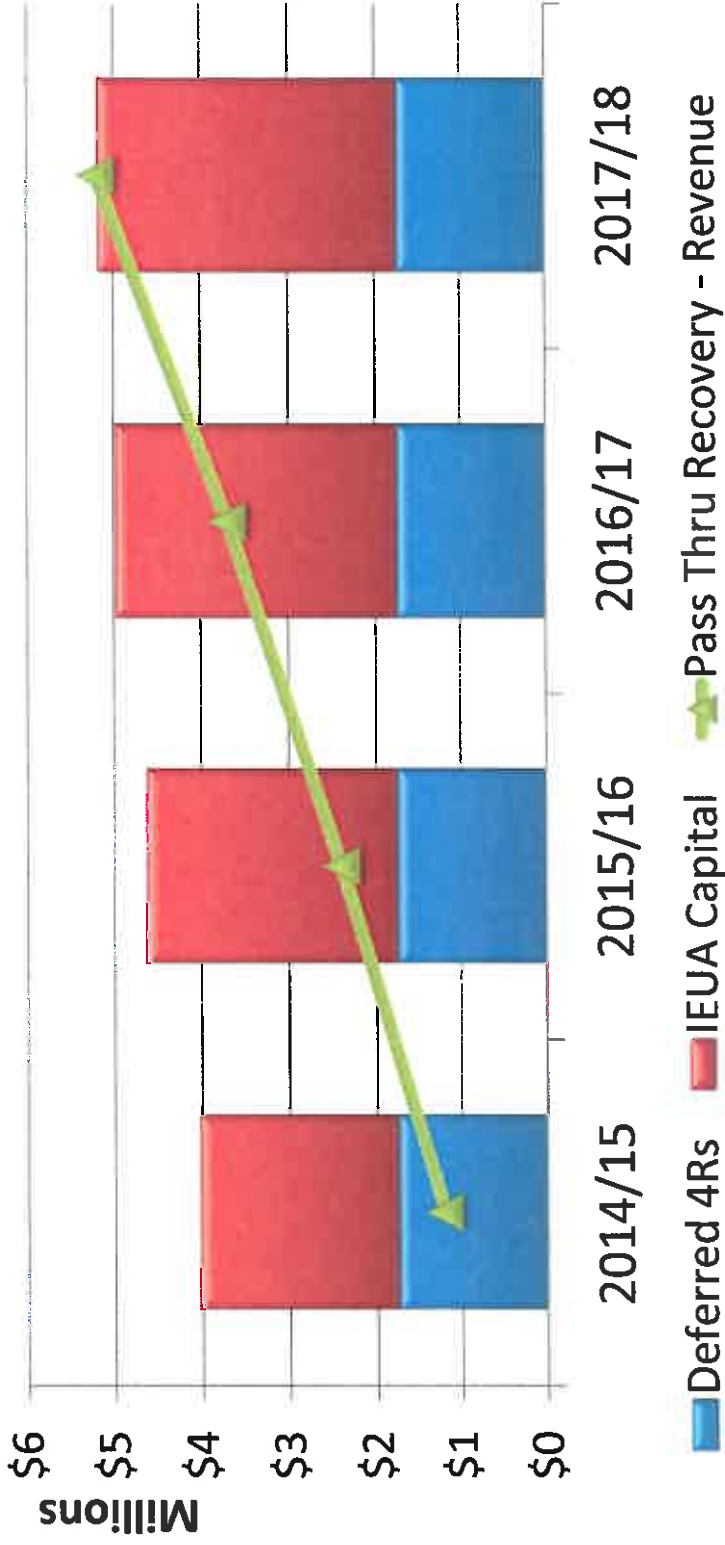
FY 2014/15

- ❖ 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

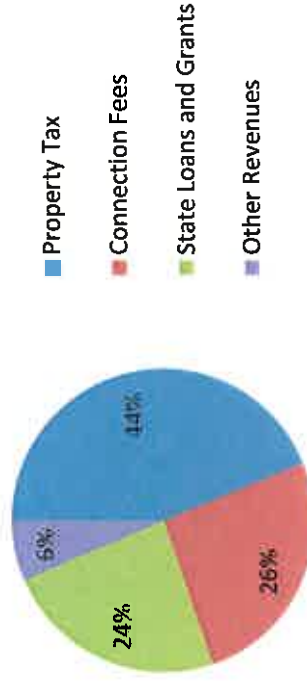




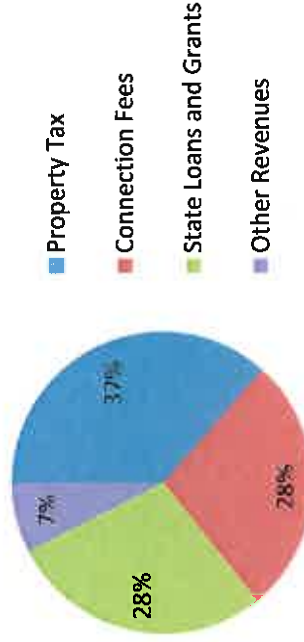
# FYs 2015/16 & 2016/17 Non-Operating Budget - All Funds

\$ 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

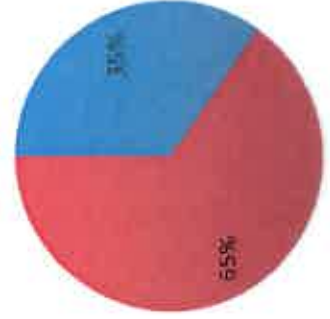
FY 2015/16 Other Funding Sources



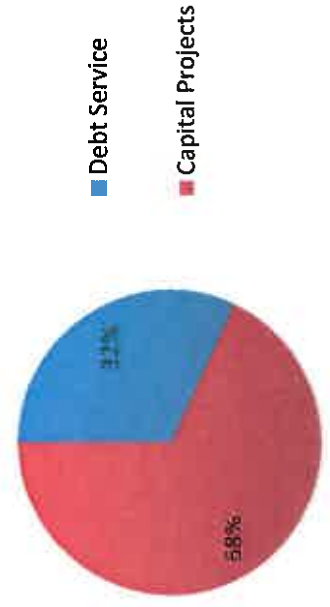
FY 2016/17 Other Funding Sources



FY 2015/16 Other Uses of Funds



FY 2016/17 Other Uses of Funds

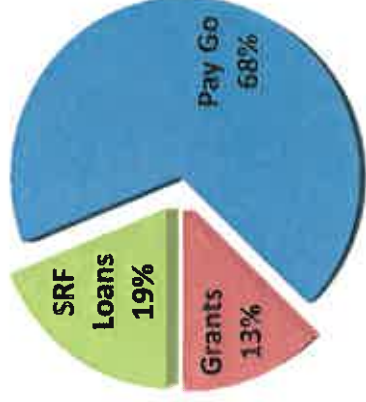




# FYs 2015/16 & 2016/17 Capital Improvement Plan (\$ Millions)

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
<b>Total</b>	<b>\$66.1</b>	<b>\$68.6</b>

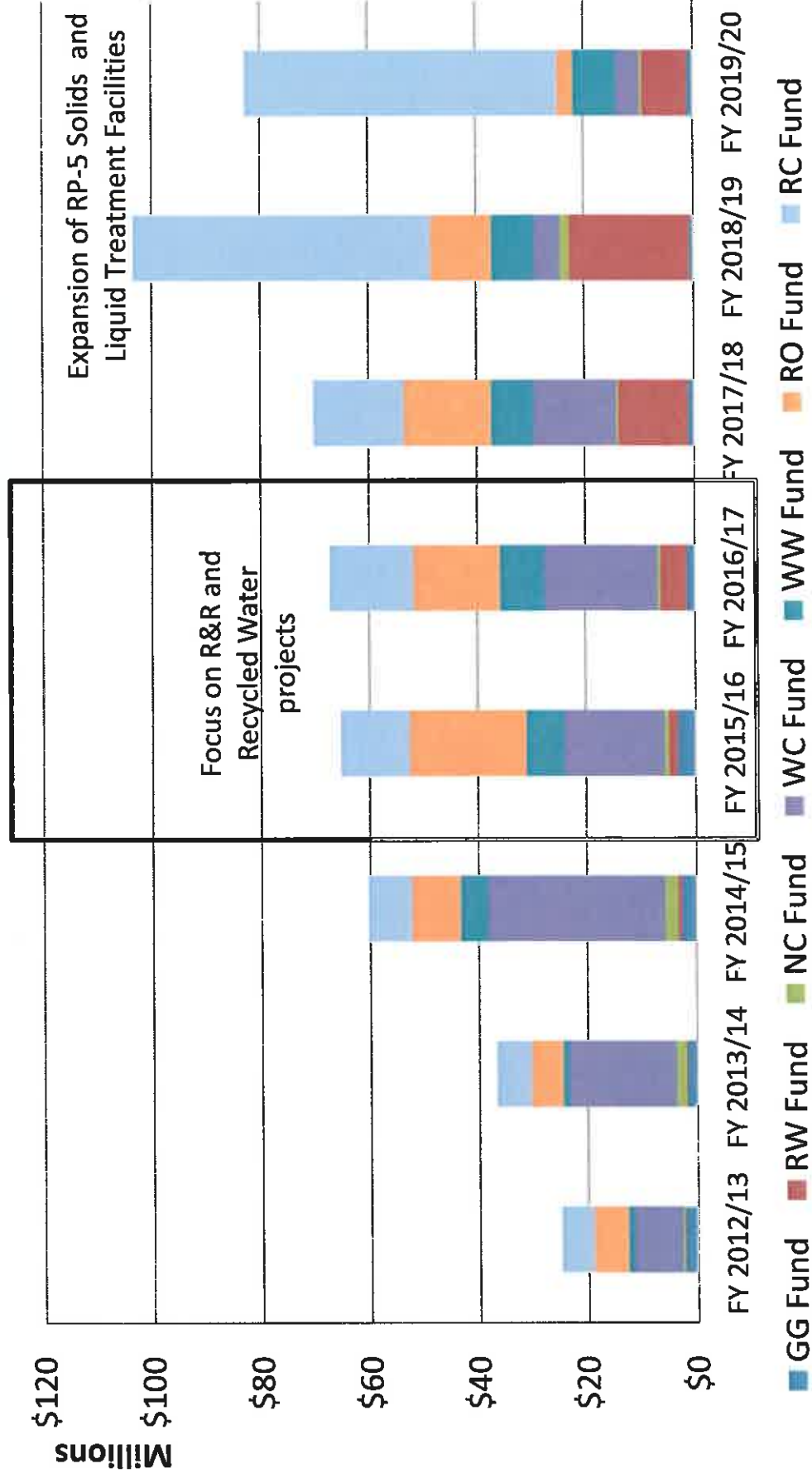
FY 2015/16 CIP Funding Sources



FY 2016/17 CIP Funding Sources



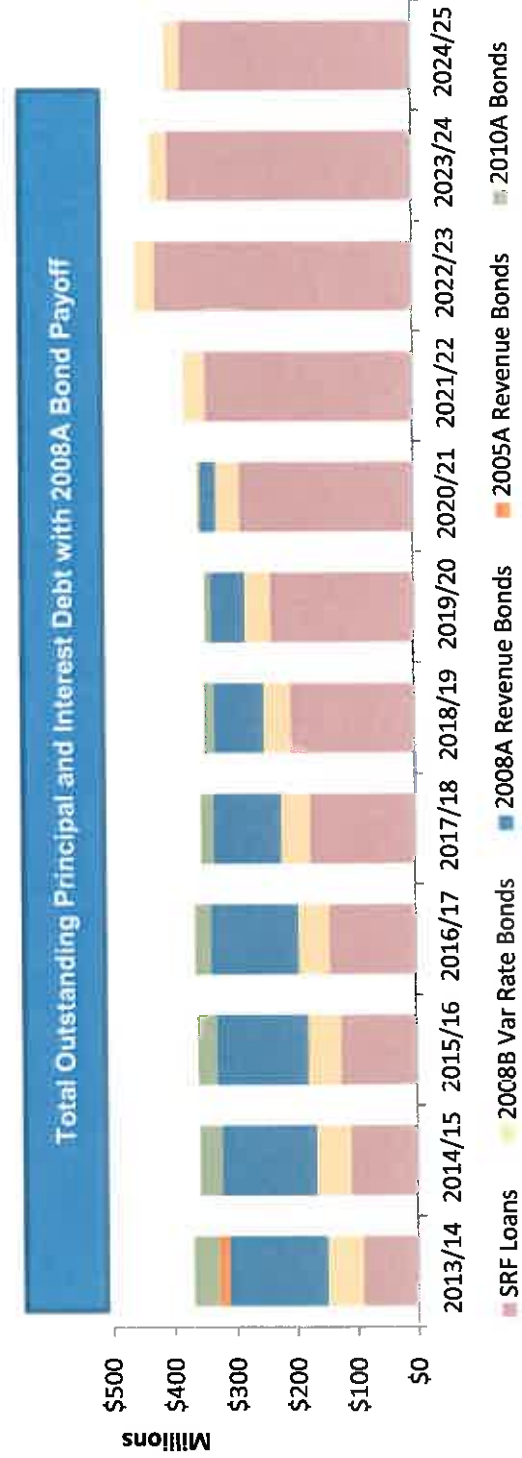
# FYs 2015/16 & 2016/17 Capital Improvement Plan



# Total Outstanding Debt

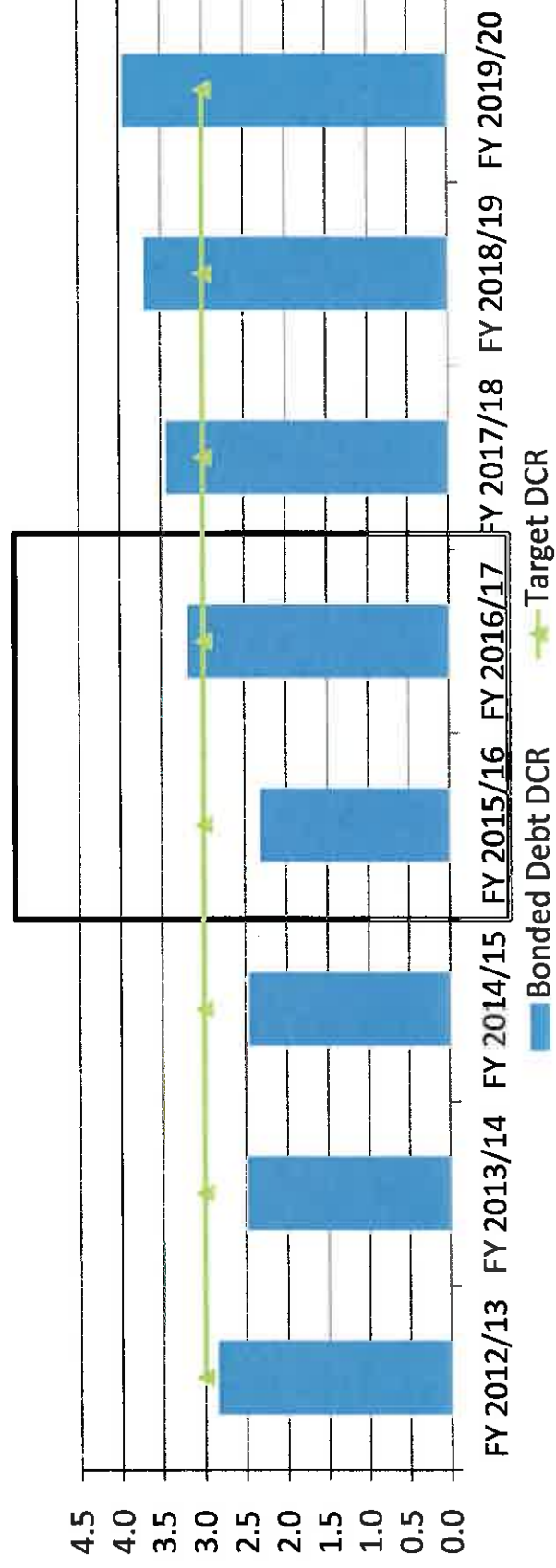
- ❖ Total inter-fund loans reaches \$34.8M in FY 2015/16
- ❖ Pay down \$125M of 2008A bonds starting FY 2017/18 through FY 2021/22
- ❖ Projected SRF loans (Principal/Interest) by 2025 reaches \$404M

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
	<b>Sub total:</b>	<b>\$28.5</b>
FY 2014/15	Due from Water Resources Fund to:	
	Administrative Services (GG) Fund	\$4.3
	<b>Total:</b>	<b>\$32.8</b>



# Projected Debt Coverage Ratio (DCR)

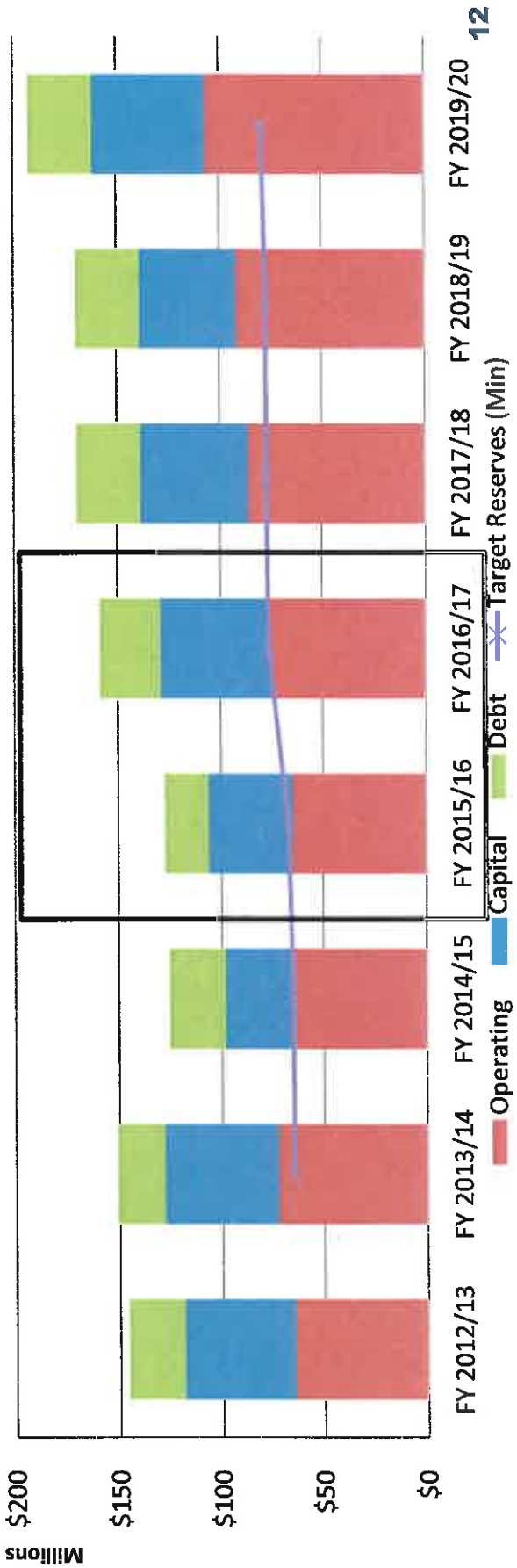
	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Projected	FY 2015/16 Projected	FY 2016/17 Projected	FY 2017/18 Projected	FY 2018/19 Projected	FY 2019/20 Projected
Agency DCR	2.85x	2.48x	2.46x	2.32x	3.19x	3.44x	3.70x	3.96x



# FYs 2015/16 & 2016/17 Fund Balance

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

## 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.

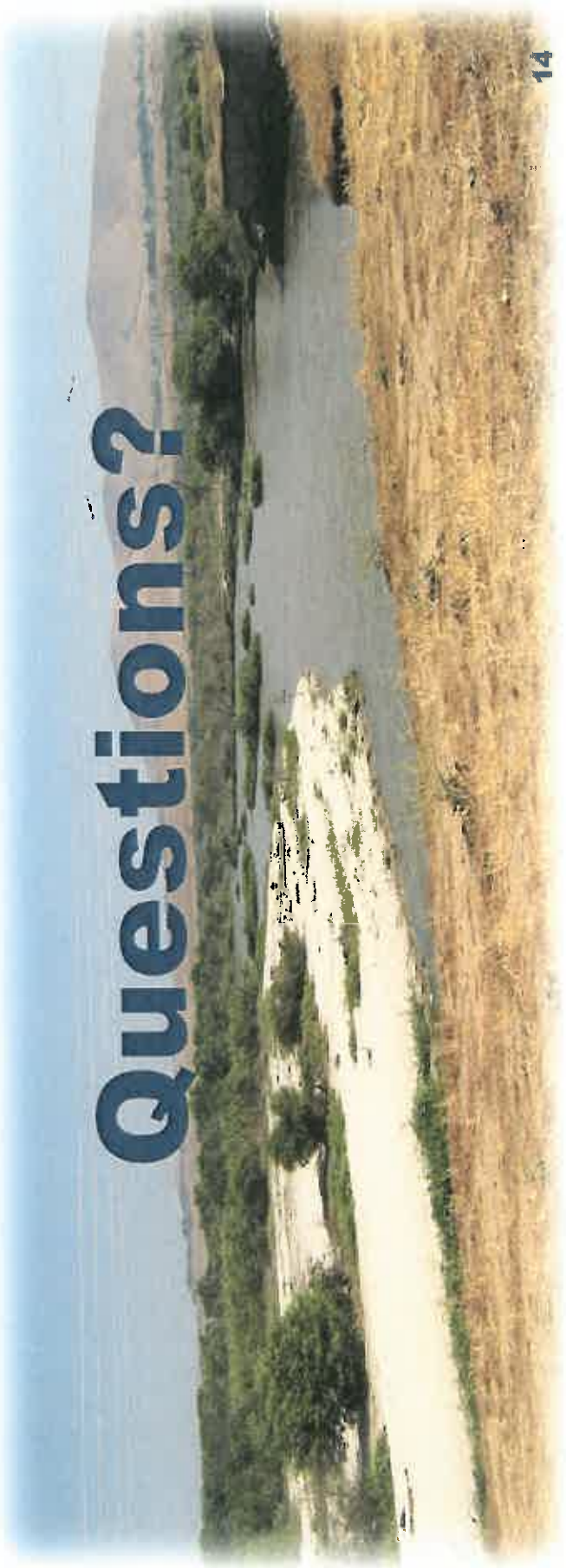




**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

**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?



**ACTION  
ITEM**

**1E**

Date: June 17, 2015

To: The Honorable Board of Directors

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

From: *PJ* P. Joseph Grindstaff *PJ*  
General Manager

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

*JLL*  
*#882* Javier Chagoyen-Lazaro  
Manager of Finance and Accounting

Subject: Adoption of Resolution No. 2015-6-2, Approving the Santa Ana Watershed Project Authority Adopted Budget for FY 2015/16 and FY 2016/17

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### **RECOMMENDATION**

It is recommended that the Board of Directors:

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.

### **BACKGROUND**

The FYs 2015/16 and 2016/17 budget was presented to the SAWPA member agencies' chief financial officers on March 28, 2015 and at the SAWPA Commission budget workshop on April 21, 2015.

On May 19, 2015, the SAWPA Commission adopted a biennial budget for FYs 2015/16 and 2016/17.

The total proposed budget for member contributions to support planning projects and administrative support for FY 2015/16 decreased slightly from FY 2014/15 amended budget, \$1,695,450 to \$1,347,795 for all members; a decrease of \$69,531 per member.

Annual contributions are equally shared by the five member agencies: IEUA, Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, and Western Municipal Water District.

Table 1 provides a summary of the adopted member agency's share of contributions for the two year budgets (FYs 2015/16 and FY 2016/17) compared to the amended budget for FY 2014/15 by project:

**Table 1  
 Member Agency Contribution Budget**

<b>PROJECT PLANNING</b>	<b>Adopted</b>	<b>Adopted Two-Year Budget</b>	
	<b>FY 2014/15</b>	<b>FY 2015/16</b>	<b>FY 2016/17</b>
General Planning	\$71,500	\$68,000	\$70,000
USBR Partnership Studies	4,000	4,000	4,000
Watershed Management Plan (OWOW)	61,000	60,000	60,000
SA Fish Conservation TF	2,000	2,000	2,000
Storm Water Quality Standards TF	10,000	10,000	10,000
LESJWA Management	2,000	2,000	2,000
<b>Subtotal</b>	<b>\$150,500</b>	<b>\$146,000</b>	<b>\$148,000</b>
<b>ADMINISTRATION</b>			
State/Federal Lobbying	52,590	46,559	49,861
General Fund Costs	136,000	77,000	90,000
<b>Subtotal</b>	<b>\$188,590</b>	<b>\$123,559</b>	<b>\$139,861</b>
<b>Member Agency Contribution</b>	<b>\$339,090</b>	<b>\$269,559</b>	<b>\$287,861</b>

**PRIOR BOARD ACTION**

On June 18, 2014, the IEUA Board of Directors adopted Resolution No. 2014-6-2, approving the amended FY 2014/15 general and specific project budgets for SAWPA's adopted two year budgets (FYs 2013/14 and FY 2014/15).

The adopted budgets were ratified by the IEUA Board on June 19, 2013.

Adoption of Resolution No. 2015-6-2, Approving the SAWPA  
Adopted Budget for FY 2015/16 and FY 2016/17  
June 17, 2015  
Page 3 of 3

**IMPACT ON BUDGET**

The Agency's share of SAWPA's FY 2015/16 and FY 2016/17 member contribution Adopted Budget of \$269,559 and \$\$287,861, respectively, are included in the Agency's proposed biennial budget of the Administrative Services (GG), Recycled Water (WC), and Water Resources (WW) program funds.

Attachments:

Attachment A – Member Agency Contribution Budget

Attachment B – Resolution No. 2015-6-2

**Attachment A  
Member Agency Contribution Budget**



**MEMBER CONTRIBUTION  
Summary Schedule**

		<u>Adopted</u>	<u>Proposed</u>	<u>Proposed</u>
		<u>FYE 2015</u>	<u>FYE 2016</u>	<u>FYE 2017</u>
<b>Member Agency Contributions</b>				
<b><u>Exempt from G&amp;A Costs</u></b>				
	<b><u>Funds</u></b>			
SAWPA General Funds	100-00	\$ 680,000	\$ 385,000	\$ 450,000
State Lobbying	100-03	\$ 235,768	\$ 212,203	\$ 223,005
Federal Lobbying	100-04	\$ 27,182	\$ 20,582	\$ 26,302
		\$ 942,950	\$ 617,785	\$ 699,306
<b><u>Planning Projects</u></b>				
General Planning	370-01	\$ 357,500	\$ 340,000	\$ 350,000
USBR Partnership Studies	370-02	\$ 20,000	\$ 20,000	\$ 20,000
Watershed Management (OWOW)	373	\$ 305,000	\$ 300,000	\$ 300,000
SA River Fish Conservation	381	\$ 10,000	\$ 10,000	\$ 10,000
Storm Water Quality Task Force	386	\$ 50,000	\$ 50,000	\$ 50,000
LESJWA Management	477	\$ 10,000	\$ 10,000	\$ 10,000
		\$ 752,500	\$ 730,000	\$ 740,000
Total Member Agency Contributions		\$ 1,695,450	\$ 1,347,785	\$ 1,439,306
Per Member Agency		\$ 339,090	\$ 269,559	\$ 287,861



**RESOLUTION NO. 2015-6-2**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY\*, SAN BERNARDINO COUNTY, CALIFORNIA, APPROVING THE BUDGET OF THE SANTA ANA WATERSHED PROJECT AUTHORITY FOR FISCAL YEAR 2015/16 AND FISCAL YEAR 2016/17**

**WHEREAS**, the Inland Empire Utilities Agency\* is a member agency of the Santa Ana Watershed Project Authority;

**WHEREAS**, the Joint Exercise of Powers Agreement (JPA), which created SAWPA, required approval by the member agency of all general and specific project budgets of SAWPA to the extent that such budgets may impose any liability on the member agency; and.

**WHEREAS**, Paragraphs 9 and 27 of the JPA required the Agency's approval of such budgets be evidenced by a certified copy of a Resolution of Approval filed with SAWPA.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors of Inland Empire Utilities Agency hereby approves SAWPA's Fiscal Year 2015/16 and Fiscal Year 2016/17 Budget, directs the Board Secretary/Office Manager to send a certified copy of this Resolution to SAWPA, and authorizes payment to SAWPA of the member agency contribution for \$269,559 (FY 2015/16) and \$287,861 (FY 2016/17).

**ADOPTED** this 17<sup>th</sup> 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. 2015-6-2 was adopted at a regular meeting on June 17, 2015, of said Agency\* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Steven J. Elie  
Secretary/Treasurer

(SEAL)

\* A Municipal Water District

**ACTION  
ITEM**



**1F**


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Date: June 17, 2015

To: Honorable Board of Directors

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

From:  P. Joseph Grindstaff   
General Manager

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

 Javier Chagoyen-Lazaro  
#882 Manager of Finance and Accounting

Subject: Adoption of Resolution No. 2015-6-3, Approving the Biennial  
Update of the Agency's Investment Policy

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### RECOMMENDATION

It is recommended that the Board of Directors 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.

### BACKGROUND

The Investment Policy (Policy) establishes procedures and guidelines by which surplus funds can be managed in a prudent and fiscally-sound manner. The Policy encompasses those funds over which the Agency exercises fiscal control, stipulates allowable and unallowable investment alternatives, and establishes parameters for selecting broker/dealers and financial institutions with which the Agency may do business. The Policy also prioritizes the Agency's public funds management objectives of; safety, liquidity, and yield. The review focused on four key policy elements; compliance, comprehensiveness, balance, and clarity. A summary of the policy elements objectives can be found in attachment A.

The proposed Policy mandates a review and approval by the Board on a biennial basis, or whenever there are recommended changes, whichever occurs first. A change from an annual to biennial review and approval aligns with the adoption of the Agency's first biennial budget for FYs 2015/16 and 2016/17. The Board last approved the Policy on June 18, 2014. As the Agency's financial advisor, PFM Asset Management LLC (PFM) reviewed the current Policy and provided their recommendation based on their expertise as an investment advisor to public agencies and their understanding of the best investment practices of public agencies nationwide.

Overall, PFM found the Agency's Policy to be comprehensive, well written, and in compliance with the California Government Code (CGC) Section 53600. PFM pointed out that the only change to the to the CGC investment sections effective in 2015 was the addition of Supranationals (53601(q)) to the list of permitted investment. The Agency evaluated this revision and does not recommend adding this type of investment to the Policy.

The only proposed change to the FYs 2015/16 and 2016/17 Policy is in Section 8.F Authorized and Suitable Investments under Negotiable Certificate of Deposits (NCDs). This change will allow the Agency to purchase NCDs from highly rated banks (set by the Industry Standard Definition or IDC) at the Agency's required rating of 165 (Excellent). NCDs are fully FDIC insured with principal and interest. Most banks do not have debt ratings as they do not issue debt therefore the industry standard is the IDC Number. Changes are highlighted in red in Attachment B.

While the Agency's investment strategy continues to use a buy and hold approach, which normally helps to maintain a more stable yield for the overall portfolio, given the likelihood that short-term interest rates are projected to increase gradually over time, the investment strategy will focus primarily in short-term investments with a maturity period of 3 years or less. Staff will continue to seek opportunities to lock in higher rates for longer terms contingent upon the cash flow, in addition to adhering to the key investment objectives of safety and liquidity.

Attached for your consideration is a copy of the current Investment Policy (Exhibit A). Additionally, a listing of authorized broker/dealers is also provided in as part of Exhibit A under Attachment D.

### **PRIOR BOARD ACTION**

On June 18, 2014, the Board of Directors adopted Resolution No. 2014-6-11, approving the Agency's Investment Policy for FY 2014/15.

### **IMPACT ON BUDGET**

None.

#### **Attachments:**

Attachment A – Policy Objectives and Elements

Attachment B – Redlined Changes to the Investment Policy

Exhibit A – Investment Policy

Resolution No. 2015-6-3

## Attachment A- Policy Objectives and Elements

- *Safety:* Preservation of capital in the overall portfolio is the foremost objective.
- *Liquidity:* Investment portfolio will remain sufficiently liquid to enable the Agency to meet all anticipated operating requirements.
- *Yield:* Return on investments is of secondary importance; however, the investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow requirements.
- *Compliance:* At a minimum, an investment policy must comply with the requirements of the California Government Code (CGC) (§ 53600 *et seq*). The Board may impose additional requirements based on its investment objectives and preferences.
- *Comprehensiveness:* An investment policy should be comprehensive to ensure that the key aspects of the investment program are properly addressed.
- *Balance:* An investment policy should provide a balance between investment restrictions, which help protect the Agency's assets, and investment flexibility, which permits staff to adapt to changing market conditions and investment needs.
- *Clarity:* An investment policy should express the Board's investment objectives with sufficient clarity, so that staff, brokers/dealers and other interested participants clearly understand the investment policy's intent.



## Attachment B – SUMMARY OF POLICY CHANGE

The proposed change to the FY 2015/16 Policy is summarized below:

### **SECTION 8.0 AUTHORIZED AND SUITABLE INVESTMENTS:**

#### ***8.F – Negotiable Certificates of Deposit***

Negotiable Certificates of Deposit. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. ~~Purchases are limited to institutions which have long-term debt rated at least in the “A” category, or its equivalent, by a NRSRO; and/or have short-term debt rated at least “A-1,” or its equivalent, by a NRSRO. NCDs may not exceed 5 years in maturity.~~ A minimum Industry Standard Definition (IDC) rating of 165 (Excellent) is required. All purchased shall not exceed the FDIC Insured Limit. The current FDIC Negotiable CD insured limit is \$250,000 (principal and interest). In combination with Placement Service CDs, a maximum of 30 percent of the portfolio may be invested in this category.

Exhibit A



# FYs 2015/16 – 2016/17 INVESTMENT POLICY

6075 Kimball Avenue  
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Phone: (909) 993-1600

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# INLAND EMPIRE UTILITIES AGENCY

## FY 2015/16 INVESTMENT POLICY

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INLAND EMPIRE UTILITIES AGENCY

FY 2015/16 INVESTMENT POLICY

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## INLAND EMPIRE UTILITIES AGENCY INVESTMENT POLICY

### 1.0 POLICY

WHEREAS; The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code (CGC) § 53600.6 and 53630.1 (CGC §53600.6 and §53630.1) ;

WHEREAS; the legislative body of a local agency may invest surplus monies, not required for the immediate necessities of the local agency, in accordance with the provisions of CGC §5922 and CGC §53601 et seq.; and

WHEREAS; the Secretary/Treasurer or the Chief Financial Officer/Assistant General Manager (CFO/AGM) or the General Manager (GM) of the Inland Empire Utilities Agency (IEUA) shall biennially, or whenever there are recommended changes, whichever occurs first, prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting (CGC §53646[a]).

NOW, THEREFORE, BE IT RESOLVED that the policy of IEUA is to invest funds in a manner which will provide: (i) the maximum security; (ii) the funds necessary to meet the daily cash flow demands of the IEUA; and (iii) the highest investment return while conforming to all statutes governing the investment of IEUA funds within the constraints of this Investment Policy.

### 2.0 SCOPE

This Investment Policy applies to all surplus monies of IEUA, as defined below.

*Surplus Monies* are defined, for the purpose of this Investment Policy, as all funds of the IEUA except:

- Monies held in Deferred Compensation Accounts

#### *Pooling of funds*

Except for cash in certain restricted and special funds, IEUA will consolidate cash and reserve balances from all funds to maximize investments earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### 3.0 PRUDENCE

The standard of prudence to be used by designated investment signatories shall be the "prudent investor" standard (CGC §53600.3) and shall be applied in the context of managing an overall portfolio. Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of IEUA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Designated investment signatories, acting in accordance with written procedures, this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### 4.0 OBJECTIVES

As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds; the primary objectives, in priority order, of the investment activities shall be:

- A. *Safety*: Safety of principal is the foremost objective of the investment program. Investments made by IEUA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.
- B. *Liquidity*: The investment portfolio will remain sufficiently liquid to enable IEUA to meet all operating requirements which might be reasonably anticipated.
- C. *Return on Investments (Yield)*: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
  - 1. A security with declining credit may be sold to minimize loss of principal.
  - 2. A security swap would improve quality, yield, or target duration in the portfolio.
  - 3. Liquidity needs of the portfolio that requires the security to be sold.



## 5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from CGC §53600, et seq. Management's responsibility for the investment program is hereby delegated for a one-year period by the legislative body, to the Chief Financial Officer/Assistant General Manager (CFO/AGM) or the General Manager (GM) who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked by the Board of Directors. The CFO/AGM or the GM shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons/positions responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this investment policy and the procedures established by the CFO/AGM or the GM and Administration. The CFO/AGM or GM shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

## 6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the placement of investments shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

## 7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The CFO/AGM or the GM shall maintain a list of approved and authorized financial institutions and brokers/dealers, selected on the basis of credit-worthiness, financial strength, experience, and capitalization.

In selecting the *financial institutions* for the deposit or investment of IEUA funds, the Secretary/Treasurer or the CFO/AGM or the GM's consideration shall include the depository's latest equity/asset ratio data and continue to monitor the financial institutions' credit characteristics and financial history throughout the period during which IEUA funds are deposited or invested.

The minimum qualifications for Agency approved depository/financial institutions include: (i) that they must be at least three (3) years old; have total assets in excess of ten (\$10) billion dollars; a core capital/asset ratio of 5 percent or better; or (ii) have total assets in excess of five hundred million dollars (\$500,000,000); and a core capital/asset ratio of 6 percent or better.

For the services of *banks, savings banks, and savings and loan associations, depository agreements* shall be prepared by the CFO/AGM or the GM and authorized representatives of the respective financial institutions for consideration and execution by the Secretary/Treasurer.

For *broker/dealer* services utilized to invest in government securities and other investments, the CFO/AGM or the GM is designated to select only brokers/dealers who are licensed and in good standing with the California Department of Securities (CDS), the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or other applicable self-regulatory organizations. A periodic review of authorized brokers/dealers is essential to serve the IEUA's investment needs.

In order to improve quality services, expertise, and credit worthiness, the CFO/AGM or the GM may, on a selective basis, revise the approved list of brokers/dealers to update qualified brokers/dealers under the requirements of this Investment Policy.

The CFO/AGM or the GM shall maintain a list of approved brokers/dealers and submit the list to the Board of Directors as part of the periodic Investment Policy review process, or more frequently as requested by the Board.

Financial institutions/depositories, brokers/dealers and external investment managers, who do investment-related business with IEUA shall sign a Certificate of Understanding (see Attachment "A"). The Certification of Understanding states that the entity:

- A. Has read and is familiar with the IEUA's Investment Policy as well as applicable Federal and State Law;
- B. Agrees to notify IEUA in writing of any potential conflicts of interest;
- C. Meets the requirements as outlined in this Policy;
- D. Agrees to make every reasonable effort to protect the assets of IEUA from loss.

Annually, banks, savings bank, savings and loans associations, and authorized brokers/dealers will be requested to update information about their financial institutions. The required information will be supplied by responses to the attached questionnaires (see Attachment "B" for broker/dealers and Attachment "C" for banks and savings and loans), and provide IEUA with copies of published financial statements.

## 8.0 AUTHORIZED AND SUITABLE INVESTMENTS

IEUA's investments are governed by Government Code. Within the investments permitted by the Government Code, IEUA seeks to further restrict eligible investments to the investments listed below. In the event an apparent discrepancy is found between this Investment policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the date an investment is purchased. Credit ratings, as shown, specify the minimum credit rating category required at the point of purchase without regard to specific modifiers, such as +/- or 1, 2, 3.

- A. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- B. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- C. State Municipal Securities – Registered treasury notes or bonds issued by any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a state or by a department, board, agency, or authority of any of the 50 states. Securities eligible for investment under this paragraph shall be rated at least “A” by a Nationally Recognized Statistical Rating Organization (NRSRO). Short-term municipal securities eligible for investment shall be rated at or above the following credit agencies investment grade ratings; Sp-1 by Standard & Poor’s, F-1 by Fitch, and MIG-1 by Moody’s. These ratings for short term municipal securities signify the issuer’s strong capacity to pay principal and interest. Not more than 10 percent of IEUA’s funds shall be invested in state and local municipal securities.
- D. California Local Agency Municipal Securities – Bonds, notes, warrants or other evidence of indebtedness of a local agency or municipality located within the State of California, including debt securities issued by the IEUA. Securities eligible for investment under this paragraph shall be rated at least “A” by a NRSRO.
- E. Bank deposits, including demand deposit accounts, savings account, and market rate accounts, time deposits, and certificates of deposit in financial institutions located in California. Bank deposits are required to be collateralized as specified under Government Code § 53630 et. seq. Agreements allowing for the waiver of the collateral requirement for that amount of deposit covered by the Federal Deposit Insurance Corporation may be implemented provided the remainder of the deposit is secured by collateral as required by the Government Code.
- F. Negotiable Certificates of Deposit. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. A minimum Industry Standard Definition (IDC) rating of 165 (Excellent) is required. All purchased shall not exceed the FDIC Insured Limit. The current FDIC Negotiable CD insured limit is \$250,000 (principal and interest). In combination with Placement Service CDs, a maximum of 30 percent of the portfolio may be invested in this category.
- G. Placement Service Deposits (PSD). Funds may be placed with a private sector entity that assists in the placement of deposit with eligible financial institutions located in the United States (CGC § 53601.8). The full amount of the principal and the interest

that may be accrued during the maximum term of each PSD shall at all times be insured by federal deposit insurance. In combination with Negotiable CDs, the maximum portfolio exposure to Placement Service Deposits is limited to 30 percent. The maximum investment maturity will be restricted to five years.

H. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria:

- (a) Is organized and operating in the United States as a general corporation;
- (b) Has total assets in excess of five hundred million dollars (\$500,000,000);
- (c) Has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.

(2) The entity meets the following criteria:

- (a) Is organized within the United States as a special purpose corporation, trust, or limited liability company;
- (b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond;
- (c) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.

I. Local Agency Investment Fund (LAIF) investment pool is a voluntary program created by statute as an investment alternative for California's local governments and special districts and is under the administration of the State Governor of California. All securities purchased by LAIF are under the authority of Government Code § 16429 and 16480.4. As part of the Pooled Money Investment Account (PMIA), LAIF has oversight by the Pooled Money Investment Board (PMIB), and an in-house Investment Committee. LAIF also has oversight by the Local Agency Investment Advisory Board and is audited by the Bureau of State Audits on an annual basis.

Investment in California LAIF cannot exceed the maximum deposit per agency limit as set by the Local Agency Investment Fund.

- J. Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of CGC § 53601(p). Total purchases shall not exceed \$20 million per account of surplus funds.

Whenever the IEUA has any funds invested in a LGIP, the Chief Financial Officer/AGM or the General Manager shall maintain on file a copy of the pools' current information statement to be reviewed on a periodic basis.

- K. Money Market Funds - Investing solely in U.S. treasury securities and U.S. Government Agency securities, and repurchase agreements relating to the above obligations. To be eligible, these Money Market Funds must have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. (B) Retained an investment advisor with not less than five years' experience and registered or exempt from registration with the SEC, with assets under management in excess of five hundred million dollars (\$500,000,000). No more than 20 percent of the portfolio may be invested in Money Market Funds and with no more than 10 percent invested in any one money market mutual fund.

- L. Repurchase Agreements - IEUA may invest in repurchase agreements with banks and dealers with which IEUA has entered into a master repurchase agreement which specifies terms and conditions of repurchase agreements.

1) Transactions shall be limited to the primary dealers and banking institutions rated "A" or better by a NRSRO, or with a financially stable banking institution which the Agency has substantial banking relationship. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the CFO/AGM or GM and will not be allowed to fall below 102 percent of the value of the repurchase agreement plus the value of collateral in excess of the value of the repurchase agreement. In order to conform with the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States.

2) Not more than 40 percent of the portfolio may be invested in repurchase agreements and a security interest satisfactory to IEUA shall always be maintained in the securities subject to a repurchase agreement.

- M. Medium Term Notes (MTN): MTNs defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases in this category shall not exceed 10 percent of the portfolio and must be rated “A” or better by a NRSRO.

***Ineligible Investments:*** Investments not described herein, including but not limited to, reverse repurchase agreements and common stocks are prohibited from use in this portfolio. This Investment Policy further specifically disallows investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

## 9.9 AUTHORIZED INVESTMENTS FOR BOND FUNDS

Bond funds shall be invested in the securities permitted pursuant to Board approved bond documents. If the bond documents are silent as to the permitted investments, bond funds will be invested in the securities permitted by this policy. Notwithstanding the other provisions of this Investment Policy, the dollar portfolio, percentage, and term limitations listed elsewhere in the Investment Policy do not apply to bond funds. In addition to the securities listed in Section 8.0 above, bond funds may be invested in a structured investment product if approved by the CFO/AGM or GM.

## 10.0 SAFEKEEPING AND CUSTODY

As required by CGC §53601 all security transactions entered into by IEUA shall be conducted on Deliver versus Payment basis. Delivery versus Payment or DVP basis means all securities purchased or acquired shall be delivered to IEUA by book entry, physical delivery, or third party custodial agreement. Investments in the state pool, local government investment pools, or money market funds are undeliverable, and therefore, not subject to the delivery or third party safe keeping requirements.

## 11.0 DIVERSIFICATION

The Board of Directors recognize that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to minimize these risks. Investment signatories are expected to display prudence in the selection and/or approval of securities, as a way to minimize the risks present in the investment portfolio. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. Further, financial institutions which hold funds, deposited as investments, shall be subject to an investment limitation.

The Board of Directors acknowledges that from time to time certain situations may arise during which strict adherence to an inflexible investment policy may be overly restrictive. On a case by case basis, the Board of Directors may consider any pertinent information of such situations and may, by minute action, modify or waive, within the constraints of CGC

§53601 et seq., any of the provisions and/or restrictions of this Investment Policy.

The Secretary/Treasurer or the CFO/AGM or the GM shall periodically establish diversification guidelines, within the context of this policy, and strategies to control any risks of default, market price changes, and illiquidity.

## 12.0 TRADING OF SECURITIES

A trade is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. The purchase and sale transaction and the sale transaction must each be recorded separately and any losses or gains on the sale must be recorded.

The Secretary/Treasurer or the CFO/AGM or the GM may obtain competitive bids from at least two brokers or financial institutions on all purchases of investment instruments primarily using “GFOA Yield Advantage” software when available. Competitive bids can be also obtained by other communication channels when necessary.

## 13.0 MAXIMUM MATURITIES

Where no maturity limit is stated for an investment under Section 8.0, no investment shall be made in any security that at the time of the investment, has a term remaining to maturity in excess of five years unless the Board has granted express authority to make that investment either specifically or as part of a previous investment program no less than three (3) months prior to the investment. Any investment currently held at the time the investment policy is adopted which does not meet the new policy guidelines will be held until maturity, and shall be exempt from the current policy. At the time of the investment’s maturity or liquidation such funds shall be reinvested only as provided in the most current policy.

## 14.0 PORTFOLIO DURATION LIMITATION

The weighted average duration of the entire portfolio shall not exceed three (3) years.

## 15.0 MONITORING CREDIT RATINGS

The CFO/AGM or the GM shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Board in writing within 24 hours of knowledge of the event. If an existing investment’s rating drops below the minimum allowed for new investments made pursuant to this policy, the CFO/AGM or the GM shall also make a written recommendation to the Board as to whether this security should be held or sold prior to maturity.



## 16.0 REPORTING

The CFO/AGM or the GM shall submit to each member of the Board of Directors a monthly investment report. This report will include the elements of the quarterly report as recommended by CGC §53646, to include:

- a. Type of investment
- b. Name of institution
- c. Date of maturity
- d. Amount of deposit or cost of the security and the par value
- e. Current market value of all securities
- f. Rate of interest/earnings (yield)
- g. A monthly list of transactions

CGC §53646(b)(2),(3) recommends that the investment report must include a statement that (i) all investment actions executed since the last investment report have been made in full compliance with the Investment Policy or a Board of Directors' minute action (waiver) and, that (ii) IEUA will meet its expenditure obligations for the next six months. The CFO/AGM or the GM shall maintain a complete and timely record of all investment transactions in support of the above statement.

## 17.0 INTERNAL CONTROLS

The CFO/AGM or the GM is responsible for establishing and maintaining a control structure designed to ensure that the assets of the IEUA are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation and benefits require estimates and judgments by management.

An biennial independent review, or as needed to address recommended changes, by an external auditor to assure compliance with policies and procedures will be performed as part of the IEUA's annual audit.

## 18.0 PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. In order to determine whether market yields are being achieved, the CFO/AGM or the GM shall identify comparable benchmarks to the portfolio investment duration, (e.g. 90-day US Treasury Bill, 6-month US Treasury Bill, average LAIF yield rate). This comparative analysis is included in investment report presented to the Board of Directors on a monthly basis.

## 19.0 POLICY REVIEW

This investment policy shall be reviewed regularly to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return and its relevance to current law and financial and economic trends. The Board shall be responsible for maintaining guidance over this investment policy to ensure that IEUA can adapt readily to changing market conditions, and approve any modification to the investment policy prior to implementation.

## 20.0 STATE LAW

The legislated authority of the IEUA's investments is covered in Section 53601, 53607, 53635, 53638, 53646, 53652, and 53653 of the Government Code. It is the policy of the IEUA to comply with the State laws governing its investments.

## 21.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the Board of Directors of IEUA\*. Moreover, the Policy shall be reviewed whenever there are recommended changes or biennially, whichever occurs first, and modifications must be approved by the Board of Directors.

### ADOPTED AND APPROVED:

**Name:** Terry Catlin  
**Title:** President, Board of Director  
**Date:** June 17, 2015

*\* A Municipal Water District*

## APPENDIX 1: GLOSSARY OF CASH MANAGEMENT TERMS

### **ASK PRICE:**

The price at which securities are offered for sale; also known as offering price.

### **BASIS POINT:**

One hundredth of one percent (i.e. 0.01 percent).

### **BOND PROCEEDS:**

The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

### **BOOK VALUE:**

The value at which a debt security is shown on the holder's balance sheet. Book value is often acquisition cost plus/minus amortization and accretion, which may differ significantly from the security's current value in the market.

### **BROKER:**

A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

### **CALLABLE BOND:**

A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

### **CALTRUST:**

A Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents.

### **CERTIFICATE OF DEPOSIT (CD):**

A time deposit with a specific maturity evidenced by a certificate.

### **CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS):**

A private CD placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

### **COLLATERAL:**

Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

### **COMMERCIAL PAPER:**

A short-term, unsecured, promissory note with a fixed maturity of no more than 270 days. By statute, these issues are exempt from registration with the U.S. Securities and Exchange Commission.

### **CREDIT RISK:**

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security and a loss will result.

### **CUSTODIAN:**

A bank or other financial institution that keeps custody of stock certificates and other assets.

### **DEALER:**

A dealer, as opposed to a broker, acts as a principal in all transaction, buying and selling for his own risk and account or inventory.

### **DELIVERY OF SECURITIES:**

There are two methods of delivery of securities; *Delivery versus Payment* and *Delivery versus Receipt*. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of signed receipt for the securities.

**DIVERSIFICATION:**

Dividing investment funds among a variety of securities offering independent returns.

**DURATION:**

A measure of the timing of the cash flows to be received from a given-fixed income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**FACE VALUE:**

The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

**FAIR VALUE:**

The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):**

A federal agency that insures bank deposits.

**FEDERAL FARM CREDIT BANK (FFCB):**

Government-sponsored institution that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. Government guarantees.

**FEDERAL FUNDS RATE:**

The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):**

The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Bank vis-à-vis member

commercial banks. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U.S. Government.

**FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac):**

Established in 1970 to help maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. Government guarantees.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae):**

FNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a Federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA securities do not carry direct U.S. Government guarantees.

**FEDERAL RESERVE SYSTEM:**

The central bank of the U.S. which consists of seven member Board of Governors, 12 regional banks, and about 5,700 commercial banks that are members.

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):**

The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. All told, FINRA oversees nearly 4,750 brokerage firms, about 167,000 branch offices and approximately 634,000 registered securities representatives.

**INTEREST ONLY STRIPS:**

The interest portion of a Treasury note or bond that has been stripped of its principal component through the commercial book-entry system.

**INTEREST RATE RISK:**

The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

**INVERSE FLOATER:**

Fixed income instrument whose coupon or interest rate is periodically reset according to a short term rate index such as LIBOR, or prime rate. Unlike the traditional floating rate instrument, however, the inverse floater's rate is set equal to a fixed rate minus the short-term rate index.

**INVESTMENT POLICY:**

A clear and concise statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

**INVESTMENT PORTFOLIO:**

A collection of securities held by a bank, individual, institution, or government agency for investment purposes.

**LIQUIDITY:**

An asset that can be converted easily and rapidly into cash with minimum risk on principal.

**LOCAL AGENCY INVESTMENT FUND (LAIF):**

An investment pool managed by the California State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

**MARKET TO MARKET:**

Current market price of a security.

**MARKET RISK:**

Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

**MARKET VALUE:**

The price at which a security is currently being sold in the market. See FAIR VALUE.

**MASTER REPURCHASE AGREEMENT:**

A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:**

The date that the principal or stated value of a debt instrument becomes due and payable.

**MEDIUM-TERM NOTES (MTNs):**

Corporate notes, having any or all of the features of corporate bonds and ranging in maturity from nine months out to thirty years. The difference between corporate bonds and MTNs is that corporate bonds are underwritten.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO):**

A rating organization designated by the SEC as being nationally recognized, such as Moody's Investor Service, Inc. (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

**NEGOTIABLE CERTIFICATES OF DEPOSIT:**

Time deposits issued by Federal Deposit Insurance Corporation (FDIC) insured banks and are underwritten by the Financial Industry Regulatory Authority (FINRA) registered Broker/Dealers. Also known as "DTC Eligible CDs" or "Brokered Deposits", this type of deposit is offered to investors by issuing institutions looking to raise liquidity and funding through the wholesale and institutional markets.

**OPEN MARKET OPERATIONS:**

Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the Federal Open Market Committee, (FOMC), in

order to influence the volume of money and credit in the economy. Purchases inject reserves into the banking system and stimulate growth of money and credit. Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**PAR VALUE:**

The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in increments of \$1,000 per bond.

**PORTFOLIO:**

The collection of securities held by an individual or institution.

**PRIMARY DEALER:**

A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker/dealers, banks and a few unregulated firms.

**PRINCIPAL:**

The face or par value of a debt instrument or the amount of capital invested in a given security.

**PRUDENT PERSON RULE:**

An investment standard: The way a prudent person of discretion and intelligence would be expected to manage the investment program in seeking a reasonable income and preservation of capital.

**RANGE BONDS:**

Bonds that accrue interest during a particular Interest Period at a fixed or variable rate if a specified index is within a specified range during a designated period of time or at a particular point in time. A Range Bond may not bear interest if the specified index is outside the specified range.

**RATE OF RETURN:**

- 1) The yield which can be attained on a security based on its purchase price or its current market price.
- 2) Income earned on an investment,

expressed as a percentage of the cost of the investment.

**REPURCHASE AGREEMENT (RP OR REPO):**

A holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Agency) with an agreement to repurchase them at a fixed date. The security "buyer" (e.g. the Agency) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the "buyer" for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

**REVERSE REPURCHASE AGREEMENT (REVERSE REPO):**

A counter party (e.g. investment dealer) buys the securities from the holder of securities (e.g. the Agency) with an agreement to sell them back at a fixed date. The counter party in effect lends the seller (e.g. the Agency) money for the period of the agreement with terms of the agreement structured to compensate buyer.

**SAFEKEEPING:**

A service banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or, if called, on the call date.

**SWAP:**

An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount.

**SECURITIES AND EXCHANGE COMMISSION (SEC):**

Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SECONDARY MARKET:**

A market for the repurchase and resale of outstanding issues following the initial distribution.

**SECURITIES:**

Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness of equity.

**SPREAD:**

The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

**UNDERWRITER:**

A dealer that purchased a new issue of municipal securities for resale.

**U.S. TREASURY OBLIGATIONS:**

Debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

**TREASURY BILLS:**

A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**TREASURY BONDS:**

Long-term U. S. Treasury securities.

**TREASURY NOTES:**

Intermediate-term coupon-bearing U.S. Treasury securities having initial maturities from one year to ten years.

**WEIGHTER AVERAGE MATURITY (WAM):**

The average maturity of all the securities that comprise a portfolio, typically expressed in days of years.

**YIELD:**

The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security.

**YIELD CURVE:**

Yield calculations of various maturities of instruments of the same quality at a given time to observe spread differences.

**ZERO-INTEREST BOND**

A bond on which interest is not payable until maturity (or early redemption), but compounds periodically to accumulate to a state maturity amount. Zero-interest bonds are typically issued at a discount and repaid at par upon maturity.



CERTIFICATION OF UNDERSTANDING

I hereby certify that I have personally read Inland Empire Utilities Agency's (IEUA) Investment Policy and the California Government Code pertaining to the investments of the IEUA.

I will disclose to the IEUA any potential risks or conflicts with the Investment Policy that might arise out of business transactions between my firm and the IEUA.

I will undertake reasonable efforts to prevent imprudent transactions involving funds of the IEUA and will endeavor to keep familiar with the IEUA's investment objectives and constraints, as they exist from time to time.

I will only offer investments for the IEUA's consideration that are in conformity to the IEUA's Investment Policy.

I attest to the accuracy of the responses to the IEUA's questionnaire.

NOTE: Completion of the attached questionnaire is only part of Inland Empire Utilities Agency's certification process and DOES NOT guarantee that the our financial institution will be guaranteed any portion of the investment business with Inland Empire Utilities Agency.

FIRM NAME \_\_\_\_\_

PRINTED NAME: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_ DATE \_\_\_\_\_

INLAND EMPIRE UTILITIES AGENCY  
OFFICE OF THE CHIEF FINANCIAL OFFICER/AGM OR GENERAL MANAGER  
BROKERS/DEALERS QUESTIONNAIRE AND CERTIFICATION

*Please fill out form and return to Inland Empire Utilities Agency*

1. Name of Firm \_\_\_\_\_
2. Address \_\_\_\_\_  

(Local)
(National Headquarters)

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3. Telephone No. \_\_\_\_\_
4. Primary Representatives: Manager/Partner-In-Charge:  
Name \_\_\_\_\_ Name \_\_\_\_\_  
Telephone \_\_\_\_\_ Telephone \_\_\_\_\_  
Years in institutional sales \_\_\_\_\_ Years in institutional sales \_\_\_\_\_  
Years with firm \_\_\_\_\_ Years with firm \_\_\_\_\_
5. Are you a Primary Dealer in U.S. Government Securities?     Yes    No
6. Are you a Regional Dealer in U.S. Government Securities?     Yes    No
7. Are you a Broker instead of a Dealer?  
i.e., You DO NOT own positions of Securities?                                     Yes    No
8. What is the net capitalization of your firm? \_\_\_\_\_
9. What is the date of your fiscal year-end? \_\_\_\_\_
10. Is your firm owned by a holding company? If so, what is its name and net capitalization?  
\_\_\_\_\_  
\_\_\_\_\_
11. Please provide your wiring and delivery instructions. \_\_\_\_\_  
\_\_\_\_\_
12. Which of the following instruments are offered regularly by your local desk?  
 T- Bills     Treasury Notes/Bonds     Discount Notes     NCD's  
 Agencies (specify) \_\_\_\_\_
13. Which of the above does your firm specialize in marketing? \_\_\_\_\_  
\_\_\_\_\_

14. Please identify your most directly comparable Local Agency Clients in our geographical area:

Entity	Contact Person	Telephone	Client Since
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

15. What reports, transactions, confirmations and paper trail would we receive?  
\_\_\_\_\_

16. Please include samples of research reports or market information that your firm regularly provides to local agency clients.

17. What precautions are taken by your Firm to protect the interest of the public when dealing with government agencies as investors? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

18. Have you or your Firm been censored or punished by a regulatory State or Federal agency for improper or fraudulent activities, related to the sale of securities?  Yes  No

19. If yes, explain. \_\_\_\_\_

20. Attach certified documentation of your capital adequacy and financial solvency. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end. (Copy of a Published Financial Statement)

21. Attach proof of Financial Industry Regulatory Authority (FINRA) certification.

22. Attach proof of California Department of Securities Registration.

23. Attach proof of Securities and Exchange Commission registration.

24. Attach proof of adequate insurance coverage.

25. Are you listed under GFOA Yield Advantage?  Yes  No



13. What is the education level of the primary contact(s)? \_\_\_\_\_
14. How many years of related experience does the primary contact(s) have?  
\_\_\_\_\_
15. What other banking services would you be interested in providing Inland Empire Utilities Agency? \_\_\_\_\_
16. What transaction documents and reports would we receive? \_\_\_\_\_
17. What information would you provide to our Chief Financial Officer/AGM or General Manager? \_\_\_\_\_
18. Describe the precautions taken by your Bank/Savings and Loan to protect the interest of the public when dealing with government agencies as depositors of investors.  
\_\_\_\_\_  
\_\_\_\_\_
19. Please provide your Contract of Deposit of Monies pre-signed and sealed by your institution, as well as any signature cards that you may require.
20. Please provide your wiring instructions. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
21. Please provide your Bank/Savings and Loan most current audited financial statements. (Copy of Published Financial Statement).
22. Please attach biographical information for your representative.

**RESOLUTION NO. 2015-6-3**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
INLAND EMPIRE UTILITIES AGENCY\*, SAN BERNARDINO  
COUNTY, CALIFORNIA, APPROVING THE BIENNIAL  
UPDATE OF THE AGENCY'S\* INVESTMENT POLICY**

**WHEREAS**, a "Statement of Investment Policy" is rendered to the Board of Directors on a biennial basis or whenever there are recommended changes, whichever occurs first; and

**WHEREAS**, the Secretary/Treasurer, the Chief Financial Officer/Assistant General Manager or the General Manager of the Inland Empire Utilities Agency (Agency), in accordance with Government Code Section 53646.(a)(2), shall biennially prepare and submit a Statement of Investment Policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting; and

**WHEREAS**, the existing policy has been reviewed and revised in order to provide for operational flexibility without sacrificing internal controls or increasing financial risk to the Agency.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors that:

Section 1. The revisions, if any, to the Inland Empire Utilities Agency\* Investment Policy dated June 17, 2015 are to be adopted for Fiscal Years 2015/16 and 2016/17.

Section 2. This resolution shall take effect from and after its date of adoption.

Section 3. Upon adoption of this resolution, Resolution No. 2014-6-11 is hereby rescinded in its entirety.

ADOPTED this 17<sup>th</sup> day of June, 2015.

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

ATTEST:

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Steven J. Elie  
Secretary/ 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, Steve J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency\*,  
DO HEREBY CERTIFY that the foregoing Resolution being No. 2015-6-3, was adopted at  
a regular Board Meeting on June 17, 2015, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Steven J. Elie  
Secretary/Treasurer

\* a Municipal Water District