



AGENDA

MEETING OF THE BOARD OF DIRECTORS

**WEDNESDAY, SEPTEMBER 16, 2015
10:00 A.M.**

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

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

FLAG SALUTE

PUBLIC COMMENT

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

ADDITIONS TO THE AGENDA

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

NEW HIRE INTRODUCTION

- Mr. William Leever, Groundwater Recharge Coordinator, hired on 6/22/15 (Ernest Yeboah)
- Mr. Kevin Asprer, Associate Engineer, hired on 7/13/15 (Jeff Noelte)
- Mr. Shaun Stone, Manager of Engineering, hired on 8/31/15 (Chris Berch)

1. CONSENT CALENDAR

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

A. MINUTES

The Board will be asked to approve the minutes from the August 19, 2015 Board meeting; and the August 5, 2015 Special Joint Workshop of the IEUA Board of Directors and the Regional Policy Committee.

B. TREASURER'S REPORT ON GENERAL DISBURSEMENTS

It is recommended that the Board approve the total disbursements for the month of July 2015 in the amount of \$18,602,805.09.

C. BUDGET AMENDMENT FOR FISCAL YEAR 2014/15 ENCUMBRANCE CARRY FORWARD

It is recommended that the Board approve the carry forward of open encumbrances and related budget in the amount of \$15,646,000 from FY 2014/15 to FY 2015/16.

D. ADOPTION OF RESOLUTION NO. 2015-9-1, APPROVING AN APPLICATION TO THE STATE WATER RESOURCES CONTROL BOARD FOR THE DEVELOPMENT OF A FEASIBILITY STUDY

It is recommended that the Board adopt Resolution No. 2015-9-1, authorizing the General Manager, or his designee, to sign and file an application with the State Water Resources Control Board (SWRCB) for a Planning Grant Financial Assistance Agreement through the Water Recycling Planning Program for the development of a feasibility study for a recycled water interconnection with Monte Vista Water District (MVWD) and the City of Pomona (Pomona).

E. FISCAL YEAR 2015/16 ANNUAL AUDIT PLAN

It is recommended that the Board:

1. Approve the FY 2015/16 Internal Audit (IA) Annual Audit Plan; and
2. Direct the Manager of Internal Audit to finalize the FY 2015/16 Annual Audit Plan.

F. CONSTRUCTION CONTRACT FOR MANHOLE UPGRADES

It is recommended that the Board:

1. Approve the construction contract award for the NRW Collection System Manhole Upgrades FY 2015/16, Project No. EN15046, and Collection System Manhole Upgrades FY 2015-16, Project No. EN15045, to Genesis Construction for their low bid of \$594,777; and

2. Authorize the General Manager to execute the contract.

G. TASK ORDER NUMBER 1 – CHANGE ORDER REQUEST FOR RP-1 FLARE NEW IRON SPONGE INSTALLATION

It is recommended that the Board:

1. Approve a Task Order Change Order for the RP-1 Flare System Improvements, new iron sponge installation, Project No. EN13046, to W.A. Rasic Construction for the lump sum amount for \$160,279; and
2. Authorize the General Manager to finalize and execute the Change Order.

H. ENGINEERING SERVICES CONTRACT AMENDMENT FOR THE RECYCLED WATER PROGRAM, SOUTHERN PROJECT AREA

It is recommended that the Board:

1. Approve an engineering services contract amendment for Stantec Consulting, Inc. for the Recycled Water Program, Southern Project Area, for the not-to-exceed fee of \$48,746; and
2. Authorize the General Manager to finalize and execute the contract amendment.

I. AMENDMENT TO THE MEMORANDUM OF UNDERSTANDING FOR THE FREESPRINKLERNOZZLES.COM VOUCHER PROGRAM

It is recommended that the Board:

1. Approve an amendment to the Memorandum of Understanding (MOU) agreement between IEUA and Western Municipal Water District for the implementation and management of a multi-agency Freesprinklernozzles.com Voucher Program (Phase VI) for a not-to-exceed amount of \$243,750; and
2. Authorize the General Manager to execute said agreement.

J. CONTRACT AWARD TO UNIVAR USA, INC. FOR 25% SODIUM BISULFITE

It is recommended that the Board:

1. Approve Contract No. 46000001974 to Univar USA, Inc. establishing a two-year contract for the supply of 25% Sodium Bisulfite with options for three additional one-year extensions, for a potential total contract term of five years; and
2. Authorize the General Manager or his designee to execute the contract with the three potential contract extensions.

K. ADOPTION OF RESOLUTION NO. 2015-9-5, EXCUSING THE ABSENCE OF DIRECTOR GENE KOOPMAN FROM REGULAR BOARD MEETINGS PURSUANT TO BYLAW SECTION 101

It is recommended that the Board adopt Resolution No. 2015-9-5, excusing the absence of Director Gene Koopman from regular Board meetings pursuant to bylaw Section 101.

2. ACTION ITEM

A. ADOPTION OF RESOLUTION NOS. 2015-9-2, 2015-9-3, AND 2015-9-4, FOR THE 2015 DROUGHT RELIEF RECYCLED WATER SUPPLY OPTIMIZATION PROGRAM

It is recommended that the Committee/Board:

1. Adopt Resolution No. 2015-9-2, authorizing the General Manager to sign and file an application and agreement with the State Water Resources Control Board (SWRCB), for the 2015 Drought Relief Recycled Water Supply Optimization Program, Phase I Project (Project);
2. Adopt Resolution No. 2015-9-3, pledging net revenues for the repayment of the State Revolving Fund (SRF) loan from the SWRCB for the Project;
3. Adopt Resolution No. 2015-9-4, establishing its intention to be reimbursed for expenditures related to the construction of the Project; and
4. Authorize the General Manager to execute an MOU with the City of Ontario (City) that allows IEUA to apply for the SRF Loan/Grant for the City, and authorizing the IEUA to manage the funding for the City.

3. INFORMATION ITEMS

A. MWD AND DROUGHT UPDATE (ORAL)

RECEIVE AND FILE INFORMATION ITEMS

B. TREASURER'S REPORT OF FINANCIAL AFFAIRS (WRITTEN/ POWERPOINT)

C. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)

D. LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN)

E. LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES (WRITTEN)

- F. LEGISLATIVE REPORT FROM WEST COAST ADVISORS (WRITTEN)
- G. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN)
- H. STATE LEGISLATION MATRIX (WRITTEN)
- I. ENGINEERING AND CONSTRUCTION MANAGEMENT MONTHLY UPDATE (POWERPOINT)
- J. ENGINEERING AND CONSTRUCTION MANAGEMENT PROGRAM MANAGEMENT PLAN (WRITTEN)
- K. FOLLOW-UP AUDIT REPORT OF OUTSTANDING RECOMMENDATIONS INTERCOMPANY RECEIVABLES (WRITTEN)
- L. REGIONAL CONTRACT REVIEW – INTERIM AUDIT REPORT FOR THE CITY OF ONTARIO (WRITTEN)
- M. EXTERNAL FINANCIAL AND SINGLE AUDIT SERVICES REQUEST FOR PROPOSAL PROCESS AND AUDIT COMMITTEE FINANCIAL ADVISOR CONTRACT EXTENSION (WRITTEN)
- N. INTERNAL AUDIT (IA) DEPARTMENT STATUS REPORT FOR SEPTEMBER 2015

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

- 4. AGENCY REPRESENTATIVES' REPORTS
 - A. SAWPA REPORT (WRITTEN)
 - B. MWD REPORT (WRITTEN)
 - C. REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT (Meeting was cancelled for September 3)
 - D. CHINO BASIN WATERMASTER REPORT (WRITTEN)
- 5. GENERAL MANAGER'S REPORT (ORAL)
- 6. BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS
- 7. DIRECTORS' COMMENTS
- 8. CONFERENCE REPORTS

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

9. CLOSED SESSION

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

1. Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010
2. Martin vs. IEUA, Case No. CIVRS 1000767
3. Sheilds vs. IEUA, Case No. CIVRS 1301638
4. Mwembu vs. IEUA, Case No. CIVDS 1415762

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

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

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

1. Two (2) Cases


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

1. Various Positions – Compensation Study
2. Various Positions

10. ADJOURN

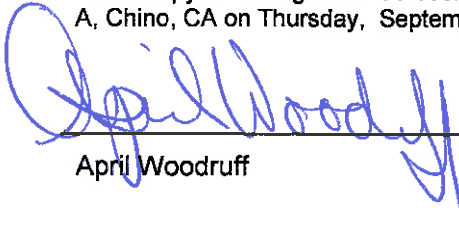
*A Municipal Water District

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

Proofed by: 

Declaration of Posting

I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, September 10, 2015.



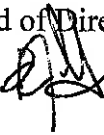
April Woodruff


**CONSENT
CALENDAR
ITEM**

1K

Date: September 16, 2015

To: The Honorable Board of Directors

From: P. Joseph Grindstaff 
General Manager

Submitted by: Jean Cihigoyenette 
General Counsel

Subject: Adoption of Resolution No. 2015-9-5, Excusing the Absence of Director Gene Koopman from Regular Board Meetings.

RECOMMENDATION

It is recommended that the Board of Directors adopt Resolution No. 2015-9-5, excusing the absence of Director Gene Koopman from regular Board meetings pursuant to Bylaws Article 1, Section 101.

BACKGROUND

As provided for in the Agency's Bylaws Article 1, Section 101, and Government Code 1770, the official minutes of the Agency shall reflect that the accumulated absences by Director Koopman and future absences from meetings of the Board of Directors of the Agency, which are a result of illness, are deemed permitted absences by the Board of Directors and are excused. Any such absences shall not be used to determine that Director Koopman's office as a member of the Board of Directors has become vacant.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

RESOLUTION NUMBER 2015-9-5

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, EXCUSING THE ABSENCE OF DIRECTOR GENE KOOPMAN FROM REGULAR BOARD MEETINGS PURSUANT TO BYLAWS SECTION 101

WHEREAS, the Inland Empire Utilities Agency*, a Municipal Water District (“Agency”) has enacted certain Bylaws, including Section 101 which states as follows: “...if a member of the Board of Directors is absent from six (6) consecutive meetings of the Board of Directors, unless by permission of the Board of Directors expressed in its official minutes,...the office of such person shall become vacant.”;

WHEREAS, due to illness, Director Gene Koopman has been unable to attend four (4) consecutive meetings of the Board of Directors of the Agency;

WHEREAS, due to the illness of Director Gene Koopman, the Board of Directors of the Agency expects that he will miss additional meetings of the Board; and

WHEREAS, the Board of Directors, in compliance with Section 101 of the Bylaws wishes to establish, in the official minutes of the Agency, that said absences by Director Koopman are excused and done by permission of the Board of Directors.

NOW, THEREFORE, the Board of Directors of the Inland Empire Utilities Agency does hereby resolve, determine, and order as follows:

1. That the official minutes of the Agency shall reflect that the accumulated absences by Director Koopman and future absences from meetings of the Board of Directors of the Agency which are a result of illness, are deemed permitted absences by the Board of Directors and are excused as provided for in Agency Bylaws Section 101 and Government Code 1770. Any such absences shall not be used to determine that Director Koopman’s office as a member of the Board of Directors has become vacant.

ADOPTED this 16th day of September, 2015.

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

ATTEST:

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

(SEAL)

STATE OF CALIFORNIA)
)
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. 2015-9-5, was adopted
at a regular meeting on September 16, 2015, of said Agency by the following vote:

AYES:

NOYES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary/Treasurer

(SEAL)

*A Municipal Water District

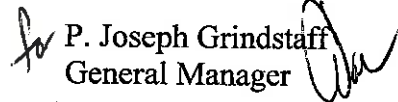
**ACTION
ITEM**


2A


Date: September 16, 2015

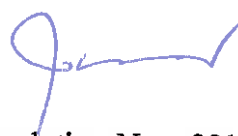
To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (09/09/15)

From:  P. Joseph Grindstaff
General Manager

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

 Javier Chagoyen-Lazaro
Manager of Accounting and Fiscal Management

Jason Gu
Grants Officer 

Subject: Adoption of Resolution Nos. 2015-9-2, 2015-9-3, and 2015-9-4, for the 2015 Drought Relief Recycled Water Supply Optimization Program

RECOMMENDATION

It is recommended that the Board of Directors:

1. Adopt Resolution No. 2015-9-2, authorizing the General Manager to sign and file an application and agreement with the State Water Resources Control Board (SWRCB), for the 2015 Drought Relief Recycled Water Supply Optimization Program, Phase 1 Project (Project);
2. Adopt Resolution No. 2015-9-3, pledging net revenues for the repayment of the State Revolving Fund (SRF) loan from the SWRCB for the Project;
3. Adopt Resolution No. 2015-9-4, establishing its intention to be reimbursed for expenditures related to the construction of the Project; and
4. Authorize the General Manager to execute an MOU with the City of Ontario (City) that allows IEUA to apply for the SRF Loan/Grant for the City, and authorizing the IEUA to manage the funding for the City.

BACKGROUND

In January 2014, Governor Brown declared a Drought State of Emergency. In March 2014, the SWRCB approved the 1% Interest Incentive SRF Loan Program to help California produce an additional 150,000 acre-feet per year (AFY) of recycled water.

In April 2015, the SWRCB announced the Proposition 1 (Prop 1) Water Recycling Grant Program, which provides for a 35% Prop 1 grant with a maximum of \$15,000,000 per project, in addition to the 1% Interest Incentive SRF Loan funding.

IEUA and the City of Ontario jointly are working on a SRF loan/grant application for the Drought Relief Recycled Water Supply Optimization Project. This project has an estimated total cost of \$55,200,000. The application is seeking a \$15,000,000 Prop 1 grant and the balance will be the 1% SRF loan shared proportionately by the city and IEUA. Projects covered by this application are listed below:

Sub-Project	Description	Project No.	Amount
San Sevaine Basin Improvements	Construct a small pump station and 2,000-foot pipeline from Basin 5 to Basin 3	EN13001	\$6,000,000
RP-1 1158 RWPS Upgrades	Upsize the pump station for GWR demands	EN14042	\$4,000,000
RP-5 RW Pipeline Bottleneck	Evaluate upsize of the RP-5 RW piping system	EN14043	\$1,200,000
RP-1 Parallel Outfall Pipeline	Construct 11,800 LF of pipeline from RP-1 to Riverside Drive	EN19003	\$5,000,000
RW Pressure Sustaining Valve	Install pressure sustaining valves on high-volume users of recycled water in order to maintain system pressure	EN16034	\$1,700,000
930-800 West CCWRF PRV	Construct a Pressure Relief Valve to send water from the 930 pressure zone to the 800 pressure zone for CCWRF	EN17007	\$600,000
Napa Lateral/Speedway/CSI	Construct 11,330 LF of RW/WW pipeline and pump station to connect the speedway and steel plant to IEUA Treatment Plant	WR15021	\$6,000,000
Baseline Recycled Water Extension	Extend the Baseline Avenue RW pipeline by 6,800 LF to Cherry Avenue in the City of Fontana	WR08030	\$3,500,000
IEUA Funding Total			\$28,000,000
Ontario Euclid/Riverside RW Pipelines	Expand the City's RW distribution system by adding 18 miles of pipelines, including laterals, and irrigation booster pump retrofits.	Ontario	\$20,000,000
Ontario Funding Total			\$20,000,000
Contingency - 15%			\$7,200,000
Total Project Cost			\$55,200,000

The City of Ontario has adopted an MOU, approving the Euclid and Riverside Recycled Water Pipeline project budget in the amount of \$20,000,000, SRF loan repayment, and fee for IEUA's grants administration. A detailed inter-agency reimbursement agreement between IEUA and Ontario will be negotiated upon approval of the funding by SWRCB.

IEUA Funding ¹	\$28,000,000
Ontario Funding	\$20,000,000
Contingency	\$7,200,000
Total	\$55,200,000

¹IEUA funding is reduced by previously awarded grants in the amounts of \$375,000 and \$750,000, totaling \$1,125,000.

The \$7,200,000 contingency in the application is available for both agencies on an as needed basis for unforeseen change orders to avoid unnecessary grant contract amendments. IEUA and Ontario are not obligated if the contingency is not needed. The unused loan will be returned to the State.

The objectives of the application are consistent with the Agency's Business Goal of increasing local water supply and reducing dependence on imported water supplies.

PRIOR BOARD ACTION

On May 4, 2015, the Board adopted Resolution No. 2015-5-4, establishing rates covering the sales of recycled water to support future expansion of IEUA's regional water system for fiscal years 2015/16-2019/20.

On April 15, 2015, the Board adopted Resolution No. 2015-4-2, authorizing the General Manager to execute a grant agreement with the U.S. Department of Interior - Bureau of Reclamation (USBR) for a Water Use Efficiency grant for the San Sevaine Basins Improvement Project. The USBR grant was awarded in the amount of \$375,000.

On February 20, 2013, the Board adopted Resolution No. 2013-2-2, authorizing the General Manager to execute a grant agreement related to the DWR Prop 84 grant program and SAWPA OWOW Round 2 IRWM Plan for the San Sevaine Basins Improvement Project. The DWR/SAWPA grant was awarded in the amount of \$750,000.

IMPACT ON BUDGET

The proposed IEUA projects have a total project cost of \$28,000,000, all of which are in IEUA's Ten-Year Capital Improvement Plan (TYCIP) with the exception of the Baseline Recycled Water Extension Project. Upon approval by SWRCB, the TYCIP and annual appropriations will be revised to align with the new SRF loan, grant, and total project budget.

Adoption of Resolutions for the 2015 Drought Relief Recycled Water Supply Optimization
Program Phase 1 Project SRF Loan/Grant
September 16, 2015
Page 4 of 4

Attachments:

Resolution No. 2015-9-2

Resolution No. 2015-9-3

Resolution No. 2015-9-4

City of Ontario approved MOU

RESOLUTION NO. 2015-9-2

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, AUTHORIZING THE GENERAL MANAGER TO EXECUTE THE FINANCIAL ASSISTANCE APPLICATIONS AND AGREEMENTS WITH THE STATE WATER RESOURCES CONTROL BOARD, FOR THE 2015 DROUGHT RELIEF RECYCLED WATER SUPPLY OPTIMIZATION PROGRAM, PHASE 1 PROJECT

BE IT RESOLVED, by the Board of Directors of the Inland Empire Utilities Agency (IEUA) that the General Manager, or in his absence his designees, is hereby authorized and directed to sign and file, for and on behalf of IEUA, a Financial Assistance Application for financing agreements from the State Water Resources Control Board for the planning, design, and construction of all projects related to the 2015 Drought Relief Recycled Water Supply Optimization Program, Phase I Project (Project);

BE IT RESOLVED, that IEUA hereby agrees and further authorizes the General Manager, or in his absence his designees, to provide the assurances, certifications, and commitments required for the financial assistance applications, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto; and

BE IT FURTHER RESOLVED, that the General Manager, or in his absence his designees, is authorized to represent the IEUA in carrying out the IEUA's responsibilities under the financing agreement, including certifying disbursement requests on behalf of the IEUA and compliance with applicable state and federal laws.

ADOPTED this 16th day of September, 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

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 No. 2015-9-2 was adopted at a regular
meeting on September 16, 2015 of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary/Treasurer

(Seal)

*A Municipal Water District

RESOLUTION NO. 2015-9-3

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, DEDICATING CERTAIN REVENUES FOR THE REPAYMENT OF STATE REVOLVING FUND (SRF) FINANCING FROM THE STATE WATER RESOURCES CONTROL BOARD FOR THE 2015 DROUGHT RELIEF RECYCLED WATER SUPPLY OPTIMIZATION PROGRAM, PHASE 1 PROJECT

WHEREAS, The State Water Resources Control Board (SWRCB) offers funding to assist local agencies with the design and construction of Wastewater Treatment and Recycled water distribution facilities;

WHEREAS, The Board of Directors of the Inland Empire Utilities Agency has authorized the General Manager or his designees to apply for and execute the State Revolving Fund (SRF) loan and grant contracts with the SWRCB;

WHEREAS, IEUA has applied for SRF loan and grant from SWRCB for the Drought Relief Recycled Water Supply Optimization Program Phase 1 Project (Project); and

WHEREAS, the SWRCB's SRF loan program requires each recipients to establish one or more dedicated sources of revenue for repayment of the SRF loan.

NOW THEREFORE, BE IT RESOLVED, by the Board of Directors, that the Inland Empire Utilities Agency (IEUA) hereby dedicates and pledges net revenues from enterprise funds to payment of any and all Clean Water State Revolving Fund and/or Water Recycling Funding Program financing for the 2015 Drought Relief Recycled Water Supply Optimization Program Phase 1, CWSRF Project No. 8105-110. The IEUA commits to collecting such revenues and maintaining such funds(s) throughout the term of such financing and until the IEUA has satisfied its repayment obligation thereunder, unless modification or change is approved in writing by the SWRCB. So long as the financing agreements are outstanding, the IEUA's pledge hereunder shall constitute a lien in favor of the SWRCB on the foregoing fund(s) and revenue(s) without any further action necessary. So long as the financing agreements are outstanding, the IEUA commits to maintaining the funds and revenues at levels sufficient to meet its obligations under the financing agreements.

ADOPTED this 16th day of September, 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

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 No. 2015-9-3 was adopted at a regular
meeting on September 16, 2015 of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary/Treasurer

(Seal)

*A Municipal Water District

RESOLUTION NO. 2015-9-4

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING ITS INTENTION TO BE REIMBURSED FOR EXPENDITURES RELATED TO THE CONSTRUCTION OF PUBLIC FACILITIES AND IMPROVEMENT RELATED TO THE 2015 DROUGHT RELIEF RECYCLED WATER SUPPLY OPTIMIZATION PROGRAM, PHASE 1.

WHEREAS, the Inland Empire Utilities Agency (the "Agency") desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its water and wastewater system, including certain treatment facilities, pipelines and other infrastructure (the "Project"); and

WHEREAS, the Agency intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys (Project Funds) provided by the State of California, acting by and through the State Water Resources Control Board (SWRCB); and

WHEREAS, the SWRCB may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations");

WHEREAS, prior to either the issuance of the Obligations or the approval by the SWRCB of the Project Funds the Agency desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available monies of the Agency; and

WHEREAS, the Agency has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the Agency for the Expenditures from the proceeds of the Obligations.

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

SECTION 1. The Agency hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the SWRCB of the Project Funds.

SECTION 2. The reasonably expected maximum principal amount of the Project Funds is \$55,200,000.

SECTION 3. This resolution is being adopted no later than 60 days after the date on which the Agency will expend moneys for the construction portion of the Project costs to be reimbursed with Project Funds.

SECTION 4. Each Agency expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

SECTION 5. To the best of our knowledge, this Agency is not aware of the previous adoption of official intents by the Agency that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

SECTION 6. This resolution is adopted as official intent of the Agency in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

SECTION 7. All the recitals in this Resolution are true and correct and this Agency so finds, determines and represents.

ADOPTED this 16th day of September, 2015.

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

ATTEST:

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

**MEMORANDUM OF UNDERSTANDING
BETWEEN
CITY OF ONTARIO AND INLAND EMPIRE UTILITIES AGENCY
REGARDING JOINT GRANT AND SRF LOAN APPLICATION TO THE STATE
WATER RESOURCES CONTROL BOARD FOR WATER RECYCLING PROJECTS**

WHEREAS, in January 2014, the Governor issued a “Proclamation of a State of Emergency” for the severe and prolonged drought in the State of California. The State Water Resources Control Board (SWRCB) responded to the drought emergency by offering financing incentives for the construction of recycled water facilities; and

WHEREAS, in March 2014, the SWRCB authorized the Division of Financial Assistance to offer very low interest financing for water recycling projects from the Clean Water State Revolving Fund (SRF) loan program for recycled water projects; and

WHEREAS, in June 2015, the SWRCB announced the availability of the Water Quality, Supply, and Infrastructure Act of 2014 (Proposition 1) Water Recycling Grant Program; and

WHEREAS, Inland Empire Utilities Agency (IEUA) has established a regional wastewater treatment and recycled water distribution system, and IEUA and the City of Ontario (the City) plan to implement recycled water projects to optimize the recycled water use during the drought to offsetting State water supplies; and

WHEREAS, the City and IEUA desire to submit a joint proposal to the SWRCB for both the SRF loan Program and the Proposition 1 Grant Program funding for combined projects known as the 2015 Drought Relief Recycled Water Distribution System Optimization Project (Project); and

WHEREAS, both agencies desire to enter into this Memorandum of Understanding (MOU) in order to work collaboratively on the Proposition 1 grant and SRF loan application and to establish an Inter-Agency Grant and SRF Loan Management and Reimbursement Agreement to implement the joint Project if the Proposition 1 grant and SRF loan are awarded.

Now, therefore, the parties hereby make the following mutual commitments:

1. IEUA shall serve as the lead agency during the SRF loan and Proposition 1 grant application and ensure that the application is submitted timely and accurately in accordance with State Water Board SRF loan and Proposition 1 (Chapter 5 Section 79723) funding guidelines.
2. The City shall assist IEUA in preparing and reviewing the application including, but not limited to, technical description, budget, schedule, CEQA documentation, and financial status for the City’s project(s) as requested by IEUA.
3. IEUA shall serve as the Primary Grantee and the City shall serve as the Sub-Grantee. The Primary Grantee and Sub-Grantee shall share the same rights, benefits, liabilities and

obligations as shall be stated in the funding agreement, with the exception that IEUA shall receive the funding on the City's behalf.

4. IEUA is obligated to pass-through the City's share of grant and loan funding to the City according to the percentage of each party's project cost share. The SWRCB Water Recycling Grant Program Guidelines stipulate a maximum grant funding of 35% or \$15 million of the total eligible project costs.
5. An Inter-Agency Grant and SRF Loan Management and Reimbursement Agreement between the City and IEUA shall be developed to govern the parties' responsibilities regarding project planning, design, bid, construction, cost share, grant and loan reimbursement, loan repayment, grants administration, compliance requirements and pre- and post-construction performance reporting.
6. IEUA shall serve as the Grant Administrator on behalf of both agencies. The grant administrative costs are comprised of salary, burden and overhead for grant administrative support. These costs shall be charged to specific projects, if related specifically to the projects. Otherwise, the grant administrative costs shall be allocated evenly to all projects.
7. The City's projects shall be treated the same as IEUA's projects in allocating grant administrative costs. The City's share of the grant administrative costs shall be the actual administrative costs incurred on the City's behalf, or approximately 3% of the Proposition 1 funding based on the estimated project duration of eight years including five years as the post-construction reporting period. The intent is for IEUA to fully recover its grant administrative costs needed to administer the City's project(s).

The parties acknowledge that this MOU may be amended in a writing signed by both parties.

CITY OF ONTARIO

Signature: _____ Date: _____

Printed Name: _____

Title: _____

INLAND EMPIRE UTILITIES AGENCY

Signature: _____ Date: _____

Printed Name: _____

Title: _____

**INFORMATION
ITEM**

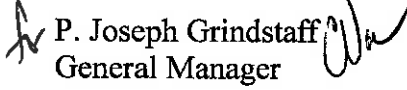
3B





Date: September 16, 2015

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (09/09/15)

From:  P. Joseph Grindstaff
General Manager

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

 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: Treasurer's Report of Financial Affairs

RECOMMENDATION

The Treasurer's Report of Financial Affairs for the month ended July 31, 2015, is an informational item for the Board of Director's review.

BACKGROUND

The Treasurer's Report of Financial Affairs for the month ended July 31, 2015, is submitted in a format consistent with State requirements. The monthly report denotes investment transactions that have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2015-6-3).

Total cash, investments, and restricted deposits of \$131,649,743, reflects a decrease of \$7,852,412 compared to the total reported for June 2015. The decrease was mainly due to pay down of the pension unfunded accrued liability (UAL) and the 2010A principal and interest debt service. As a result, the average days of cash on hand for the month ended July 31, 2015 decreased to 145 days from 169 days. Average days of cash on hand is calculated using the monthly ending balance of unrestricted cash and cash equivalents divided by disbursements associated with operating expenses, debt service, and capital expenditures as recorded in the Agency's cash flow. New connection fees collected and held by member agencies is excluded from the calculation.

The Agency's investment portfolio average rate of return in July 2015 was 0.648%, an increase of 0.137% compared to the average yield of 0.511% reported in June 2015. The increase is

attributed to the purchase of Certificates of Deposit with a combined yield of 1.410% and a slight increase in LAIF and Medium Term Note yields.

The Financial Affairs report is consistent with the Agency's Business Goal of Fiscal Responsibility in providing financial reporting that accounts for cash and investment activities to fund operating requirements and to optimize investment earnings.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

The interest earned on the Agency's investment portfolio increases the Agency's reserves.

Attachment: July 2015 Treasurer's Report of Financial Affairs

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
July 31, 2015

TREASURER'S REPORT OF FINANCIAL AFFAIRS

For the Month Ended July 31, 2015



All investment transactions have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2015-6-3) adopted by the Inland Empire Utilities Agency's Board of Directors during its regular meeting held on June 17, 2015.

The funds anticipated to be available during the next six-month period are expected to be sufficient to meet all foreseen expenditures during the period.

* A Municipal Water District

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 July 31, 2015

	July	June
Cash, Bank Deposits, and Bank Investment Accounts	\$1,593,369	\$2,855,830
Investments		
CBB Repurchase (Sweep)	\$13,030,277	\$28,898,737
Local Agency Investment Fund (LAIF)	24,853,241	24,835,685
CalTrust	3,540,861	3,539,402
Certificates of Deposit	7,310,210	4,172,210
Municipal Bonds	1,006,441	1,008,588
Medium Term Notes	4,001,034	4,001,961
U.S. Treasury Notes	999,752	999,737
U.S. Government Sponsored Entities	17,000,732	16,000,779
Total Investments	\$71,742,548	\$83,457,099
Total Cash and Investments Available to the Agency	\$73,335,917	\$86,312,929
Restricted Deposits		
Debt Service Accounts	\$7,202,385	\$2,544,713
CCRA Deposits Held by Member Agencies	42,657,717	42,229,483
OPEB (GERBT) Account	7,028,610	6,992,567
Escrow Deposits	1,425,114	1,422,463
Total Restricted Deposits	\$58,313,826	\$53,189,226
Total Cash, Investments, and Restricted Deposits	\$131,649,743	\$139,502,155

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 July 31, 2015

Cash, Bank Deposits, and Bank Investment Accounts

Citizens Business Bank Demand Account (Offset by CBB Sweep Balance)	\$377,956
Citizens Business Bank Workers' Compensation Account	29,602
Bank of America Payroll Account	46,527
Bank of America Payroll Taxes Account	53,879
Subtotal Demand Deposits	<u>\$507,964</u>
Other Cash and Bank Accounts	
Petty Cash	\$2,250
Subtotal Other Cash	<u>\$2,250</u>
Bank of the West Money Market Account	\$1,051,280
US Bank Pre-Investment Money Market Account	\$31,875
Total Cash and Bank Accounts	<u>\$1,593,369</u>
Investments	
CBB Repurchase (Sweep) Investments	
Federal Home Loan	\$13,030,277
Subtotal CBB Repurchase (Sweep)	<u>\$13,030,277</u>
Local Agency Investment Fund (LAIF)	
LAIF Non-Restricted Fund	\$18,935,186
LAIF Insurance Sinking Fund	5,918,055
Subtotal Local Agency Investment Fund	<u>\$24,853,241</u>
CalTrust	
Short Term	\$3,540,861
Subtotal CalTrust	<u>\$3,540,861</u>
Certificates of Deposit	
Citizens Business Bank	\$4,172,210
Brokered Certificates of Deposit	3,138,000
Subtotal Certificates of Deposit	<u>\$7,310,210</u>

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
July 31, 2015

Investments Continued

Municipal Bonds

State and Local Municipal Bonds
Subtotal State Municipal Bonds

\$1,006,441
\$1,006,441

Medium Term Notes

General Electric Capital Corporation
JP Morgan Securities
John Deere Capital Corp
JP Morgan Chase & Co.
Subtotal Medium Term Notes

\$999,900
1,000,288
1,001,829
999,017
\$4,001,034

U.S. Treasury Notes

Treasury Note
Subtotal U.S. Treasury Notes

\$999,752
\$999,752

U.S. Government Sponsored Entities

Fannie Mae Bank
Freddie Mac Bank
Federal Farm Credit Bank
Federal Home Loan Bank
Subtotal U.S. Government Sponsored Entities

\$6,999,307
4,001,425
2,000,000
4,000,000
\$17,000,732

Total Investments

\$71,742,548

Restricted Deposits

Debt Service Reserves

08B Debt Service Accounts
10A Debt Service Accounts
Subtotal Debt Service Reserves

\$2,544,710
4,657,675
\$7,202,385

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 July 31, 2015

CCRA Deposits Held by Member Agencies

City of Chino	\$11,588,998
Cucamonga Valley Water District	7,155,091
City of Fontana	6,760,200
City of Montclair	2,455,489
City of Ontario	8,759,953
City of Chino Hills	2,994,977
City of Upland	2,943,009
Subtotal CCRA Deposits Held by Member Agencies	<u>\$42,657,717</u>

CalPERS

OPEB (CERBT) Account	\$7,028,610
Subtotal CalPERS Accounts	<u>\$7,028,610</u>

Escrow Deposits

Chicago Title (Forestar/IEUA Holding Escrow)	\$1,255,039
Scott Valley Bank (GSE Construction)	170,075
Subtotal Escrow Deposits	<u>\$1,425,114</u>

Total Restricted Deposits

	<u>\$58,313,826</u>
	<u>\$131,649,743</u>

Total Cash, Investments, and Restricted Deposits as of July 31, 2015

Total Cash, Investments, and Restricted Deposits as of 7/31/15	\$131,649,743
Less: Total Cash, Investments, and Restricted Deposits as of 6/30/15	139,502,155
Total Monthly Increase (Decrease)	<u>(\$7,852,412)</u>

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 July 31, 2016

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	July Amortization	July Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									
Cash, Bank Deposits, and Bank Investment Accounts													
Citizens Business Bank													
Demand Account*					\$377,956	\$377,956	N/A	N/A	\$377,956		0.25%	N/A	\$377,956
Subtotal CBB					\$377,956	\$377,956			\$377,956		0.25%		\$377,956
Workers' Compensation Account													
Subtotal CBB					\$29,602	\$29,602	N/A	N/A	\$29,602		N/A	N/A	\$29,602
Bank of America													
Payroll Checking					\$46,527	\$46,527	N/A	N/A	\$46,527		N/A	N/A	\$46,527
Payroll Tax Checking					53,879	53,879	N/A	N/A	53,879		N/A	N/A	53,879
Subtotal B of A					\$100,406	\$100,406			\$100,406		N/A	N/A	\$100,406
Bank of the West													
Money Market Plus - Business Account					\$1,051,280	\$1,051,280	N/A	N/A	\$1,051,280		0.18%	N/A	\$1,051,280
Subtotal Bank of the West					\$1,051,280	\$1,051,280			\$1,051,280		0.18%		\$1,051,280
US Bank													
Federated Automated MMA					\$31,875	\$31,875	N/A	N/A	\$31,875		0.02%	N/A	\$31,875
Subtotal USB Money Market					\$31,875	\$31,875			\$31,875		0.02%		\$31,875
Petty Cash					\$2,250	\$2,250	N/A	N/A	\$2,250		N/A	N/A	\$2,250
Total Cash, Bank Deposits and Bank Investment Accounts					\$1,593,369	\$1,593,369			\$1,593,369				\$1,593,369
<i>*Negative demand checking balance is offset by the Daily Repurchase (Sweep) Account balance</i>													
Investments													
CBB Daily Repurchase (Sweep) Accounts													
Federal Home Loan					\$13,030,277	\$13,030,277	N/A	N/A	\$13,030,277		0.25%	N/A	\$13,030,277
Subtotal CBB Repurchase Accounts					\$13,030,277	\$13,030,277			\$13,030,277		0.25%		\$13,030,277
LAIIF Accounts													
Non-Restricted Funds					\$18,935,186	\$18,935,186	N/A	N/A	\$18,935,186		0.320%	N/A	\$18,935,186
LAIIF Sinking Fund					5,918,055	5,918,055	N/A	N/A	5,918,055		0.320%	N/A	5,918,055
Subtotal LAIIF Accounts					\$24,853,241	\$24,853,241			\$24,853,241		0.320%		\$24,853,241
CALTRUST Accounts													
Short-Term					\$3,540,861	\$3,540,861	N/A	N/A	\$3,540,861		0.49%	N/A	\$3,540,861
Subtotal CalTrust Accounts					\$3,540,861	\$3,540,861			\$3,540,861		0.49%		\$3,540,861
Certificates of Deposit													
CBB Certificate of Deposit					\$4,172,210	\$4,172,210	425	N/A	\$4,172,210		0.45%	09/19/15	\$4,172,210
Subtotal Certificate of Deposits					\$4,172,210	\$4,172,210			\$4,172,210		0.45%		\$4,172,210

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 July 31, 2015

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	July Amortization	July Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									
Investments (continued)													
Brokered Certificates of Deposit													
Ally Bank	N/A				\$245,000	\$245,000	541		\$245,000	0.80%	0.80%	01/17/17	\$244,505
Capital One National Association	N/A				240,000	240,000	542		240,000	0.80%	0.80%	01/17/17	239,515
Compass Bank	N/A				245,000	245,000	542		245,000	0.85%	0.85%	01/17/17	244,505
Comenity Capital Bank	N/A				240,000	240,000	720		240,000	1.15%	1.15%	07/13/17	239,213
Discover Bank	N/A				240,000	240,000	722		240,000	1.15%	1.15%	07/17/17	239,134
Medallion Bank	N/A				240,000	240,000	722		240,000	1.20%	1.20%	07/17/17	239,134
Capital One Bank	N/A				240,000	240,000	901		240,000	1.35%	1.35%	01/16/18	239,182
Goldman Sachs Bank USA	N/A				240,000	240,000	901		240,000	1.40%	1.40%	01/16/18	239,184
BMW Bank of North America	N/A				240,000	240,000	900		240,000	1.40%	1.40%	01/17/18	239,174
American Express Bank	N/A				240,000	240,000	1081		240,000	1.70%	1.70%	07/16/18	238,699
American Express Centurion	N/A				240,000	240,000	1081		240,000	1.70%	1.70%	07/16/18	238,699
HSBC Bank USA, NA Step	N/A				244,000	244,000	1808		244,000	1.25%	2.32%	07/16/18	242,185
JPM Chase NA Step	N/A				244,000	244,000	1810		244,000	1.25%	2.51%	07/29/20	241,853
					\$3,138,000	\$3,138,000		\$0	\$3,138,000		1.410%		\$3,124,982
Subtotal Brokered CDs													
US Treasury Note													
US Treasury Note	N/A	AAA			\$1,000,000	\$999,463		15	\$999,752	0.63%	0.64%	12/15/16	\$1,001,720
Subtotal Treasuries					\$1,000,000	\$999,463		\$15	\$999,752		0.64%		\$1,001,720
U.S. Government Sponsored Entities (As of August 2011, all US GSE's have been downgraded to AA+ Rating by S&P)													
Federal Home Loan Bank	AA+	AAA			\$2,000,000	\$2,000,000	355		\$2,000,000	0.38%	0.38%	06/20/16	\$1,998,280
Freddie Mac Bond	AA+	AAA			1,000,000	1,000,000	1,080		1,000,000	0.75%	0.75%	12/19/16	999,690
Freddie Mac Bond	AA+	AAA			2,000,000	2,001,500	722	(64)	2,001,425	0.85%	0.81%	06/16/17	1,999,060
Fannie Mae Bond	AA+	AAA			1,000,000	999,750	1,826	4	999,881	0.75%	1.18%	12/18/17	1,000,300
Federal Home Loan Bank	AA+	AAA			2,000,000	2,000,000	1,100		2,000,000	1.20%	1.20%	06/29/18	2,000,740
Fannie Mae Bond	N/A	AAA			2,000,000	2,000,000	1,459		2,000,000	1.63%	1.63%	12/28/18	2,012,180
Fannie Mae Bond	AA+	AAA			4,000,000	3,999,400	1,456	13	3,999,426	1.51%	1.50%	05/24/19	3,994,320
Federal Farm	AA+	AAA			2,000,000	2,000,000	1,460		2,000,000	1.52%	1.52%	06/24/19	2,012,220
Freddie Mac Bond	AA+	AAA			1,000,000	1,000,000	1,440		1,000,000	1.80%	1.80%	07/29/19	999,720
					\$17,000,000	\$17,000,650		(\$47)	\$17,000,732		1.223%		\$17,016,510
Subtotal U.S. Gov't Sponsored Entities													
Municipal Bonds													
California State General Obligation Bond	A-	A1	A+	AA3	\$1,000,000	\$1,089,000	1,285	(\$2,147)	\$1,006,441	3.95%	1.35%	11/01/15	\$1,008,790
Subtotal State and Local Municipal Bonds					\$1,000,000	\$1,089,000		(\$2,147)	\$1,006,441		1.35%		\$1,008,790

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 July 31, 2015

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	July Amortization	July Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									
Medium Term Notes													
General Electric Floating Rate (75 bp over Libor -1% floor)	AA+	AA2	AA+	A1	\$1,000,000	\$988,500	1,265	\$282	\$999,900	1.26%	1.26%	08/11/15	\$1,000,110
JP Morgan Securities	A	A2	A	A3	1,000,000	1,001,500	1,094	(43)	1,000,288	1.130%	1.07%	02/26/16	1,002,660
John Deere Capital Corp	A	A2	A	A2	1,000,000	1,004,000	1,754	(71)	1,001,829	1.20%	1.11%	10/10/17	1,000,450
JP Morgan Chase & Co	A	A3	A	A3	1,000,000	999,000	1,022	17	999,017	1.66%	1.66%	05/15/18	992,970
Subtotal Medium Term Notes					\$4,000,000	\$3,993,000		\$185	\$4,001,034		1.28%		\$3,996,190
Total Investments					\$71,734,589	\$71,816,702			\$71,742,549				\$71,744,781
Source of Investment Market Value: US Bank													
Restricted Deposits													
Debt Service and Arbitrage Accounts													
08B Debt Service Accounts													
US Bank Debt Serv. Accounts					\$2,544,710	\$2,544,710	N/A	N/A	\$2,544,710		0.00%	N/A	\$2,544,710
Subtotal '08B Debt Service Accts					\$2,544,710	\$2,544,710			\$2,544,710		0.00%		\$2,544,710
10A Debt Service Accounts													
US Bank Debt Serv. Accounts					\$4,657,675	\$4,657,675	N/A	N/A	\$4,657,675		0.02%	N/A	\$4,657,675
Subtotal '10A Debt Service Accts					\$4,657,675	\$4,657,675			\$4,657,675		0.02%		\$4,657,675
Total Debt Service Accounts					\$7,202,385	\$7,202,385			\$7,202,385				\$7,202,385
CCRA Deposits Held by Member Agencies													
City of Chino					\$11,588,998	\$11,588,998	N/A	N/A	\$11,588,998		N/A	N/A	\$11,588,998
Cucomonga Valley Water District					7,155,091	7,155,091	N/A	N/A	7,155,091		N/A	N/A	7,155,091
City of Fontana					6,760,200	6,760,200	N/A	N/A	6,760,200		N/A	N/A	6,760,200
City of Montclair					2,455,489	2,455,489	N/A	N/A	2,455,489		N/A	N/A	2,455,489
City of Ontario					8,759,953	8,759,953	N/A	N/A	8,759,953		N/A	N/A	8,759,953
City of Chino Hills					2,994,977	2,994,977	N/A	N/A	2,994,977		N/A	N/A	2,994,977
City of Upland					2,943,009	2,943,009	N/A	N/A	2,943,009		N/A	N/A	2,943,009
Subtotal CCRA Deposits Held by Member Agencies					\$42,657,717	\$42,657,717			\$42,657,717				\$42,657,717
(Totals as reported through May 31, 2015)													
CalPERS Deposits													
OPEB (CERBT) Account					\$7,000,000	\$7,000,000	N/A	N/A	\$7,028,610		N/A	N/A	\$7,028,610
Subtotal CalPERS Deposits					\$7,000,000	\$7,000,000			\$7,028,610				\$7,028,610
Escrow Deposits													
Forestar/JEUA Holding Escrow (RP-1 Outfall)					\$1,255,039	\$1,255,039	N/A	N/A	\$1,255,039		N/A	N/A	\$1,255,039
GSE Construction					170,075	170,075	N/A	N/A	170,075		N/A	N/A	170,075
Subtotal Escrow Deposits					\$1,425,114	\$1,425,114			\$1,425,114				\$1,425,114
Total Restricted Deposits					\$9,285,216	\$9,285,216			\$9,285,216				\$9,285,216
Total Cash, Investments, and Restricted Deposits as of July 31, 2015					\$131,613,174	\$131,695,287			\$131,649,743				\$131,651,976

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 July 31, 2015

July Purchases

No.	Date	Transaction	Investment Security	Par Amount Purchased	Investment Yield
1	07/13/15	Purchased	JP Morgan Chase & Co. Medium Term Note	\$ 1,000,000	1.660%
2	07/13/15	Purchased	Comenity Capital Bank	\$ 240,000	1.150%
3	07/15/15	Purchased	Capital One National Association	\$ 240,000	0.800%
4	07/15/15	Purchased	Compass Bank	\$ 245,000	0.850%
5	07/15/15	Purchased	Discover Bank	\$ 240,000	1.150%
6	07/15/15	Purchased	Medallion Bank	\$ 240,000	1.200%
7	07/15/15	Purchased	Goldman Sachs Bank USA	\$ 240,000	1.400%
8	07/15/15	Purchased	Capital One Bank	\$ 240,000	1.350%
9	07/15/15	Purchased	American Express Bank	\$ 240,000	1.700%
10	07/15/15	Purchased	American Express Centurion	\$ 240,000	1.700%
11	07/16/15	Purchased	Ally Bank	\$ 245,000	0.800%
12	07/17/15	Purchased	BMW Bank of North America	\$ 240,000	1.400%
13	07/21/15	Purchased	HSBC Bank USA, NA Step	\$ 244,000	2.317%
14	07/31/15	Purchased	JPM Chase NA Step	\$ 244,000	2.508%
15	07/29/15	Purchased	Freddie Mac Government Bond	\$ 1,000,000	1.797%
Total Purchases				\$ 5,138,000	

July Investment Maturities, Calls & Sales

No.	Date	Transaction	Investment Security	Par Amount Matured/Sold	Investment Yield to Maturity
1	07/17/15	Maturity	Toyota Motor Credit	\$ 1,000,000	0.630%

Total Maturities, Calls & Sales

\$ 1,000,000

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 July 31, 2015

Directed Investment Category

CBB Repurchase (Sweep)	\$13,030,277	0.250%
Local Agency Investment Fund	24,853,241	0.320%
CalTrust	3,540,861	0.490%
Medium Term Notes	4,001,034	1.277%
Municipal Bonds	1,006,441	1.350%
US Treasury Notes	999,752	0.640%
U.S. Government Sponsored Entities	17,000,732	1.223%
	\$64,432,338	0.634%
Bank Deposit and Investment Accounts		
Citizens Business Bank - Demand Account	\$377,956	0.250%
Citizens Business Bank - Certificate of Deposit	4,172,210	0.450%
Various Banks - Brokered Certificates of Deposit	3,138,000	1.410%
Bank of the West Money Market Account	1,051,280	0.180%
	\$8,739,446	0.754%

Total Portfolio

Investment Portfolio Rate of Return

\$73,171,784
0.648%

Restricted/Transitory/Other Demand Accounts

US Bank - 2008B Debt Service Accounts	\$2,544,710	0.000%
US Bank - 2010A Debt Service Accounts	4,657,675	0.020%
CCRA Deposits Held by Member Agencies	42,657,717	N/A
Citizens Business Bank - Workers' Compensation Account	29,602	N/A
US Bank - Pre-Investment Money Market Account	31,875	0.020%
CalPERS OPEB (CERBT) Account	7,028,610	N/A
Other Accounts*	102,656	N/A
	\$57,052,845	0.013%

Total Other Accounts

Average Yield of Other Accounts

Total Agency Directed Deposits

\$130,224,629

* Note: Bank of America Payroll Deposits used as compensating balances for bank services.

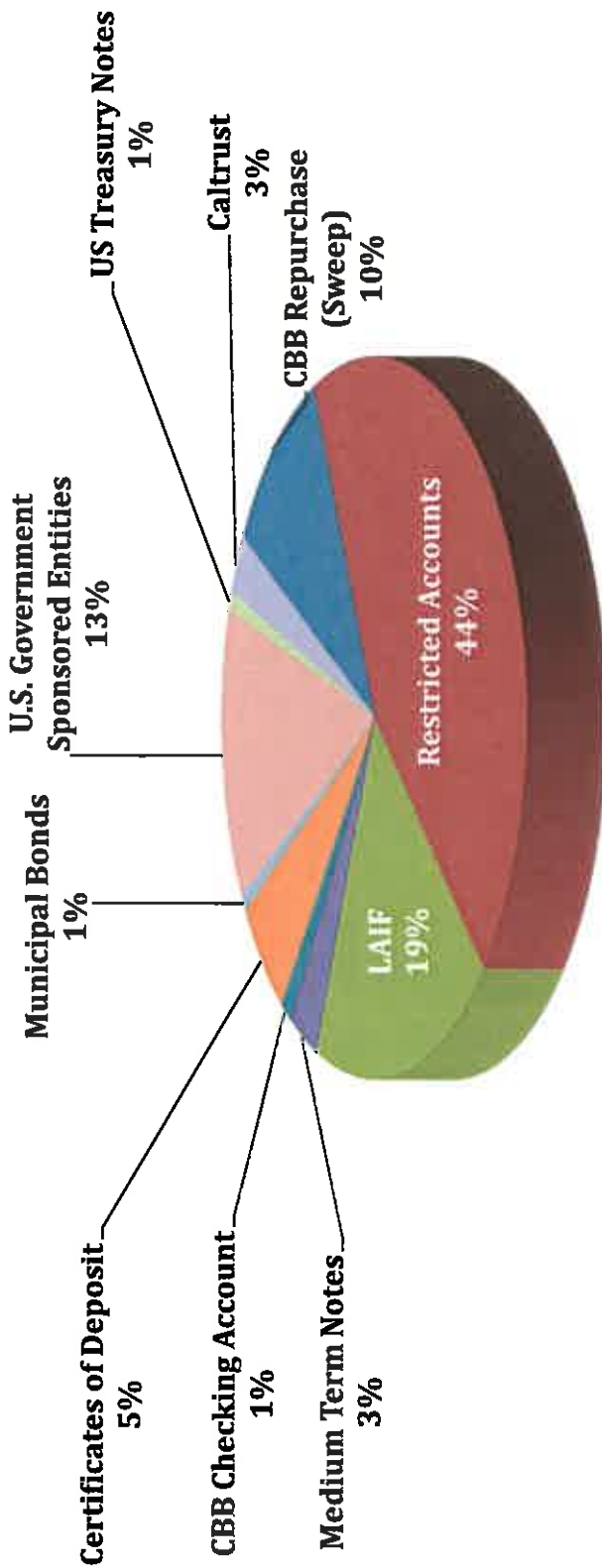
Inland Empire Utilities Agency

Treasurer's Report of Financial Affairs

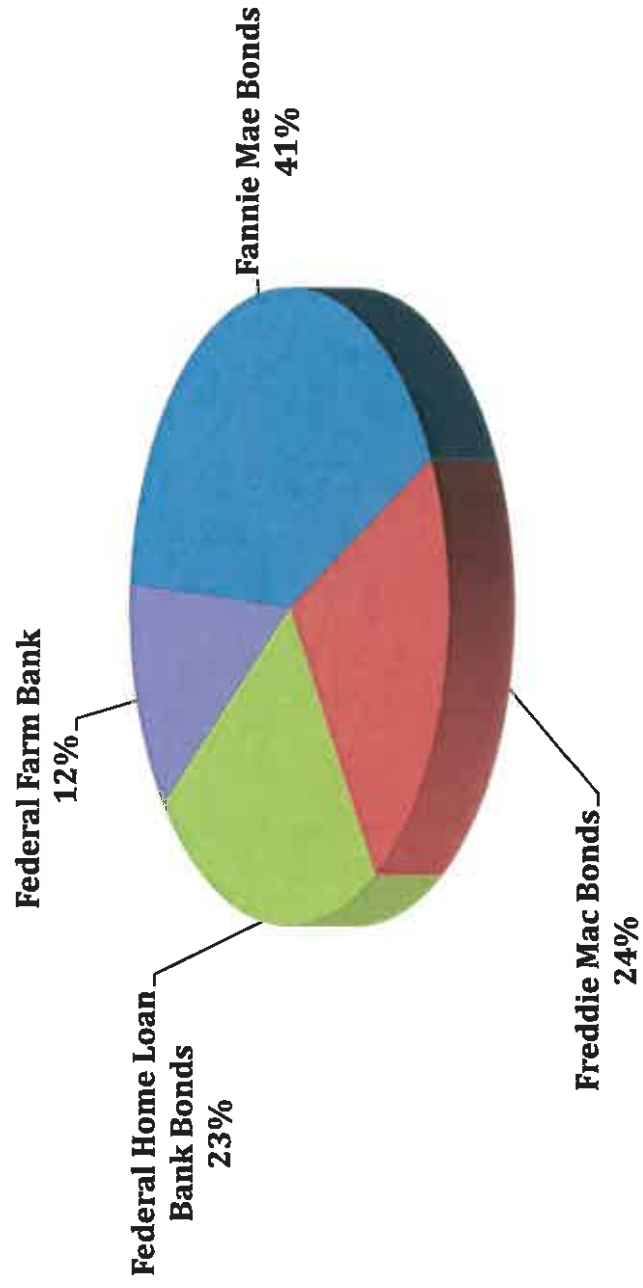
For the Month Ended July 31, 2015

Combined Agency Portfolio (net of escrow deposits)

\$130,224,629



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended July 31, 2015
U.S. Government Sponsored Entities Portfolio
\$17,000,732



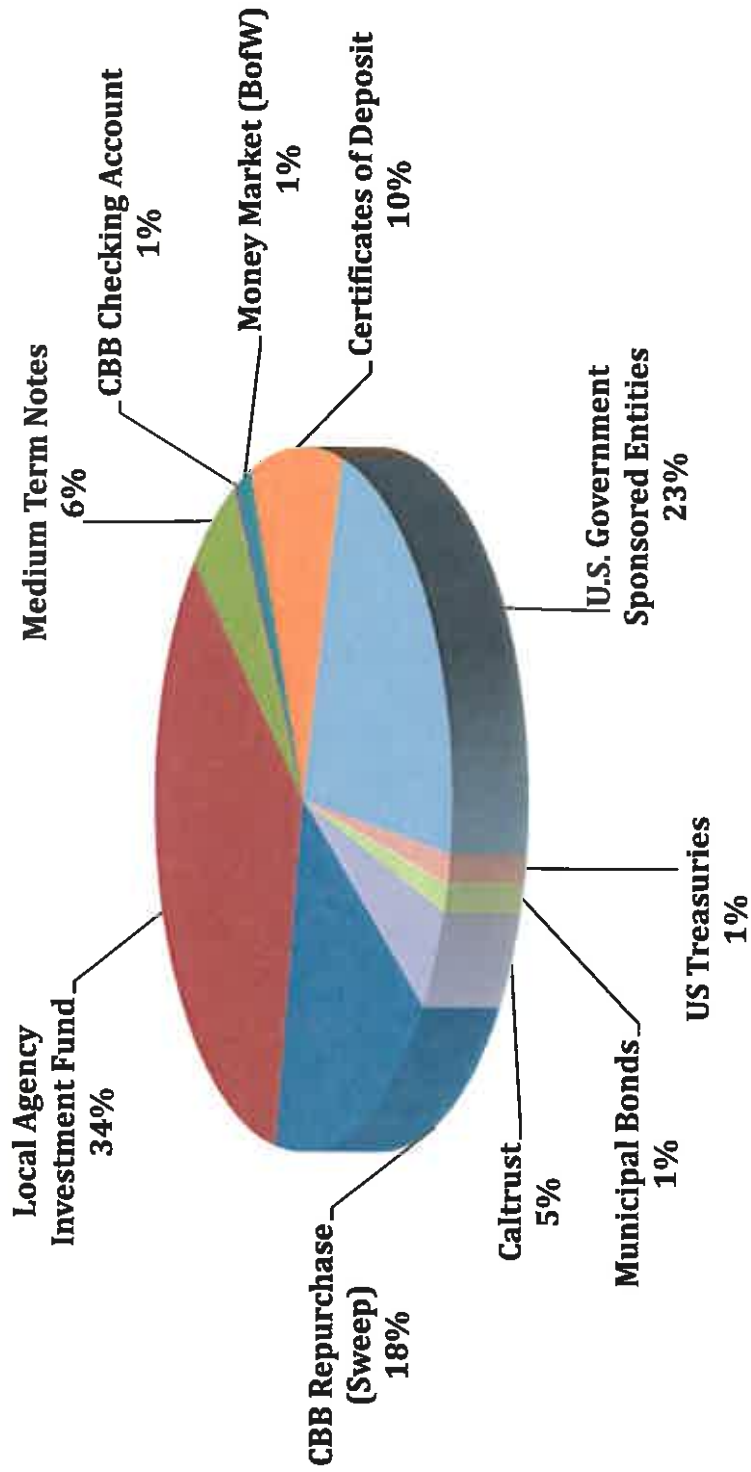
Inland Empire Utilities Agency

Treasurer's Report of Financial Affairs

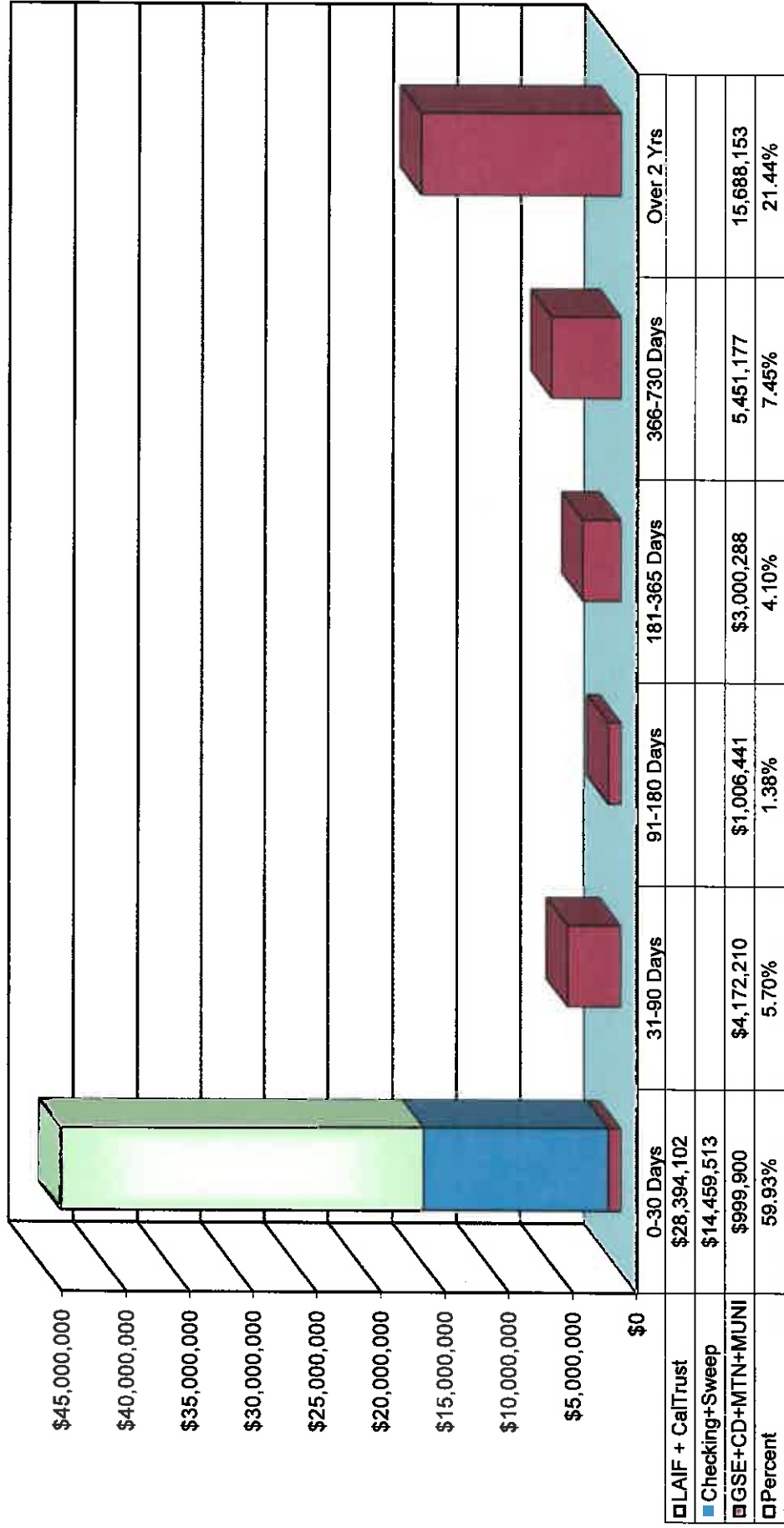
For the Month Ended July 31, 2015

Unrestricted Agency Investment Portfolio

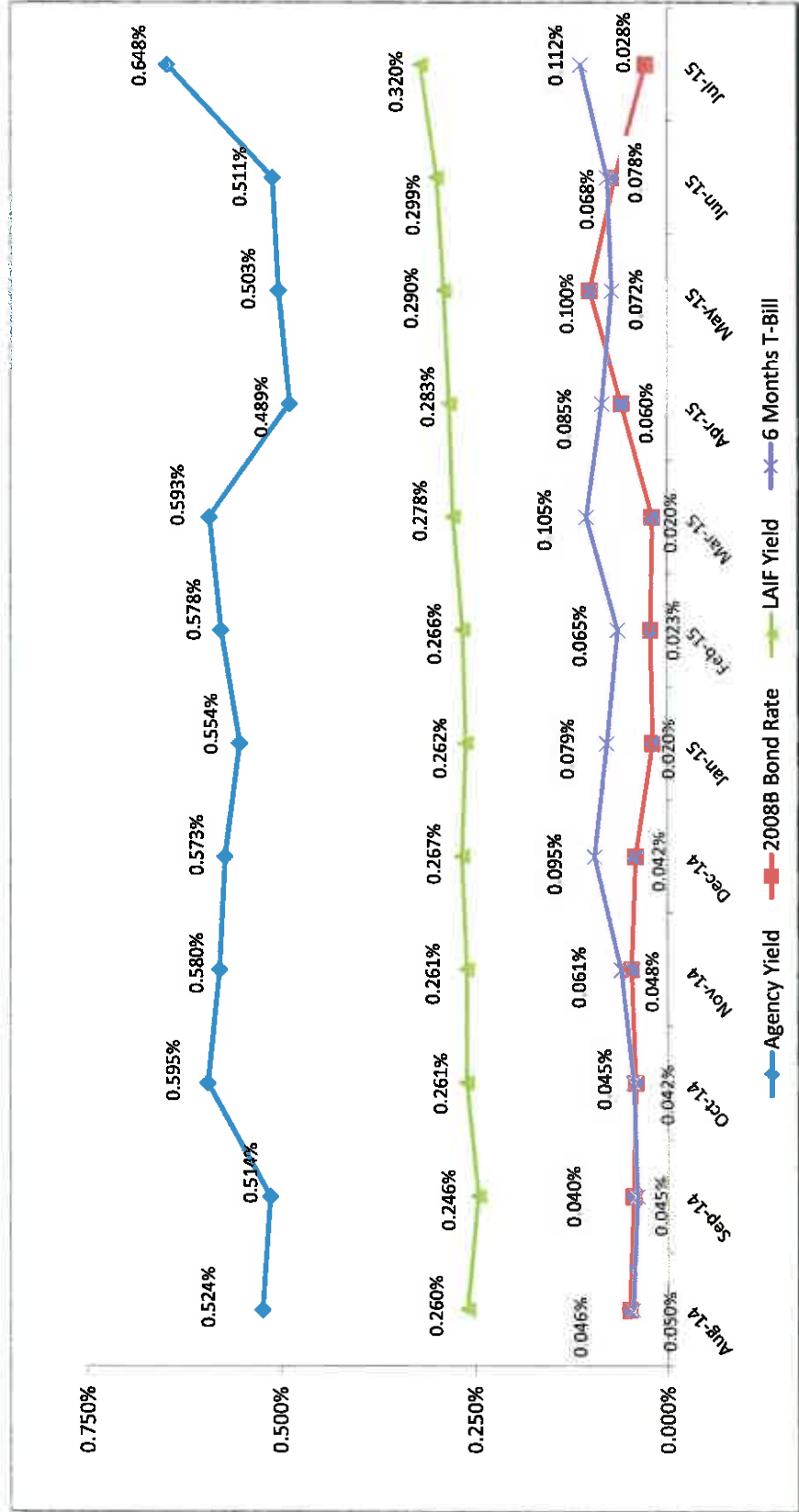
\$73,171,784



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
 For the Month Ended July 31, 2015
 Directed Investment Portfolio Maturity Distribution
\$73,171,784



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
 Demand Deposit Accounts
 Agency Yield Comparison





Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Treasurer's Report of Financial Affairs for July 31, 2015

**September 2015
Board Meeting**

Report of Financial Affairs

Liquidity

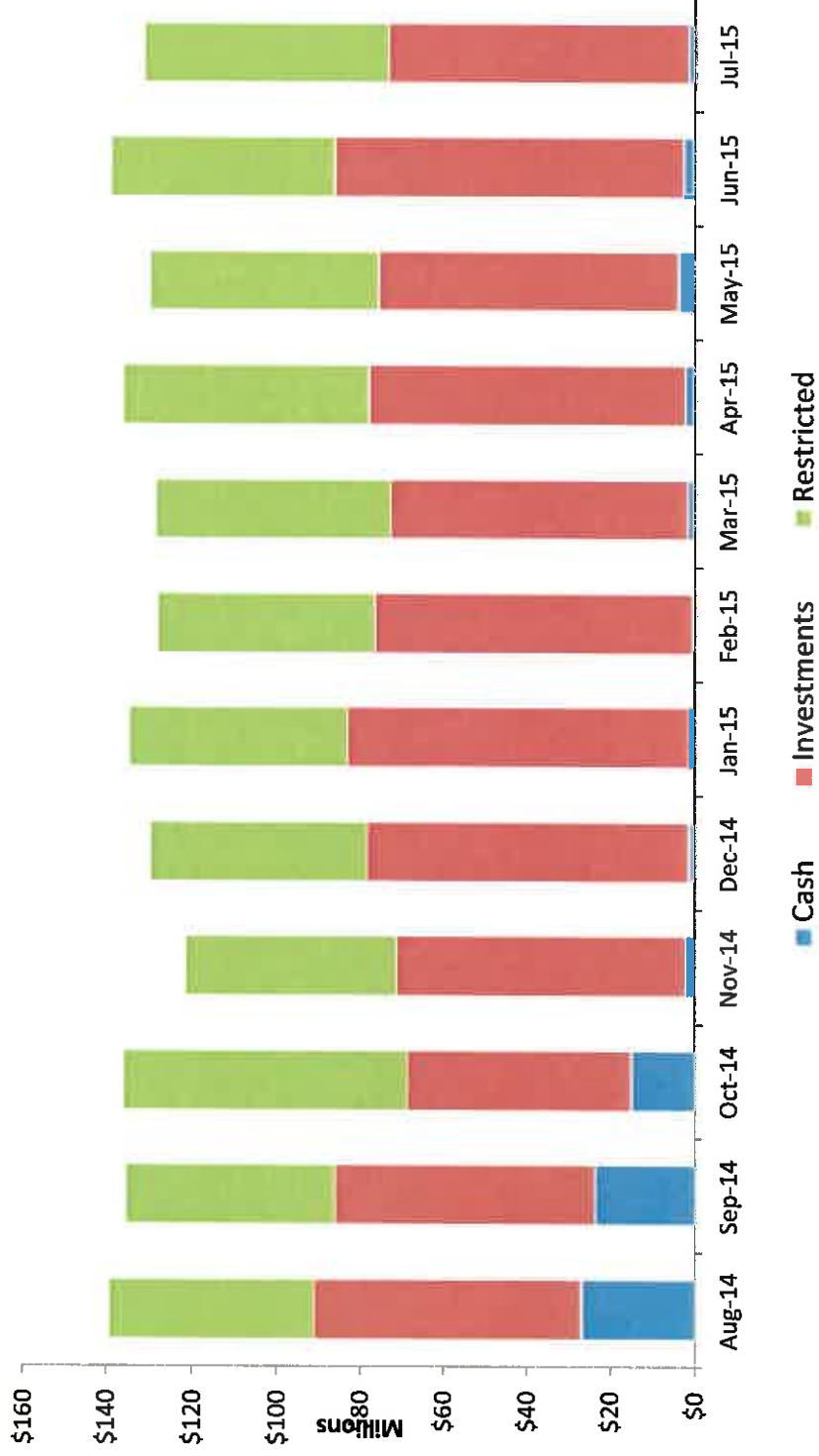
Description	July 2015	June 2015	Increase (Decrease)
Cash, Investments, Restricted Deposits	\$131.6M	\$139.5M	(\$7.9M)
Investment Portfolio Yield	0.648%	0.511%	0.137%
Average Days Cash on Hand	145 Days	169 Days	(24 Days)

Portfolio

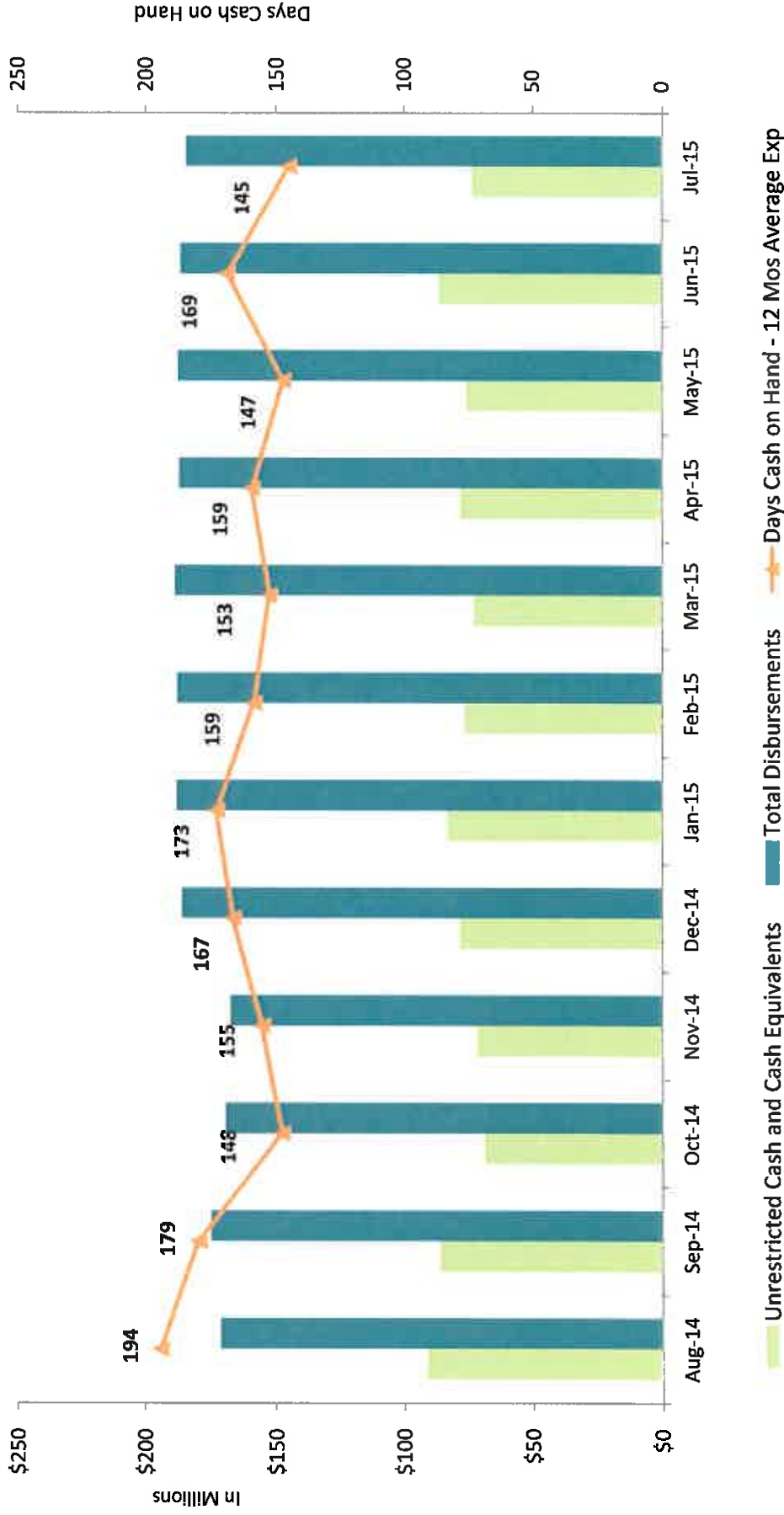
Term	Description	Allowable Threshold	Investment Value (\$ million)	Yield	Current Portfolio %
Short Term, Under 1 Year:	LAIF	\$50M	\$24.8	0.32%	34%
	CalTrust	\$20M	\$3.5	0.49%	5%
	Citizens Business –Sweep	40%	\$13.0	0.25%	18%
	CBB – Certificate of Deposit	30%	\$4.2	0.45%	6%
	Bank of the West – MIMA	20%	\$1.1	0.18%	1%
	State and Local Municipal Bonds	10%	\$1.0	1.35%	1%
	Medium Term Notes	10%	\$2.0	1.17%	3%
	CBB Checking	40%	\$0.4	0.25%	1%
1 to 3 Years:	Brokered CDS	30%	\$2.7	1.3%	3%
	Medium Term Notes	10%	\$2.0	1.39%	3%
	US Treasury Note	n/a	\$1.0	0.64%	1%
	US Government Securities	n/a	\$2.0	0.38%	3%
Over 3 Years:	Brokered CDS	30%	\$0.5	2.4%	1%
	US Government Securities	n/a	\$15.0	1.34%	20%

Cash, Investments and Restricted Deposits

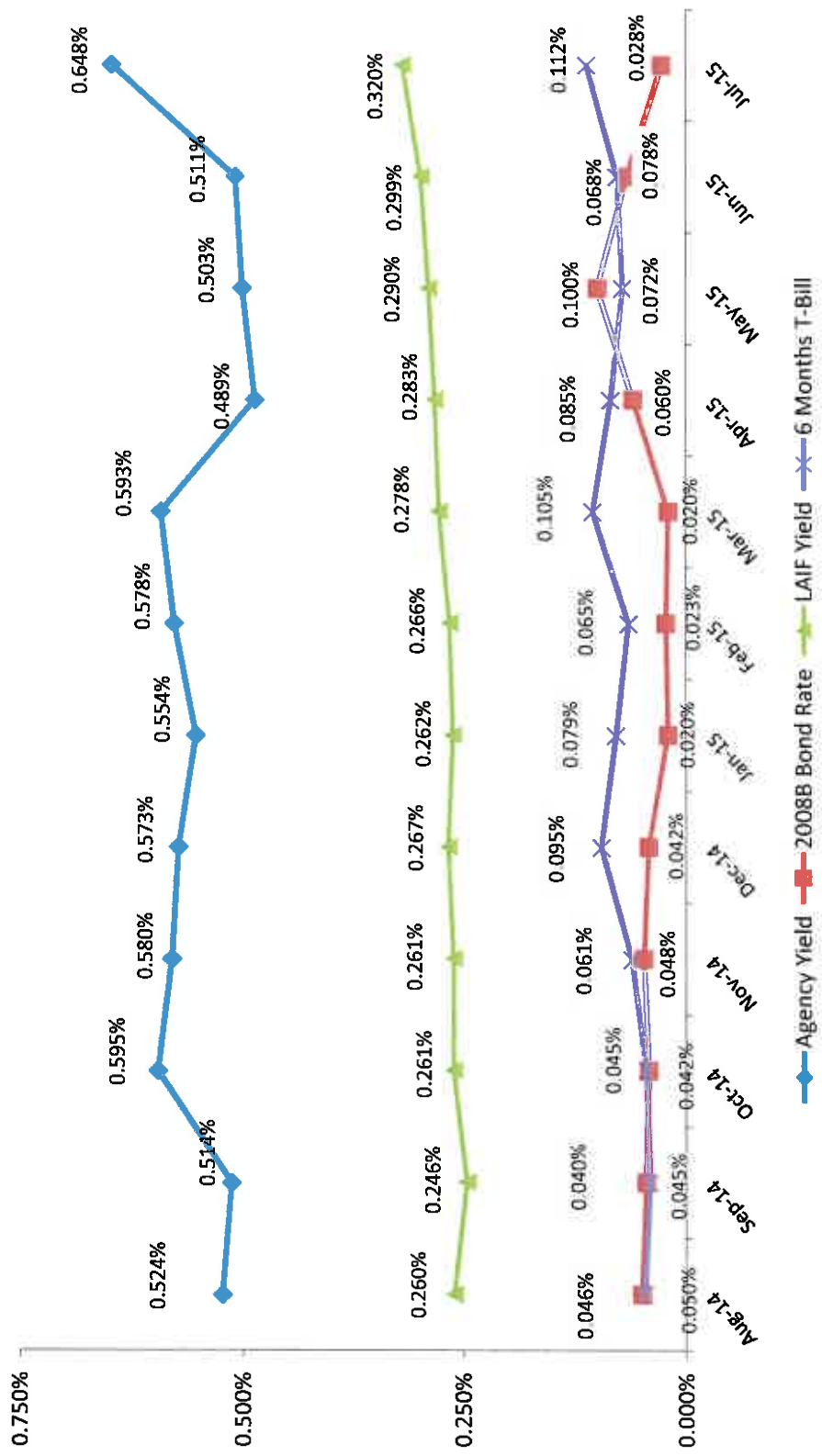
Cash, Investments and Restricted Deposits



Day Cash On Hand 12 Months Rolling Average



Month End Portfolio Yield Comparison

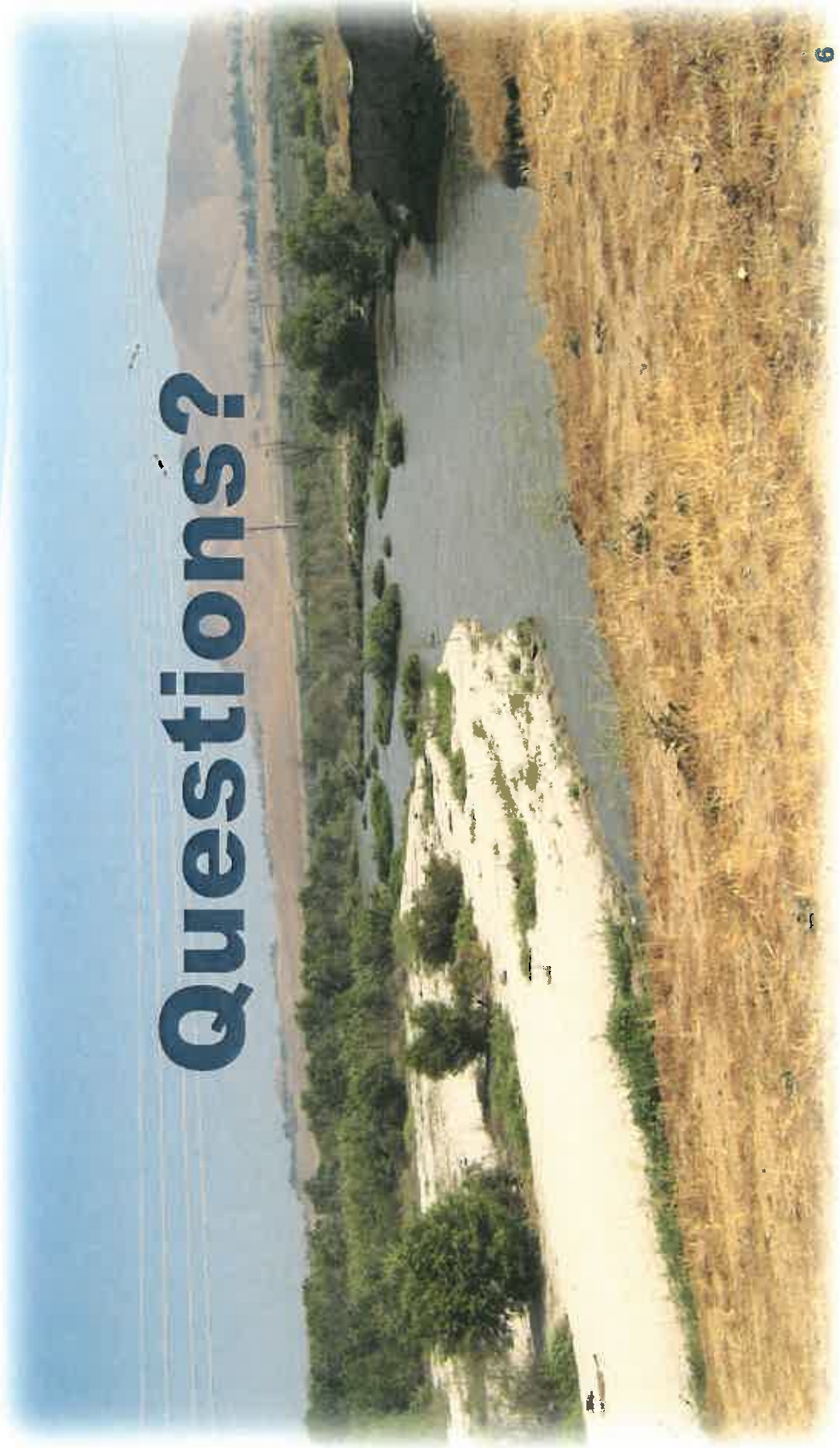




Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

Questions?



**INFORMATION
ITEM**

3C



Date: September 16, 2015

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (9/9/15)

From: *for* P. Joseph Grindstaff *John*
General Manager

Submitted by: *for* Kathy Besser *WJ*
Manager of External Affairs

Subject: Public Outreach and Communication

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

September 2015

- September 23, Chino Day at the LA County Fair, 1101 W. McKinley Avenue, Pomona, 9:00 a.m.-1:00.p.m.
- September 24, Blood Drive, IEUA HQB Event Room, 10:00 a.m. – 2:00 p.m.

October

- October 17, Landscape and Water Conservation Fair, Chino Basin Water Conservation District, 4594 San Bernardino Street, Montclair, 9:00 a.m.-2:00 p.m.
- October 27, WEWAC Project WET Workshop, IEUA HQB Event Room, 8:00 a.m. - 3:00 p.m.
- Date TBD, IEUA Leadership Breakfast, IEUA HQB Event Room, 7:30 a.m. – 9:00 a.m.

November

- November 4, Blood Drive, IEUA HQB Event Room, 10:00 a.m. – 2:00 p.m.

Outreach/Education - Civic Publications Newspaper Campaign

- IEUA staff worked with Civic Publications to develop a summer 2015 water-saving campaign. This campaign focuses on changing habits and water savings and will include display ads, two targeted email campaigns and print media. All digital media will link to the IEUA micro-site with water-saving tips and rebate information.

Media and Outreach

- Staff placed a Kick the Habit ad in the Chino Champion that ran on August 22.
- IEUA staff has renewed contracts with *La Opinion* and *Fontana Herald* for fiscal year 2015/16. Outreach campaigns will feature *Kick the Habit* advertisements and banner displays, as well as promoting upcoming events.
- IEUA staff held the second Drought Task Force meeting with member agencies on July 28 to finalize the development of an outreach plan to implement a logo and tagline for consistent drought messaging across the region. Consultants Tripepi Smith & Associates presented campaign logos they developed to the member agency reps and it was unanimous to go with *Kick the Habit*. Drought Task Force meetings will be held every other month, with the next meeting scheduled for late September.
- Staff has renewed a 12 month signage display contract with Big League Dreams located in Chino Hills. Tripepi Smith & Associates are working on the artwork for signage to update the current Save Our Water display.

Education and Outreach Updates

- Water Discovery Program: 195 professors and/or teachers, Girl Scout troop members, elementary and high school students have taken part in the park field trip from July 1, 2015 through August 31, 2015. Additionally, Water Discovery Field Trips for school year 2015/16 are being scheduled. The Busing Mini-Grant program will be ending in December 2015. Only schools within IEUA's service area will qualify for busing after December 2015.
- Staff is working on updating school contacts and sending out education brochures to all schools within IEUA's service area to begin promotion of IEUA's education programs for school year 2015/16.
- Staff sent out the Summer edition of the E-Basin on August 18, 2015, featuring the latest drought news, water-saving tips and rebates, and upcoming events.
- IEUA staff is working in cooperation with Chino Basin Water Conservation District and member agency representatives to plan the Landscape Water Conservation Fair held annually in October. The Water Conservation Fair will be held Saturday, October 17. IEUA has been awarded MWD's Community Partnering Program grant for an additional \$2,000 funding for outreach and materials.
- Staff worked with the Water Resources Analyst II and graphic design consultants to create a tagline and logo to use for landscape signage, billboards and magnets. Signs have been made available online to members of the community to print and display in their yards.
- IEUA is working on updating various facility illustrations and brochures. The educational component for these brochures is being updated in order for visitors and stakeholders to have a simple yet detailed visual of each IEUA facility and process. Since July 1, 2015, staff has updated brochures for Regional Plant No. 5, as well as the educational brochure; and the Chino Creek Wetlands and Educational Park brochure have gone to printing.
- Staff is currently working on scheduling the Summer Water Association Leadership Breakfast. Colonel Kirk Gibbs, U.S. Army Corps of Engineers, who took command of

the Los Angeles District Office on August 1, has accepted to be the keynote speaker. Date is TBD.

- Staff, in cooperation with our member agencies, is working on recruiting three teams for MWD's 2016 Solar Cup Competition to be held May 13-16, 2016. Schools that have expressed interest to participate thus far: Los Osos High School (Rancho Cucamonga), Chino High School (Chino) and Henry J. Kaiser High School (Fontana). Team names and contacts are due to MWD by September 25, 2015.
- Staff has GIES site inspection visits set up for September for program year 2015/16 participants. A garden dedication has been scheduled for Cypress Elementary in Fontana for February 25, 2016.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

The above-mentioned activities are budgeted in the FY 2015/16 Administrative Service Fund, External Affairs Services budget.

**INFORMATION
ITEM**

3D

Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Joe Grindstaff and Kathy Besser, IEUA

From: Letitia White, Jean Denton, and Drew Tatum

Date: August 28, 2015

Re: August Monthly Legislative Update

Congress Takes Recess, Many Issues Remain for the Fall

Congress was in recess for the month of August. Lawmakers spent the month traveling their respective states and districts, and many used the opportunity to vacation with their families. Both chambers are slated to return on Tuesday, September 8th for what is shaping up to be a busy fall. A visit from Pope Francis late in September further complicates the schedule, with the House scheduled to be in session for 12 days and the Senate for up to 17. The biggest priority during the month will be completing a funding measure to ensure the government remains open after September 30th—the end of the Federal fiscal year.

There have been internal discussions by the House Appropriations Committee on advancing a continuing resolution for two to three months while Congress works with the White House to come up with a full-year spending plan. Republican Leaders have indicated they would like to repeat what happened last year when Congress returned from the August recess and passed a CR within 9 days. This year that could be particularly challenging. Conservatives have indicated that in light of recent videos released concerning Planned Parenthood's practices, they will insist that any appropriations measure block funding for the organization. Additionally, a controversial amendment regarding the display of the Confederate flag could unravel leaders' plans, as it did with the Interior Appropriations bill in the House earlier this year. Both House Speaker John Boehner (R-OH) and Senate Majority Leader Mitch McConnell (R-KY) have indicated they do not want to see a government shutdown, but they might end up needing Democratic votes if they hope to advance a "clean" continuing resolution in September.

In punting spending issues until later in the year, Congress will be adding pressure on themselves to come up with a grand bargain to solve a number of issues that will resurface before the New Year. Those issues include:

- **Tax extenders:** Several tax breaks that Congress typically renews on an annual basis expired at the end of 2014. They are likely to address those before the end of the year and make them retroactive to the beginning of the tax year.
- **Debt ceiling:** The Treasury Department has indicated its options will expire in mid-November or early-December, at which point the US will default on its debt if Congress doesn't raise or suspend the debt ceiling again.

Innovative Federal Strategies LLC

- **Transportation authorization/funding:** Congress again passed a three month extension at the end of July, pushing the authorization and funding to October 29th. The Senate passed a bipartisan 6-year bill with only 3-years of funding. The House did not act on the Senate bill, insisting it might craft its own long term plan.
- **Export-Import Bank:** The White House told Congress it expects a reauthorization of the Ex-Im Bank to be attached to legislation that comes to President Obama's desk. That did not happen with the transportation extension, and now the White House has indicated it would like it to be attached to the continuing resolution.
- **Potential use of reconciliation:** In passing a budget resolution for the first time in many years, Congress now has the ability to use a process called reconciliation to fast track and require a lower vote threshold in the Senate of particular legislation. Leaders have not indicated how or when they plan to bring up a potential repeal of the Affordable Care Act or substantial changes to healthcare, but time could be devoted this fall amid an already packed schedule.

The biggest issue this fall is expected to be a year-long or multi-year appropriations deal. Republicans have marked up bills that mostly adhere to the Budget Control Act, which contains caps for federal spending. The White House has indicated that it will not sign any appropriations measure into law that adhere to the 2011 law. At this point, we expect a deal will be negotiated and passed by the time Congress leaves in December. Congress has identified several new revenue sources as it has looked at transportation funding, and some Members of Congress have indicated they'd like to see those revenue sources spread among a fix for transportation programs and to offset raising the caps on defense and discretionary spending in a manner similar to the Ryan-Murray 2-year spending deal reached in 2013. With the clock ticking, it will be an interesting fall, further stressed by the 2016 Presidential campaign.

Courts Block EPA Clean Water Rule

Late Thursday a federal judge in North Dakota issued a temporary order blocking the implementation of the administration's controversial rule defining the "waters of the United States". Judge Ralph Erickson of the District Court for the District of North Dakota issued a preliminary injunction after finding that the 13 states suing the administration met the necessary conditions. The Court found that they would likely be harmed if action wasn't taken to block the order while the underlying lawsuit is argued and decided. The decision throws up a roadblock for the Environmental Protection Agency and the Army Corps of Engineers who released a second iteration of the rule earlier this year before publishing it in the Federal Register—a requirement before enforcement can begin. The rule was published on June 29th, and was set to take effect on August 28th.

Arguing that the judge's ruling only impacts the 13th states that requested the injunction, the Obama administration has indicated it will largely enforce the regulation as initially planned. In a statement shortly after the ruling, the EPA was defiant and said that the injunction only applies in the thirteen states that filed for it: Alaska, Arizona, Arkansas, Colorado, Idaho, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota and Wyoming. Melissa Harrison, an EPA spokeswoman, said "In all other respects, the rule is effective on August 28th." This is simply the next step in what is expected to be a long battle over executive regulations. There are currently 10 lawsuits pending, representing 29 states and business interests.

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Outlook for September

September is shaping up to be a busy month, with most legislative attention expected to be focused on passing a continuing resolution to fund the government past September 30th. Additionally, we may see action on California or West-wide Drought legislation at the committee level in the Senate.

**INFORMATION
ITEM**

3E

Agricultural Resources

635 Maryland Avenue, N.E.
Washington, D.C. 20002-5811
(202) 546-5115
agresources@erols.com

August 28, 2015

Legislative Report

TO: Joe Grindstaff
General Manager, Inland Empire Utility Agency

FR: David M. Weiman
Agricultural Resources
LEGISLATIVE REPRESENTATIVE, IEUA

SU: Legislative Report, August 2015

Snapshot.

- * House and Senate on recess throughout August until after Labor Day.
- * Reports (almost daily) on pending El Nino – filled with uncertainties (where, when, how strong, how intense, rain or snow, ability to capture run-off and most of all, will the storms extend to North California). Big unanswered question, will the precip fall as snow in the Sierras?).
- * Arizona Senators are “shopping” legislative amendments to change the Colorado River shortage allocations (at the expense of CA)
- * Late storms on the Colorado River Basin provided some relief – and pushed the river away from the “shortage allocation trigger” (for now – and estimated not to reach it through 2016).
- * Congressional Schedule – September 10-12 days only. Once again, Government shutdown looms – over two different issues – pending Iran Agreement and social funding in pending CR.

El Nino is Coming, El Nino is Coming.

- El Nino stories from NASA, the Weather Service and academics who track such events are now appearing daily in print and e-media and are reporting this EL Nino to be one of

the strongest formations ever is building in the Pacific in years. Questions remain. Is this a “drought-buster OR a flood-inducer? Will precipitation from storms have a chance to permeate the dry landscape, OR instead, become huge “gully-washers?” Where will the storm hit? Most reports and indications are that Southern California will receive the brunt of an El Nino. What about Northern California? Will it come as rain OR reach the higher elevations as snow? And, will any of this precip carry over to the Colorado River Basin? Within the IEUA service area, if flooding occurs, there will be concerns about the ability to capture and recharge as much water as possible and limit conflicts with the Chino Dairies. Right now, there are more questions than answers. IEUA should be coordinating with SAWPA, the Corps and local governments if flooding occurs or to manage it if/when it comes.

Federal Water/Drought Legislation.

- ***What will happen in Congress and when?*** The House passed the Valadao-Nunes bill (very controversial, highly contentious and that is largely limited to address San Joaquin Valley needs only). In the House and Senate, numerous other drought bills are pending (House, Matsui, Napolitano, McNerney and Huffman). In the Senate, in late July, a comprehensive statewide (all 58-county) Feinstein-Boxer bill was introduced that provides authorization for \$1.2 billion divided between storage (\$600 million) and recycling storage and other programs (\$600 million).
- ***Feinstein-Boxer Bill Goes to Senate Energy Committee – Sen. Lisa Murkowski (R-AK), Chair – Hearings and Markup Pending.*** Sen. Murkowski has publicly stated that hearings will be held, likely not before late September or sometime in October. She has also stated that the Committee will NOT consider a California-only bill, but look to a comprehensive, westside drought bill (OR, WA, NV, AZ, ID and parts of MT, UT and CO are all struggling with drought). As of now, a westwide bill has yet to be drafted. Moreover, in the immediate short-term, it is anticipated that Murkowski’s highest priority will be to take to the Senate floor and pass a comprehensive bi-partisan energy bill which was marked up and passed by Committee prior to the August break.
- ***Westlands and Other San Joaquin Valley Water Interests Are Anxious to Get Drought Legislation into Conference.*** The functional repeal of CVPIA, the Fish and Wildlife Coordination Act, ESA and the San Joaquin Restoration Act repeal are the near-exclusive priorities of the San Joaquin Valley Members (and that’s reflected in the limited nature of the House bill). Feinstein-Boxer excluded those contentious provisions from their bill. The House San Joaquin Valley members want to get a bill into conference as soon as possible so they can engineer a political “trade” – new financial authority (i.e. the \$1.2 billion plus whatever the other states want for their “repealer” list). The Administration is opposed. Feinstein and Boxer are adamant that no such bill will be allowed to pass. As of now, no one can see how this impasse will (or can) be resolved.
- **Feinstein-Boxer – Storage – What’s Really Authorized?** The bill authorizes \$600 million for storage. The bill identifies five possible storage projects, but stops short of

authorizing any of them. The five storage projects – based on publicly available BuRec or DWR reports – are estimated to cost at least \$6 billion – likely far more, excluding the proposed Delta Tunnels (and produce very little water). A question has emerged among many who are reviewing the bill – is the \$600 million a “federal contribution cap” (a limit from the feds) OR is it a down-payment or first installment on a multi-billion federal commitment? It’s unclear and unknown. Staff, reps and interested parties are asking back here in Washington.

Colorado River

- ***Lake Mead – Mandatory Allocation Trigger – Reached Then Late Storms Hit.*** In the June-July period, Lake Mead dropped significantly, and went under the 1075' level. If sustained over a several month average, a mandatory allocation trigger would have been reached. It has not. Late storms brought enough relief to avoid (for now) such a dire situation. Colorado River experts are now indicating that there should be enough water in the system to avoid a trigger event in the remainder of 2015 and (hopefully) 2016 (El Nino potentially could be positive in the Colorado River Basin depending on the intensity, duration and path of the storm systems).
- ***Drought Conditions – California.*** An all but identical report from last few months. At the end of August, all 58 California Counties remained in various levels of drought. According to the NOAA/USDA’s well-visited Drought Monitor web site, 100% of California remains in drought and the August 25 weekly update reported that approximately 90% of the entire State was in severe, extreme or exceptional drought and – once again – more than 90% of the coastal regions (including Southern California) of the State and the entire Sacramento and San Joaquin Valleys were in the highest category of drought.
- ***Drought Conditions – Rest of the West.*** And, an all but identical report for the rest of the West too. Previously, I reported that the drought map for the West abruptly changed following the huge storms in the Gulf, Texas and Oklahoma several months ago. Drought has all but disappeared east of the Rockies. Almost no drought conditions exist from the Dakotas down through Texas. Coastal states (CA, OR, and WA) remain in severe drought (emergencies were formally declared by both Governors). Same with Arizona, Nevada and Utah. Western MT, and WY. Parts of , NM and CO remain in some level of drought, but the eastern part of each of those states are largely drought-free at this time.

Political Threats – Arizona Claims – Invokes Fear – California Would “Steal” Arizona Water

- ***Arizona Unhinged Over “Possible Threat.”*** Beginning early in 2015, Arizona water leaders began privately and later publicly began expressing outright alarm that California would “steal” Arizona water if the Colorado River dropped low enough to force a mandatory allocation.

- ***Arizona Senators and Delegation Shopping Legislative Amendments to Overturn 1968 Agreement.*** Arizona, in turns out, doesn't like the agreement it negotiated with California and others back in 1968 to finance the Central Arizona Project. In response to the perceived threat today, Members of the Arizona delegation shopped amendments to overturn the 1968 agreement when the Energy Bill was being considered in the Senate Energy Committee. No amendment was offered, but MWD very concerned.

EPA-Corps of Engineers Issue New Clean Water Act Rule Blocked by Federal Judge.

- The "Waters of the US" EPA-Corps rule has been highly controversial, deserved or not. Litigation has occurred and now, a Federal Judge has blocked the implementation of the rule, at least in part and for now. This will be an issue for some time to come.
- And, as a reminder, I previously reported that *"IEUA and others asked EPA and the Corps, after reviewing the draft, to exempt recycled water facilities and projects. As requested, these projects were exempted."*

Municipal Bonds

- ***Municipal Bonds for America Coalition Planning July Fly-In.*** Led by South Carolina Mayor, Steve Benjamin, the Municipal Bonds for America Coalition held a "fly-in" – meeting with House and Senate leadership, Senate Finance and House Ways and Means Committee leaders and members and others. A staff briefing was held in the new Visitor's Center. While comprehensive tax reform is not expected to be considered before 2017, it could be forced to occur if Reconciliation takes place. The only way to achieve a 25% tax rate (personal and business) is to wipe out major sections of the tax code – and deductibility of muni bonds are in that zone.

Looking Into September

- September schedule is packed with high profile, highly controversial issues
- Fiscal years ends September 30, new one begins on October 1. Funding bills (CR) must be enacted by the end of the month to avoid government shut-down.
- House/Senate to consider Disapproval Resolution on Nuclear Agreement with Iran
- Short-term Highway bill set to expire shortly – needs to be addressed
- Filibuster threats have been raised on both the CR and the Iran Agreement
- Congressional Research Service (CRS) detailed analysis of the Feinstein-Boxer bill is expected.

**INFORMATION
ITEM**

3F



August 28, 2015

To: Inland Empire Utilities Agency
From: Michael Boccadoro
President
RE: August Legislative Report

Overview:

Legislators have returned to Sacramento after their month-long Summer Recess for the final few weeks legislative session which ends on September 11. Members will have until August 28 to get their bills out of Appropriations Committees and onto the floor before two final weeks of floor sessions. During the final few weeks it is rumored that the Legislature could take action on key issues including a public goods charge for water, cleanup of water district consolidation and allocation of the Greenhouse Gas Reduction Funds. Senator Pavley earlier this week announced she would be amending her SB 20 to create a water resiliency investment fund, sparking further rumor of a public goods charge effort.

The Senate Select Committee on the Sacramento San Joaquin Delta held a hearing to discuss the California WaterFix. The committee is chaired by Senator Wolk who stacked the agenda with pro-Delta, anti-tunnel advocates. The Legislative Analyst's Office gave a general overview of the history of BDCP and issues in the Delta while panelists discussed the effects to the ecosystem and fish, the view of the Delta Counties, alternatives to the CA Water Fix, and the economics of the proposal. Panelists warned any Delta conveyance facility would harm the economy, the ecosystem and take water away from in-Delta interests while costing taxpayers billions of dollars. There was no representation from the Brown Administration or any party that favors the CA WaterFix.

The South Coast Air Quality Management District's (SCAQMD) plan to update and tighten emissions reduction requirements under its NOx trading program continues. Industry is claiming a recently released update would impose massive economic costs, while advocates say the program needs to be even more stringent.

Acting on a drought-response directive from Governor Brown to tackle water-appliance efficiency, the California Energy Commission approved a new standard for showerheads that is expected to save 2.4 billion gallons of water in the first year of the program. The two-phase program will be fully in effect by July 1, 2018.

Several Legislators and environmental groups are pressing the CPUC to revise a Proposed Decision (PD) that implements the recently re-authorized Self Generation Incentive Program. The Legislators and stakeholders argue that while using ratepayer dollars, the program does not require sufficient greenhouse gas emissions reductions and will only incentivize more natural gas powered fuel cells without advancing the state's emissions reduction and renewable energy goals.

Inland Empire Utilities Agency Status Report – August 2015

California Water Resiliency Investment Fund Introduced

Rumor about a new public goods charge for water has been a hot topic in California for months. With Legislative session a few short weeks from ending Senator Fran Pavley (D-Augora Hills) amended her SB 20 to propose a California Water Resiliency Investment Fund. While the Senator has indicated that she does not plan to move the bill this session, it is the most formal step to instituting a public goods charge for water we have seen.

The bill currently consists only of intent language and funding categories but offers some limited insight. The bill creates five “accounts:”

- The Emergency Drought Response and Recovery Account- to support emergency actions to prevent vulnerable populations from the severe impacts of water droughts, including providing emergency drinking water and other residential water supplies, and other economic relief measures.
- The Integrated Regional Water Resiliency Management Account- to provide matching grants to local and regional agencies to increase regional self-reliance and result in integrated, multibenefit solutions for ensuring sustainable water resources. Projects may include groundwater storage, wastewater recycling, stormwater capture, water conservation, flood management, and other water supply and quality projects.
- The Safe Drinking Water for Disadvantaged Communities Account- support planning, construction, operation and maintenance of drinking water systems for disadvantaged communities.
- The Environmental Resilience and recovery Account- provide funding to restore and protect fish and wildlife habitat and populations to avoid or reduce conflicts with water management systems. This funding is only available for projects that are greater than required environmental mitigation measures or compliance obligations and cannot be used to pay for mitigation or environmental review costs of any current or proposed water supply project.
- The Smart Water Data Program Account- support improved data and information systems that enable better management of water resources and to further facilitate expansion of water markets.

The measure currently contains no specifics about funding levels.

Again, the Senator has indicated that she will not move the bill in the final weeks of session. There will likely be stakeholder meetings on the bill in the fall and early winter before the Legislature returns in early 2016. Passage of any new tax or fee, like a public goods charge, would require a two-thirds vote of the Legislature under Proposition 26.

Hearing in Senate on California WaterFix

The Senate Select Committee on the Sacramento San Joaquin Delta recently held a hearing on the California WaterFix. Senator Lois Wolk (D- Davis,) an outspoken opponent of any type of conveyance facility and Chair of the committee, opened the hearing by outlining several questions she has identified as having yet to be answered:

- Will the tunnels improve the Delta ecosystem?
- Will the tunnels significantly impact economies and the community of the Delta and Northern California?
- Will the tunnels improve water supply reliability in other parts of California?
- Will the tunnels be cost effective?
- Will the results justify the cost?
- Will the tunnels help meet the coequal goals?
- Who will control the pumps and their operation?

The Legislative Analyst's Office (LAO) gave a history of the Sacramento San Joaquin Delta, outlined recent efforts and proposals to address Delta challenges, a summary of the major revisions between the Bay Delta Conservation Plan and the California WaterFix and finally discussed issues for the Legislature to consider. Some of the issues the LAO identified the Legislature might want to consider include:

- How well does the California WaterFix align and integrate with the Delta Reform Act, the Delta plan and other Delta efforts?
- What entities currently have the authority to ensure the WaterFix meets statewide goals for the Delta? Is the oversight sufficient and appropriate? How will the project incorporate evolving scientific understandings?
- What role could the Legislature take to exercise its preferred role?
- How does the California WaterFix affect fish and wildlife?
- Does the California WaterFix account for changing water flows in future years?
- Are there viable alternatives?
- What costs might the state have to bear?

Following the LAO, the panel discussion commenced with presentations from Dr. Christina Swanson who discussed if the tunnels would be good for the fish and the ecosystem. She recognized that native fish populations are declining at an alarming rate and that the current management system is not working. While she spoke about many factors, the highlight of her presentation was about flows through the Delta. She noted that if there are sufficient flows in the Delta many of the other contributing factors to ecosystem and habitat decline can be mitigated for easily.

Sacramento County Supervisor Don Nottoli represented the Delta Counties Coalition, another anti-tunnel organization, and spoke about the same issues his Coalition has consistently highlighted, and advocated using Proposition 1 funds for the following:

- Focus on water system operational improvements to existing facilities.
- Increase storage.
- Improve levees.
- Promote regional self-reliance and reduce reliance on the Delta.
- Preserve and protect the Delta economy.

Craig Wilson followed Supervisor Nottoli. The former Delta Watermaster spent most of his time outlining his plan for an alternative diversion point. He believes that a diversion on the west side of the Delta, near Sherman Island, is a better location to the current and proposed intakes. He favors this location because it allows the water to flow through the delta before it is diverted south. He proposes a treatment polishing facility to treat the water that will have picked up salts and other contaminants moving through the Delta. Finally, he envisions a gate system below the confluence of the Sacramento and San Joaquin rivers to protect from any sort of significant saltwater intrusion events.

Dr. Jeffrey Michael from the University of the Pacific was the hearing's last panelist and he focused on the economics. He testified the California WaterFix is completely unfeasible and noted that there was no way for it to get built without significant state/taxpayer funds.

There was well-coordinated public comment from other anti-tunnel representatives, and a few questions from members. It is important to note again that the panel was decidedly biased against the tunnels and that there was no representation from the administration or any other pro-tunnel interest. There was no action taken at the hearing and no further hearings scheduled.

South Coast NOx Program Update

The evolution of the South Coast Air Quality Management District's (SCAQMD) plan to update and tighten emissions reduction requirements under its NOx trading program continues. Industry claims the new update would impose massive economic costs, while advocates say the program should be made even more stringent. The recent "preliminary draft staff report" calls for a total reduction of 14 tons per day (TPD) in two phases. Four TPD by 2016 and then the final ten TPD in equal amounts in 2018 and 2022.

Affected industry coalitions are urging the district to significantly lower the level of emissions reductions charging that the 14 TPD is unworkable and does not reflect best available retrofit control technology (BARCT) and would be so expensive that the program could become dysfunctional and small and medium sized businesses would face significant cost impacts that could lead to cutback and closure.

Environmentalists are urging district officials to tighten the pending proposal to achieve the same emission reductions as traditional command-and-control regulations and that only a more stringent NOx reduction will achieve this standard by requiring the necessary equipment to be installed.

CEC approves new standards for showerheads

The California Energy Commission (CEC) has approved new standards for showerheads, a move expected to save 2.4 billion gallons of water in the first year. The program is a two tiered standard with Tier One requiring on and after July 1, 2016, all fixed and handheld showerheads manufactured or offered for sale in California to have a maximum flow rate of two gallons per minute. The Tier Two standard, set for showerheads manufactured on or after July 1, 2018, decreases the maximum flow rate to 1.8 gallons per minute. The combined standard, the most stringent in the country, is expected to save as much as 38 billion gallons of water per year after full stock turnover in 2028. Additionally, the CEC notes that the standard will save 202 million

therms of natural gas, save 1.3 GW of electricity; and produce \$702 million in annual savings for consumers.

SGIP program review requested at CPUC

Several State Legislators and environmental groups are pressing the CPUC to revise the Proposed Decision (PD) for the Self Generation Incentive Program (SGIP) at the CPUC.

SGIP provides rebates for small distributed energy system facilities installed on the customer's side of the meter, such as fuel cells and energy storage systems. The program provides subsidies for up to 50 percent of a project cost for the installation of distributed generation technologies no greater than 3 megawatts.

The \$415 million ratepayer funded SGIP program was reauthorized by the Legislature last year and included new eligibility requirements. Some groups believe that the PD sets allowable GHG levels higher than a modern gas plant, allowing millions of SGIP subsidies to flow to carbon-intensive distributed resources. The legislators who weighed in also generally agree the PD seems to maintain the eligibility for existing technologies operating on 100 percent conventional natural gas, noting that the proposed rules will do nothing to promote the state's longer climate and energy goals.

Legislative Update

The Legislature has returned from their month-long Summer Recess to immediately begin working in their respective Appropriations Committees until the August 28 deadline for all bills to be on the floor. They will then have until September 11 to pass bills off the floor for the Governor's signature.

The final three weeks of the session could see some last minute efforts on some big policy issues including a public goods charge for water, cleanup of the water district consolidation measure passed with the budget and allocation of up to \$2.2 billion in Cap and Trade proceeds.

Cleanup of the water agency consolidation language is running into disagreement between the proponents, Senators Wolk and Hertzberg, who want the legislation to only include small cleanup measures and the Administration which is interested in putting in more significant policy changes, though the specific policy measures have not yet been outlined yet.

Finally, after several months of work in budget sub committees on the proceeds from the Cap and Trade auctions would be allocated, the expenditures were not ultimately included with budget passage in June. However, in order to spend the funds this fiscal year, legislators must act to appropriate the funds before the session gavels closed on September 11. How the money will be spent remains unclear since a legislative proposal has not yet surfaced. It is likely safe to assume that there will be some funding for energy efficiency in the water sector, as that remains a popular policy program within the Administration.

**INFORMATION
ITEM**

3G



CALIFORNIA STRATEGIES, LLC

Date: August 28, 2015
To: Inland Empire Utilities Agency
From: John Withers, Jim Brulte
Re: August Activity Report

Listed below is the California Strategies, LLC monthly activity report. Please feel free to call us if you have any questions or would like to receive any more information on any of the items mentioned below.

- Met with IEUA Executive Management Team to review priority issues and to discuss activities for August that they wanted accomplished.
- Participated in discussions with staffs of San Bernardino and IEUA to discuss coordination of County and District legislative and public policy issue agendas that Executive Staff wanted.
- Received the recently released LAFCO report.
- Discussed County flood control and IEUA issues.
- Continue to monitor statewide water issues including the BDCP, water bond, and drought relief act activities.
- Outreach to Board Directors as needed on issues of interest
- Monitor Santa Ana Regional Board agenda and issues of interest to IEUA.

**INFORMATION
ITEM**

3H



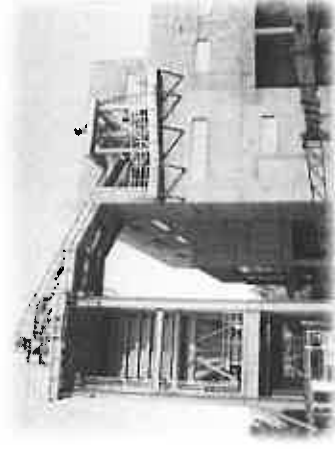
Bill/Author	Subject	Status	Description	IEUA Position	Notes
AB 143 Stone (R)	Diamond Valley Reservoir: recreational use.	2-Year Bill	Would exempt prohibition recreational activity in which there is bodily contact with water by any participant in the Diamond Valley Reservoir.	Oppose	Bill was made a two-year bill.
SB 75 Budget Committee	Emergency Drought Appropriations	Held in Assembly	Emergency Drought Expenditures	Support	The Emergency Drought bills were passed in separate vehicles, ABs 91 & 92, contained the same language as SB 75
AB 888 Bloom (D)	Plastic Microbeads	Senate Floor	Would prohibit, on and after January 1, 2020, a person, as defined, from selling or offering for promotional purposes in this state a personal care product containing plastic microbeads that are used to exfoliate or cleanse in a rinse-off product	Support	
SB 385-Hueso (D)	Hexavalent Chromium	Governor's Desk	Would authorize, until January 1, 2020, the State Water Resources Control Board, at the request of a public water system that prepares and submits a compliance plan to the state board, to grant a period of time to achieve compliance with the primary drinking water standard for hexavalent chromium by approving the compliance plan	Support	ACWA Sponsored
SB 471-Pavley (D)	Water Energy Nexus	Appropriations Suspend	Would include reduction of greenhouse gas emissions associated with water treatment among the investments that are eligible for funding from the Greenhouse Gas Reduction Fund. The bill would also make legislative findings and declarations, and a statement of legislative intent, with regard to the nexus between water and energy and water and reduction of greenhouse gas emissions.	Support	

**INFORMATION
ITEM**

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Engineering and Construction Management Project Updates

September 2015



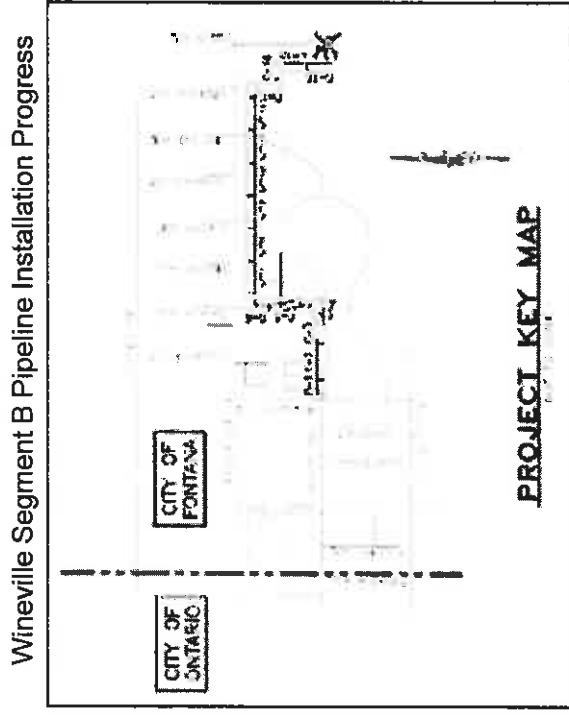
Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

David Mendez,
Acting Deputy Manager of Engineering

John Scherck,
Acting Deputy Manager of Construction Management

EN13045 – Wineville Recycled Water Pipeline Extension Segment B

- Contractor: Mike Bubalo Construction
- Current Contract Value: \$8.7 M (with VE)
- Total Project Budget: \$12.2 M
- Scope of Work: Construct 2.6 miles of RW Pipeline (VE Alignment Total)
- Current Activities:
 - Procurement of control panel and sluice gate
- Contract Completion: November 2015
- Percent Complete: 95%
- Focus Points:
 - Pipeline is in manual operation
 - Full automated operation



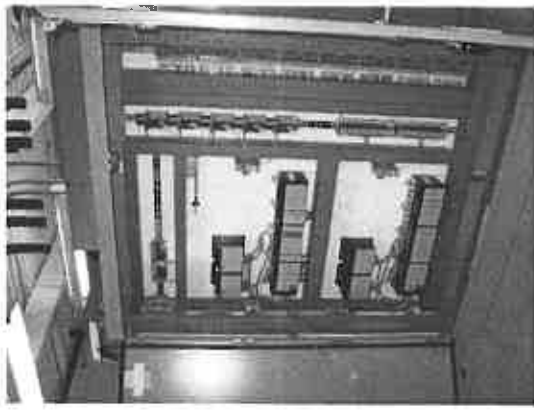
EN13016 – SCADA Enterprise System CCWRF

- Contractor: Technical Systems, Inc.
- Current Contract: \$2.5 M
- Total Project Budget: \$10.3 M
- Scope of Work: Migration of existing control system to modern SCADA system at CCWRF
- Current Activities:
 - Operator screens and configuration of reporting system
 - Submittal review and control workshops
- Contract Completion: February 2016
- Percent Complete: 48%
- Focus Point:
 - Reporting system configuration
 - Factory acceptance testing of remaining panels

Control Room Wall Modifications



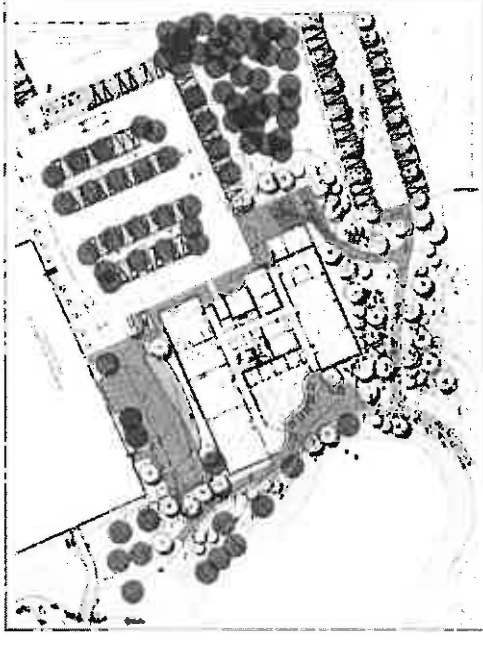
Headworks Panel Installation



EN15008 - New Water Quality Laboratory Project

- Engineering Consultant: Austin Company
- Current Contract: \$1.3 M
- Total Project Budget: \$21 M
- Scope of Work: Consultant Engineering Services for New Water Quality Laboratory and Central Chiller Plant Expansion
- Current Activities:
 - Update 50% Lab Design
 - Preliminary Design Central Plant
 - Solicitation for VE Consultant
 - Review Geo-Technical Report
- Focus Point:
 - Complete 50% Lab design review workshop
 - Complete Central Plant predesign review workshop
 - Complete Panel Expert contracts
 - Pre-qualification of Contractors

Project Site Plan



EN15032 – Agency-Wide HVAC Improvements, Package No. 3

- Engineering Consultant: Allison Mechanical, Inc.
- Current Contract: \$431 K
- Total Project Budget: \$1.2 M
- Scope of Work: Replacement/upgrade of air conditioning units for RP-1 Warehouse, RP-2 Dewatering Control building, RP-5 Power Center No. 3
- Current Activities:
 - Review shop drawing submittals
 - SCADA Workshop
- Focus Point:
 - Long lead submittals

RP-5 Power Center No. 3



Fiscal Year 14/15 – Minor and Emergency Projects

- 7 Minor Constriction Projects
- 24 Emergency Projects

Vineyard Elementary RW Pipe Replacement



6-inch Sludge Line Leak



RAS Piping Leak at CCWRF



RP-1 42-inch Primary Effluent Pipe Repair



Potable Water Line Installation at RP-4



**INFORMATION
ITEM**

3J



Date: September 16, 2015

To: The Honorable Board of Directors

Through: Engineering, Operations, and Biosolids Management Committee
(09/09/15)

From: P. Joseph Grindstaff *CB*
General Manager

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

David Mendez *DM*
Acting Deputy Manager of Engineering

Subject: Engineering and Construction Management Program Management Plan

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

The Engineering and Construction Management Department has an adopted Ten Year Capital Improvement Plan (TYCIP) budget of \$600,000,000. To better assist in delivering the projects defined in the TYCIP, Engineering and Construction Management's Program Management Office (PMO) developed and implemented a Program Management Plan (PMP). The PMP is based on industry standard practices provided by the Project Management Institute (PMI) and the Construction Management Association of America (CMAA).

The overall goal of the PMP is to provide a standardized, consistent method in delivering projects using a planning process in developing Project Charters, Project Management Plans, and Construction Management Plans throughout the lifecycle of a project. These project plans update Program Sponsors (Executive Management) on how the department will deliver projects, and provides detailed budget and schedule information to the Program Sponsors which gives them the ability to select, prioritize, and proceed with projects based on resource and financial constraints of the Agency.

Preparation of Project Charters, Project Management Plans, and Construction Management Plans to provide details on the management of the project activities that contain the following elements:

- Scope Management
- Time Management
- Cost Management
- Quality Management
- Resource Management
- Communication Management
- Risk Management
- Contract Management

By providing these plans, the number of project changes will be reduced and will allow greater visibility and control over the entire project lifecycle. Staff will be able to mitigate issues as they arise and make comprehensive decisions on changes.

The Program Management Plan is part of the Agency's Water Reliability Business Goal to ensure capital projects are designed and implemented in a timely and economically responsible manner.

The complete PMP is provided as an attachment.

PRIOR BOARD ACTION

None

IMPACT ON BUDGET

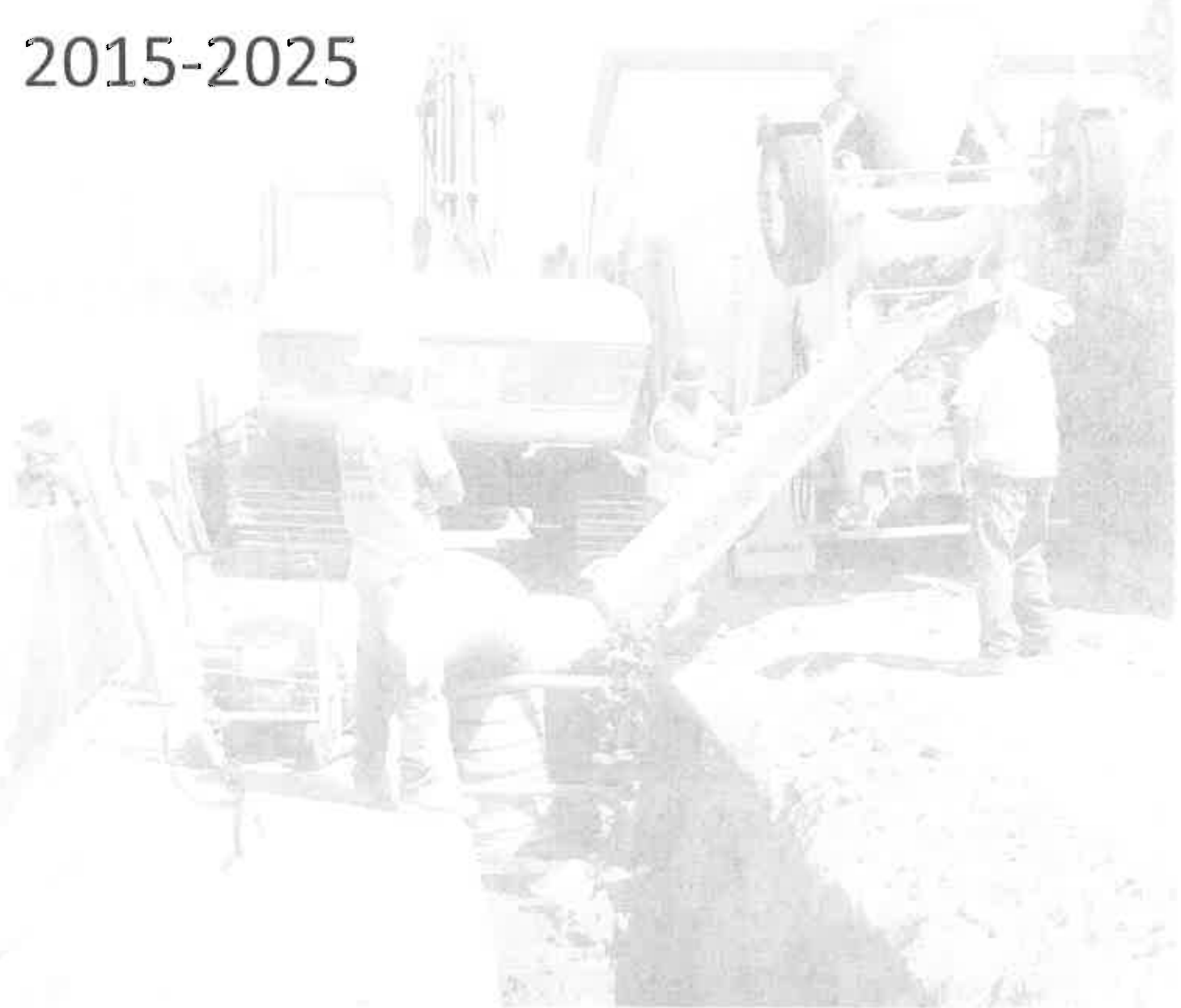
Costs associated with the Program Management Plan are included in the project budgets.

Attachment: Engineering and Construction Management Program Management Plan

PJG:CB:DM:JS:rs



Engineering and Construction Management Program Management Plan 2015-2025





Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

ENGINEERING AND CONSTRUCTION MANAGEMENT DEPARTMENT

PROGRAM MANAGEMENT PLAN 2015 - 2025

INLAND EMPIRE UTILITIES AGENCY
6075 KIMBALL AVENUE
CHINO, CALIFORNIA 91708

JUNE 2015

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1 Introduction

The Program Management Plan has been prepared to assist Project Managers and Construction Project Managers in delivering projects using a structured approach that is based on industry standard practices. Industry standards of practice are provided by the Project Management Institute (PMI) and the Construction Management Association of America (CMAA). The Plan is intended to inform stakeholders as follows:

- Executive Management about how the department will deliver on the approved TYCIP and the changes necessary to successfully deliver projects.
- Operations and Maintenance Management about their involvement and more specifically the resources required for the successful delivery of projects.
- Technical Services, Integrated System Services (ISS), and other support staff about the resources they'll have to allocate for the successful delivery of projects.

The Engineering and Construction Management department provides project management services that oversee the conceptual phase, design, and construction of capital improvement projects. The projects involve all aspects of the Agency's business including water, wastewater, recycled water (direct use and groundwater recharge), and energy generation. The Ten-Year Capital Improvement Plan (TYCIP) and the Asset Management Plan are the main reports used to identify projects for the next ten years.

In addition to capital improvements, the department supports the Agency's Operations and Maintenance departments with Repair and Rehabilitation projects (R&R). The department provides emergency response to facilities or pipeline system failures that require immediate response. The department supports energy projects that typically move very quickly once the funding opportunities are right for the Agency. These projects are not identified in the Agency's TYCIP (Appendix A – TYCIP).

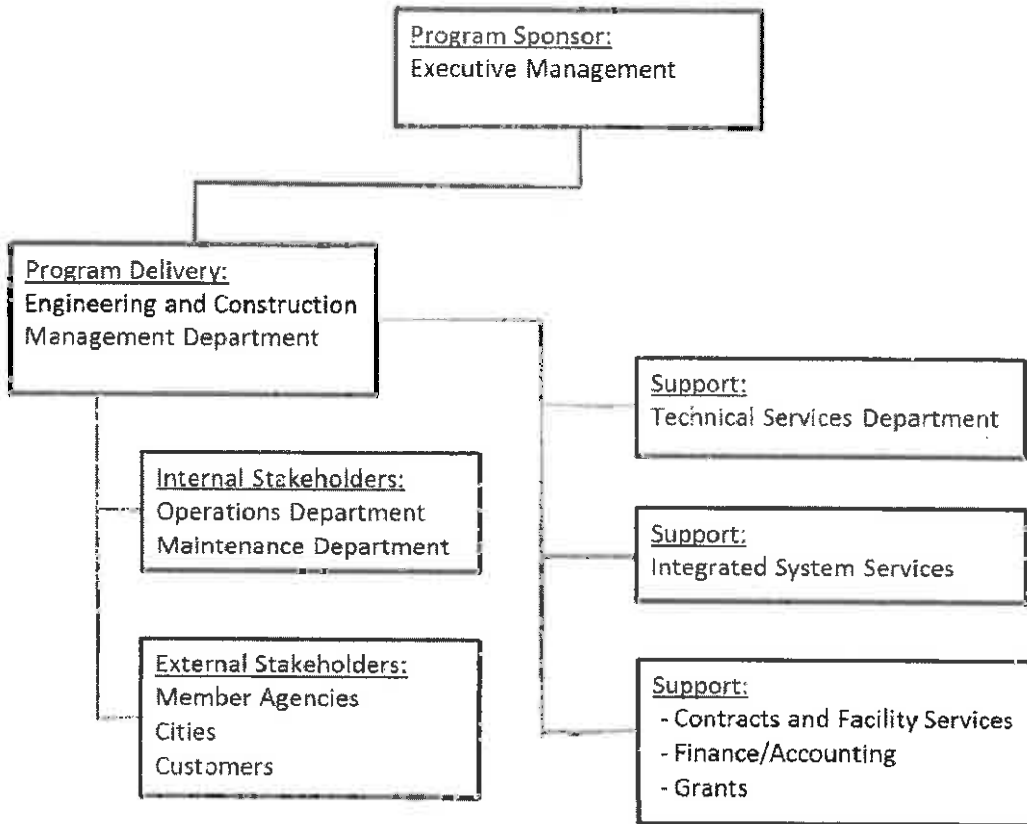
Department Mission Statement:

To engineer and construct state of the art facilities and infrastructure to meet the dynamic and growing needs of recycled water demand, wastewater collection, treatment, and disposal of the Agency's service area, and to implement the Capital Improvement Program (CIP) with well managed and cost effective solutions.

Agency Goal:

The Agency will ensure capital projects are designed and implemented in a timely and economically responsible manner.

2 Roles and Responsibilities



The roles and responsibilities of all parties identified in the chart above are essential to program success. All parties must clearly understand their roles and responsibilities in order to successfully perform their portion of the program. The following roles and responsibilities have been established to have a successful program:

Program Sponsor: Is responsible for the overall success of the Program. The Program Sponsor is responsible for the approval and authorization of the Ten-Year plan prepared by the Engineering and Construction Management Department for the delivery of all the projects listed in the Agency's TYCIP. This plan includes the delivery structure of emergency projects and support for maintenance R&R projects.

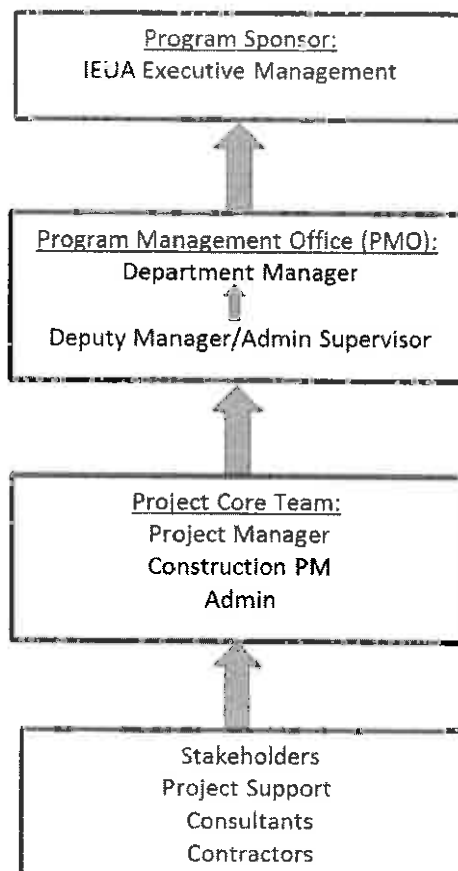
Program Delivery: The Engineering and Construction Management Department is responsible for the successful delivery of the projects listed in the Agency's TYCIP. This document will provide the details on the structure of the department and how the program will be delivered. The department has gone through a process of thoroughly reviewing individual project resources to determine the level of effort. These resource requirements have been aggregated for the department to determine staffing needs. The successful delivery of this program will require staff augmentation at every level and the plan will show how this will be done.

Operations Staff: As the stakeholders, operations staff will be required to participate in the Project Charter and the Project Management Plan processes of individual projects to ensure they are in complete agreement with the intent and delivery of that project. Project management staff will work closely with operations staff during all phases of the projects.

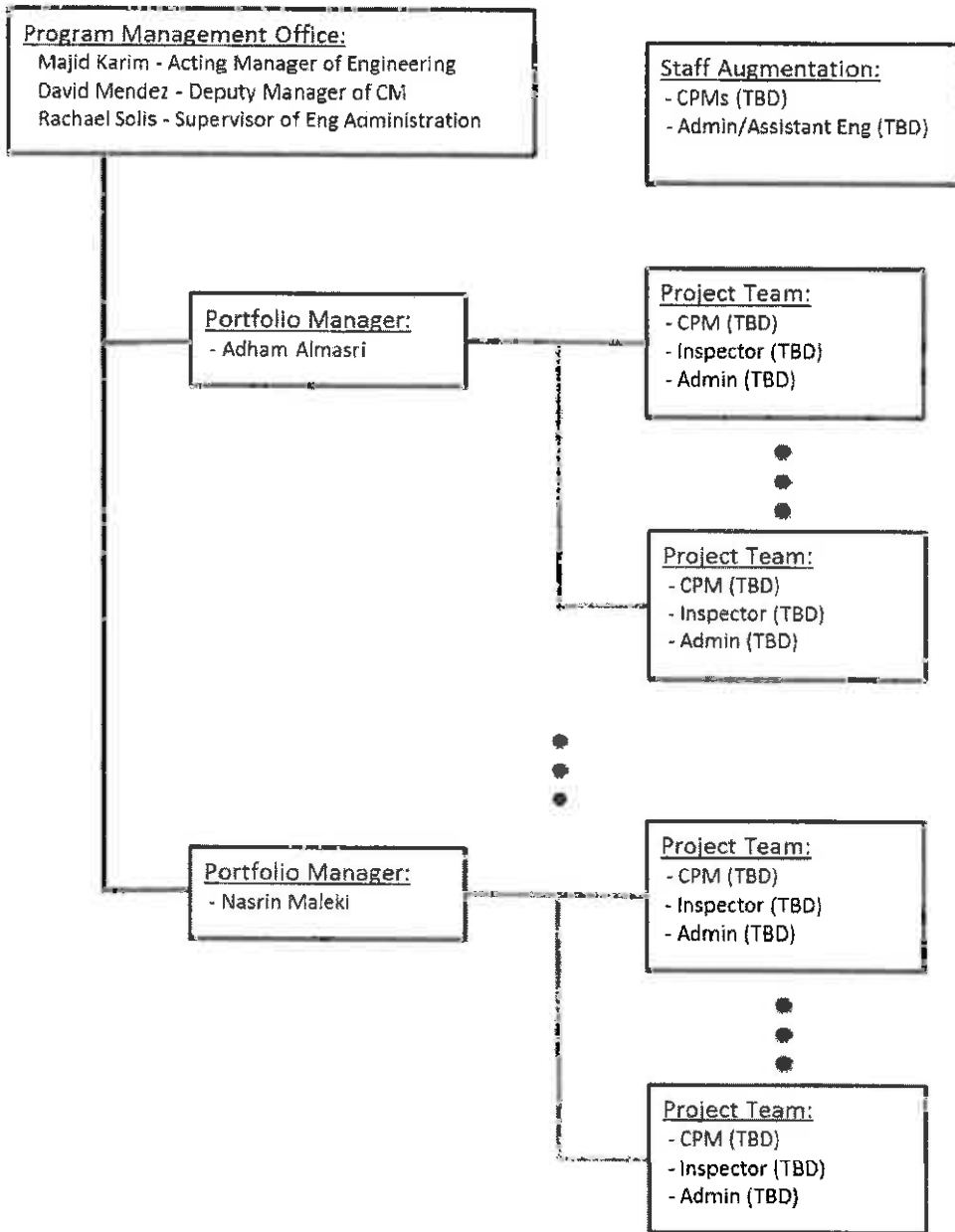
Maintenance Staff: As the stakeholders, maintenance staff will be required to participate in the Project Charter and the Project Management Plan processes of individual projects to ensure they are in complete agreement with the intent and delivery of that project. Project management staff will work closely with maintenance staff during all phases of the projects.

Support Staff: Support staff will be required to participate in the Project Charter and the Project Management Plan processes to ensure complete agreement with the delivery of that project. Support staff will be engaged in the project by Project management staff during any phase of the project whenever their support and expertise is needed.

Reporting Structure: The reporting structure shall be as indicated in the chart below:



3 Engineering and Construction Management Delivery



The chart provides the departments structure as it relates to project delivery. The Program Management is comprised of department management/supervisory staff. The PMO assigns projects to Project Managers and project teams for the delivery of the projects.

3.1 Program Management Office (PMO)

The PMO is responsible for the overall success of the total Program. It is the responsibility of the PMO to provide adequate resources and guidance for consistency throughout the department. Guidance for the department will be provided in the form of standardization and tools such as:

1. Portfolio teams and assignments
2. Resource needs documentation from portfolio teams
3. Resources for delivery of projects/portfolios
4. Standard Operating Procedures
5. Expectations for Portfolio/Project management
6. Procedural guidelines for project delivery and setting contingencies
7. Standard Design guidelines
8. Standard Front-end documents
9. Request for Proposal templates
10. PMI/CCM Training through Skillsoft, PMBOK and classroom setting
11. Project delivery based on PMI strategies
12. Detailed Training Plan (See Appendix B)
13. Project Management Tools such as SAP, Primavera, Project Dashboard, CIPO, As-Built Database, GIS System
14. Tracking of KPI's for all projects through established procedures and reports

Project Management training will be provided throughout the year. Staff time will be scheduled appropriately several weeks prior to ensure participation. The training is selected to support continued development of staff and the department.

3.2 Project Delivery Methods

1. Whether a project is being delivered under a traditional general construction contract, multiple prime contracts, construction management at-risk, design-bid-build, design build etc., it will significantly impact the Project Manager (PM) and Construction Project Manager's (CPM) responsibility for project management and coordination.
2. During the planning/project development phase, the Project Team shall evaluate the project, evaluate the delivery methods, and propose a method to the PMO. The delivery method chosen has a significant impact on the project team member organization, resources, roles and responsibilities, project risks, and thus the contract administration procedures that will be followed. For the purpose of this section, the Project Team has the option of selecting the following methods:
 - a. The traditional project delivery method - Design-Bid-Build (DBB): Typically involves three sequential project phases. (1) The design phase, which requires services of the Design Engineer who will design the project, (2) the

bid phase, when a contractor is selected, and (3) the construction phase, when the project is built by the contractor.

- b. Within the traditional project delivery method, there are three methods of awarding a construction contract on a project. The methods are based on total project budget dollar thresholds.
 - i. Prequalification of Contractors (Project Specific > \$2M): The project teams goal is to assist in securing for each bid package a sufficient number of bidders who are qualified, competitive, interested in the work, and capable of doing the work. The CPM will assist the PM in preparation and distribution of questionnaire's and receiving and analyzing completed questionnaire packages, interviewing possible bidders, bonding agents, and financial documents. With this information, the project team can evaluate the contractors and submit recommendations to the PMO on which contractors should be invited to bid.
 - ii. Prequalification of Contractors (Projects > \$100K - < \$2M): The project teams goal is to assist in securing for each bid package a sufficient number of bidders who are qualified, competitive, interested in the work, and capable of doing the work. The CPM will assist the PM review of the project documents and prequalified list and prepare a recommendations (short list) from the established prequalification list.
 - iii. Minor Construction and Emergency Contracts < \$100K: The project teams goal is to assist in securing for each bid package a sufficient number of bidders who are qualified, competitive, interested in the work, and capable of doing the work. The CPM will assist the PM review of the project documents and prequalified list and prepare a recommendation (short list) from the established prequalification list. If an emergency project arises, the CPM will send out an email request to the contractor's on the master contract list, and award the emergency to the first available, qualified contractor.
- c. Non-Traditional Delivery Methods:
 - i. Design-Build (DB) - A project delivery method which combines architectural and engineering design services with construction performance under one contract. A design engineer provides guidelines to a design-build contractor. They then work in collaboration to construct the project.
 - ii. Hybrid Design-Build - A project delivery method where the Agency procures the services of a Design Engineering Consultant and a Contractor and forms the design-build team. This approach puts the risk of the design-build on the Agency.

3. Each of these project delivery methods carries a different level of risk for the Agency. There are benefits and tradeoffs that come with the various delivery methods. It's the responsibility of the project team to evaluate different project delivery options and propose recommendations to the PMO. The PMO will select the best appropriate deliver method based off the recommendations provided.

3.3 Project Teams

The projects defined in the TYCIP document are assigned to project teams that will be responsible for the delivery of projects (Appendix A – TYCIP). The intent is to distribute projects to the teams based on areas of responsibility. There is a team dedicated to the delivery of R&R projects identified by the maintenance department. The department will have a total of six portfolio managers (Project managers) available to deliver capital improvements projects and one team dedicated to R&R projects.

Based on the department's workload, the functionality of individuals will shift from "Project Engineers" to "Project Managers" at which point they will shift from detailed design reviews and support, to managing the consultant design teams. Similarly, the "Construction Managers" will function as "Construction Project Managers" where they will manage the consultant construction management team. The Project Managers and the Construction Project Managers will both be fully engaged in projects from inception to completion and should at all times be aware of schedules, budgets, and potential risks. There will always be certain situations that require staff to perform as the Project Engineer or the Construction Manager.

4 Project Management Approach

The project teams will lead the successful delivery of the projects listed in the assigned portfolio. The project teams will manage the project schedules, budgets, and potential risks identified in the Project Charter, Project Management Plan, and Construction Management Plan.

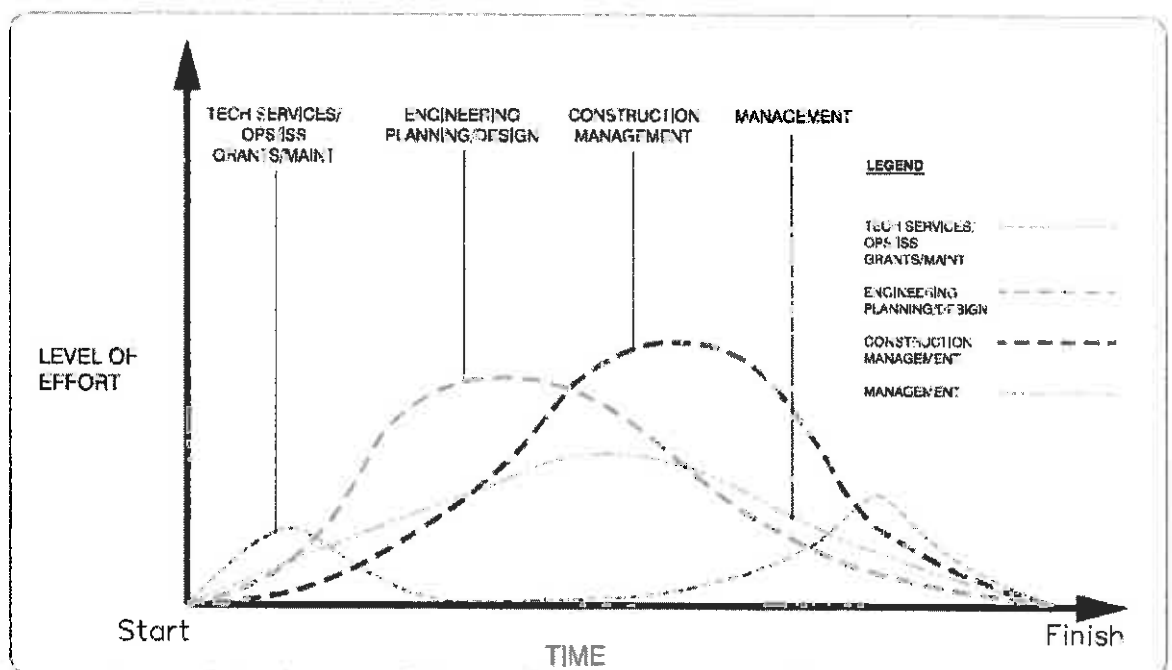
4.1 Key Changes From Past Practices

The project budgets and schedules provided in the TYCIP and Finance Budget documents are very high level estimates based on Executive Management and Management experience and will be updated by the project teams at key points in the project. At every stage that the budget and schedule is updated, the PMO will provide approval to proceed. This is a major shift in practice since the project budgets and schedules are developed by the Project Team and the team will be fully responsible to deliver the projects within those approved budgets and schedules.

4.2 Project Resources

Project teams will provide resource projections that will be required to successfully complete the project within the project budget and schedule provided by the team. These resources will include staff from other departments that are normally called on to work on projects. The resources from other departments have always supported projects but their involvement has not been quantified. This is a process in which other departments can be notified about the resource needs and plan accordingly.

The following resource graph depicts industry standard levels of effort required for a successful project delivery. The graph has been customized with Agency labels:



Following are the major expectations of the Project Managers, Construction Project Managers and project teams (Appendix C – Process Flow Diagram):

1. Receive project assignments from PMO
2. Develop Project Charter and get acceptance
3. Prepare a detailed Resource Manpower Load Matrix spreadsheet for each project (Appendix D – Resource Manpower Load Matrix Spreadsheet) and input into Primavera.
4. Prepare a design consultant RFP, select a design consultant to complete a predesign of the project that will further develop ideas provided in the Project Charter
5. Provide a budget and schedule based on the information developed in the predesign. The project budget and scheduled at this point will take precedence over

- the conceptual level budgets and schedules provided with the TYCIP and budgeting process
6. Develop Project Management Plan and get acceptance
 7. Notify project sponsor and stakeholders of any significant changes in the budget or schedule and get concurrence to move forward with the given scope or change in scope to fit the appropriated budget
 8. Complete the design of the project based on the scope, schedule, and budget accepted by project sponsor and stakeholders
 9. Provide a detailed budget and schedule based on the information developed in the final design. The final design budget and schedule will have to be approved if it deviates from the previously approved budget and schedule. The project team will be required to deliver a successful project based on this schedule and budget. Note that owner initiated changes that impact the project budget and schedule will require approval with updated KPI's.
 10. Develop Construction Management Plan during the bid/award period of the project
 11. Follow the PMI approach for project delivery at every stage

4.3 Project Charter

At the initiation of the project, the Project Charter is the first formal document that will be produced by the project team. At this point, the project team knows very little about the project and begins the investigative stage to gather details about the project by closely engaging the Technical Services Group (TS). The project expectation memorandum that is created by TS will be integrated into the project charter. The project charter will typically include the following sections:

- Executive Summary
- Project Expectations Memorandum
- Risks
- Project Deliverables
- Summary Schedule
- Summary Budget
- Project Management Team
- Authorization or Sign-off Form

A sample template for the Project Charter is provided in Appendix E.

4.4 Project Management Plan

At this point the project team should have a detailed predesign document with a more refined project scope, budget, and schedule. The project team should be comfortable enough with the scope, budget, and schedule to take complete ownership and be able to deliver the project based on the information available. The updated information will be presented to the project sponsor and stakeholders to receive acceptance. The Project Management Plan should include the following information (the list is not all inclusive):

- Executive Summary
- Project Organizational Chart
- Project Scope
- Project Schedule
- Cost, Scope, Schedule, Quality, Risk Management Plans
- Risk Register/Analysis
- Resources
- Authorization or Sign-off Form

A sample template for the Project Management Plan is provided in the Appendix F.

4.5 Construction Management Plan

At this point the project team should have a detailed design document with a defined project scope, budget, and schedule. A detailed budget and schedule should be developed for the construction, startup, and delivery of the project. The only change here would be made once the actual bids are received from the Contractors since this will be the real cost of the project. It is the responsibility of the project team to evaluate the lowest bidders cost to ensure that it's a viable bid. The Construction Management Plan should include the following information (the list is not all inclusive):

- Executive Summary
- Project Organizational Chart
- Project Scope
- Project Schedule
- Cost, Scope, Schedule, Quality, Risk Management Plans (based on bid results)
- Risk Register/Analysis
- Resources
- Authorization or Sign-off Form

A sample template for the Construction Management Plan is provided in Appendix G.

4.6 Project Reports

Every effort has been made to combine and consolidate reports wherever possible and to use the same source of data. The table below lists reports that will be used to track progress and performance of projects. Information will be extracted primarily from Primavera, SAP, and CIPO to create these reports. In addition to these reports, a dashboard has been created to review critical information for each project at a glance. Project report information is provided in Appendix H.

Report/Deliverable	Purpose	Audience	Due
Overall Project Status Report	Overview of project schedule, budget, contracts, and progress update.	PMO	Weekly
Bi Monthly Project Update	PowerPoint to update Executive Management on the status of all active Engineering Projects.	Program Sponsor, Finance	Bi-Monthly
Primavera Project Summary	Monthly status update of projects from Primavera.	Internal Stakeholders/ Project Support	Monthly
Project Update	PowerPoint to update the Board of Directors on high profile projects currently in progress.	Committee and Board of Directors	Monthly
Emergency Project Information	PowerPoint which defines the cause of the emergency, resolution/scope of work, contractor performing the work, schedule to complete the work, and cost of the emergency.	PMO, Program Sponsor	Within 24 hours/Follow up once Final
Office Engineer Report	Log to keep track of status update of the department's permit and reimbursable projects.	PMO	Weekly
Capital Call	The Capital Call report estimates future costs expected to be spent for capital projects, so the Agency can appropriate the appropriate fund availability.	Finance	Quarterly

4.7 Key Performance Indicators (KPI's)

KPI's will be used to track the progress and performance of projects. Project Teams will update KPI's and present reasons for any performance deviations and provide a recovery plan if applicable. KPI information and sample tracking reports are provided in Appendix I.

Schedule Tracking/Re-Baseline	≥ 80%
Start – PRDS Completion	
Design – BDAW	
Construction – CNSW Completion/STUP Completion	
Approved Document Changes	
Total Project Budget Tracking	≥ 90%
PRDS Completion	
BDAW	
Approved Document Changes	
Design Engineer Contract Amendments	≤ 10%

Construction Contract	≤ 10%
Change Orders	
Project Charter	≥ 90%
6-weeks from Project Start	
Project Management Plan	≥ 90%
30-Days from PRDS Finish	
Construction Management Plan	≥ 90%
30-Days from BDAW Finish	
Fiscal Year Budget	≥ 90%
FY Budget vs. actuals	
Capital Call	≥ 90%
Capital Call projection vs. actuals	
Resource Planned	≤ 80%
Planned resource vs. actuals	
Design Contingency	≥ 90%
>\$2M - 10% Total Project Budget	
<\$2M - 15% Total Project Budget	
Construction Contingency	≥ 90%
>\$2M - 10% Total Construction Budget	
<\$2M - 15% Total Construction Budget	
Invoices	≥ 90%
Invoice turnaround within 14-days	
Labor Charged against projects	≥ 75%
Time charged to projects (1600 hours a year)	
Lessons Learned	≥ 90%
Review projects best practices	

4.8 Project Management Plan and Construction Management Plan Details

There are several planning categories included in the Project Management Plan and Construction Management Plan, which include a Change Management, Communication Management, Cost Management, Procurement Management, Scope Management, Schedule Management, Quality Management, and Risk Management.

The sections below provide further details of the information that is required in these major planning categories:

4.8.1 Change Management Plan

4.8.1.1 Introduction

The Change Management Plan is created for the program and projects in order to set expectations on how the approach to changes will be managed, what defines a change, the purpose and role of the change control team (typically the PMO and elevated to Executive Management if necessary), and the overall change management process. All stakeholders will be required to submit or request changes to the Project Team in accordance with the reporting structure. All requests and submissions will follow the process detailed herein. A sample template for the Change Management Plan is provided in Appendix J.

4.8.1.2 Change Management Approach

The Change Management approach for the Program/Projects will ensure that all proposed changes are defined, reviewed, and agreed upon so they can be properly implemented and communicated to all stakeholders. This approach will also ensure that only changes within the overall scope of the program/project are approved and implemented. The Change Management approach is not to be confused with the Change Management Process which will be detailed later in this plan. The Change Management approach consists of three areas:

- Change management should be accounted for in the schedule and resources
- Ensure changes are within the scope and benefit the Agency
- Determine how the change will be implemented and the impacts to the project
- Manage the change as it is implemented

The Change Management process has been designed to make sure this approach is followed for all changes. By using this approach, the Engineering department will prevent unnecessary changes from occurring and focus its resources only on beneficial changes.

4.8.1.3 Definitions of Change

There are several types of changes which may be requested and considered for the Agency's Program. Depending on the extent and type of proposed changes, changes to the Project charter/Project Management Plan and the communication of these changes will be required to include any approved changes into the Project Management Plan and ensure all stakeholders are notified. Types of changes include:

- **Scheduling Changes:** changes which will impact the approved project schedule. These changes may require fast tracking, crashing, or re-baselining the schedule depending on the significance of the impact.

- **Budget Changes:** changes which will impact the approved individual project or fiscal budget. These changes may require requesting additional funding, releasing funding which would no longer be required, adding to project or management reserves, and may require changes to the cost baseline.
- **Scope Changes:** changes which are necessary and impact individual project's scope which may be the result of unforeseen requirements and were not initially planned. These changes may also impact budget and schedule. These changes may require revision to WBS, project scope statement, and other Project Management Plan as necessary.

The PMO and Project Team must ensure that any approved changes are communicated to the project stakeholders. Additionally, as changes are approved, the PMO must ensure that the changes are captured in the PMO Planning documentation where necessary. These document updates must then be communicated to the project team and stakeholders.

4.8.1.4 Change Control Team

Executive Management Level – Program Changes

The Change Control Team (CCT) is the approval authority for all proposed change requests pertaining to the TYCIP at the program level. The purpose of the CCT is to review all change requests, determine their impacts on the program risk, scope, cost, and schedule, and to approve or deny each change request. The following chart provides a list of the CCT members:

Name	Position	CCT Role
Chris Berch	Executive Manager Engineering/AGM	CCT Chair
Ernest Yeboah	Executive Manager Operations & Maintenance/AGM	CCT Co-Chair
Christina Valencia	Chief Financial Officer/AGM	CCT Member
Joe Grindstaff	General Manager	CCT Member
Majid Karim	Engineering and Construction Management Department Manager (Acting)	CCT Member

As change requests are submitted to the Engineering and Construction Management by stakeholders, the Project Manager will log the requests in the change log and the CCT will

convene as required to review all stakeholder change requests. For a change request to be approved, CCT members must vote in favor. In the event more information is needed for a particular change request, the request will be deferred and sent back to the requester for more information or clarification.

Program Management Office Level – Project Changes

The Change Control Team (CCT) is the approval authority for all proposed change requests pertaining to the projects. The purpose of the CCT is to review all change requests, determine their impacts on the project risk, scope, cost, and schedule, and to approve or deny each change request. The following chart provides a list of the CCT members for the Engineering Department:

Name	Position	CCT Role
Majid Karim	Manager of Engineering	CCT Chair
David Mendez	Deputy Manager of Construction Management	CCT Co-Chair
Vacant	Deputy Manager of Engineering	CCT Co-Chair
Project Manager	Specific to Project	CCT Member
Construction Project Manager	Specific to Project	CCT Member

As change requests are submitted to the Engineering and Construction Management by stakeholders, the Project Manager will log the requests in the change log and the CCT will convene as required to review all stakeholder change requests. For a change request to be approved, all CCT members must vote in favor. In the event more information is needed for a particular change request, the request will be deferred and sent back to the requester for more information or clarification.

4.8.1.5 Roles and Responsibilities

Following are the roles and responsibilities for all change management efforts related to the overall program:

PMO/Program Sponsor:

- Approve all budget amendments
- Approve cumulative changes to the baseline schedule of >= 10%
- Approve any changes in project scope
- Chair the CCT

Project Team:

- Conduct preliminary risk, cost, schedule, scope analysis of change prior to CCT
- Seek clarification from change requesters on any open issues or concerns
- Make documentation revisions/edits as necessary for all approved changes
- Participate on CCT

Project Team/Stakeholders

- Submit all change requests on standard organizational change request forms
- Provide all applicable information and detail on change request forms
- Be prepared to address questions regarding any submitted change requests
- Provide feedback as necessary on impact of proposed changes

4.8.1.6 Change Control Process

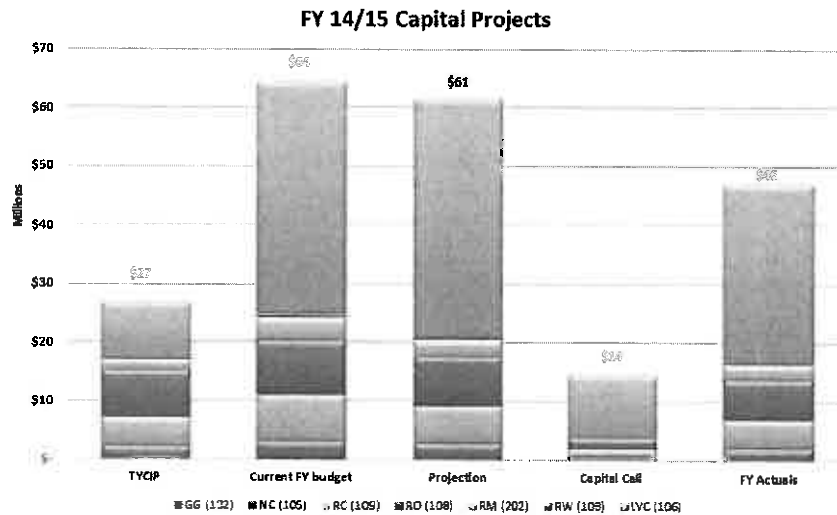
The Change Control Process for the Program/Project will follow the organizational standard change process for all projects. The PMO has overall responsibility for executing the change management process for each change request to the TYCIP:

1. Identify the need for a change (Project Team/Stakeholders) – Change requester will submit a completed change request form to the Project Team. Schedule and budget impacts required to evaluate change will be included with the change request.
2. Log change in the change request register (Project Manager) – The manager will keep a log of all submitted change requests throughout the project's lifecycle.
3. Evaluate the change (Project Team/requester) – The project manager will conduct a preliminary analysis on the impact of the change to risk, cost, schedule, and scope and seek clarification from team members and the change requester.
4. Submit change request to CCT (Project Manager) – The project manager will submit the change request, as well as the preliminary analysis, to the CCT for review.
5. Obtain decision on change request (CCT) – The CCT will discuss the proposed change and decide whether or not it will be approved based on all submitted information.
6. Elevate decision to CCT – Program level if necessary.
7. Implement change (Project Team) – If a change is approved by the CCT, the department manager will update program documentation and the project manager will update and re-baseline project documentation as necessary.

4.8.2 Cost Management Plan

4.8.2.1 Introduction

The Departments primary goal is to deliver high quality project in a time and cost effective way. In order to ensure the finance department isn't calling for more funds than the Department can expend within the fiscal year, it is essential that all project teams report their budgets accurately on a monthly basis. Below is the budget chart for the Departments capital projects budgets in FY 14/15 which has been a very good year:



The Project Manager will be responsible for managing and reporting on the project's cost throughout the duration of the project. During regular project status meeting, the Project Manager will present and review the project's cost performance for the preceding month. Performance will be measured using earned value or a close estimate of the earned value. In order to accurately report earned value during the design phase, the design consultant will be required to bill on a monthly basis with the Project Manager estimating progress between set milestones. The Project Manager is responsible for accounting for cost deviations and presenting to the PMO with options for getting the project back on budget. The PMO has the authority to make changes to the project to bring it back within budget. Currently, the department uses a project Dashboard and Key Performance Indicators to assist the project managers in cost and schedule management. The Dashboard will be updated to include performance indexes.

The Engineering and Construction Management Department will utilize the below methodology to track the progress of the Fiscal Year cost management for the entire program.

4.8.2.2 Measuring Project Costs

This section of the Cost Management Plan defines how the project's costs will be measured. Earned Value Management for measuring and controlling a project's costs will be used by all project managers. It is understood that there are many variations of how this can be accomplished and this document provides the concepts of earned value management. The intent of the PMO is to capture this critical information without making it very onerous for the Project Team and this may require changes to some of the departments' current practices. This section will provide some details on what Earned Value measurements will be captured and reported. Project managers will use four Earned Value measurements; Schedule Variance (SV), Cost Variance (CV), Schedule Performance Index (SPI) and Cost

Performance Index (CPI). For most typical projects these four measurements can provide enough insight for effective management without overburdening the Project Manager.

4.8.2.3 Definitions

Schedule Variance (SV): This is a measurement of the schedule performance for a project. It's calculated by taking the Earned Value (EV) and subtracting the Planned Value (PV). Since EV is the actual value earned in the project and the PV is the value our project plan says we should have earned at this point, when we subtract what we planned from the actuals we have a good measurement which tells us if we are ahead or behind the baseline schedule according to our project plan. If SV is zero, then the project is perfectly on schedule. If SV is greater than zero, the project is earning more value than planned thus it's ahead of schedule. If SV is less than zero, the project is earning less value than planned thus it's behind schedule.

Cost Variance (CV): This is a measurement of the budget performance for a project. CV is calculated by subtracting Actual Costs (AC) from Earned Value (EV). As we already know, EV is the actual value earned in the project. AC is the actual costs incurred to date, thus when we subtract what our actual costs from the EV we have a good measurement which tells us if we are above or below budget. If CV is zero, then the project is perfectly on budget. If CV is greater than zero, the project is earning more value than planned thus it's under budget. If CV is less than zero, the project is earning less value than planned thus it's over budget.

Schedule Performance Index (SPI): This measures the progress achieved against that which was planned. SPI is calculated as EV/PV . If EV is equal to PV the value of the SPI is 1. If EV is less than the PV then the value is less than 1, which means the project is behind schedule. If EV is greater than the PV the value of the SPI is greater than one, which means the project is ahead of schedule. A well performing project should have its SPI as close to 1 as possible, or maybe even a little under 1.

Cost Performance Index (CPI): This measures the value of the work completed compared to the actual cost of the work completed. CPI is calculated as EV/AC . If CPI is equal to 1 the project is perfectly on budget. If the CPI is greater than 1 the project is under budget, if it's less than 1 the project is over budget.

Performance of the project will be measured using Earned Value Management. The following four Earned Value metrics will be used to measure to projects cost performance:

- Schedule Variance (SV)
- Cost Variance (CV)
- Schedule Performance Index (SPI)
- Cost Performance Index (CPI)

If the Schedule Performance Index or Cost Performance Index has a variance of between 0.1 and 0.2, the Project Manager must report the reason for the exception. If the SPI or CPI

has a variance of greater than 0.2, the Project Manager must report the reason for the exception and provide management a detailed recovery plan to bring the project performance back to acceptable levels.

Performance Measure	Yellow	Red
Schedule Performance Index (SPI)	Between 0.9 and 0.8 or Between 1.1 and 1.2	Less Than 0.8 or Greater than 1.2
Cost Performance Index (CPI)	Between 0.9 and 0.8 or Between 1.1 and 1.2	Less Than 0.8 or Greater than 1.2

4.8.2.4 Cost Management Approach

Costs for this project will be managed using WBS. Earned Value calculations will measure and manage the financial performance of the project.

Cost variances of +/- 0.1 in the cost and schedule performance indexes will change the status of the cost to cautionary; as such, those values will be changed to yellow in the project status reports. Cost variances of +/- 0.2 in the cost and schedule performance indexes will change the status of the cost to an alert stage; as such, those values will be changed to red in the project status reports. This will require corrective action from the Project Manager in order to bring the cost and/or schedule performance indexes below the alert level. Corrective actions will require a project change request and must be approved by the Project Sponsor before it can become within the scope of the project.

4.8.2.5 Reporting Format

Reporting for cost management will be included in the weekly project status report. The Monthly Project Status Report will include a section labelled, "Cost Management". This section will contain the Earned Value Metrics identified in the previous section. All cost variances outside of the thresholds identified in this Cost Management Plan will be reported on including any corrective actions. Change Requests which are triggered based upon project cost overruns will be identified and tracked in this report.

Cost management reporting for the engineering consultant contract and construction contract will be submitted on a monthly basis to the PMO utilizing the weekly project status update report. The report will provide an update on the Total Adjusted Contract, Total Payments to Date, Contract Duration, Time Extension, Time Expired, and Work Complete.

4.8.2.6 Cost Variance Response Process

This section of the Cost Management Plan defines the control thresholds for the project and what actions will be taken if the project triggers a control threshold. As part of the response process the Project Manager will present options for corrective action to the Project Sponsor who will then approve an appropriate action in order to bring the project back on budget. The Project Manager has the option to propose an increase to the budget for the project, reduce scope or quality, or some other corrective action.

The Control Thresholds for any project is a CPI or SPI of less than 0.8 or greater than 1.2. If the project reaches one of these control thresholds a cost variance corrective action plan is required. The Project Manager will present the Project Sponsor with options for corrective actions within five business days from when the cost variance is first reported. Within three business days from when the Project Sponsor selects a corrective action option, the Project Manager will present the Project Sponsor with a formal Cost Variance Corrective Action Plan. The Cost Variance Corrective Action Plan will detail the actions necessary to bring the project back within budget and the means by which the effectiveness of the actions in the plan will be measured. Upon acceptance of the Cost Variance Corrective Action Plan, the document will become a part of the project plan and the project will be updated to reflect the corrective actions.

4.8.2.7 Cost Change Control Process

The cost change control process will follow the established project change request process. Approvals for project budget/cost changes must be approved based on established procedures by the PMO.

4.8.2.8 Project Budget

The project manager is responsible for providing a detailed budget report for each project that captures all essential elements of the project depending on the phase of the project.

4.8.3 Schedule Management Plan

4.8.3.1 Introduction

The project schedule is the roadmap for how the project will be executed. Schedules are an important part of any project as they provide the project team, sponsor, and stakeholders a picture of the project's status at any given time. The purpose of the schedule management plan is to define the approach the project team will use in creating the project schedule. This plan also includes how the team will monitor the project schedule and manage changes after the baseline schedule has been approved. This includes identifying,

analyzing, documenting, prioritizing, approving or rejecting, and publishing all schedule-related changes.

Any proposed changes to the schedule will follow the change management control process. The Project Manager and team will determine the impact of the change on the schedule, cost, resources, scope, and risks. If it is determined that the impacts will exceed the boundary conditions, then the change will be forwarded to the Project Sponsor for review and approval. If the change is approved by the Project Sponsor then it will be implemented by the Project Manager who will update the schedule and Project Management Plan and communicate the change to all stakeholders in accordance with the Change Management Plan.

4.8.3.2 Schedule Management Approach

Project schedules will be created using Primavera starting with the deliverables identified in the project's WBS. MS Project 2007 will be acceptable for contractor schedules for projects with a total project budget less than \$1,000,000. Activity definition will identify the specific work packages which must be performed to complete each deliverable. Activity sequencing will be used to determine the order of work packages and assign relationships between project activities. Activity duration estimating will be used to calculate the number of work periods required to complete work packages. Resource estimating will be used to assign resources to work packages in order to complete schedule development.

Once a preliminary schedule has been developed, it will be reviewed by the project team and any resources tentatively assigned to project activities. The project team and resources must agree to the proposed work package assignments, durations, and schedule. Once this is achieved the project sponsor will review and approve the schedule and it will then be baselined.

The following will be designated as milestones for the project schedule:

- Completion of scope statement and WBS/WBS Dictionary
- Project schedule baseline
- Approval of final project budget
- Project kick-off
- Approval of roles and responsibilities
- Requirements definition approval
- Completion of data mapping/inventory
- Project implementation
- Acceptance of final deliverables

Roles and responsibilities for schedule development are as follows:

The project manager will be responsible for facilitating work package definition, sequencing, and estimating duration and resources with the project team. The project manager will also create the project schedule using Primavera (MS Project 2007 for contractors on small projects) and validate the schedule with the project team,

stakeholders, and the project sponsor. The project manager will obtain schedule approval from the project sponsor and baseline the schedule.

The project team is responsible for participating in work package definition, sequencing, and duration and resource estimating. The project team will also review and validate the proposed schedule and perform assigned activities once the schedule is approved.

The project sponsor will participate in reviews of the proposed schedule and approve the final schedule before it is baselined.

The project stakeholders will participate in reviews of the proposed schedule and assist in its validation.

4.8.3.3 Schedule Control

The project schedule will be reviewed and updated as necessary on a weekly basis with actual start, actual finish, and completion percentages which will be provided by task owners.

The project manager is responsible for holding bi-weekly schedule updates/reviews; determining impacts of schedule variances; submitting schedule change requests; and reporting schedule status in accordance with the project's communications plan.

The project team is responsible for participating in bi-weekly schedule updates/reviews; communicating any changes to actual start/finish dates to the project manager; and participating in schedule variance resolution activities as needed.

The project sponsor will maintain awareness of the project schedule status and review/approve any schedule change requests submitted by the project manager.

4.8.3.4 Work Breakdown Structure

The WBS defines all tasks, resources, and deliverables on a project. The WBS will aid in resource planning, task completion, and ensuring deliverables meet project requirements. Below is the minimum Work Breakdown Structure (WBS) that must be used for all projects. This WBS must be maintained to keep a reliable interface from SAP to Primavera. Once these WBS and activities have been added to a project, they cannot be deleted in order to retain the correct budget and actual cost information loaded into each project.

WBS Phase Letter	WBS Phase Name	Activity Abbreviation	Activity Full Name
L	Project Development	PRJV	Project Evaluation
		CNCN	Consultant Contract Award
D	Pre-Design	PRDS	Pre-Design
E	Environmental Impact Report	EIRW	Environmental Impact Report
F	Design	DN30	30% Design
		DN50	50% Design

		VENG	Value Engineering
		DN85	85% Design
		DFLP	Final Design Package
X	Permits	PRMT	Permits
V	Bid & Award	BDAW	Bid & Award
G	Construction	MTEQ	Materials & Equipment
		RDSV	Redesign Services
		CNSW	Construction Work
		STUP	Startup
		PACO	Project Acceptance and Closeout
T	Warranty	WRTY	Warranty Period

The remaining WBS listed below are not a required minimum, but can be used when managing a project. These WBS are updated through the Primavera-SAP interface. Once the below listed WBS and activities have been added to a project, they cannot be deleted in order to retain the correct budget and actual cost information loaded into each project.

WBS Phase Letter	WBS Phase Name	Activity Abbreviation	Activity Full Name
C	Master Plan	MP30	30% Master Plan
		FMPP	Final Master Plan Package
I	Equipment Pre-Purchase	PPWK	Pre-Purchase Work
A	Land Acquisition	ESMT	Easements and Rights of Way
		LAND	Land Acquisition
U	Legal Fees	LGLF	Legal Fees
M	Non-Reimbursable Cost	NRMB	Non-Reimbursable Cost
R	Reimbursements	RIMB	Reimbursements
		NRET	Non Retrofit Costs

A more detailed WBS was developed through close collaboration among project team members to determine all the necessary steps in working through a project. This WBS is recommended for the project managers to use for projects for the Engineering and Construction Management Department that are defined in the TYCIP.

4.8.3.5 Schedule Baseline

The project baseline will be created during the project charter phase. A baseline will be reconfirmed at the 50% design phase, final design phase, and bid and award phase. If a schedule change has been approved by the Program Sponsor, a new baseline will be established to reflect the approved change.

4.8.3.6 Schedule Changes and Thresholds

If any member of the project team determines that a change to the schedule is necessary, the project manager and team will meet to review and evaluate the change. The project manager and project team must determine which tasks will be impacted, variance as a result of the potential change, and any alternatives or variance resolution activities they may employ to see how they would affect the scope, schedule, and resources. After this evaluation is complete, if the project manager determines that any change will exceed the established boundary conditions, then a schedule change request must be submitted.

Submittal of a schedule change request to the project sponsor for approval is required if either of the two following conditions is true:

- The proposed change is estimated to reduce the duration of an individual work package by 10% or more (cumulative), or increase the duration of an individual work package by 10% or more (cumulative).
- The change is estimated to reduce the duration of the overall baseline schedule by 10% or more (cumulative), or increase the duration of the overall baseline schedule by 10% or more (cumulative).

Any change requests that do not meet these thresholds may be submitted to the project manager for approval.

Once the change request has been reviewed and approved, the project manager is responsible for adjusting the schedule and communicating all changes and impacts to the project team, project sponsor, and stakeholders. The project manager must also ensure that all change requests are added to the change management log.

4.8.3.7 Scope Change

Any changes in the project scope, which have been approved by the project sponsor, will require the project team to evaluate the effect of the scope change on the current schedule. If the project manager determines that the scope change will significantly affect the current project schedule, he/she may request that the schedule be re-baselined in consideration of any changes which need to be made as part of the new project scope. The project sponsor must review and approve this request before the schedule can be re-baselined.

4.8.4 Risk Management Plan

4.8.4.1 Introduction

This section explains why risks exist and highlights the purpose and importance of the risk management plan. All projects come with many uncertainties and different levels of risk associated with them. The purpose of a risk management plan is to establish the framework in which the project team will identify risks and develop strategies to mitigate or avoid those risks. However, before risks can be identified and managed, there are preliminary project elements which must be completed. These elements are outlined in the risk management approach.

Before risk management begins it is imperative that a foundation is established for providing structured project information, thus, the following project elements are completed and defined prior to developing the Risk Management Plan:

- Define work scope, schedule, resources, and cost elements
 - Develop project WBS
 - Develop master schedule
 - Estimate project cost and finalize budget
 - Identify required and available resources
 - Establish project performance measurement metrics
- Define minimum and maximum baseline thresholds
 - Schedule
 - Resources
 - Cost
- Baseline reporting requirements
 - Format
 - Frequency of distribution
 - Distribution list
- Define Risk Management Roles and Responsibilities
 - Project Manager chairs the risk assessment meetings
 - Project team participates in risk assessment meetings
 - Key stakeholders participate in risk assessment meetings
 - Project Sponsor may participate in risk assessment meetings

4.8.4.2 Risk Management Approach

Project managers will approach risk management through a methodical process by which the project team will identify, score, and rank the various risks. The most likely and highest impact risks will be added to the project schedule and project management plan to ensure that the Project Manager takes the necessary steps to implement the mitigation response at the appropriate time during the schedule. The Project Manager will provide status updates on risks in the regularly scheduled project team meetings. Upon the completion of the project, during the closing process, the project manager will analyze each risk as well as the risk management process. Based on this analysis, the project manager will identify any improvements that can be made to the risk management process for future projects. These improvements will be captured as part of the lessons learned knowledge base.

4.8.4.3 Risk Identification

Risk identification will be conducted by the project team in the initial project risk assessment meeting. Below are methods a project manager will use to identify risks.

1. Risk Assessment Meeting: A risk assessment meeting is held with key team members and stakeholders. The project manager will chair the risk assessment meeting and distribute notepads to each member of the team and allow 10 minutes for all team members to record as many risks as possible. The risks are then identified during this meeting and added to the project plan and risk register. The

team will assign each risk a score based on the probability of it occurring and the impact it could potentially have.

2. **Historical Review of Similar Projects:** The project team will review the history of similar projects in order to determine the most common risks and the strategies used to mitigate those risks.

4.8.4.4 Risk Qualification and Prioritization

In order to determine the severity of the risks identified by the team, a probability and impact factor will be assigned to each risk. This process will allow the project manager to prioritize risks based upon the effect they may have on the project. The project manager will utilize a probability-impact matrix to facilitate the team in moving each risk to the appropriate place on the chart.

Once the risks are assigned a probability, impact, and placed in the appropriate position on the chart, the project manager will develop risk mitigation and avoidance planning for the project.

4.8.4.5 Risk Monitoring

The most likely and greatest impact risks will be added to the project management plan to ensure that monitoring during the project. At the appropriate time in the project schedule, a risk manager is assigned to each risk. During the regularly scheduled project team meeting the risk manager for each risk will discuss the status of that risk; however, only risks which fall in the current time period will be discussed. Risk monitoring will be a continuous process throughout the life of this project. As risks approach on the project schedule the project manager will ensure that the appropriate risk manager provides the necessary status updates which include the risk status, identification of trigger conditions, and the documentation of the results of the risk response.

4.8.4.6 Risk Mitigation and Avoidance

As risks are identified, the project manager will qualify and develop avoidance and mitigation strategies. These risks will also be added to the risk register and the project management plan to ensure they are monitored at the appropriate times and are responded to accordingly. If necessary, the risk management plan will be updated.

The risks for the project will be managed and controlled within the constraints of time, scope, and cost. All identified risks will be evaluated in order to determine how they affect defined project constraints. The project manager, with the assistance of the project team, will determine the best way to respond to each risk to ensure compliance with the constraints.

4.8.4.7 Risk Register

Every project must maintain a risk register in order to track risks and associated mitigation strategies. The Risk Register is a log of all identified risks, their probability and impact to the project, the category they belong to, mitigation strategy, and when the risk will occur. The register is created from the initial project risk management meeting. During this meeting, the project team identified and categorized each risk. Additionally, the team assigned each risk a score based on the probability of it occurring and the impact it could potentially have. The Risk Register also contains the mitigation strategy for each risk as well as when the risk is likely to occur.

Based on the identified risks and timeframes in the risk register, each risk will be added to the project management plan. At the appropriate time in the plan—prior to when the risk is most likely to occur—the project manager will assign a risk manager to ensure adherence to the agreed upon mitigation strategy. Each risk manager will provide the status of their assigned risk at the bi-weekly project team meeting for their risk's planned timeframe.

The Risk Register will be maintained as an appendix to the Project Management Plan and Construction Management Plan. A sample template for the Risk Register is provided in Appendix K.

4.8.5 Staffing Management Plan

4.8.5.1 Introduction

The staffing management plan is a tool which will be used in the management of a project from inception to completion. The staffing management plan includes:

- Roles and responsibilities of team members throughout a project
- Project organization charts
- Staffing management plan will include:
 - How resources will be acquired
 - Timeline for resources/skill sets
 - Training required to develop skills
 - Recognition and Rewards

The purpose of the staffing management plan is to achieve project success by ensuring the appropriate staffing level is acquired with the necessary skills, resources are trained if any gaps in skills are identified, team building strategies are clearly defined, and team activities are effectively managed.

The Engineering and Construction Management department have identified a staff management plan for Fiscal Year 15/16 and 16/17 (Appendix A).

4.8.5.2 Roles and Responsibilities

Roles and responsibilities of team members and stakeholders must be clearly defined in all project management plans. When listing roles and responsibilities the following will be included:

- Role – description of the portion of the project for which the member is accountable
- Authority – the level at which the member may make decisions, apply project resources, or make approvals
- Responsibility – the work a team member must perform to complete assigned work activities
- Competency – the skill(s) required to complete assigned project activities

An example below has defined the roles and responsibilities for the RP-5 Solids project are identified below. All team members must clearly understand their roles and responsibilities in order to successfully perform their portion of the project. For the RP-5 Solids Project the following project team roles and responsibilities have been established:

Project Manager (PM), (1 position): responsible for the overall success of the RP-5 Solids Project from inception to completion. The PM must authorize and approve all project expenditures. The PM is also responsible for approving that work activities meet established acceptability criteria and fall within acceptable variances. The PM will be responsible for reporting project status in accordance with the communications management plan. The PM will work closely with the Construction Project Manager to evaluate the performance of all project team members and communicate their performance to the PMO. The PM is also responsible for acquiring staffing for the project through coordination with the Project Management Team. The PM must possess the following skills: leadership/management, budgeting, scheduling, and effective communication.

Construction Project Manager (CPM), (1 position): responsible for working closely with the Project Manager as part of the project management team for the RP-5 Solids Project. The CPM is responsible for working on all aspects of managing the project. The role of the CPM starts out in support and becomes more of a lead during the construction phase of the project. During construction of the project, the PM is still responsible for project reporting and overall schedule and budget and provides support to the CPM as needed.

Administrative Assistant (Admin), (1 position): The Admin provides all aspects of project support from inception to completion.

Technical Services staff (TS), (1 position): TS is responsible for providing project support based on their detailed knowledge of facility processes. The level of support needed from TS will be detailed in the resource planning documentation.

Integrated System Services staff (ISS), (1 position): ISS is responsible for providing project support based on their detailed knowledge of facility control systems. The level of support needed from ISS will be detailed in the resource planning documentation.

Operations staff (Ops), (As needed) Ops is responsible for keeping the facility in compliance at all times. Operations have to be fully involved in any and all activities that may have any impact on facility operations. The level of support needed from Ops will be detailed in the resource planning documentation.

Maintenance staff (Maint), (As needed): Maint is responsible for maintaining the facility at all times. Maint has to be fully involved in any and all activities that may have any impact on facility operations. The level of support needed from Maint will be detailed in the resource planning documentation.

CAP, Finance, and Grants (As needed): Support services from these departments as necessary and as identified in the resource planning documentation.

4.8.5.3 Project Organization Chart

In this section the Staffing Resource Plan provides a graphic display of the project tasks and team members. The purpose of this is to illustrate the responsibilities of team members as they relate to the project tasks. A responsibility assignment matrix (RAM) will be created to assign the party that will be responsible, accountable, consult, or inform (RACI). This matrix will be used to communicate roles and responsibilities for the project team. This matrix will start as a high level chart that will be detailed as the project progresses and is also dependant on the project complexity.

The following RAM chart shows the relationship between project tasks and team members. Any proposed changes to project responsibilities must be reviewed and approved by the project manager. Changes will be proposed in accordance with the project's change control process. As changes are made all project documents will be updated and redistributed accordingly.

	PM	Const. PM	TS	Ops / Maint	Others IEUA
Predesign	R	A	C	C	I
Design	R	A	C	C	I
Equipment Pre-purchase	R	A	C	C	I
EIR/CEQA	R	A	C	C	I
Easements / Permits	R	A	C	C	I
Construction	A	R	C	C	I
Startup	A	R	C	C	I
Training	A	R	C	C	I

Key:

R – Responsible for completing the work

A – Accountable for ensuring task completion/sign off

C – Consulted before any decisions are made

I – Informed of when an action/decision has been made

4.8.5.4 Staff Management

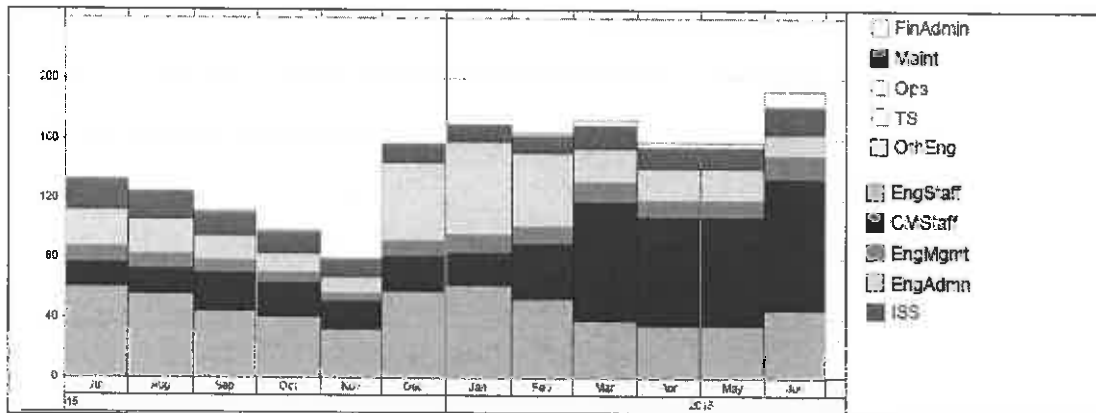
It is the responsibility of the portfolio team (PM, CPM, Admin) to come up with a resource allocation plan for the project that will provide a successful delivery of the project. A detailed development of the resources spreadsheet (See Appendix D) together with actual durations for the activities will provide the necessary information for the resources and schedule. The resources and schedule derived by the portfolio team will take precedence over the conceptual information provided as part of the TYCIP process. The PMO will utilize all of the project resource planning spread sheets to provide an overall TYCIP resource schedule. The program sponsor will be responsible for reviewing the overall department plan and approving it.

4.8.5.5 Staff Acquisition

It's the portfolio teams' decision on how to staff the project for success. The team can elect to have a consultant team for the design of one project or the design of several projects they are responsible for. Similarly, the portfolio team will determine how projects will be packaged for successful construction.

4.8.5.6 Resource Calendars

The resource stacked chart below illustrates a tool the portfolio team can use to show the resource needs of the project or a group of projects. The example below demonstrates that one PM would be fully tasked with this project and will require staff augmentation for most of the months during design. This is also true for the CPM in the construction months. A stacked chart is a useful tool to visualize the staffing needs through different stages of the project(s).



4.8.5.7 Training

The portfolio team needs will take a detailed look at any training needs as part of the project and how that training will be provided in a timely manner.

5 Project Close-out

The project teams have resource time for a more formal and comprehensive project close-out process intended to provide lessons learned and guidance to future projects. Some of the key points that should be captured are:

1. Comparisons of initial project scope, budget, and schedule to actual final scope, budget, and schedule.
2. Comparison of initial resource planning to actual resources used on project.
3. Effectiveness of the risk management plan and risks that were not identified.
4. Effectiveness of all the other plans that were developed as part of the Project Management Plan and Construction Management Plan.
5. A listing of all project management tools used to manage the project with a report of how effective these tools were.

The portfolio team will need to complete the project close-out checklist in Appendix L. In addition to the above, meetings should be conducted with all stakeholders including the Design Consultant and Contractor. These meetings should be structured to informally discuss the overall success of the project and things that could be done to improve project delivery. All the information gathered from the project close-out process will be formally documented in a "Project Close-out Memorandum".

6 Recognition and Rewards

There are many factors that make project successful and it is when you have a truly collaborative effort that you will achieve success. The key to a successful project is how well the project team works together and how well they can organize others who support the project. Project support comes internally from resources like the ISS group and also Technical Services, Operations, Maintenance and externally from the design consultant and contractor.

In the public sector, cash bonuses are not provided for project performance. This is done mainly in the private sector but most studies indicate this is not an effective recognition method as soon as they become expectations.

The rewards and recognition method the PMO recommends is having a formal breakfast or lunch meeting for the department and have the project team talk about how the project

was made successful and the key learning points from the project. This makes it clear to the department that a project team successfully delivered a project. In addition, this information should be formalized in the Agency's publication "The Wave". For larger projects, the project completion will be presented to the Board with the success highlighted to emphasize the departments' accomplishments. The PMO will entertain other recommendations for rewards and recognition.

7 Appendices

1. TYCIP with Project Team Assignments
2. Training Plan
3. Process Flow Diagram
4. Resource Manpower Load Matrix Spreadsheet
5. Project Charter Sample Template
6. Project Management Plan Sample Template
7. Construction Management Plan Sample Template
8. Department Project Report Information
9. Key Performance Indicator Tracking Information
10. Change Management Plan Sample Template
11. Risk Register Sample Template
12. Project Close-Out Checklist
13. Project Resources

8 Program Management Approval

Approved:



Majid Karim
Acting Manager of Engineering

Date: 6/9/15

Approved:



David Mendez
Deputy Manager of Construction Management

Date: 06.10.2015

Approved by the Project Sponsor:



Chris Berch
Executive Manager of Engineering/Assistant General Manager

Date: 6/10/15

Engineering and Construction Management Department Program Management Plan Update September 2015



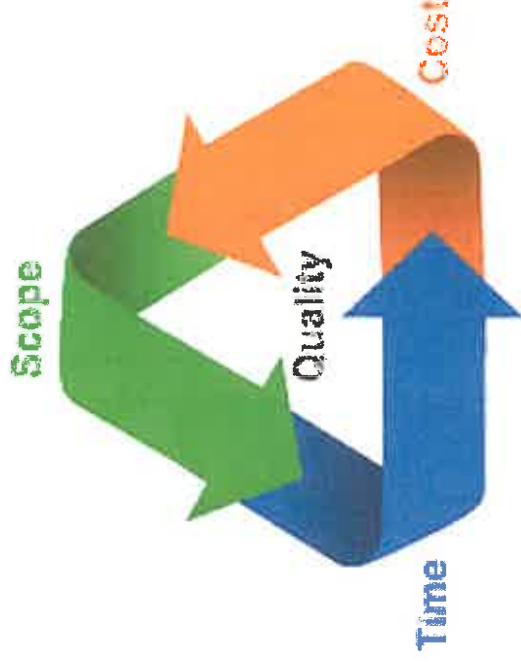
Inland Empire Utilities Agency
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David Mendez
Acting Deputy Manager of Engineering

Rachael Solis
Supervisor of Engineering Administration

Program Management Plan

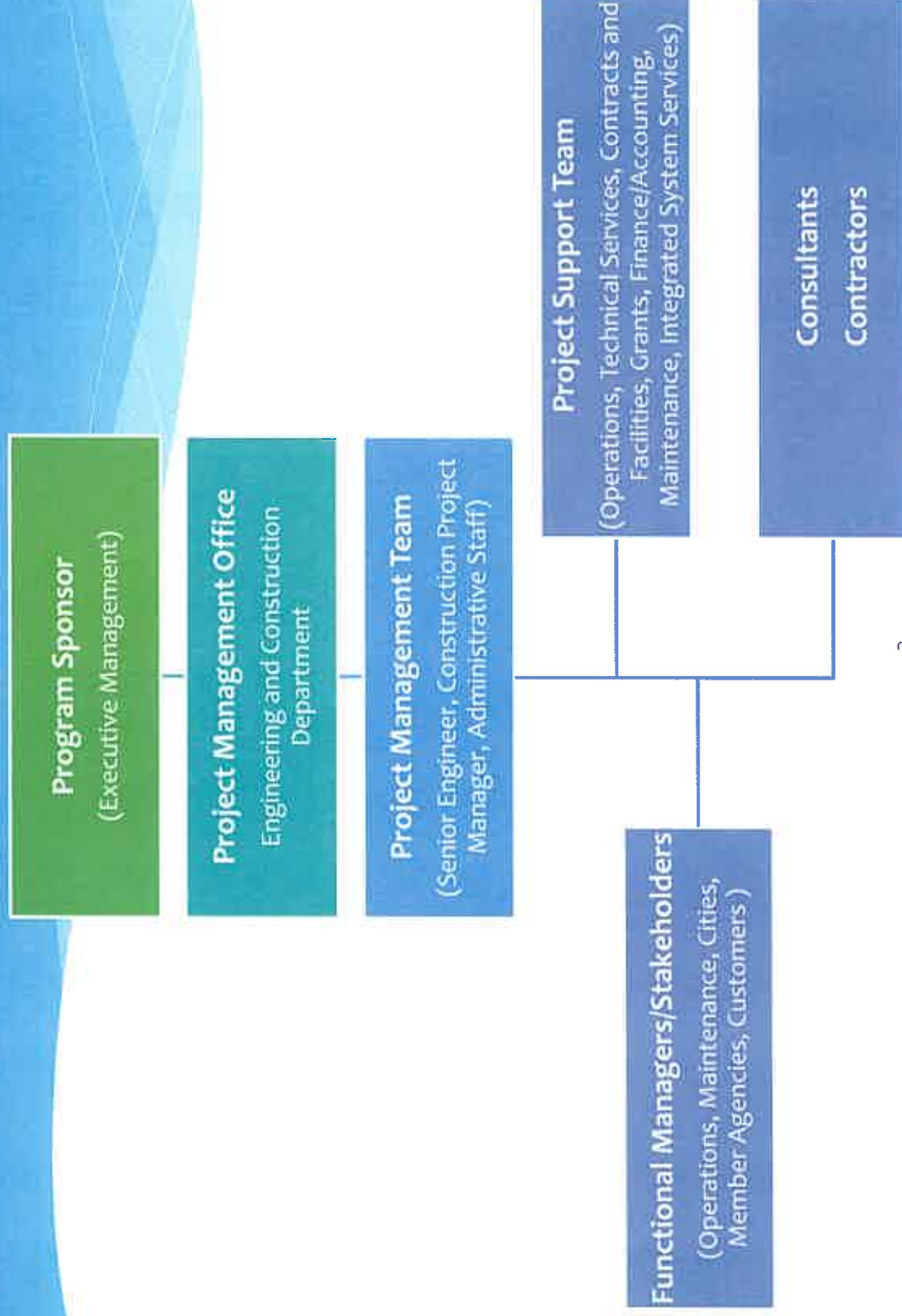
- Eng/CM Dept. TYCIP: \$600M
- Guideline for project delivery
- Deliver quality projects on time and within budget
- Industry standard approach to project management
 - Project Management Institute (PMI)
 - Construction Management Association (CMAA)



The Program Management Plan is part of the Agency's Water Reliability Business Goal to ensure capital projects are designed and implemented in a timely and economically responsible manner.



Program Structure and Roles



Project Lifecycle



Project Creation

- TYCIP
- High Level Scope, Budget, Schedule

Project Evaluation

- Project Charter
- Define Scope, Budget, Schedule
- Program Sponsor Approval

Pre/Design

- Project Management Plan
- Develop Scope
- Budget and Schedule updated
- Bid and Award

Construction

- Construction Management Plan
- Contractor Management
- Budget and Schedule
- Project Transfer to Operations

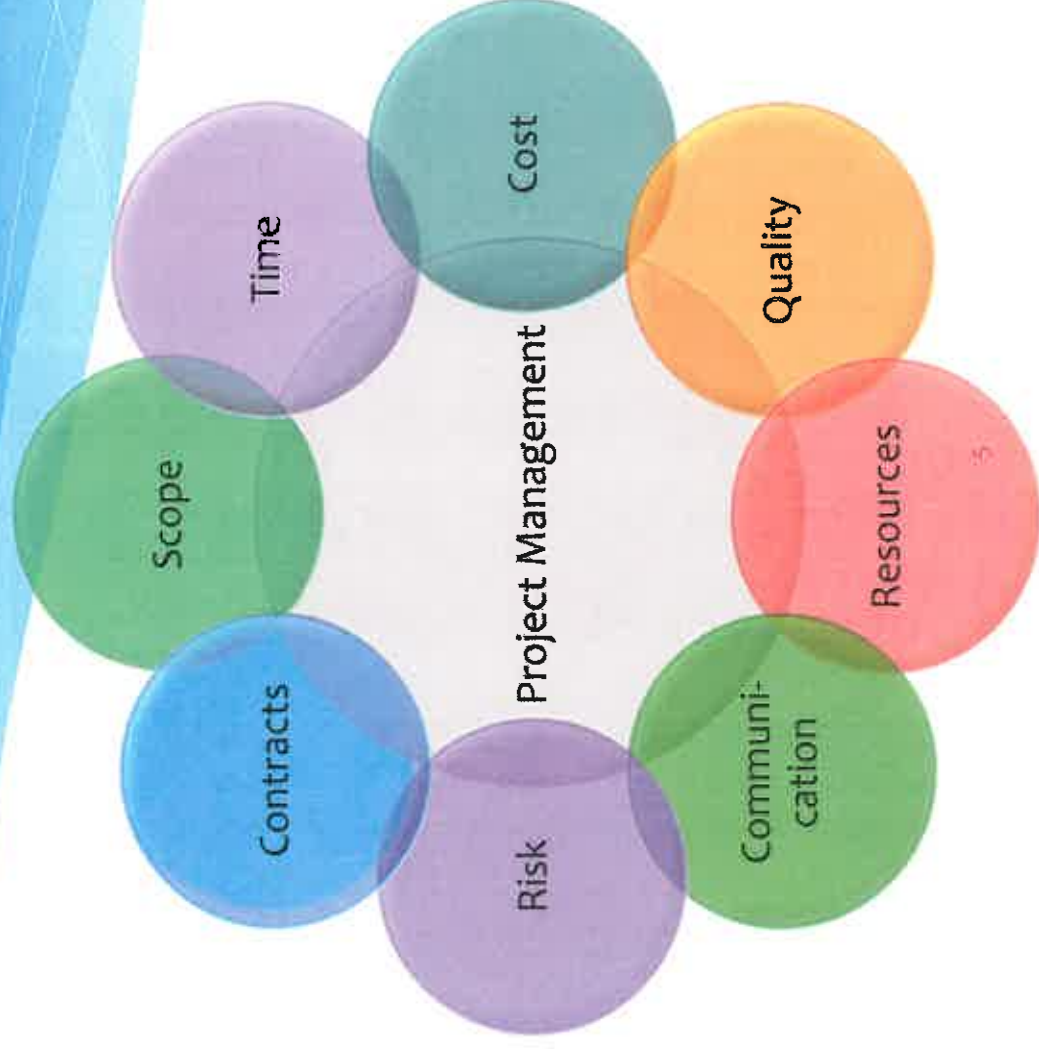
Project Acceptance

- Close-out
- Forensic Analysis
- Lessons Learned
- As-Builts
- Project Closure
- Records Management

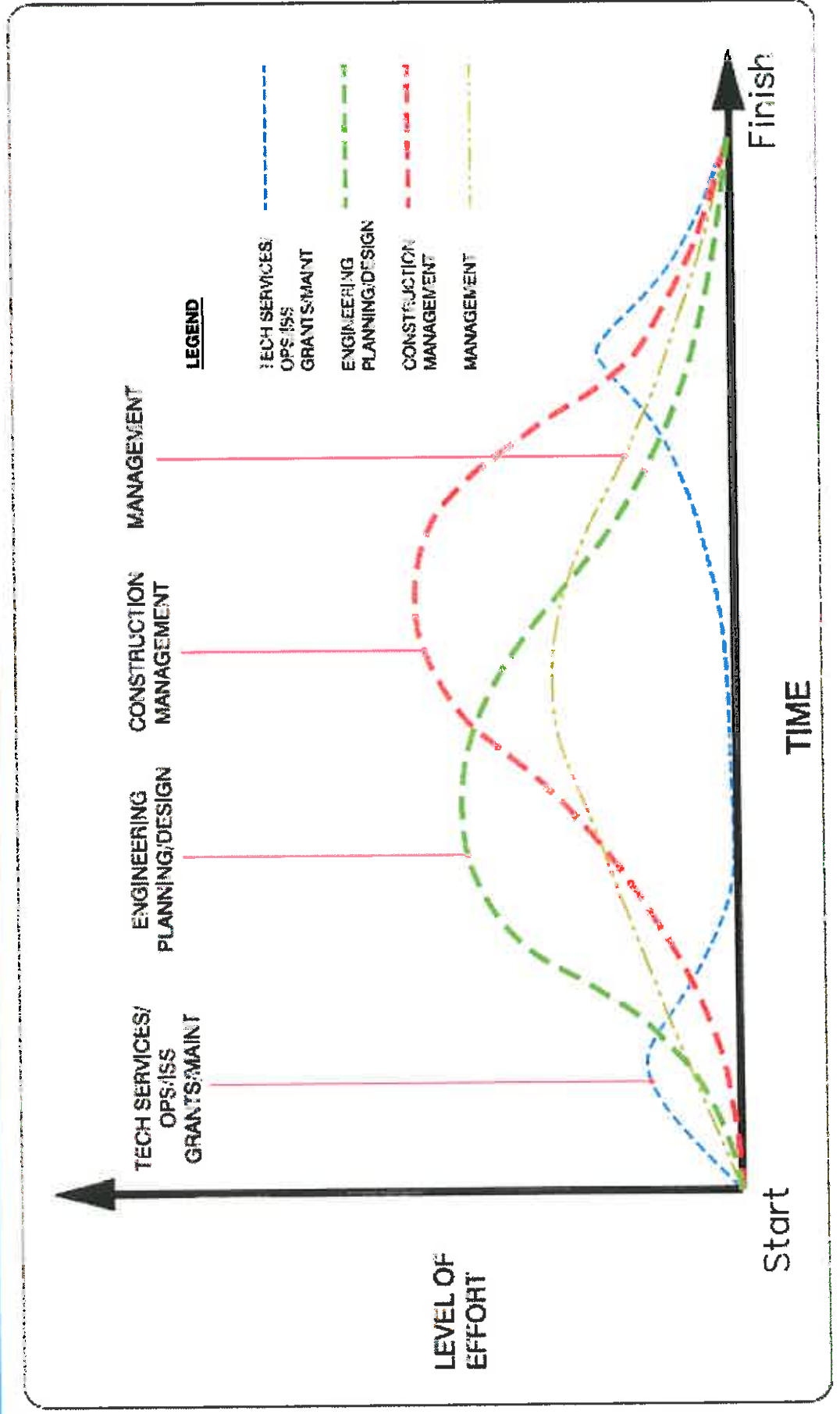
← Project Management Team Monitoring and Control →

Project Planning Documents

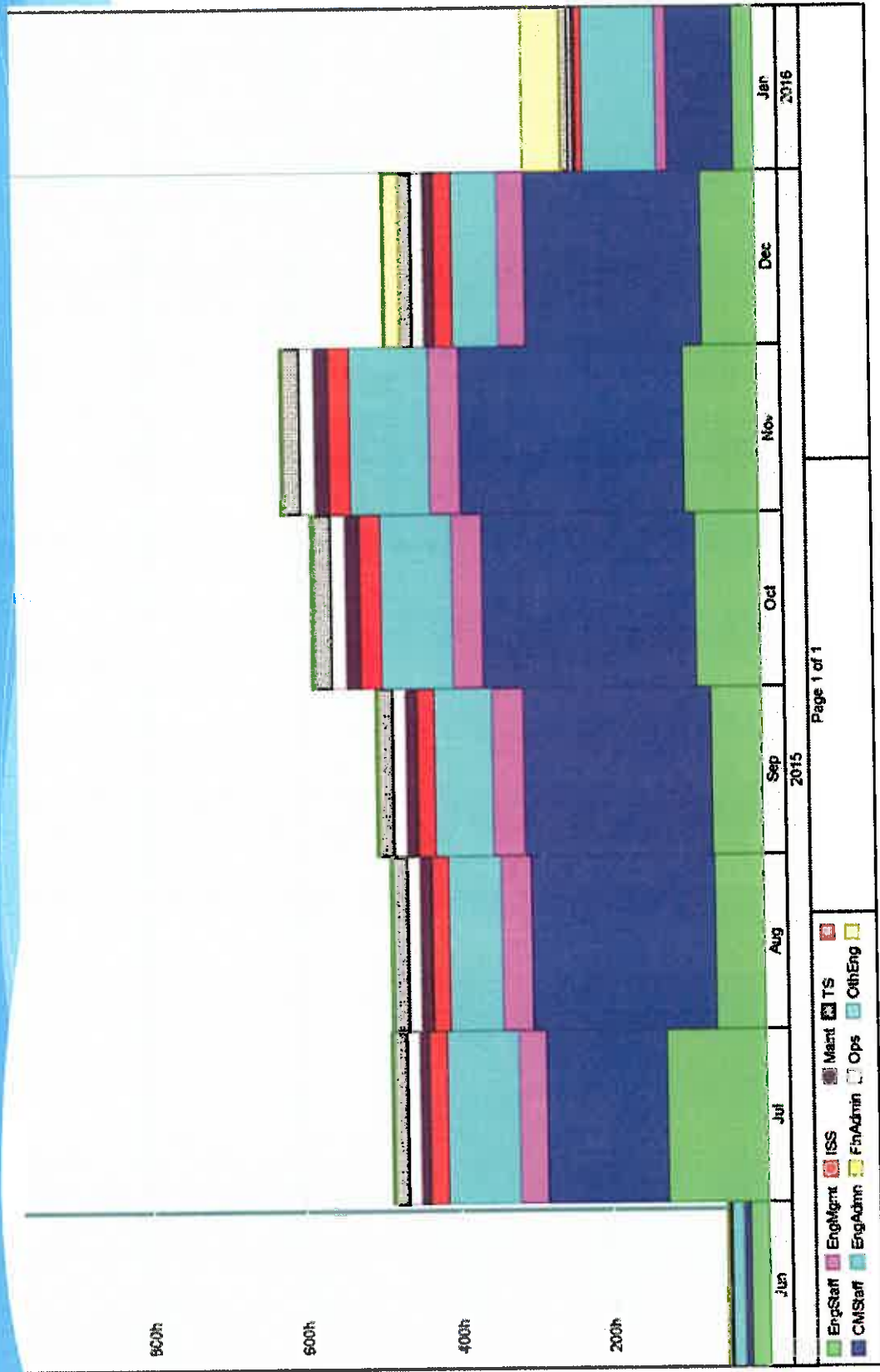
Project Charter, Project Management Plan, Construction Management Plan



Project Resource Curves



Project Resource Hours



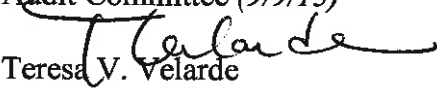
INFORMATION
ITEM

3K

Date: September 16, 2015

To: The Honorable Board of Directors

Through: Audit Committee (9/9/15)

From: 
Teresa V. Velarde
Manager of Internal Audit

Subject: Follow-up Audit Report of Outstanding Recommendations Intercompany Receivables

RECOMMENDATION

This is an informational item for the Board of Directors.

BACKGROUND

Internal Audit (IA) has completed the follow-up evaluation of the outstanding recommendations for intercompany receivables according to the fiscal year (FY) 2014/15 Annual Audit Plan. The IA Department Charter requires that IA perform follow-up evaluations to determine the progress made to implement the recommendations provided in previous audits. The follow-up audit evaluated the outstanding recommendations related to the following reports:

- Chino Desalter Authority (CDA), dated February 24, 2011
- Inland Empire Regional Composting Authority (RCA), dated March 30, 2011
- Chino Basin Watermaster (Watermaster), dated August 30, 2011

In 2011, a total of 14 recommendations were provided in the three intercompany receivable reports. Since the original audit reports were completed, the Finance and Accounting Department (FAD) implemented four recommendations and ten remained outstanding. This follow-up report provides the status of nine recommendations as follows:

- CDA – two recommendations remain outstanding
- RCA – two recommendations remain outstanding
- Watermaster – five recommendations remain outstanding

Of the nine recommendations that were outstanding, Finance and Accounting (FAD) implemented seven and two recommendations are considered no longer applicable and closed.

The attached report provides details of the observations and recommendations. Below is a brief summary of the changes identified.

Follow-up Audit Report - Intercompany Receivables

September 16, 2015

Page 2 of 2

- FAD documented Standard Operating Procedures (SOP) to document procedures for accounts receivable intercompany processes for ensuring payment of bills and to comply with the Agreement requirements for CDA and RCA.
- FAD implemented procedures to ensure that reconciliations are performed in a timely manner and reviewed by a supervisor/manager for accuracy.
- FAD re-evaluated its budget assumptions and lowered the budgeted interest rate that is utilized to calculate the budgeted interest expense to align with current market trends. The rates applied for budgetary purposes decreased to be more conservative than in prior years and therefore, reducing the need to apply a large credit.

Refer to the attached report for additional details of the findings and recommendations.

PRIOR BOARD ACTION

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

On December 18, 2013, the Board of Directors reconfirmed the Internal Audit Department Charter.

IMPACT ON BUDGET

None.




Inland Empire Utilities Agency
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DATE: August 31, 2015

TO: Joe Grindstaff
General Manager

FROM: 
Teresa V. Velarde
Manager of Internal Audit

SUBJECT: Intercompany Receivables Follow-Up Review

Audit Authority

The Internal Audit (IA) Department's Charter and the Annual Audit Plan require that IA follow-up on the status of audit recommendations to determine if corrective actions have been taken. The audit was performed under the authority provided by the Inland Empire Utilities Agency (IEUA or Agency) Board of Directors. IA completed a follow-up review of the outstanding recommendations related to the following audit reports:

- Chino Desalter Authority (CDA), dated February 24, 2011
- Inland Empire Regional Composting Authority (RCA), dated March 30, 2011
- Chino Basin Watermaster (Watermaster), dated August 30, 2011

Audit Objective and Scope

The purpose of the follow-up review was to evaluate the corrective actions implemented for each of the outstanding recommendations. The reports originally issued identified opportunities for improvement and provided recommendations to tighten controls and improve billing and receivable functions.

A total of 14 recommendations were provided in the original audit reports in 2011. Since the original audits were completed, the Finance and Accounting Department (FAD) implemented four recommendations and 10 remained outstanding. This report provides the status of 9 recommendations as follows:

- CDA – 2 recommendations remain outstanding
- RCA - 2 recommendations remain outstanding
- Watermaster – 5 recommendations remain outstanding

Audit Techniques

Audit techniques included:

- Discussions with Finance and Accounting staff
- Review of the related agreements
- Review of policies and procedures
- Review of supporting documents and schedules

Water Smart – Thinking in Terms of Tomorrow

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President

Michael E. Camacho
Vice President

Steven J. Elie
Secretary/Treasurer

Jasmin A. Hall
Director

Gene Koopman
Director

P. Joseph Grindstaff
General Manager

Audit Results – Executive Summary

As a result of this follow-up evaluation, of the 9 outstanding recommendations, FAD implemented seven (7) recommendations and two (2) recommendations are considered no longer applicable and closed. The attached report provides details of the findings and recommendations.

Acknowledgements

We would like to extend our appreciation to Finance and Accounting Department staff for their cooperation during this follow-up review.

Discussions with Management

We provided the results of this follow-up review to Christina Valencia, Assistant General Manager/Chief Financial Officer, Javier Chagoyen-Lazaro, Manager of FAD, and Mr. Suresh Malkani, Principal Accountant on August 26, 2015, prior to finalizing this report for their review and comments.

Written Response to Internal Audit

Nine outstanding recommendations have been cleared. There is one recommendation that is outstanding and will be evaluated separately. No new recommendations were provided in this report. No response is required.

Background

Three separate reviews and audit reports were completed related to Intercompany accounts receivables. The purpose of the original audits was to determine whether IEUA accounts receivable functions are performed timely and effectively and according to the requirements of the agreements and whether each entity (CDA, RCA and Watermaster) paid IEUA for all costs incurred on its behalf. Overall, the audits found that FMD provides effective support in performing the required functions, additionally, IA identified opportunities for improvements and a total of 14 recommendations were provided in the original reports. This follow up review, only reports on nine of the outstanding recommendations.

Internal Audit refers readers to each of the respective Intercompany Receivables audit reports, which were received and filed by the Board of Directors at the time of issuing the original audit reports, these can also be accessed through AIM, or can be requested from the Manager of Internal Audit.

At the time of the original audit reports, the department responsible for the accounts receivable functions was called Fiscal Management Department (FMD). The Department has been renamed Finance and Accounting Department (FAD) and is now combined with the budget staff, previously the Financial Planning Department. The report makes reference to "FMD" and/or "FAD".

Chino Desalter Authority (CDA) Follow-up review to the Audit Report dated February 24, 2011

IEUA's Finance and Accounting Department (FAD) was responsible for performing all finance and accounting functions on behalf of the CDA. The follow up audit found that of the five recommendations provided in the original audit report, four have been implemented and one is no longer applicable. The report that follows provides details of the follow-up review.

Work Order Errors

Recommendation #2 – IEUA FMD work with ESS to resolve the work order issue to ensure that these do not create a discrepancy/reconciling item at the end of each billing cycle, and provide any necessary training.

Status: No Longer Applicable

In the original audit report, IA noted there were discrepancies/reconciling items at the end of each billing cycle related to costs recorded through work orders. A work order is a request to perform maintenance work and all the associated costs (labor, parts or materials) utilized in carrying out the service are summarized and charged to the individual work order. The purpose of reviewing discrepancies/reconciling items is to

ensure the items identified are researched and resolved appropriately and billed correctly. Although the original audit noted that the amounts appeared to be low and immaterial, nonetheless, IA recommended these be resolved.

In 2012, IEUA implemented the timekeeping module in the Agency's ERP system. The SAP NetWeaver Business Client Employee Self-Service (SAP ESS) or timekeeping module is the Agency's employee time recordkeeping system and allows for integration with other SAP business modules. Each employee must record their labor hours to a specific "project"; therefore, all employee time is captured under a specific project code.

FAD indicated that after the final payroll of each month and at year-end, FAD staff will review and reconcile all work orders in SAP to ensure any costs associated with a work orders are directed to the correct project and/or cost center if necessary. Any exceptions identified during the month-end processes are resolved prior to closing the month-end ledgers, according to FAD. Once this process is complete, FAD closes the timekeeping module in SAP for the month and no changes are allowed. All labor hours recorded to a Work/Internal Order number are transferred from the SAP ESS timekeeping module and posted to the designated general ledger account in the Agency's SAP system. Finally, labor reports from the Agency's SAP accounting system are utilized to prepare the intercompany receivable billings.

FAD believes that the current process is adequate and ensures labor hours and costs are posted and settled into the appropriate expense account in the Agency's SAP accounting system, eliminating any discrepancies or reconciling items that previously existed at the end of the billing cycle.

IA also discussed the recommendation with the Business Information Services Department (BIS) and they believe that the work order issue identified through the 2011 audit no longer applies because of the timekeeping system now in place. However, BIS was not able test to ensure this.

IA has determined the recommendation is no longer applicable due to the implementation of ESS. IA defers the detailed review labor processes and expenses to a future Payroll Audit. The Payroll Audit would be scheduled through the Annual Audit Plan approved by the Board. The Payroll Audit is included in IA's list of possible future audits.

Standard Operating Procedures

Recommendation #5 – FMD should develop an SOP to document procedures for accounts receivable intercompany processes for ensuring payment of bills and to comply with the Agreement requirements.

Status: Implemented

During the 2011 audit, IA found that FAD did not have Standard Operating Procedures (SOPs) documenting the process for ensuring payment of bills and to comply with the Agreement requirements. The purpose of SOPs is to ensure there are documented processes during staff absences, staffing changes, and cross-training. Having written procedures serves as an added control and reference guide to ensure functions are performed consistently and uniformly.

During this follow-up evaluation, IA noted that FAD has documented the process in the SOP titled: SOP on Intercompany billings in SAP. The SOP provides detailed procedures for the preparation of invoices to bill for the reimbursement of Operations & Maintenance costs and Labor expenses paid by IEUA on behalf of the CDA and RCA.

IA reviewed the SOP, which was approved and signed by the Manager of Finance and Accounting Department in August 2015.

Inland Empire Regional Composting Authority (IERCA)
Follow-up review to the Audit Report dated March 30, 2011

IEUA is responsible for managing IERCF's operations, as well as the finance and accounting functions, and are compensated for services rendered. The follow up audit found that of the three recommendations provided in the original audit report, two have been implemented and one is no longer applicable. The report that follows provides details of the follow-up review.

Work Order Errors

Recommendation #2 – Fiscal Management Department work with Enterprise System Services Department to resolve the root cause of the order issue to ensure that these do not create a discrepancy/reconciling item at the end of each billing cycle for intercompany receivables.

Status: No Longer Applicable

As indicated under Recommendation #2 for CDA, according to FAD and BIS, the implementation of the SAP ESS timekeeping module appears to have resolved the root cause of the discrepancies/reconciling items on work orders, as identified through the original audit. FAD has noted that this issue is no longer a concern.

See more details under CDA Recommendation #2 above for further discussion. IA has determined the recommendation is no longer applicable due to the implementation of ESS. IA defers the detailed review labor processes and expenses to a future Payroll Audit. The Payroll Audit would be scheduled through the Annual Audit Plan approved by the Board. The Payroll Audit is included in IA's list of possible future audits.

Standard Operating Procedures

Recommendation #3 – Fiscal Management Department should update all SOPs to reflect business process changes resulting from the implementation of the Agency’s ERP system, specifically those for process inter-company receivables. FMD should make all SOPs available on the departments share drive and, provide training to staff, where necessary.

Status: Implemented

As noted above, under Recommendation #5 for CDA, FAD has documented the SOP; a final draft was signed by the Manager of Finance and Accounting Department in August 2015. IA reviewed the SOP and it contains the processes recommended.

**Chino Basin Watermaster (Watermaster)
Follow-up review to the Audit Report dated August 30, 2011**

IEUA has two recurring receivables with Watermaster, one for Operations and Maintenance(O&M) and the other is for Debt Service.

The Chino Basin Recharge Master Plan Agreement outlines the conditions for reimbursement of O&M costs to IEUA. The O&M agreement requires Watermaster to pay IEUA, quarterly, in advance, the estimated amount of the total budget that is expected to be expended during quarter. Therefore, IEUA will receive four quarterly payments during the fiscal year from Watermaster for the reimbursable O&M costs.

For the Debt Service receivable, IEUA and Watermaster have each agreed to pay one half of the debt service on the bonds issued by the Chino Basin Regional Financing Authority in accordance with a May 2002 agreement between Chino Basin Regional Financing Authority and Chino Basin Watermaster called the Recharge Facilities Financing Agreement. The purpose of the payment is to fund the Local Share of the recharge facilities improvements described in the Recharge Master plan. As part of the agreement, Watermaster is required to pay an operating fee that will be sufficient to pay one-half of the debt service. The debt service payments represent the portion of the capital costs not paid for by Proposition 13 grant funding, and to be financed by the Authority through the issuance of bonds. Therefore, IEUA will receive one payment annually from Watermaster with payment to be received by the required due date.

Quarterly Billing: Operation & Maintenance Expenses

Recommendation #1 – Fiscal Management Department should establish procedures to prepare and submit invoices to Watermaster prior to the beginning of the quarter to allow payment by Watermaster before the quarter begins.

FAD and IA continue to work on the final implementation status of this recommendation. The status of this recommendation will be discussed in a separate report.

Debt Service: Prior Year's Reconciliations

Recommendation #2 – Fiscal Management Department should review the annual debt service reconciliations for FYs 2006, 2007, and 2010 and identify any monies owed to Watermaster, then take steps to resolve any overpayment.

Status: Implemented

In the original audit report, IA found errors in the reconciliation performed for the annual fixed project costs (debt service) for FY 2005/06, 2006/07, and 2009/10, totaling \$85,030. FAD investigated and agreed with IA's findings, which resulted in the issuance of two Credit Memos (Invoice Number: 90008217 and 90008218, dated August 24, 2011) to Watermaster for the overpayments totaling \$85,031. According to FAD, the annual debt service reconciliation is now thoroughly reviewed by a manager before issuing an invoice or credit memo.

Debt Service: Annual Reconciliation

Recommendation #3 – Fiscal Management Department should establish procedures to ensure that reconciliations are performed in a timely manner. The procedures should specify the time frame when the reconciliation should be performed, the person(s) or department responsible for the reconciliation, and the procedure to ensure that the paper reconciliation is thoroughly reviewed by a supervisor/manager for accuracy.

Status: Implemented

In the original audit report dated August 2011, IA noted the annual debt service reconciliation was not performed in a timely manner. Originally, the reconciliations were performed 2 to 7 months after the Agency's CAFR was finalized and approved by the IEUA's Board of Directors. IEUA's CAFR is approved by the Board of Directors in December for the preceding fiscal year with the reconciliation anticipated to be completed in January. Additionally, there were no procedures in place to ensure a specific individual was assigned the responsibility to complete the reconciliation timely and supervisory review and approval of the reconciliation.

For the follow up audit, IA reviewed when FAD performed the annual reconciliation for the debt service and the table below is a summary of prior fiscal years:

**Groundwater Recharge Program (RW Fund)
 Debt Service – Annual Reconciliation**

Fiscal Year	Reconciliation Completed	Number of Months Late
2011/12	April 2013	3 months
2012/13	April 2014	3 months
2013/14	October 2014	Immediately
2014/15	October 2015 ⁽¹⁾	To be completed

According to FAD, beginning with FY 2013/14, a reconciliation is performed annually during the **second quarter** following the close of the fiscal year to compare the estimated and actual fixed project costs for the prior fiscal year. In addition, FAD noted a specific person has been assigned the responsibility of performing the annual reconciliation, which is thoroughly reviewed and approved by a manager

Based on IA's review, the FAD has implemented procedures to ensure the annual reconciliation is performed timely and a designated staff member has been tasked with this responsibility. No further action is required and IA considers this recommendation to be implemented.

Debt Service: Annual Payment

Recommendations:

#4 – Fiscal Management Department should submit invoices to Watermaster to allow sufficient time to receive payment from Watermaster by July 15th, AND

#5 – Fiscal Management Department should consider implementing procedures and controls to enforce the Financing Agreement requirement that payment be made by Watermaster to IEUA by the July 15th deadline.

Status for Recommendations # 4 and # 5: Implemented

During the prior audit, IA noted the annual payments from Watermaster for the Fixed Project Costs (i.e., debt service) were received after the required due date, July 15th. Originally, the annual payments were received 15 to 90 days after the due date and occurred because IEUA does not invoice Watermaster in a sufficient amount of time for payment to be received by July 15th.

According to the 2002 Recharge Facilities Financing Agreement, IEUA and Watermaster agreed to each pay one-half (50%) of the debt service for the bonds issued by the Authority. Additionally, Watermaster is required to make the annual debt payment to the Authority **on or before July 15th** of each fiscal year, or unless no longer required. IA reviewed when FAD invoiced Watermaster for the debt services costs for the prior years:

**Groundwater Recharge Program (RW Fund)
 Debt Service – Invoice and Payment Date**

Fiscal Year	Net Amount Invoiced	Invoice Date	Required due date	Date Payment Received	No. of Days Late
2011/12	\$ 556,431	July 28 th	July 15 th	August 16 th	32
2012/13	\$ 504,688	July 22 nd	July 15 th	July 30 th	15
2013/14	\$ 406,126 ⁽¹⁾	July 2 nd	July 15 th	July 16 th	1
2014/15	\$ 505,740	July 2 nd	July 15 th	July 14 th	(1)
2015/16	\$ 460,201	July 1 st	July 15 th	July 13 th	(2)

(1) = Net amount invoiced includes an additional credit due for the FY 2011/12 Debt service Reconciliation (\$423,075.50 - \$16,949.00).

IA observed that FAD is invoicing Watermaster on the first or second day of the fiscal year as seen for FY 2014 through 2016, which is an improvement from prior fiscal years. This change has allowed for payment to be received within a day of the due date, July 15th. IA noted the suggested processes and recommendations from the original audit have been implemented by FAD to ensure Watermaster is invoiced in enough time to allow for payment to be received by the required date (July 15th) and compliance with the agreement provisions.

IA considers this recommendation to be implemented.

Bonds – Interest Expense

Recommendation #6 – Financial Planning should re-evaluate its budgeting methods for interest expense on the variable bonds so that budgeted amounts are more reflective of anticipated expense.

Status: Implemented

During the 2011 audit, IA noted the budgeted portion of the debt service expense that represented interest expense significantly exceeded the actual interest expense. The interest expense is related to the 2008B Variable Rate Demand Revenue Refunding bonds.

As part of the 2015 follow-up evaluation, IA compared the budgeted interest rate to actual interest rate for the 2008 bonds and the following table below shows a summary for previous fiscal years:

**Chino Basin Watermaster
 Groundwater Recharge Program (RW Fund)
 Debt Service - Interest 2008B Bonds (SAP Account # 555010)**

Results	Fiscal Year	Credit issued to Watermaster	Budgeted Interest Rate	Actual/Average Interest Rate
Original Audit	2009/10	(\$270,408)	4%	0.28%
	2010/11	(\$296,265)	4%	0.23%
Follow-up Audit	2011/12 ⁽¹⁾	(\$188,937)	4%	0.14%
	2012/13	(\$94,882)	3%	0.14%
	2013/14	(\$89,762)	1%	0.06%
	2014/15	Unavailable	2%	0.05%
	2015/16	Non-Applicable	1%	-
	2016/17	Non-Applicable	2%	-

(1) = Additional credit of \$16,949 was applied based on the FY 2011/12 Debt Service Reconciliation. Credit Memo was not issued Watermaster, instead the additional adjustment was applied to FY 2013/14 Annual Debt Service Payment.

The original audit suggested that interest amount billed to Watermaster be more reflective of the anticipated expense. At the time, the rate applied was considered a "conservative approach," and budgeted at a 4% interest rate as seen in the table above for FY 2010 through FY 2012.

In more recent years, it appears, FAD has re-evaluated its budget assumptions and lowered the budgeted interest rate that is utilized to calculate the budgeted interest expense. As the analysis above shows, the rates as of 2013/14 decreased to a 1% or 2%, being more conservative than in prior years. The credit issued to Watermaster has therefore, significantly reduced. This recommendation is considered implemented.

Attachment 2 – Intercompany Receivables Recommendations – CDA, February 24, 2011

Rec #	Recommendation	Implemented	In Progress	No Longer Applicable
1	IEUA FMD staff ensure that supporting documentation is reviewed, verified and correctly reflect SAP report information and approved/authorized charges before processing invoices. <u>(Implemented prior to the 2015 follow-up review)</u>	X		
2	IEUA FMD work with ESS to resolve the work order issue to ensure that these do not create a discrepancy/reconciling item at the end of each billing cycle, and provide any necessary training.			X
3	IEUA Management work with CDA and the necessary parties to amend/update the current Agreement to document the labor factor and/or actual costs of labor that should be passed on to the CDA for reimbursement. Documenting the agreed upon labor factor will confirm the actual rate and prevent any uncertainty in the application of the factor and prevent potential differences among the parties to the agreement. <u>(Implemented prior to the 2015 follow-up review)</u>	X		
4	IEUA management should work with the CDA to reevaluate the labor factor and determine if 1.7 is the most appropriate factor to apply. The agreed-upon labor factor should be properly documented in the agreement (as recommended under Recommendation 3). <u>(Implemented prior to the 2015 follow-up review)</u>	X		
5	FMD should develop an SOP to document procedures for accounts receivable intercompany processes for ensuring payment of bills and to comply with the Agreement requirements.	X		
Totals		4	0	1

Attachment 3 – Intercompany Receivables Recommendations – RCA, March 30, 2011

Rec #	Recommendation	Implemented	In Progress	No Longer Applicable
1	The Fiscal Management Department should implement controls that prevent, or at minimum, limit staff's ability to "back-post" transactions; if possible, controls should be configured into IEUA's accounting system. <u>(Implemented prior to the 2015 follow-up review)</u>	X		
2	Fiscal Management Department work with the Enterprise Systems Services Department to resolve the root cause of the work order issue to ensure that these do not create a discrepancy/reconciling item at the end of each billing cycle for intercompany receivables.			X
3	Fiscal Management Department should update all SOPs to reflect business process changes resulting from the implementation of the Agency's ERP system, specifically those for processing inter-company receivables. FMD should make all SOPs available on the departments share drive and, provide training to staff, where necessary.	X		
Totals		2	0	1

Intercompany Receivables
 Follow-Up Audit
 August 31, 2015
 Page 12 of 12

Attachment 4 – Intercompany Receivables Recommendations – Watermaster, August 30, 2011

Rec #	Recommendation	Implemented	In Progress	No Longer Applicable
1	Fiscal Management Department should establish procedures to prepare and submit invoices to Watermaster prior to the beginning of the quarter to allow payment by Watermaster before the quarter begins.		X	
2	Fiscal Management Department should review the annual debt service reconciliations for FYs 2006, 2007, and 2010 and identify any monies owed to Watermaster, then take steps to resolve any overpayment.	X		
3	Fiscal Management Department should establish procedures to ensure that reconciliations are performed in a timely manner. The procedures should specify the time frame when the reconciliation should be performed, the person(s) or department responsible for the reconciliation, and the procedure to ensure that the paper reconciliation is thoroughly reviewed by a supervisor/manager for accuracy.	X		
4	Fiscal Management Department should submit invoices to Watermaster to allow sufficient time to receive payment from Watermaster by July 15th.	X		
5	Fiscal Management Department should consider implementing procedures and controls to enforce the Financing Agreement requirement that payment be made by Watermaster to IEUA by the July 15th deadline.	X		
6	Financial Planning should re-evaluate its budgeting methods for interest expense on the variable bonds so that budgeted amounts are more reflective of anticipated expense.	X		
Totals		5	1	0

**INFORMATION
ITEM**

3L



Date: September 16, 2015

To: The Honorable Board of Directors

Through: Audit Committee (9/9/15)

From: Teresa V. Velarde
T. Velarde
Manager of Internal Audit

Subject: Regional Contract Review - Interim Audit Report for the City of Ontario

RECOMMENDATION

This is an information item for the Board of Directors.

BACKGROUND

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

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

The Interim Audit Report for the City of Ontario (Ontario) is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by providing independent evaluations of the financial and operational activities of one of IEUA's Contracting Agency's implementation of the Regional Contract and suggesting recommendations for improvements.

ATTACHMENTS

The interim report for the Ontario is attached. IA previously submitted the report of the Ontario in draft form for discussion purposes, to provide a status of the review, and to extend the Ontario additional time and every opportunity to provide additional supporting information to finalize the evaluation.

IA identified observations and recommendations to strengthen administrative, accounting, recording, and reporting controls to ensure the intent of the Regional Contract is achieved. As with the previous six Regional Contract reports, most of the IA recommendations could be applied

to all Contracting Agencies going-forward, as an amendment and/or as part of the Regional Contract review and renegotiation process; in order to ensure all Regional Contracting Agencies apply and administer the Regional Contract in a uniform and consistent manner. A summary of IA’s recommendations is provided separately in Exhibit A. A summary of the most significant observations is provided below. The attached report provides additional details.

City of Ontario

- Ontario’s Calculation Worksheet does not match Exhibit J; therefore creating differences in the Connection Fees that should be collected. For the items tested, Ontario under-collected approximately \$84,000 in Connection Fees. The review found that the City of Ontario’s automated calculation worksheet, built into their permits system, utilized to calculate Connection Fees does not always coincide with the descriptions and/or associated fixture unit values as outlined in Table 1 of Exhibit J of the Regional Contract; therefore generating differences in the Connection Fees Collected.
- Ontario asks permit applicants to self-assess their fixture units and determine the Connection Fees they owe. This process differs from what most Contracting Agencies have implemented, where a calculation worksheet is completed by the Building Department staff having expert knowledge related to the Regional Contract and Connection Fees. Subsequently, during the site inspection process Ontario staff confirm that the actual structure agrees to the plans that were submitted. Ontario’s process does not verify that the Connection Fee calculation [worksheet] agrees to the building/plumbing plans, giving oversight (and potential under-calculation and under-collection) of the Connection Fee process to the customer. In addition, the Ontario is not fully utilizing the expertise of its Building Department staff in collecting Connection Fees, according to the Regional Contract requirements.
- Ontario has not collected fees for public schools construction:

Name of School	School District	Type of Construction	When completed	Fees Collected
Richard Haynes Elementary	Ontario Montclair	Addition of a Multi-purpose room with multiple restrooms and warming kitchen. (CVWD collected \$10,809 for a new elementary school cafeteria and Montclair collected \$24,021 for a new elementary school multipurpose room with kitchen and restroom.)	Summer 2012	\$ 0
Ray Wiltsey Middle	Ontario Montclair	13 classroom modular facility with multiple restrooms, outdoor areas. (CVWD collected \$62,958 for a new 14 room classroom building with restrooms.)	Summer 2013	\$ 0
Ontario High	Chaffey Joint Union High School	New classroom building, restrooms, football stadium and pool. (CVWD collected \$42,792 in Connection Fees for a new high school classroom wing/building, gymnasium expansion and athletic field complex.)	In Process	\$ 0

- Approximately a fourth of the monthly sewerage billing items tested during this review, had erroneous rates, were not found in the billing system or showed that the monthly billing

is appropriately done, or were industrial entities with unusual rate structures as described in the next paragraph.

- A wide range of new manufacturing and industrial businesses have located in Ontario. The Connection Fees and monthly sewerage charges for these enterprises varied widely. In addition, there appears to be a need to improve guidelines for industrial enterprises to ensure that Connection Fees and monthly sewerage charges are assessed correctly, are fair and equitable, and are determined in accordance with the intent of the Regional Contract.

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

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

- Interim Audit Report for the City of Chino Hills (June 2015)
- Interim Audit Report for the Cucamonga Valley Water District (March 2015)
- Interim Audit Report for the City of Chino (December 2014)
- Interim Audit Report for the City of Fontana (December 2014)
- Interim Audit Report for the City of Montclair (September 2014)
- Interim Audit Report for the City of Upland (September 2014)
- “Survey of Comparative Information of the Seven Contracting Agencies” (September 2014)
- “Regional Contract Review – Review of the Ten Year Forecast” (June 2014)
- “Regional Contract Review – Survey of Comparable Agencies (June 2014)

PRIOR BOARD ACTION

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

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

IMPACT ON BUDGET

None




Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

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DATE: July 22, 2015

TO: Joe Grindstaff
General Manager

FROM: 
Teresa V. Velarde
Manager of Internal Audit

SUBJECT: **REGIONAL CONTRACT REVIEW**
Interim Audit Report
City of Ontario

Audit Authority

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

Audit Objective and Scope

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

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

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

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Secretary/Treasurer

Jasmin A. Hall
Director

Gene Koopman
Director

P. Joseph Grindstaff
General Manager

This report describes the results of the procedures performed at the City of Ontario.

City of Ontario – Background

The City of Ontario (Contracting Agency, Ontario or City) was incorporated on December 10, 1891 and utilizes a Council-Manager form of government. The City has a population of 166,866 and encompasses 50 square miles which is 21% of the 242-square-miles covered by IEUA's service area¹.

As well as other municipal services, the City provides water, trash and local sewer service to residential, commercial and other properties within its boundaries.

Financial Information

Under the terms of the Regional Contract, the City of Ontario is required to report Connection Fees and Sewer Service Fees on a monthly basis.

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

The amount of Connection Fees collected varies from year to year depending on the construction activity occurring within the Contracting Agency's boundaries. Equivalent Dwelling Units (EDU's) purchased and fees collected by the City during the last two fiscal years are:

Fiscal Year	EDU's	Fees collected
2012/13	157	\$ 770,709
2013/14	334	\$ 1,674,395

EDU's and fees collected reflect the amounts reported in the BAR. The fees for FY 2013/14 were substantially higher than the prior year due to fees collected in connection with the construction of new residential gated communities in the City.

CCRA Account

Connection Fees are collected by the City and held in a Capital Connection Reimbursement Account (CCRA) until called by IEUA. The CCRA balance for the City of Ontario as reported by IEUA in the June 30, 2013 and 2014 CAFR's was \$3,337,338 and \$5,011,733 respectively.

¹ Ontario statistics from City of Ontario website: "About Ontario – City Facts"

Sewer Service Fees (Volumetric Sewerage Fees) are recurring fees assessed and collected from users that discharge into the Agency's Regional Sewerage System. According to the Regional Contract, Contracting Agencies must pay IEUA for sewer services each month. The City of Ontario self-reports the number of EDU's to IEUA for all its customers on a monthly basis, since the City bills monthly. The EDU's reported are comprised of the following: one EDU for residential, 0.7 EDU for multi-family residential, fixed EDU's for schools (based on student enrollment) and industrial (recalculated annually), and variable EDU's for commercial entities (based on water consumption).

The table below outlines the total number of EDU's reported and Volumetric Sewerage Fees paid to IEUA by the City of Ontario for the last two fiscal years. This information is reported in the Agency's accounting system (SAP).

**City of Ontario
Sewer Service Fees**

Fiscal Year	EDU's⁽¹⁾	Fees⁽¹⁾
2012/13	707,904	\$ 8,770,935
2013/14	711,899	\$ 9,532,321

(1) = From IEUA monthly billing invoices.

As part of reporting Sewer Service Fees, the City of Ontario provides additional detail as shown below. The Regional Contract does not require this information and the amount of information provided varies by Contracting Agency.

As of June 30, 2014 the City of Ontario's total number of EDU's consisted of the following (from the June 2014 monthly billing information provided to IEUA):

Type of Account	Number of EDU's	% of Total
Single Family Residential (1 EDU per dwelling)	26,492	41.70
Multi-Family Residential (.7 EDU per dwelling)	13,047	20.53
Public Authority	947	1.49
Interdepartmental	127	0.20
Industrial	4,208	6.62
Hotel/Motel	831	1.31
Commercial	17,884	28.15
Total	63,536	100%

This information is reported by the City of Ontario. IEUA does not verify these totals.

Connection Fees

Each Contracting Agency is required to assess, collect, and report Connection Fees for any new development that connects to the Regional Sewerage System, or users who expand their fixture unit count. The fees are to be assessed and collected by the Contracting Agency in accordance with the provisions of Exhibit J in the Regional Contract.

IA selected various businesses to test whether Connection Fees were accurately calculated, collected and reported to IEUA in accordance with Exhibit J of the Regional Contract. IA judgmentally selected 73 different businesses from the following sources to verify the Contracting Agency applied and collected the correct EDU rate according to the Board-approved rates and to determine the accuracy of the categorization type used per Exhibit J of the Regional Contract:

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

Due to the wide range of sources used to select businesses to test, the Connection Fees that were tested covered a larger time period, with most permits tested ranging from 2010 to the present. In addition, two business' most recent permits were from 2006 and two others were from 2008. The Board approved Internal Audit Charter authorizes Internal Audit to expand the scope of work when deemed necessary. The review found:

1. **Ontario's Calculation Worksheet does not match Exhibit J creating differences in the Connection Fees that should be collected. For the items tested, Ontario under-collected approximately \$84,000 in Connection Fees.**

The review found that the City of Ontario's automated calculation worksheet, built into their permits system, utilized to calculate Connection Fees does not always coincide with the descriptions and/or associated fixture unit values as outlined in Table 1 of Exhibit J of the Regional Contract. Ontario established a worksheet based on their interpretation of the California Plumbing Code, however, some of the descriptions for the type of fixture installed and associated fixture unit value differ from the types and values provided under Exhibit J creating differences when compared to the Regional Contract Fixture Unit values and Connection Fees assessed:

COMPARISON OF ONTARIO CALCULATION WORKSHEET TO EXHIBIT J			
City of Ontario's Worksheet		Regional Contract Exhibit J (Table 1)	
Type of Fixture	Unit	Type of Fixture	Fixture Unit
Water Closet-Commercial Qty	1	Water Closet, 1.6 GPF	4.0
Urinal Qty	4	Urinal	2.0
Sink-Service Mop Qty	2	Kitchen, Service or Mop Basin	3.0
Drinking Fountain Qty	1	Drinking Fountain or Water Cooler	0.5

The impact of using fixture unit values that vary from Exhibit J affects the dollar amount of Connection Fees assessed and collected by the Contracting Agency. Of the 73 items selected, 28 paid Connection Fees for new fixture units since 2006. Exhibit J did not provide a table of fixture unit values until its revision June 19, 2013. Therefore, there was no authoritative guidance prior to that revision and individual Contracting Agencies relied on the Plumbing Code to determine fixture unit values. IA analyzed the selected items to isolate only the impact of using fixture unit values that differ from the values required by Exhibit J under the Regional Contract, both for all items tested and for only those items tested during the period since Exhibit J was revised. Ten of the items tested were in the period since Exhibit J was revised:

CALCULATION WORKSHEET DIFFERENCES: EXHIBIT J COMPARED TO ONTARIO				
Business/Permit Tested	Exh J F. U.	Exh J Fees	Ontario F. U.	Ontario Fees
FAST 5 PIZZA	14	\$ 3,112.35	13	\$ 2,890.04
Continental Funeral Home	14	\$ 3,051.43	14	\$ 3,051.43
Cardenas Markets Inc.	7	\$ 1,556.18	7	\$ 1,556.18
Office Building	105	\$ 23,342.63	107	\$ 23,787.26
Office Building	97.5	\$ 21,675.30	60	\$ 13,338.65
Magic Hawaiian Barbecue also Pizza Palace, etc.	25	\$ 5,668.77	24	\$ 5,442.02
Charter school resource center	14	\$ 4,416.17	16	\$ 5,047.06
B201302744	32.5	\$ 10,251.83	30	\$ 9,463.23
B201301578	48	\$ 17,808.90	26	\$ 9,646.49
B201302547	61.5	\$ 13,672.11	62	\$ 13,783.27
TOTALS	418.5	\$ 104,555.69	359	\$ 88,005.62

The City of Ontario under-collected \$16,550 for the 10 items tested for the period since Exhibit J was revised on June 19, 2013 (\$104,555 - \$88,005). In comparison, had the 2013 Exhibit J revision been in effect for all items tested, the City of Ontario under-collected a total of \$83,882 in Connection Fees on total collections of \$441,705 for all 28 items tested during this review. These under-collections result solely from Fixture Unit differences in the calculation worksheet. This does not consider any other differences that might have resulted from business classification differences or differences from variances in the number of fixtures shown on the building plans.

In the 2013-14 fiscal year the City of Ontario reported a total of \$768,586 in Connection Fees for non-residential building activity in the Building Activity Reports. The Calculation Worksheet differences being tested arise solely from the difference in Fixture Unit Values between Exhibit J and the City of Ontario's automated worksheet, a factor that remains constant across the entire universe of building activity reported in 2013-14. Since this variation is constant for all items tested, it is reasonable to extrapolate the impact of this variation. Thus, extrapolating solely the impact resulting from differences in fixture unit values between Exhibit J and Ontario's calculation worksheet by using the error rate in the sample tested in the period since Exhibit J was revised and comparing it to the total non-residential fees reported: Connection Fees

could have been under-reported by as much as approximately \$145,000 (calculated as: \$16,550 / \$88,006 x \$768,586 or “error rate” times “reported fees”) for the 2013-14 fiscal year. In comparison, if all tested sample items were included in the extrapolation, under-reported fees could have been as much as approximately \$146,000 (calculated as \$83,882 / \$441,705 x \$768,586). Both approaches to extrapolate potential under-collections yield similar results. The actual amount under-collected would, however, require recalculation of all calculation worksheets during the period since Exhibit J was revised.

The City of Ontario **recently revised** their calculation worksheet to align it with Table 1 of the revised Exhibit J, but kept the limited number of categories and naming conventions from the prior version (**See Exhibit A – City of Ontario Revised Calculation Worksheet**) and stated that the “City’s Building Department is using the Fixture Units from the Plumbing Code following State Law” (IEUA’s Planning and Environmental Resources Department, however, confirmed that Ontario staff participated in the 2013 meetings resulting in the most recent revisions to Exhibit J). There are still differences between the revised worksheet and Exhibit J:

EXHIBIT J CATEGORIES NOT INCLUDED ON ONTARIO WORKSHEET	
DESCRIPTION	F.U.
High efficiency clothes washer	2.0
Food waste grinder (commercial)	3.0
Floor drain, emergency	0.0
Shower, multi-head, each additional	1.0
Lavatory, in sets of two or three	2.0
Washfountain (1.5-in minimum fixture branch size)	2.0
Washfountain (2-in minimum fixture branch size)	3.0
Receptor, indirect waste – Bar	2.0
Receptor, indirect waste – Clinical	6.0
Receptor, commercial with food waste (1.5-in minimum fixture branch size)	3.0
Receptor, commercial with food waste (2-in minimum fixture branch size)	4.0
Receptor, commercial with food waste (3-in minimum fixture branch size)	6.0
Receptor, kitchen, domestic	2.0
Receptor, Service, flushing rim	6.0
Waterless Urinal	1.0

ONTARIO CATEGORIES NOT SPECIFIED IN EXHIBIT J	
DESCRIPTION	F.U.
Floor sinks	2.0
MH park trap - one trailer	6.0
Sink-food waste	3.0

IA recommends that calculation worksheets be standardized region-wide and that Contracting Agencies prepare separate calculation worksheets for the individual categories when businesses operate in multiple segments as described in Exhibit J.

2. Private residential community centers have varying interpretations by the different contracting agencies.

IA noted a recent trend where new housing developments include a community center with amenities such as fitness centers, swimming pools, meeting rooms and gathering places. This is an instance that can create varying interpretations and applications of Exhibit J of the Regional Contract. In the March, 2014 BAR, the City of Ontario reported such a facility as commercial category III, which includes “Health Spa with Pool” as one of the descriptions and has a Sewage Factor of 0.1081. This compares to the finding in IA’s Interim Report for the City of Chino where that City’s practice is to use commercial category I which includes retail, office and fast food and has a Sewage Factor of 0.0444 resulting in lower Connection Fees. Although, Ontario’s categorization may be more aligned with the Exhibit J category with the most relevant description, additional guidance in Exhibit J would create greater uniformity in categorizing these centers in the region.

	Exhibit J	Exhibit J Description	Sewage Factor	Fees
City of Chino categorization	Category Type I	Retail, office, motel/hotel and similar businesses	0.0444	\$28,011
City of Ontario categorization	Category Type III	Health spa with pool	0.1780	\$112,297

Although Exhibit J was recently updated and now provides greater detailed definitions for many business types, there still appears to be room for varying interpretation and application. Businesses continue to evolve and new types of businesses emerge and the Regional Contract should be updated regularly to provide additional language, definitions and guidance to ensure all types of commercial businesses are classified consistently. Additionally, the Contracting Agencies should look for IEUA’s guidance.

Plumbing Plans – Fixture Unit Recount

In attempting to perform a fixture unit recount at the City of Ontario, IA determined that Ontario’s procedure in assessing Connection Fees differs from the other Contracting Agencies. According to Ontario’s Building Department staff, the City of Ontario asks permit applicants to self-assess their fixture units and determine the Connection Fees that they owe. The City then performs its own review during the site inspection process to confirm that the actual structure conforms to the plans that were submitted. In IA’s opinion this procedure omits the step of verifying that the actual Connection Fee calculation conforms to the building/plumbing plans. In addition, the City of Ontario is not fully utilizing the expertise of its Building Department staff in collecting fees.

IA recommends that the City of Ontario examines and restructures the Connection Fee calculation and collection process to ensure that the fixture unit counts are correctly tallied, the categorization of businesses is appropriate and that connection fees are not under-collected.

IA performed an extended walk-through of the fixture count process by reviewing the plumbing plans for five of the originally selected 73 items to verify the accuracy of the fixture count and the application of the required fees. At all other Contracting Agencies the recount was performed by Contracting Agency staff, witnessed/verified by IA and the results of the recount agreed upon by both parties. However, since the City of Ontario requires permit applicants to self-assess fixture units the Building Department officials indicated that they would not be able to provide assistance for the plumbing plans recount. Although IA staff have no plan-check experience and do not have the technical expertise of an actual plan-checker or someone familiar with the Plumbing Code and Exhibit J, IA attempted to independently examine the five sets of building/plumbing plans to determine the accuracy of the fees that were collected. IA's review noted:

- Jogue, Inc: The City's permitting files reference Permit #'s 201203421 and 201302705, neither of which were found to have been included in Building Activity Reports to IEUA. The only relevant permit that was reported is #2142 which shows 30 fixture units. IA's fixture unit count totaled 73 domestic industrial fixture units rather than the 30 that were reported, resulting in under-collection of \$15,642.
- Continental Funeral Home: The calculation worksheet used the general commercial category I sewage factor (0.0444) rather than the category II that includes mortuaries (0.1081), resulting in under-collection of \$4,378.
- Office Building, 150 E. Holt: One of the two sets of plans associated with this location was unavailable. The other set that was made available to IA indicated that the building houses medical clinics, facilities, and offices. IA performed additional "Google" research which shows a Women/Infant/Children (WIC) clinic on the 1st floor and the Ontario Public Health Clinic on the second floor. IA's fixture unit count totaled 122 fixture units rather than the 107 that were reported. The calculation worksheet also used the commercial category I sewage factor (0.0444) rather than category III that includes hospitals and convalescent homes (0.1780). Overall, this resulted in an under-collection of \$14,697.
- Haliburton: IA attempted to recount the fixture units on this set of building plans. However, without the technical expertise and knowledge that Building Officials have, IA was unable to validate the fixture unit count. See additional discussion of Haliburton later in this report.
- Excelsior Charter School Resource Center: IA's fixture count matched the calculation worksheet and the City did use the correct category VI sewage factor (0.0630) for a Public Service Facility.

The impact of these findings is summarized as follows:

FIXTURE UNIT RECOUNT SUMMARY			
BUSINESS	ERROR TYPE (Information is for specific calculation worksheet tested)	CONNECTION FEES COLLECTED	IMPACT (Under Collected)
Jogue, Inc.	Fixture Unit difference	\$ 10,913	(\$ 15,642)
Continental Funeral Home	Classification difference	\$ 3,051	(\$ 4,378)
150 E. Holt	Fixture Unit & Classification differences	\$ 23,787	(\$ 14,697)
Haliburton	Industrial Calculation difference (addressed separately)	\$ 38,558	unknown
Excelsior Charter	No differences noted	\$ 5,047	\$ 0
	TOTAL		(\$ 34,717)

IEUA and the Contracting Agency should work together to ensure the calculation of connection fees and fixture units is in compliance with Exhibit J of the Regional Contract in order to prevent over/under collections and to ensure all Contracting Agencies apply the values required under the Regional Contract in a consistent and uniform manner.

IEUA should work with the Contracting Agency to establish, as part of the permitting and plan check process, the requirement to have an IEUA representative provide a final sign-off and approval, prior to the Contracting Agency issuing a permit to a business or industry and allowing a connection to the system. This added approval step will ensure IEUA is in agreement with the interpretation of the Contract and that the appropriate category type and sewage factor has been applied so that the correct Connection Fees are assessed and collected.

Public Service Facilities

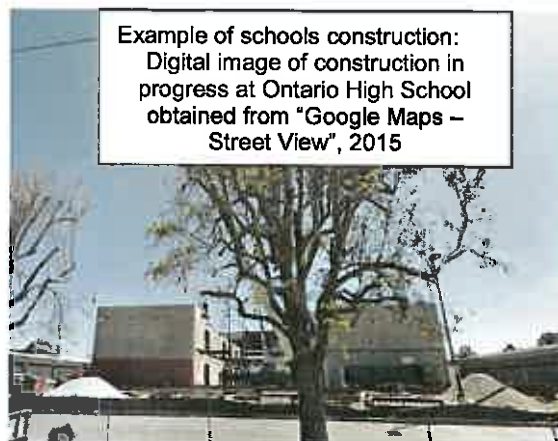
Exhibit J includes for purposes of fee calculation: *"All structures designed for the purpose of providing permanent housing for enterprises engaged in exchange of good and services. This shall include, but not be limited to, all private business and service establishments, **schools, churches, and public facilities.**"* (emphasis added)

The Division of the State Architect's Office (DSA) of the State of California provides design and construction oversight for public schools (Kindergarten through 12th grade), community colleges, and various other state-owned and leased facilities. Likewise, the Office of Statewide Health Planning and Development (OSHPD) regulates hospital construction. Entities that fall under the DSA or OSHPD have a permit and plan check process that is separate and includes limited or no coordination with the local jurisdiction. The DSA and OSHPD do not collect Connection Fees on IEUA's behalf as part of their oversight process, even though the construction projects reviewed could be new construction or expansions that result in additional discharge into the regional infrastructure. It is the responsibility of each individual local jurisdiction to ensure collection of the Connection Fees from entities that fall under the DSA or OSHPD and reside within their service area.

For purposes of this review, several approaches were used to determine Public Service Facilities in the City of Ontario. IA reviewed the OSHPD website for information about hospital and similar construction in the City of Ontario. This review noted that the Kaiser Ontario facility opened in November of 2011. The medical facility is located on a 28-acre master-planned campus and the construction project included a 386,000 sq. ft. Hospital Medical Center with two patient towers that hold 260 beds and a diagnostic and treatment wing, a new three-story 160,000 sq. ft. hospital support building that has medical offices, and major additions to the existing Central Utility Plant. The City of Ontario collected Connection Fees in the amount of \$1,409,106 in May 2012.

IA also reviewed the websites of school districts that service the City of Ontario. This included looking at bond measure construction update reports and the annual school accountability report cards of individual schools. As a result of these procedures one elementary school (Richard Haynes Elementary School), one middle school (Ray Wiltsey Middle School) and one high school (Ontario High School) were chosen for testing. IA noted:

Name of School	School District	Type of Construction	Bond Measure	When completed	Fees Collected
Richard Haynes Elementary	Ontario Montclair	Addition of a Multi-purpose room with multiple restrooms and warming kitchen	"T"	Summer 2012	\$ 0
Ray Wiltsey Middle	Ontario Montclair	13 classroom modular facility with multiple restrooms, outdoor areas	"T"	Summer 2013	\$ 0
Ontario High	Chaffey Joint Union High School	New classroom building, restrooms, football stadium and pool	"P"	In Process	\$ 0



1. **Richard Haynes Elementary School:** Per staff, the City has no record of any fees collected. For comparison purposes Cucamonga Valley Water District collected \$10,809 in Connection Fees for a new elementary school cafeteria and the City of Montclair collected \$24,021 in Connection Fees for a new elementary school multipurpose room with kitchen and restrooms.

2. Ray Wiltsey Middle School: Per staff, the City has no record of any fees collected. For comparison purposes Cucamonga Valley Water District collected \$62,958 in fees for a new 14 room classroom building with restrooms.
3. Chaffey Joint Union High School District – Ontario High School: Per staff, the City has no record of any fees collected. For comparison purposes, the City of Upland collected \$22,506 in Connection Fees for a new high school gymnasium and the Cucamonga Valley Water District collected \$42,792 in Connection Fees for a new high school classroom wing/building, gymnasium expansion and athletic field complex.

Based on the comparison to what other Contracting Agencies collected, the City of Ontario may have failed to collect over \$120,000 for the construction of additional facilities at these three school sites.

Approximately half of the Contracting Agencies are collecting Connection Fees for school construction. However, even those that collect Connection Fees do not do so in all instances. In moving forward with renegotiating the Regional Contract, IEUA and the Contracting Agencies should consider the following options:

1. *IEUA should provide guidance and assistance to the Contracting Agency to adopt a collaborative approach and foster a relationship with the School District and any other PSF to ensure Connection Fees are charged and collected for any future planned projects with new construction or expansion. For example, the City of Ontario could consider and adopt the collaborative approach utilized at the City of Upland. The City of Upland has formed an inclusive group from all city departments that meets regularly to review new development. The group includes representatives from the Planning, Building, Public Works, Police and Fire departments. Since planning for fire safety is required for new construction to ensure access and egress, Fire department representatives are often the first to know about new PSF construction. This will trigger Public Works and Building department representatives to be involved resulting in the assessment of Connection Fees, including those for IEUA in accordance with Exhibit J.*
2. *In connection with a renegotiation of the Regional Contract, IEUA and the Contracting Agencies should consider the legal and financial impacts of eliminating the requirement for collecting Connection Fees and monthly sewerage charges from some types of Public Service Facilities. As documented under the audit report "Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs", IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public schools and City governments from these charges.*

Volumetric Sewerage Fees

Section 18 of the Regional Contract states:

“Concurrently with the adoption of the Regional Sewerage System budget, the Board of Directors of CBMWD shall fix the service charge rate for the fiscal year. The rate shall be expressed in dollars and cents for each Equivalent Dwelling Unit (EDU) of sewage and shall be computed . . . as set forth in the Regional Sewerage System budget adopted for the fiscal year. The estimated EDU’s of sewage delivered into the Regional Sewerage System shall be determined based on a standard daily measurement or contribution of sewage per EDU agreed to from time to time by CBMWD and the Regional Technical Committee.”

Thus, the Regional Contract delegates the details of determining monthly sewerage billing to the Regional Technical Committee. The most recent information about monthly sewerage billing is from a memorandum entitled “Procedures for Establishing a Regional Sewer Billing Formula” which was adopted by the Regional Technical and Policy Committees for monthly/bimonthly billing processes in 1997.

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

The City of Ontario bills customers each month for water and the City’s and IEUA’s regular sewerage charges. For IEUA sewerage billing purposes EDU’s in most categories are calculated in accordance with the 1997 memorandum: One EDU for residential, 0.7 EDU for multi-family residential, fixed EDU’s for schools (based on student enrollment) and variable EDU’s for commercial entities (based on water consumption). However, Industrial customers are billed in a variety of ways (see below). Payments made to IEUA are based on the amounts billed.

Although only 28 of the 73 entities originally selected for review paid Connection Fees in recent years, all of the entities were presumed to pay monthly sewerage charges, so IA tested the monthly sewerage billing system for all 73 entities to determine whether monthly billing is in fact taking place and the appropriate categories and rates for monthly volumetric fees are used. IA noted:

Entity with no sewerage billing (1 of 73 items tested):

Although not technically a monthly sewerage billing error, Fuji Natural Foods, Inc. was found to have paid Connection Fees in 2011 but was not being billed for monthly sewerage. City of Ontario representatives indicated that this entity uses well water and a septic system and is located in the Jurupa Community Services District, not IEUA’s. Ontario representatives indicated that they would perform additional research on the Connection Fees that were collected.

Monthly Sewerage Findings:

ISSUE		DESCRIPTION	# OF ITEMS	% OF TOTAL
Errors and anomalies:				
a	Restaurants not billed at restaurant rate	Master meter or different prior use (See table below for impact on fees)	4	5.48%
b	Funeral home & health clinic	Commercial factor used (See table below for impact on fees)	2	2.74%
c	Bakery	Billed at Laundromat factor (See table below for impact on fees)	1	1.37%
d	For-Profit college	Used medical office rate (Category 7 - .0671 HCF) rather than Schools rate (Category 9 - .0185 x # of students)	1	1.37%
e	Church in a commercial complex	Included on commercial master meter (Category 1 - .0729 HCF rate) rather than Church rate (Category 3 - .0626)	1	1.37%
New industrial and manufacturing entities in Ontario:				
	Commercial/Industrial businesses with fixed or other unusual rate structures	Additional information provided below	9	12.33%
Tested with no exceptions:			55	75.34%
TOTAL TESTED			73	100.00%

Errors and anomalies: The table above shows that in nine (or 13%) of the 73 items, an inaccurate billing factor was used.

Although the findings were confirmed only for the individual billing period examined (April 2014 monthly billing), all of these findings become magnified over time impacting the volumetric sewerage fees paid to IEUA. IA was able to recalculate the billings for seven of the items noted (a through c above):

	Businesses for which adequate information was available for recalculation of monthly sewerage billing	Estimated Monthly Amount Should Have Been	Monthly Amount Actually Billed	Estimated annualized bill (multiply by 12 months)	Estimated annualized actual fees (multiply by 12 months)	Estimated Amount (under-collected) and (underpaid) IEUA for 12 months
a	Fast 5 Pizza	\$ 23.72	\$ 16.60	\$ 284.64	\$ 199.20	(\$ 85.44)
a	Home Pie Bakery/Cafe	\$ 366.95	\$ 256.69	\$ 4,403.40	\$ 3,080.28	(\$ 1,323.12)
a	Miguel's Jr.	\$ 189.75	\$ 132.69	\$ 2,277.00	\$ 1,592.28	(\$ 684.72)
a	J & R Deli	\$ 62.79	\$ 43.92	\$ 753.48	\$ 527.04	(\$ 226.44)
b	Continental Funeral Home	\$ 107.06	\$ 74.18	\$ 1,284.72	\$ 890.16	(\$ 394.56)
b	Office/Medical Building	\$ 115.87	\$ 125.91	\$ 1,390.44	\$ 1,510.92	\$ 120.48
c	Camacho's Bakery	\$ 189.75	\$ 113.95	\$ 2,277.00	\$ 1,367.40	(\$ 909.60)
TOTAL ESTIMATED ANNUALIZED DIFFERENCE (for 7 items):						(\$ 3,503.40)

Enrollment information was not obtained for the For-Profit College (d), so an alternate monthly sewerage amount could not be estimated. The church in the commercial complex (e) is included under a commercial master meter, so the church's individual billing amount could not be estimated.

Contracting Agencies should review their Utility Billing Systems on a regular basis to ensure that all business and residential properties are being billed for sewer services and make any needed corrections. The City of Ontario should review its Utility Billing system from time to time to verify all active sewer accounts have been captured and billing is in alignment with those receiving sewer services. Additionally, the City should

ensure that any residential or commercial properties connected to the sewerage system are included in the reporting of EDU's to IEUA as part of the Volumetric Sewerage Fees according to the requirements of the Regional Contract.

IEUA should consider including language in the Regional Contract regarding recourse for non-payment for services provided and work closely with the Contracting Agencies to ensure there are reconciliation and verification controls to ensure all sewer services are reported and paid accurately and according to the requirements of the Regional Contract.

New industrial and manufacturing entities in Ontario: There is a need to provide clarity and improve guidelines for industrial enterprises to ensure that Connection Fees and monthly sewerage charges are assessed correctly, are fair and equitable, and are determined in accordance with the intent of the Regional Contract.

IA noted 9 industrial entities (12.33% of the items tested) with fixed or other unusual monthly sewerage rate structures. In addition to requesting additional information about monthly sewerage rates from Ontario staff, IA also considered the Connection Fees collected from these entities.

Connection Fees: A purpose of the Regional Contract is to ensure Connection Fees are assessed and collected consistently and uniformly by all Contracting Agencies. Exhibit J was revised as of June 19, 2013, to provide clarity and guidance in selecting category types and collecting Connection Fees more consistently throughout the region.

Exhibit J states that Connection Fees for industrial enterprises are calculated based on a two-part formula. The domestic wastewater EDUs are calculated in the traditional manner according to the number of fixture units multiplied by an assigned sewage factor (0.0741). The second part of the formula is for industrial wastewater (non-domestic) and utilizes a calculation based on sewer flow, Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS) levels shown on the industrial waste permit:

**Exhibit "J" (Amended 6/19/13):
Equivalent Dwelling Unit Computations
General: Paragraph 3. Industrial**

3. Industrial. All structures designed for the purpose of providing permanent housing for an enterprise engaged in the production, manufacturing, or processing of material. EDU's for industrial users shall be determined as follows:

a. For domestic type wastewater, multiply the fixture units (as defined by Table 1) shown on the approved building plans by a sewage factor of 0.0741, based on a 20 gallons per fixture unit flow per day.

b. For non-domestic wastewater; compute from information contained on the industrial waste permit, using the following formula:

$$\text{EDU} = \frac{\text{Estimated non-domestic flow}}{270} \left[.37 + .31 \frac{\text{BOD}}{230} + .32 \frac{\text{SS}}{220} \right]$$

c. Combine the resultant EDU's derived from a and b above.

As an example, Evolution Fresh is a juice manufacturer owned by Starbucks located in the Cucamonga Valley Water District (CVWD). As described in the interim report for CVWD this entity was assessed a total of 233.96 EDUs and fees of \$1,148,510 using the methodology from Exhibit J. The domestic EDU calculation amounted to 9.67 EDUs and fees of \$47,470 and the industrial BOD/TSS calculation amounted to 224.29 EDUs and fees of \$1,101,040.

Monthly sewerage charges: The 1997 Sewerage Billing memorandum states that monthly sewerage charges for industrial enterprises are also calculated based on a two-part formula. The domestic wastewater EDUs are calculated in the traditional manner according to the amount of water consumption multiplied by an assigned sewage factor (0.0729). The second part of the formula is for industrial wastewater (non-domestic) and utilizes a calculation based on sewer flow, BOD and TSS levels shown on the industrial waste permit recalculated on a yearly basis:

**Procedures for Establishing a Regional Sewer Billing Formula (1997)
 Chino Basin Regional Sewer Service Program
 Volumetric Equivalent Dwelling Unit (EDU) Calculation
 Industrial Users**

**CHINO BASIN REGIONAL SEWER SERVICE PROGRAM
 Volumetric Equivalent Dwelling Unit (EDU) Calculation
 Industrial Users**

1. Industrial: Shall be defined for purposes of this exhibit, as those industries identified in the Standard Industrial Classification Manual, Bureau of the Budget, 1967, as amended and supplemented, under the category "Division D - Manufacturing" and such other classes of significant waste product as, by regulation, the Administrator deems appropriate. EDU's shall be determined as follows:

Total EDU's = a + b

a. Domestic Wastewater EDU's are calculated using Category #1 on Table 1.

b. Non-domestic Wastewater EDU's are calculated as follows:

<u>Non-Domestic Flow</u>	(0.37 + 0.31 <u>BOD</u> + 0.32 <u>SS</u>)	
270	230	220

2. Procedures for establishing industrial wastewater strength charges shall be as follows:

a. If required by the Contracting Agency, any Non-residential User may be required to submit on a yearly basis (on or before the first of July of every year), a 24-hour composite wastewater analysis performed by a certified laboratory. Said analysis shall be for BOD, SS and/or any other parameter as may be required by Contracting Agency Ordinance. The results of this analysis may be used to adjust the equivalent dwelling units for any category of the Non-residential User. The frequency of wastewater analysis samples submitted may vary depending on the type of industrial discharge as determined by the Contracting Agency.

Continuing with the Evolution Fresh example; CVWD bills customers on a bi-monthly basis. In Spring of 2014 the Evolution Fresh paid domestic sewerage fees of \$72 (\$36 monthly equivalent) and industrial sewerage fees of \$14,976 (\$7,488 monthly equivalent).

In selecting items for testing, IA found that Ontario is home to the largest number of industrial entities in the region. IA selected a total of 10 industrial entities in Ontario. The Connection Fees and monthly sewerage charges for these enterprises varied widely and were generally much lower than those of similar entities located in other Contracting Agencies, such as Evolution Fresh.

Ontario staff provided IA with copies of the "Uniform Industrial Wastewater Survey" reports that had been prepared to support the BOD and TSS calculations for the

Connection Fee payments for the selected entities tested by IA, other than Haliburton. IA noted that in all cases these fee calculations were significantly lower than the calculation in the example of Evolution Fresh. According to City staff additional Connection Fees based on industrial factors are still being negotiated with Haliburton (see also additional information later in this report).

In response to IA's questions, Ontario staff provided some information about the monthly sewerage fee calculations for the industrial entities tested which is included in the table below. IA discussed the responses with IEUA's Planning and Environmental Resources staff, but concludes that there is not enough information to replicate Ontario's calculations.

Without additional information it is impossible for IA to determine whether the monthly sewerage fees are being applied in accordance with the 1997 Sewerage Billing memorandum. However, based on the information obtained from the City's staff it appears that there are inconsistencies in the billing practices between the different industrial entities.

IA and Planning and Environmental Resources staff noted that responsibility for setting monthly sewerage rates for industrial customers varies at the individual Contracting Agencies and requires judgment using sampling results. Additionally the information IEUA receives about monthly sewerage billing practices at the individual Contracting Agencies is too limited to make it possible for IEUA to perform any oversight.

As part of renegotiating the Regional Contract, the Agency should standardize the Monthly Sewage report to require that Contracting Agencies provide sufficient information to track customer history from the time of initial connection through on-going/monthly services. The standardized monthly information should require that each non-residential business be identified with the total number of EDUs reported for the month.

IEUA Planning and Pre-Treatment groups should take the lead to exercise the authority provided under Regional Contract Section 26 Inspection of Facilities, and establish an on-going monitoring program to inspect random facilities or those where there is a suspected discrepancy in order to ensure the intent of the Regional Contract is applied and ensure the integrity of the Regional Program.

**THE CITY OF ONTARIO: INDUSTRIAL AND MANUFACTURING BUSINESSES
INITIAL CONNECTION FEES AND MONTHLY SEWERAGE BILLING**

Business	Address	Description	Connection Fees Noted	Monthly Billing Example	April 2014	Ontario Comment
Niagara Bottling ^(a)	2560 E. Philadelphia Ave.	Water bottling company	Commercial from 3/2006 to 6/2013: \$33,331	April 2014: Fixed 66 EDUs rate	\$883.74	Fixed EDU determined by permit, measurement and inspection. If use the NRW, then usually use a fixed factor.
New-Indy Ontario Ilc ^(a)	5100 E Jurupa St.	Paperboard Mill	In existence for extended period ^(b)	April 2014: Fixed 47 EDUs rate	\$629.33	Same as above.
Greif	3042 E. Inland Empire Blvd.	Packaging supply	In existence for extended period ^(b)	No April 2014 billing for water or wastewater.	\$0.00	Part of a master meter.
Zurn Industries	3690 E. Jurupa St.	Liquid waste disposal systems supplier	Per building permit fixtures established in 2001 ^(b)	April 2014: 2 meters: one with 5 HCF @ .0401 Factor & other with 0.	\$2.68	Use landscape factor (55%). Recently converted to recycled water.
Jogue, Inc.	4142 E Pacific Privado	Flavoring Syrups & Concentrates	June 2013: Domestic Industrial- \$10,313 Industrial-\$63,884	April 2014: 88 HCF @ .0202 Factor	\$23.80	Monthly based on 68% flow to sewer, 2,100 BOD and 31 TSS per lab data.
Wing Hing Foods	2539 E. Philadelphia St. (former Haliburton site.)	manufacturer of Chinese foods & noodles	March 2007: \$5,967 (originally purchased by Haliburton) April 2013: Industrial \$31,518	April 2014: 221 HCF @ .0087 Factor	\$25.74	Monthly based on lab data showing BOD=530mg/l, TSS=50mg/l and water to waste factor of 8.25%.
Haliburton	3855 E. Jurupa	Manufacturer of soups & sauces	Commercial and Domestic industrial purchased from 2011 – 2013 \$69,043	April 2014: Fixed 186 EDU rate	\$2,490.54	Fixed industrial EDU was determined for monthly billing.
Tropicale Foods	1237 W. State St.	Manufacturer of fresh fruit & ice cream bars	Commercial connections from 2007 – 2010: \$6,177	April 2014: 2,651 HCF @ .5902 factor (August 2014: 3,984 HCF @ .0411 factor reducing bill to \$2,356.25)	\$20,950.26	Industrial assessment was conducted between April and August to reassess based on new pretreatment activities and "SOPs" regarding discharge.
American Jerky	2400 E. Francis St.	Manufacturer of chicken based pet treats.	2014: Domestic industrial and industrial: \$168,070.72	May 2014: First month billed for 91 HCF at office/ commercial factor of .0729	\$88.78 (May – 1 st month available)	New industrial not in production yet.

^(a) Also pay fees for industrial waste disposed through the non-reclaimable wastewater program
^(b) Facilities in existence for extended period of time. Connection Fees not tested

IA noted that confusion and a lack of clarity about assessing Connection Fees and calculating monthly sewerage charges for Industrial entities is not limited to Ontario:

- City of Ontario staff noted that IEUA Connection Fees can be an impediment to businesses locating or relocating to their community impacting the City's goal of encouraging job growth, specifically the industrial waste permit based on Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS), since in their experience this has resulted in fee calculations that businesses believe to be prohibitively high.
- Another Contracting Agency noted that proximity to one of the two Non-Recyclable Waste Systems (NRWS) can impact the costs to a business in terms of their desire to connect to that system rather than the regional sewerage system.
- Another Contracting Agency commented that Connection Fees paid by industrial entities based on BOD and TSS are not related to Fixture Units in the traditional sense and guidance is unclear about how these would be transferred or owned if a building is sold to a new owner or if an owner wants to transfer these to a new location or if the industrial equipment is removed.
- Another Contracting Agency commented that it is unclear what value an industrial entity receives for its previously purchased capacity as a Significant Industrial User (SIU) when it is declassified from being one or for the EDUs previously purchased when becoming an SIU.

Additionally, the number of industrial entities in the region is expected to grow in coming years, magnifying the impact on fees. According to John Husing, chief economist for the Inland Empire Economic Partnership:

(The following is from an article in the Los Angeles Times on March 20, 2015.)

The local logistics industry could even help boost lagging manufacturing employment, Husing said.

The production process is increasingly being broken up and scattered around the world. Husing believes that the Inland Empire distribution warehouses could do double duty as factories where various component parts are assembled into a final product and delivered to customers.

Industrial vacancy rates in the Inland Empire have fallen to 4.5% from 12.8% during the recession. As of December, 16.9 million square feet of industrial space was under construction in the region – 80% of the total for Southern California.

IA recommends that IEUA and the Contracting Agencies compare and contrast the Connection Fees and monthly sewerage charges from being an industrial entity that is part of the regional sewer system to the fees and charges paid for contracting with either of the two NRWS lines, particularly for similar types of businesses and consider options to ensure that fees and charges are fair, equitable, determined in accordance

with the intent of the Regional Contract, and not a detriment to businesses considering a location in the Inland Empire.

IA recommends that IEUA and the City of Ontario work together to resolve their differences regarding the calculation and collection of Connection Fees and monthly sewerage charges for all commercial and public service categories, but particularly for manufacturing and industrial entities.

In addition to the regular meetings of the Regional Technical and Regional Policy Committees, IEUA has already begun to provide ad-hoc meetings and training as needed for things such as the updated excel Building Activity Report and the Exhibit J subcommittee. IA noted that great variability and understanding of IEUA, the Regional Contract and Exhibit J exists amongst Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing. IA recommends that IEUA take the lead to, hold workshops, meetings, plant tours and similar activities as an avenue where the Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing and/or others as well can discuss and ask questions about the application of the Regional Contract and Program. The workshops will provide a forum to discuss questions about the category types to apply, questions on definitions, other questionable items related to individual situations, as well as foster cooperation and collaboration among all. One Contracting Agency may encounter questions or situations that could apply to other Contracting Agencies. Frequent and on-going dialogue about the application of the Regional Contract would benefit all Contracting Agencies and the Regional Program to ensure consistent application of the Regional Contract and that issues are addressed on a timely basis.

In testing recurring sewer service fees, IA also noted:

Minimum sewer service fees based on one EDU: It would seem appropriate that a commercial customer be billed, at the minimum, the rate for 1 EDU which is used for a residential customer, even if the commercial consumption is lower than one calculated EDU.

All residential customers are billed 1 EDU (.7 for multi residential) regardless of water consumption or actual use or waste flow. The audit noted instances where commercial customers are billed a lower amount than what a residential customer pays.

Commercial customers are billed converting water consumption into EDUs. Sometimes the calculations produce a fraction of an EDU (less than 1 EDU). The rate is applied to the calculated EDU or fraction of an EDU and the commercial customer is billed accordingly.

The monthly sewerage fee for a single EDU in the 2013/2014 fiscal year was \$13.39, yet IA noted commercial entities with billings as low as:

Business	Monthly Billed Amount
Excel Industries, Inc.	\$ 9.77

Nesco, LLC	\$ 2.01
Astrophysics, Inc	\$ 0.94
Minsly, Inc	\$ 2.01
Anjuman E. Qutbi Mosque	\$ 12.59
Jack Sweeney/Dynateck	\$ 0.94
Zurn Industries	\$ 2.68
1690 Milliken	\$ 2.01

IA noted that Cucamonga Valley Water District and the City of Montclair both bill a minimum base amount of one EDU per month to commercial enterprises even if the amount determined through water usage would be lower under the rationale that no business should pay less than the amount charged to a single family residence.

Sewer service billing category inconsistencies: There is an inconsistency between the rate charged for Connection Fees and the rate used for monthly sewerage billing.

The billing formulas are based on the memorandum "Procedures for Establishing a Regional Sewer Billing Formula" from 1997. The formulas are divided into Residential, Commercial and Industrial categories and the Commercial categories are further divided into eight Commercial categories and an additional category for schools. Category eight includes: "Restaurant – full service; Restaurant – Fast food; Market w/ grinder; and Bakery".

IA notes that the inclusion of both full service and fast food restaurants in the same classification for monthly sewerage contradicts the guidance provided for Connection Fees where full service restaurants are charged a significantly higher sewage factor to connect than are fast food restaurants. In general, full service restaurants would probably pay higher monthly fees from higher water consumption even though their sewer factor is the same as for fast food restaurants, however the rate classification structure does lump them together in the same category. As part of renegotiating the Regional Contract, IEUA and the Contracting Agencies should evaluate and consider the relationship between monthly Sewer Service Fees and Connection Fees and determine the need to create a correlation between the two.

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

Haliburton Foods

During the original planning for this review, the IEUA Planning and Environmental Resources Department requested IA determine the number of EDUs purchased by Haliburton Foods. IA performed a review of Building Activity Reports from December 2011 through June 2013 that found \$69,042.82 in total Connection Fees for 250 fixture units amounting to 14.2482 EDUs. In addition City of Ontario staff provided a prior permit for 3855 E. Jurupa Ave. for 18 fixture units, 0.7992 EDUs and \$3,734.66 in fees (probably paid for construction of the original shell building). In connection with these procedures, IA had the following recommendations:

As part of renegotiating the Regional Contract, the Agency may want to consider adding provisions for the collection of additional EDUs for existing fixture units at the higher rates in situations where a change in category of usage occurs, at a minimum in situations where the building has had no prior occupants.

As part of renegotiating the Regional Contract, the Agency should standardize the Monthly Sewage report to require that Contracting Agencies provide sufficient information to track customer history from the time of initial connection through on-going/monthly services. The standardized monthly form should require that each non-residential business be identified with the total number of EDUs reported for the month.

IEUA Planning and Pre-Treatment groups should take the lead to exercise the authority provided under Regional Contract Section 26 Inspection of Facilities, and establish an on-going monitoring program to inspect random facilities or those where there is a suspected discrepancy in order to ensure the intent of the Regional Contract is applied and ensure the integrity of the Regional Program.

As a result of conversations with City of Ontario staff, IA understands that the City of Ontario is in discussions with Haliburton about the classification and additional fees owed. Therefore, IA did not perform additional procedures as part of this review.

Total Sewer Service Fee Billings/Revenue

As part of the review, IA attempted to compare the Sewer Billing Revenues recorded by IEUA for agreement to the City of Ontario's CAFR information to determine if all sewer related collections/billings by the City are paid to (or "passed-through") and reported to IEUA. The City of Ontario records all Sewer Service Revenue into one fund, which includes IEUA's treatment fee, local sewer service fees, stand-by fees, and local sewer capital replacement fees.

IA was unable to reconcile Sewer Service Revenue recorded by IEUA with the Contracting Agency's CAFR information because of the multiple types of revenue combined into one fund by the City.

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

IEUA Revenue compared to Ontario Expense FY 2012/13 (Jul 1, 2012 through June 30, 2013)		
Sewer Utility Revenue ending balance from IEUA SAP for City of Ontario	Sewer Utility Expense ending balance per City of Ontario's CAFR	Balance Variance over/(under) paid to IEUA
\$ 8,770,935	\$ 8,782,140	\$ (11,205)

IEUA Revenue compared to Ontario Expense FY 2013/14 (Jul 1, 2013 through June 30, 2014)		
Sewer Utility Revenue ending balance from IEUA SAP for City of Ontario	Sewer Utility Expense ending balance per City of Ontario's CAFR	Balance Variance over/(under) paid to IEUA
\$ 9,532,321	\$ 9,844,757	\$ (312,436)

IA did not receive information from City of Ontario staff about the reasons that utility expense recorded by the City is higher than the amount billed by and shown on the IEUA accounts.

CAFR Reconciliation

IA verified that the CCRA amounts reported on the City's CAFR agree to what IEUA reported on its CAFR at June 30, 2013 and June 30, 2014. The balance on both reports was \$3,337,340 at June 30, 2013.

At June 30, 2014 the City of Ontario's CAFR showed a balance of \$3,935,945 with additional accounts payable of \$1,075,788. These two amounts agree in total to the \$5,011,733 shown in IEUA's CAFR. The accounts payable amount shown by Ontario agrees to the "Capital Call" amount requested by IEUA for the third quarter of 2014.

Extra-Territorial Fees

The City of Ontario has no Extra-Territorial areas and does not charge Extra-Territorial (ET) fees. In recent years the City has annexed some previously unincorporated areas, but these were not considered ET areas as described in the contract.

Internal Audit Recommendations

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

Recommendations relating to Connection Fees:

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

- 1. In addition to the regular meetings of the Regional Technical and Regional Policy Committees, IEUA has already begun to provide ad-hoc meetings and training as needed for things such as the updated excel Building Activity Report and the Exhibit J subcommittee. IA noted that great variability and understanding of IEUA, the Regional Contract and Exhibit J exists amongst Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing. In order to develop greater consistency and uniformity throughout the region, IEUA should consider taking the lead in holding quarterly or more regular workshops, meetings, plant tours and similar activities as an avenue where Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing and/or others as well can discuss and ask questions about the application of the Regional Contract and Program. The workshops would provide a forum to discuss questions about category types to apply, definitions, other questionable items and individual situations, and foster cooperation and collaboration among all. One Contracting Agency may encounter certain questions or situations that could apply to other Contracting Agencies. Frequent and on-going dialogue about the application of the Regional Contract would benefit all Contracting Agencies and the Regional Program to ensure consistent application of the Regional Contract and that issues are addressed on a timely basis.***
- 2. Add language in the Regional Contract regarding recourse for non-collection, in addition to over/under collection of Initial Connection Fees.***
- 3. Develop a standardized calculation worksheet to create uniformity among the Contracting Agencies with fixture unit counts and the connection fee calculations. Currently, each Contracting Agency utilizes its own calculation worksheet and it is not always consistent with Regional Contract Exhibit J. The standardized calculation worksheet should mirror the fixture unit types in Exhibit J and provide additional clarification and uniformity to the fixture count process. The worksheet should be flexible enough to allow for multiple components of a business to be calculated at***

different Commercial categories when there is more than one type of business at the same location (for example, a gas station/minimart with a car wash). The standardized calculation worksheet will facilitate computing the Connection Fees in a consistent and uniform manner.

- 4. Require the inclusion of the connection calculation worksheets for all nonresidential entities with monthly Building Activity Reports as additional support for the connections reported and the Connection Fees collected. This would provide IEUA staff greater visibility and documented support for the application of the category types and the fixture counts. This process would also allow IEUA staff to contact the Contracting Agency if any questions or discrepancies are noted at the time that connections are reported rather than identifying these later on.*
- 5. Exhibit J was recently updated and now provides detailed definitions for many business types, yet there is still room for varying interpretation and application. Businesses continue to evolve and new types of businesses emerge. Exhibit J should be updated regularly to provide additional language, definitions and guidance to ensure all types of commercial businesses are classified consistently. This would reduce the risk of misclassification of businesses and the potential under-collection of IEUA fees. Examples include private community centers, swimming facilities and recreation centers in residential communities. Ontario's practice has been to classify these as category III which includes descriptions such as "health spa with pool" whereas the City of Chino included these in category I along with fast food restaurants, stores and offices.*
- 6. Provide additional clarification and descriptive information for the various types of appliances, appurtenances and/or fixtures in the descriptions included in Exhibit J. Examples include; defining the nature of an emergency drain (The City of Ontario charges two Fixture Units for all floor drains under the general "Floor Drain" category whereas in the City of Upland all California State Plumbing Code required drains such as in bathrooms are considered "Emergency" and are charged zero Fixture Units.), clarifying differences between lavatories, wash fountains, receptors, sinks and mop basins and defining whether a drinking fountain that includes a separate basin for handicapped access consists of one or two fountains. The review revealed differences in interpretation.*
- 7. Consider a two-step process of determining Connection Fees as part of Exhibit J that distinguishes between common features that are part of any commercial facility such as restroom toilets & sinks (i.e. a toilet is always the same cost regardless of type of business whether a restaurant, office or gym) vs. those features that are unique to a specific site, such as a butcher shop drain or a restaurant dishwasher or washing sink, etc. This*

would create consistency in the treatment of same-type and same-use fixture units.

- 8. *Develop significant expertise within IEUA in fixture count techniques and providing regular and ongoing training at the building departments of the individual Contracting Agencies to develop consistency in the IEUA fixture count process across the region.***
- 9. *Consider, as part of the permitting and plan check process, a requirement that an IEUA representative provide final sign-off and approval prior to the Contracting Agency issuing a permit to a nonresidential entity and allowing a connection to the regional system. This added approval step will ensure IEUA agrees with the interpretation of the contract and the appropriate category type and sewage factor have been applied so correct connection fees are assessed and collected.***
- 10. *Have IEUA Planning and Pretreatment groups take the lead to exercise the authority provided under Regional Contract Section 26 Inspection of Facilities, and establish an on-going monitoring program to inspect random facilities or those where there is a suspected discrepancy in order to ensure the intent of the Regional Contract is applied and ensure the integrity of the Regional Program.***
- 11. *Compare and contrast the Connection Fees and monthly sewerage charges associated with being an industrial entity that is part of the regional sewer system to the fees and charges paid for contracting with either of the two NRWS lines (including transportation costs and distance), particularly for similar types of businesses and consider options to ensure that fees and charges are fair, equitable, determined in accordance with the intent of the Regional Contract and not a detriment to businesses considering a location in the Inland Empire. Additionally, clarifying the relationship between EDUs and “paying for capacity” would assist the Contracting Agencies and businesses considering locating in the region to understand their costs at the outset.***

Although the City of Ontario collected Connection Fees for other types of Public Service Facilities, the City did not collect Connection Fees for new construction at the public schools selected for testing.

Recommendations relating to Public Service Facilities:

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

- 12. *The legal and financial impacts of excluding Public Service Facilities from the charge for Connection Fees and monthly sewerage charges. As documented under the audit report “Comparison of the Regional Sewage***

Service Contract and Program with similar contracts and programs”, IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public schools (Kindergarten through 12th grade and community college) and City governments from both Connection Fees and monthly sewerage charges.

- 13. Adding language to the Regional Contract regarding IEUA's inspection and verification rights for Public Service Facilities as to Connection Fees and monthly sewer fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported such fees.***

IEUA sewerage revenue from the seven Regional Contracting Agencies totaled almost \$43 million for the 2013/14 fiscal year, yet IEUA relies entirely on a one-page self-reported monthly EDU count from the Contracting Agencies to generate invoices for these revenues with no significant oversight or reconciliation. Once these self-reported EDU totals are provided to IEUA (generally approximately 15 days after the end of the month), IEUA generates invoices that are mailed to each of the Contracting Agencies. The Contracting Agencies then have 45 days to remit their payments. The following recommendations are intended to improve and make this process more efficient:

***Recommendations relating to sewer service fees:
As part of the review and renegotiation of the Regional Contract IEUA and the Contracting Agencies should consider:***

- 14. Establishing the collection of monthly sewer service fees for the entire region directly through the County's Property Tax Roll. Collection of sewer service fees through the property tax roll could result in a more efficient process and reduce the administrative resources used by Contracting Agencies in billing and collecting for these fees. Residential properties could be transferred initially until consideration is given to ways in which and whether to transition fees from commercial, industrial and other entities.***
- 15. Evaluating the methodology used for billing monthly sewerage fees and possible alternatives; either by water consumption or EDUs purchased. Since the adoption of the existing billing methodology in a 1997 memorandum there have been greater efficiencies achieved in water usage, which may have an impact on the type and amount of sewerage discharged and the types of services provided to the region as a whole. The billing methodology should be aligned with the services provided. The billing methodology should be presented to the IEUA Board of Directors and formally adopted, since the Regional Contract specifies that the role of the Regional Technical Committee is to make recommendations.***
- 16. Updating the 1997 memorandum to consider new business types and provide more detailed definitions and descriptions. Since the adoption of***

the 1997 memorandum, businesses have continued to evolve and new types of businesses emerge. The 1997 memorandum should be updated regularly to provide additional language, definitions, and guidance to ensure all types of commercial businesses are classified consistently. IEUA should consider documenting additional definitions and descriptions to the classification of businesses in the 1997 memorandum.

- 17. How and which customers are billed for sewerage services. As an example the Los Angeles County Sanitation Districts do not bill local governments and schools for monthly sewerage services. As another example Paso Robles and the City of Mill Valley are measuring residential water flows during winter months to develop a differentiated rate structure for residential customers as opposed to the uniform 1 EDU per residence no matter what size utilized by IEUA. Conversely, the City of Fontana bills all customers, residential and commercial, a fixed billing amount based upon the number of EDUs purchased.**
- 18. Evaluating the relationship between monthly sewer service fees and Connection Fees. For example fast-food restaurants and full-service restaurants are both included in Category 8 for monthly sewerage billing purposes and pay at the same rate. However, for purposes of Connection Fees fast-food restaurants are grouped with office, retail and similar uses (which are Category 1 for monthly sewerage billing). Therefore, fast-food restaurants incur lower Connection Fees, but pay monthly sewer service fees at the higher rates charged to full-service restaurants. Such inconsistencies between Connection Fees and monthly sewerage charges could lead them to be challenged.**
- 19. Evaluating the need to provide additional guidance for locations serviced by a master meter. In these, generally mall-like locations, multiple types of businesses are all serviced by a single connection. Consideration should be given to providing billing guidance in these instances, possibly through a blended volumetric rate or utilizing the highest volumetric rate applicable to the businesses at that location or considering some other methodology.**
- 20. Adding language to the Regional Contract regarding IEUA's inspection and verification rights as to the monthly sewerage fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under/reported such fees.**
- 21. Determining the most appropriate methodology for billing commercial businesses that do not consume or discharge a minimum of one EDU. Currently, two member agencies bill a minimum base of one EDU determined by water consumption under the rationale that no business should pay less than the amount charged to a single family residence; while all others bill based on actual consumption. Provide contracting**

agencies' clear guidance, in the Regional Contract, as to the most appropriate methodology to ensure all contracting agencies' bill commercial customers in a consistent and uniform method.

- 22. Standardizing and providing automated and itemized listing of non-residential monthly sewerage charges to provide information that could be reviewed and researched for anomalies and reconciled on a regular basis.**
- 23. Evaluating the current process used for invoicing each Contracting Agency for monthly sewer fees collected. By establishing a contract for monthly payment instead of relying on the invoice process, each Contracting Agency could provide the EDU information and remit the funds collected to IEUA directly within a reasonable period of time; instead of waiting for an invoice that delays payment for up to 45 days. By reengineering the process, IEUA would receive the monthly sewer fees collected by the Contracting Agencies in a more efficient and timely manner.**

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

**Recommendations for consideration by the City of Ontario:
The City of Ontario should:**

- 24. Work to resolve issues regarding the calculation and collection of Connection Fees and monthly sewerage charges for manufacturing and industrial entities.**
- 25. Work together with the local School Districts to determine and collect any additional Connection Fees that are due to IEUA as required by the Regional Contract.**
- 26. Examine and restructure the Connection Fee calculation and collection process to ensure that the fixture unit counts are correctly tallied, the categorization of businesses is appropriate and that connection fees are not under-collected. The current procedure omits the step of verifying that the Connection Fee calculation conforms to the building/plumbing plans.**
- 27. Ensuring all current customers receiving sewer services are reported on the Monthly Volumetric report and the appropriate rates are paid to IEUA, according to the Regional Contract. Work together with IEUA to resolve the accounts identified in this review, where there is no indication that monthly sewer fees are paid to IEUA.**
- 28. Consider the City of Upland's cross-departmental approach to the Development Review Process. This team approach to the Development**

Review Process (or, alternatively a liaison relationship with the Fire Department which seems to play a role even with Public Service Facilities) facilitates obtaining information about new Public Service Facilities construction to ensure fee collection.

Acknowledgements

We would like to extend our appreciation to the City of Ontario and the IEUA Planning and Environmental Resources Department for their cooperation and assistance during this review.

Discussions with City of Ontario and Planning & Environmental Resources

We provided the results of this audit to Mr. Michael Sigsbee, Utilities Admin Services Manager, Mr. Kevin Shear, Building Official and Ms. Delilah Patterson, Revenue Services Director for their review and comments prior to finalizing the report. We also discussed the report with Chris Berch, Executive Manager of Engineering/Assistant General Manager, Sylvie Lee, Manager of Planning and Environmental Resources, Craig Proctor, Pretreatment and Source Control Supervisor, Pietro Cambiaso, Senior Engineer and Kenneth Tam, Environmental Compliance Officer of the IEUA Planning and Environmental Resources Department prior to finalizing this report, for their review and comments.

Action Items

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

Attachment 1

**REGIONAL CONTRACT REVIEW:
 CITY OF ONTARIO
 REVISED CALCULATION WORKSHEET**

Worksheet: Sewerage Factor Category			
Automatic Clothes Washer Qty	Fixture Units	DBI Part Trap One Trap Qty	Fixture Units
1	1	1	1
Bathtub Showers Qty	Fixture Units	Shower Qty	Fixture Units
1	1	1	1
Decor. Jet Qty	Fixture Units	Sink Service Mop Qty	Fixture Units
1	1	1	1
Dishwasher Qty	Fixture Units	Sink Food Waste Qty	Fixture Units
1	1	1	1
Drinking Fountain Qty	Fixture Units	Urinal Qty	Fixture Units
1	1	1	1
Floor Drains Qty	Fixture Units	Wash Sink Circular Qty	Fixture Units
1	1	1	1
Floor Sinks Qty	Fixture Units	Wash Closet Water Meter Qty	Fixture Units
1	1	1	1
Laundry Sinks Qty	Fixture Units	Wash Closet Commercial Qty	Fixture Units
1	1	1	1
Lavatory Qty	Fixture Units		
1	1		
			Fixture Units Total
			43

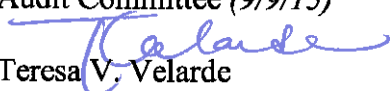
**INFORMATION
ITEM**

3M

Date: September 16, 2015

To: The Honorable Board of Directors

Through: Audit Committee (9/9/15)

From: 
Teresa V. Velarde
Manager of Internal Audit

Subject: External Financial and Single Audit Services Request for Proposal Process
and Audit Committee Financial Advisor Contract Extension

RECOMMENDATION

This is an information item for the Board of Directors.

BACKGROUND

This is to provide the Board of Directors with a status of the External Financial Audit Services contract and the Audit Committee Financial Advisor's contract.

External Financial Audit Services

State law and the Agency's Ordinance No. 77 require an annual audit be performed by an independent auditor to ensure the accountability of the annual financial statements to assess the efficiency and effectiveness of the internal controls and to determine the compliance with governmental laws and regulations. The audit is to be performed in accordance with:

- Generally Accepted Auditing Standards (GAAS)
- The General Accounting Office's (GAO) Government Auditing Standards (2007 edition, with all subsequent amendments) issued by the Comptroller General of the United States
- The provisions of the federal Single Audit Act of 1984 (as amended in 1996) and U.S Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, including additional requirements under the American Recovery Reinvestment Act (ARRA).

In 2011, the Agency entered into a contract with White Nelson Diehl Evans, LLP (WNDE) certified public accountants (formerly Diehl Evans, LLP). The contract was for three years with two single year options to extend, for a total of five years. The current contract expires in December of 2015 with the completion of the FY 2014/15 Financial and Single Audits.

Sound business practices provide that it is in the best interest of the Agency to request proposals from capable certified public accounting firms for the External Financial Audit. The Internal Audit

Department will work closely with the Contracts and Procurement Department as well as the Finance and Accounting Department to ensure an RFP is issued to qualified firms. IA will coordinate the RFP process, including ensuring there is a knowledgeable evaluation panel. The new audit firm should be established by June 2016 to ensure preliminary audit work begins shortly after that. A recommendation to the Audit Committee and then the Board of Directors is planned by March 2016. The timetable for this process is expected to be:

<u>Process</u>	<u>Timeline</u>
IA prepares RFP documents	November 2015
Final RFP and solicitation for bids	December 2015
Review of bids and interview panel	February 2016
Recommendation of selected firm	March 2016
Begin preliminary audit work	June 2016

Audit Committee Financial Advisor

The Audit Committee Charter, states that: "The Audit Committee shall also have access to at least one financial expert, an outside party, with no voting rights, who will provide advisory and consulting duties and shall be compensated as agreed upon, in writing with the audit committee, the Board, management and its designees." Additionally, the Audit Committee Charter requires the financial expert to possess expertise and experience in understanding generally accepted accounting principles and financial statements; auditing comparable entities; internal controls; and an understanding of audit committee functions.

Since 2008, the Audit Committee has relied on the advisory services of Travis C. Hickey, CPA consultant with Rogers, Anderson, Malody & Scott. Mr. Hickey has provided accounting and auditing services to governmental agencies since 1997, including experience with water/wastewater activities. Mr. Hickey attends the Agency's Audit Committee Meetings and provides consulting and advisory services to both the Audit Committee and the Internal Audit Department to ensure the responsibilities of the Audit Committee and Internal Audit Department, as outlined in the Board approved Charters, are fulfilled. Mr. Hickey is a Certified Public Accountant in the State of California and in good standing. He is a member of the American Institute of Certified Public Accountants and California Society of Municipal Financial Officers.

Over the past seven years, Mr. Hickey has established himself as a valuable resource to the Audit Committee and the Internal Audit Department by providing professional auditing advice and information. Mr. Hickey has gained extensive knowledge of the Agency's operations, has established professional working relationships with the Audit Committee, and the Agency has been satisfied with his services.

The current contract with Mr. Travis Hickey expires in December of 2015 and has two single year options to extend. Staff recommends the contract for the single year option is extended through December 2016. This extension of Mr. Hickey's services will extend Audit Committee Advisory Services for one year through Calendar Year 2016.

The External Financial Audit Services Request for Proposal (RFP) process and the extension of the Audit Committee Financial Advisor Services is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by following recommended practices for the procurement of such services to provide independent evaluations and oversight of Agency financial statements and the operational effectiveness of the Audit Committee.

PRIOR BOARD ACTION

On June 10, 2014, the Agency approved Amendment Number 46000000883-005 with White Nelson Diehl Evans LLP to extend contract services for an additional year through June 30, 2015.

On March 24, 2011, the Agency approved Contract Number 46000000886 with Rogers, Anderson, Malody & Scott, LLP, for advisory audit services. The contract superseded Contract Number 46000000093 to establish the necessary name change in firms.

IMPACT ON BUDGET

There is no significant impact on the Agency's Fiscal Year 2015/2016 Budget as a result of these items, since the external financial audit and audit committee advisory services are already budgeted in the Administrative Services (GG) Fund as part of the Agency's two-year budget.

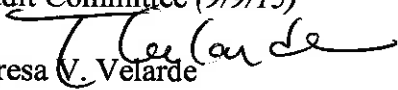
**INFORMATION
ITEM**

3N

Date: September 16, 2015

To: The Honorable Board of Directors

Through: Audit Committee (9/9/15)

From: 
Teresa V. Velarde
Manager of Internal Audit

Subject: Internal Audit (IA) Department Status Report for September 2015

RECOMMENDATION

This is an information item for the Board of Directors.

BACKGROUND

The Audit Committee Charter requires that a written status report be prepared and submitted each quarter. The IA Department Status Report includes a summary of significant internal and external audit activities for the reporting period. Attached is the Status Report for September 2015.

The Status Report is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by describing IA's progress in providing independent evaluations of Agency financial and operational activities and suggesting recommendations for improvements.

PRIOR BOARD ACTION

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

On December 18, 2013, the Board of Directors reconfirmed the approved Audit Committee Charter.

IMPACT ON BUDGET

None.

**Internal Audit Department
Status Report for September 2015**

<u>City of Chino Hills</u>	COMPLETED	June 2015
<u>Cucamonga Valley Water District</u>	COMPLETED	March 2015
<u>City of Chino</u>	COMPLETED	December 2014
<u>City of Fontana</u>	COMPLETED	December 2014
<u>City of Montclair</u>	COMPLETED	September 2014
<u>City of Upland</u>	COMPLETED	September 2014

Refer to the final reports under separate cover for details on all observations and recommendations

IA also submitted the following audit reports related to the Regional Contract Review:

- The report titled "Regional Contract Review – Review of the Ten Year Forecast" was completed in June 2014. The scope of the Ten Year Capacity Demand Forecast (TYCDF) review was to evaluate the TYCDF prepared by each of the seven Contracting Agencies and how that information is subsequently compiled and utilized by IEUA to prepare the IEUA Ten Year Capital Improvement Plan (TYCIP). The review considered the requirements of the Regional Contract and how those requirements are met through the TYCDFs prepared by the Contracting Agencies and the TYCIP prepared by IEUA.
- The report titled "Regional Contract Review – Survey of Comparable Agencies" was completed in June 2014. The report compared IEUA's Regional Contract and program with four similar agencies/programs in California. The review evaluated the structure used to bill and collect Connection Fees and sewer service fees from residential, commercial, industrial and public service users. The review considered whether greater efficiencies could be gained from adopting different applications and methodologies in administering the contract and collecting fees as applied at other agencies.
- The "Survey of Comparative Information" was completed in September 2014. This report provided a comprehensive side-by-side comparison of the preliminary responses received from each Contracting Agency about how the Regional Contract provisions are applied.
- The first "Internal Audit Recommendations" report was completed in September 2014. This report provided a comprehensive list of recommendations and the related relevant Contracting Agency. This report was limited to the two Contracting Agencies that had been completed: Upland and Montclair.
- A new "Internal Audit Recommendations" report has now been completed. This report has been updated to include all seven Contracting Agencies. This report is complete and is presented under separate cover for this agenda. There are three sections of recommendations:
 - Connection Fees Recommendations
 - Public Service Facilities Recommendations
 - Monthly Sewerage Billing Recommendations

**Internal Audit Department
Status Report for September 2015**

- Audit:** Follow up of Outstanding Recommendations:
Intercompany Receivables
- Chino Desalter Authority(CDA),
 - Inland Empire Regional Composting Authority (RCA), and
 - Chino Basin Watermaster (Watermaster)

Scope:

Follow-up evaluation of the 10 outstanding recommendations provided in the Intercompany Receivables audit reports dated February 24, 2011, March 30, 2011 and August 30, 2011.

Status: COMPLETED

Of the 10 outstanding recommendations, six recommendations have been implemented, two recommendations are consider non-resolvable and two recommendations are in progress. IA has followed up on all the original recommendations issued in the Intercompany Receivables reports and the final status of the recommendation has been determined. No additional findings or recommendations were noted.

See the report under the separate item in the Audit Committee Agenda

Project: Annual Audit Plan

Scope:

The IAD and the Audit Committee Charters require that annually, IA submit a flexible plan of proposed audit projects for the following fiscal year.

Status: IN PROGRESS

The Manager of IA has inquired of all Agency key individuals of any recommendations, referrals, or key areas for audit, such as a process, contract, activity or business unit. Inquiries have been made of the External Auditors, the Audit Committee Advisor, Executive Management, the Board, as well as consider audit trends and best practices. If information is provided, a risk assessment will be completed prior to finalizing the Annual Audit Plan for Board approval.

Audit: Follow up of Outstanding Recommendations: Information Technology Equipment

Scope:

IA is in the progress of performing a follow-up evaluation to determine the status of the 18 outstanding recommendations provided in the Information Technology (IT) Equipment audit reports dated August 21, 2012 and November 14, 2012.

Status: IN PROGRESS

There are 18 recommendations that require follow-up evaluation. IA is currently in the planning phase of this project. IA met with Integrated Systems Services to discuss the outstanding recommendations with the assigned representatives. All 18 recommendations require audit follow-up procedures be performed to verify if corrective actions have been implemented.

IA will report on the status of each outstanding recommendation and the anticipated date for completion is December 2015.

Internal Audit Department Status Report for September 2015

On-going Projects

Project: Review of Internal Audit Department SOP's

Scope: As required by the Internal Audit Department Charter and the IIA Standards, the Manager of IA is responsible for documenting procedures and review/update procedures periodically to ensure these are aligned with current department practices/procedures, leading practices or new requirements.

Status: IN PROGRESS and ON-GOING

IA has formally documented seven SOPs. SOPs serve various objectives: provide consistency in the audit methods applied, are a useful training/reference tool, establish ground rules of professional conduct and responsibilities, and provide continuity during staff changes.

Project: Management Requests

Scope:

Assist Agency Management with requests for analysis, evaluations and verification of information, assist with the interpretation of policies and procedures, or providing review and feedback on new policies or procedures. These services are provided according to the IA Charter, the Annual Audit Plan, and best practices.

The management request projects are short-term projects, typically lasting no more than 60 – 75 hours each where IAD determines it has the necessary staff, skills and resources to provide assistance without having to delay/defer scheduled audits and priority projects. The scope of each review is agreed upon between the department manager requesting the evaluation/review/analysis/assistance and the Manager of IA and when deemed appropriate by Executive Management.

During this quarter, IA was worked on the following "Management Requests":

- Requested to serve on the Agency's Steering Committee for Managing Records and Information. Additionally, IA assisted the Records Management group during the 18 Enterprise Content Management (ECM) sessions where various Agency steps and stages of selected activities and processes were discussed to determine the types of documents and the course and/or method of submitting/issuing/saving/processing the needed documents.
- Requested to review and provided recommendations to the Agency's Fiscal Ordinance #102 related to internal controls, preferred business practice and sound controls.
- Assisted with a recent request for information from an outside audit firm.
- Provided a brief workshop to Executive Management on options for moving forward with the Regional Contract recommendations.
- Provided a presentation to the Regional Technical Committee related to the Regional Contract Review Findings.

Planned/Future/Additional Projects

Audit: Master and Rotating Contracts Audit

Scope: To evaluate the Agency's Master and Rotating Contracts to ensure these follow the required Agency policies and procedures and ensure controls exist that enforce proper contracting and procurement for transactions are in place.

Status: Projected start date: September 2015

IA will coordinate an audit kick-off meeting in mid-September with responsible managers/supervisors. IA will perform preliminary surveys, planning, interviewing and inquiries of Agency personal in relation to the

Internal Audit Department Status Report for September 2015

areas of the audit. It is anticipated fieldwork will begin thereafter. A status report of the progress of the Master and Rotating Contracts Audit will be provided at the December Audit Committee Meeting.

Project: Request for Proposal for External Financial Audit Services

Scope:

To secure a professional firm to perform the annual financial audit and single audit of IEUA to ensure compliance with all regulatory requirements and the Agency's Financial Ordinance.

Status:

The current contract for External Financial Audit Services is set to expire on December 31, 2015. Per preferred practices and good internal controls, it is in the best interest of the Agency to request proposals from capable certified public accounting firms for the external financial audit services contract. The current financial auditors White Nelson Diehl Evans have been the Agency's external auditors since 2011. The Internal Audit Department will work closely with the Contracts and Procurement Department to ensure the RFP is issued to qualified firms and coordinate the RFP process ensuring there is a knowledgeable evaluation panel. The new audit firm should be established by June 2015 to ensure preliminary audit work begins shortly after that.

Internal Audit Department

Internal Audit Department Staffing:

The Internal Audit Department is staffed as follows:

- 1 Manager of Internal Audit
- 2 Full-time Senior Internal Auditors

Internal Audit Staff Professional Development Activities:

As required by the *International Standards for the Professional Practice of Internal Auditing*, auditors should continue to enhance their knowledge, skills, and other competencies through continuing professional development.

During the past quarter, IA staff has continued to stay abreast of industry developments through review of industry periodicals. Three IA members are working hard in preparation for the third exam of the 3-part Certified Internal Auditor (CIA) certification examination. The CIA is the only globally-recognized certification for internal audit professionals and is the highest certification that can be attained by an internal auditor. One Senior Auditor is a Certified Public Accountant (CPA). One Senior Auditor is a Certified Government Audit Professional (CGAP). One Senior Auditor recently attended training alongside the Engineering and Construction Management group related to Primavera, the project management tool, this training provides some foundation knowledge will be good information for future audits related to this field. Additional professional development education will be scheduled in October 2015.

Future Audit Committee Meetings:

- Wednesday, December 9, 2015 – Regularly Scheduled Audit Committee Meeting

**AGENCY
REPRESENTATIVES'
REPORTS**

4A



SAWPA

SANTA ANA WATERSHED PROJECT AUTHORITY

11615 Sterling Avenue, Riverside, California 92503 • (951) 354-4220

**SPECIAL COMMISSION MEETING
FACILITIES TOUR
THURSDAY, SEPTEMBER 3, 2015 – 9:00 A.M.**

9:00 A.M. MEETING WILL CONVENE AT:

**MOUNTAIN VIEW GENERATING STATION
2492 West San Bernardino Avenue
Redlands, CA 92374**

11:30 A.M. MEETING WILL CONVENE AT:

**YUCAIPA VALLEY WATER FILTRATION FACILITY
35477 Oak Glen Road
Yucaipa, CA 92399**

12:30 A.M. MEETING WILL CONVENE AT:

**WOCHHOLZ REGIONAL WATER RECLAMATION FACILITY
880 West County Line Road
Calimesa, CA 92320**

SPECIAL MEETING AGENDA

1. **CALL TO ORDER** (Ed Killgore, Vice Chair)

2. **ROLL CALL**

3. **PUBLIC COMMENTS**

Members of the public may address the Commission on items within the jurisdiction of the Commission; however, no action may be taken on an item not appearing on the agenda unless the action is otherwise authorized by Government Code §54954.2(b).

4. **INFORMATIONAL REPORT**

Recommendation: Receive for information.

A. **PRESENTATION ON MOUNTAIN VIEW GENERATING STATION, A SOUTHERN CALIFORNIA EDISON COMPANY**

B. **WALKING TOUR – MOUNTAIN VIEW GENERATING STATION**

MEETING RECESS AND TRAVEL TO YUCAIPA VALLEY WATER FILTRATION FACILITY,
35477 Oak Glen Road, Yucaipa, CA 92399.

5. INFORMATIONAL REPORT

Recommendation: Receive for information.

A. PRESENTATION ON YUCAIPA VALLEY WATER FILTRATION FACILITY

B. WALKING TOUR – YUCAIPA VALLEY WATER FILTRATION FACILITY

MEETING RECESS AND TRAVEL TO WOCHHOLZ REGIONAL WATER RECLAMATION
FACILITY, 880 West County Line Road, Calimesa, CA 92320.

6. INFORMATIONAL REPORT

Recommendation: Receive for information.

A. PRESENTATION ON WOCHHOLZ REGIONAL WATER RECLAMATION FACILITY

B. WALKING TOUR – WOCHHOLZ REGIONAL WATER RECLAMATION FACILITY

7. ADJOURNMENT

PLEASE NOTE: This Special Meeting will include facilities tours which will be mostly outside. There will be stairs and grated walkways. Appropriate footwear is highly recommended; no heels or open toed shoes.

Americans with Disabilities Act: If you require any special disability related accommodations to participate in this meeting, please contact Kelly Berry at (951) 354-4230 or kberry@sawpa.org. Notification at least 48 hours prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility for this meeting. Requests should specify the nature of the disability and the type of accommodation requested.

Materials related to an item on this agenda submitted to the Commission after distribution of the agenda packet are available for public inspection during normal business hours at the SAWPA office, 11615 Sterling Avenue, Riverside, and available at www.sawpa.org, subject to staff's ability to post documents prior to the meeting.

Declaration of Posting

I, Kelly Berry, Clerk of the Board of the Santa Ana Watershed Project Authority declare that on Wednesday, August 26, 2015, a copy of this agenda has been uploaded to the SAWPA website at www.sawpa.org, posted in SAWPA's office at 11615 Sterling Avenue, Riverside, California, and the following locations: Mt. View Generating Station, 2492 W. San Bernardino Avenue, Redlands, California; Yucaipa Valley Water Filtration Facility, 35477 Oak Glen Road, Yucaipa, California; and, Wochholz Regional Water Reclamation Facility, 880 W. County Line Road, Calimesa, California.

/s/

Kelly Berry, CMC

2015 - SAWPA Commission Meetings/Events

First and Third Tuesday of the Month

(NOTE: Unless otherwise noted, all Commission Workshops/Meetings begin at 9:30 a.m., and are held at SAWPA.)

January		February	
1/6/15	Commission Workshop	2/3/15	Commission Workshop
1/20/15	Regular Commission Meeting	2/17/15	Regular Commission Meeting
March		April	
3/3/15	Commission Workshop	4/7/15	Commission Workshop
3/17/15	Regular Commission Meeting	4/21/15	Regular Commission Meeting
May		June	
5/5/15	Commission Workshop [CANCELLED]	6/2/15	Commission Workshop [Special]
5/19/15	Regular Commission Meeting	6/16/15	Regular Commission Meeting
July		August	
7/7/15	Commission Workshop	8/4/15	Commission Workshop
7/21/15	Regular Commission Meeting	8/18/15	Regular Commission Meeting
September		October	
9/1/15	Commission Workshop [CANCELLED]	10/6/15	Commission Workshop
9/3/15	Special Commission Meeting	10/20/15	Regular Commission Meeting
9/15/15	Regular Commission Meeting		
November		December	
11/3/15	Commission Workshop	12/1/15	Commission Workshop
11/17/15	Regular Commission Meeting	12/1 – 12/4/15	ACWA Fall Conference, Indian Wells
		12/15/15	Regular Commission Meeting

**AGENCY
REPRESENTATIVES'
REPORTS**

4B



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

MWD MEETING AGENDA

REVISED AGENDA

Adjourned Regular Board Meeting

August 18, 2015

12:00 p.m. – Board Room

Tuesday, August 18, 2015 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dir's. Computer Training
8:30 a.m.	Rm. 2-145	Adj. L&C
10:30 a.m.	Rm. 2-456	Adj. OP&T
12:00 p.m.	Board Room	Adj. Board Meeting
1:00 p.m.	Rm. 2-145	IRP

MWD Headquarters Building

•

700 N. Alameda Street

•

Los Angeles, CA 90012

1. Call to Order

- (a) Invocation: Elizabeth Campos, Administrative Analyst, Business Technology Group
- (b) Pledge of Allegiance: Director Donald Galleano

2. Roll Call

3. Determination of a Quorum

PUBLIC HEARING

Public hearing to consider suspending the tax rate limitations in Section 124.5 of the Metropolitan Water District Act to maintain the ad valorem tax rate

- 4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code § 54954.3(a))

REVISED: Date of Notice: August 13, 2015

5. OTHER MATTERS

- A. Approval of the Minutes of the Meeting for July 14, 2015. (A copy has been mailed to each Director)
Any additions, corrections, or omissions
- B. Report on Directors' events attended at Metropolitan expense for month of July
- C. Approve committee assignments
- D. Chairman's Monthly Activity Report
- E. Adopt resolution in support for the nomination of Kathleen Tiegs, a member of the board of directors of the Cucamonga Valley Water District, for the office of president of the Association of California Water Agencies
- F. Adopt motion to adjourn the September Board Meeting to September 15, 2015, due to the Labor Day holiday. (Committees to meet on September 14, and 15, 2015)
- G. Tax Levy for fiscal year 2015/16. (F&I)
 - 5G-1 Report on list of certified assessed valuations for fiscal year 2015/16 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 15, 2015.
 - 5G-2 Adopt (1) the resolution finding that continuing an ad valorem tax rate at the rate levied for fiscal year 2014/15 is essential to Metropolitan's fiscal integrity; and (2) the resolution establishing the tax rate for fiscal year 2015/16.

Added

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and

- a. Adopt the Resolution Finding that Continuing an Ad Valorem Property Tax Rate at the Rate Levied for FY 2014/15 is Essential to the Fiscal Integrity of the District and Suspending the Ad Valorem Tax Rate Restriction; and
- b. Adopt the Resolution Levying Taxes for the Fiscal Year Commencing July 1, 2015 and ending June 30, 2016 for the Purposes of The Metropolitan Water District of Southern California maintaining the tax rate at .0035% of assessed valuation (exclusive of annexation levies), the same rate levied in FY 2014/15.

6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of Metropolitan's activities for the month of July
- B. General Counsel's summary of Legal Department activities for the month of July
- C. General Auditor's summary of activities for the month of July
- D. Ethics Officer's summary of activities for the month of July

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1 Appropriate \$480,000; and award \$345,305 contract to F. M. Thomas Air Conditioning, Inc. to replace the Administration Building HVAC system at the Robert A. Skinner Water Treatment Plant (Approp. 15485). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action was previously determined to be categorically exempt and that no further environmental analysis or documentation is required, and

- a. **Appropriate \$480,000; and**
- b. **Award \$345,305 contract to F. M. Thomas Air Conditioning, Inc. to replace the Skinner Administration Building's HVAC system.**

- 7-2 Appropriate \$1.24 million; and award \$930,483 contract to Coleman Construction, Inc. to upgrade the network rooms at Metropolitan's Headquarters Building (Approp. 15487). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt from CEQA, and

- c. **Appropriate \$1.24 million; and**
- d. **Award \$930,483 contract to Coleman Construction, Inc. for upgrades to the network rooms at Metropolitan's Headquarters Building at Union Station.**

- 7-3** Authorize the process for Metropolitan to vote in Palo Verde Irrigation District elections. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed project is not defined as a project and is not subject to CEQA, and

Adopt the resolution as contained in Attachment 1 authorizing the General Manager to cast, directly or by proxy, Metropolitan's votes in PVID elections.

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

- 8-1** Appropriate \$17.7 million; and (1) award \$10,267,000 contract to Kiewit Infrastructure West Co. for chemical feed upgrades at the F. E. Weymouth Water Treatment Plant; (2) award \$371,800 contract to O'Connell Engineering & Construction, Inc. for scrubber platform improvements; and (3) authorize agreement with Lee & Ro., Inc., in an amount not to exceed \$364,000 (Approps. 15392, 15472, & 15477). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the certified EIR and that no further environmental analysis or documentation is required, and that the proposed action is categorically exempt, and

- a. Appropriate \$17.7 million;**
- b. Award \$10,267,000 contract to Kiewit Infrastructure West Co. for chemical feed upgrades at the Weymouth plant;**
- c. Award \$371,800 contract to O'Connell Engineering & Construction, Inc. for scrubber platform improvements; and**
- d. Authorize agreement with Lee & Ro, Inc. in an amount not to exceed \$364,000.**

- 8-2** Appropriate \$4.9 million; and award \$2,998,000 contract to Kiewit Infrastructure West Co. for seismic retrofit of the Upper Feeder's Santa Ana River Bridge (Approp. 15441). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the adopted 2012 MND and MMRP, and that no further environmental analysis or documentation is required, and

- a. Appropriate \$4.9 million; and**
- b. Award \$2,998,000 contract to Kiewit Infrastructure West Co. for seismic retrofit of the Upper Feeder's Santa Ana River Bridge.**

- 8-3 Authorize amendment to the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus. (WP&S)**

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is exempt from CEQA and is not defined as a project under CEQA, and

Authorize the General Manager to enter into an amendment to the 2007 California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus consistent with the terms outlined herein and in a form approved by the General Counsel.

- 8-4 Adopt legislative priorities for federal drought legislation. (C&L)**

Added

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project under CEQA and is not subject to CEQA, and adopt the proposed federal drought legislative priorities.

9. BOARD INFORMATION ITEMS

- 9-1 Conference with labor negotiators
[Conference with labor negotiators; to be heard in closed session pursuant to Gov. Code Section 54957.6. Metropolitan representative: Stephen V. Lem, Manager of Labor Relations and EEO Investigations Section. Employee organizations: The Employees Association of The Metropolitan Water District of Southern California/AFSCME Local 1902; the Management and Professional Employees Association MAPA/AFSCME Chapter 1001, and the Supervisors Association]**

10. OTHER MATTERS (Contd.)

- 10-1 Department Head Performance Evaluations
[Public employees' performance evaluations—General Manager, General Counsel, General Auditor, and Ethics Officer; to be heard in closed session pursuant to Gov. Code Section 54957]
- 10-2 Department Head Salary Survey 2015
- 10-3 Discuss and approve compensation recommendation for General Manager, General Counsel, General Auditor, and Ethics Officer **(To Be Distributed at Meeting)**

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

NOTE: At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parentheses at the end of the description of the agenda item e.g., (E&O, F&I). Committee agendas may be obtained from the Board Executive Secretary.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation

**AGENCY
REPRESENTATIVES'
REPORTS**

4D

**CHINO BASIN WATERMASTER
WATERMASTER BOARD MEETING**

11:00 a.m. – August 27, 2015

WITH

Mr. Steve Elie – Chair

Mr. Paul Hofer – Vice-Chair

At The Offices Of

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

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

A. MINUTES

1. Minutes of the Watermaster Board Meeting held July 23, 2015

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of June 2015
2. Watermaster VISA Check Detail for the month of June 2015
3. Combining Schedule for the Period July 1, 2014 through June 30, 2015
4. Treasurer's Report of Financial Affairs for the Period June 1, 2015 through June 30, 2015
5. Budget vs. Actual Report for the Period July 1, 2014 through June 30, 2015

C. WATER TRANSACTIONS

1. Notice of Sale or Transfer – The purchase of 3,000.000 acre-feet of water from Cucamonga Valley Water District by Fontana Water Company. This purchase is made from Cucamonga Valley Water District's storage account. Date of application: May 20, 2015.
2. Notice of Sale or Transfer - The purchase of 1,067.000 acre-feet of water from West End Consolidated Water Company by the City of Upland. This purchase is made from West End Consolidated Water Company's Excess Carryover Account. The City of Upland is utilizing this transaction to produce its West End Consolidated Water Company shares. Date of application: June 11, 2015.

3. Notice of Sale or Transfer – The purchase of 70.000 acre-feet of water from the City of Upland by Golden State Water Company. This purchase is made from the City of Upland's Excess Carryover Account. Date of application: June 15, 2015.
4. Notice of Sale or Transfer - The purchase of 100.000 acre-feet of water from West End Consolidated Water Company by Golden State Water Company. This purchase is made from West End Consolidated Water Company's Excess Carryover Account. Golden State Water Company is utilizing this transaction to produce its West End Consolidated Water Company shares. Date of application: June 15, 2015.
5. Notice of Sale or Transfer - The purchase of 6,500.000 acre-feet of water from the City of Chino by Fontana Water Company. This purchase is made from the City of Chino's Excess Carryover Account. Date of application: June 16, 2015.

D. RESOLUTION 2015-05

Approve Resolution 2015-05 supporting the nomination of Kathy Tiegs as the Association of California Water Agencies 2016-2017 President

E. AMENDMENT NO. 2 TO AGREEMENT TO FORM TASK FORCE TO CONDUCT BASIN MONITORING PROGRAM FOR NITROGEN AND TDS IN THE SANTA ANA RIVER WATERSHED (BASIN MONITORING PROGRAM)

Approve the Amendment No. 2 to the Basin Monitoring Program and authorize Watermaster's General Manager to execute the contract.

II. BUSINESS ITEMS

A. CHINO BASIN SAFE YIELD REDETERMINATION AND RESET

(Staff letter will be distributed separately)

B. BUDGET TRANSFER FORM T-15-06-01

Approve Budget Transfer Form T-15-06-01 for FY 2014/15 as presented.

III. REPORTS/UPDATES

A. LEGAL COUNSEL REPORT

1. August 21, 2015 Hearing
2. DWR Draft Basin Boundary Revision Regulations
(Memo will be distributed separately)

B. ENGINEER REPORT

None

C. CFO REPORT

None

D. GM REPORT

1. City of Ontario Overlying (Non-Agricultural) Pool Proposed Water Right Use and Proposed Methodology
2. Process Improvement for Submittal of Documents to Watermaster
3. Assessment Package Timing
4. Water Activity Reports
5. Other

IV. INFORMATION

1. Cash Disbursements for July 2015

V. BOARD MEMBER COMMENTS

VI. OTHER BUSINESS

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster Board meeting for the purpose of discussion and possible action.

VIII. FUTURE MEETINGS AT WATERMASTER

8/25/15	Tue	9:00 a.m.	Groundwater Recharge Coordinating Committee (at CBWCD)
8/27/15	Thu	11:00 a.m.	Watermaster Board
9/10/15	Thu	9:00 a.m.	Appropriative Pool
9/10/15	Thu	11:00 a.m.	Non-Agricultural Pool
9/10/15	Thu	1:30 p.m.	Agricultural Pool
9/17/15	Thu	9:00 a.m.	Advisory Committee
9/17/15	Thu	9:30 a.m.	Recharge Investigations and Projects Committee (RIPCom)
9/24/15	Thu	11:00 a.m.	Watermaster Board

SAFE YIELD REDETERMINATION AND RESET – DRAFTING OF AGREEMENT

8/21/15	Fri	9:00 a.m.*	
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*NOTE: These meetings are intended for Parties who have agreed to the confidentiality protocols.

ADJOURNMENT

**Engineering and Construction Management Project Updates
Fiscal Year 14/15 - Minor and Emergency Projects - Attachment**

Minor (RFP) Projects			
#	Task Order Description	Contractor	Amount
1	Air Relief Valves Replacement on San Antonio Channel pipeline - Segment B	WA Rasic	\$74,760.00
2	CCWRF Chlorine Contact Tank Diversion Box Modifications	Coonstruction, Inc.	\$29,800.00
3	RP-1 Flare PRV Bypass Valve	WA Rasic	\$406,600.00
4	1630 West Recycled Water Pump Station/Check Valves	Atom Engineering	\$67,398.00
5	Mission Blvd Soil Feasibility Study	Humphrey Constructors	\$67,837.94
6	CCWRF Lagoon Rip-Rap Retrofit	Atom Engineering	\$54,451.32
7	Vineyard Elementary RW Pipe Replace	Humphrey Constructors	\$28,800.00
Total Minor (RFP) Projects in FY14/15			\$729,647.26
Emergency Projects			
#	Task Order Description	Contractor	Amount
1	RP-4 Bleach Line Leak Repair	WA Rasic	\$29,080.28
2	Manhole Paving Repair	WA Rasic	\$6,466.40
3	RP-4 Potable Water Line Installation	David T. Wasden	\$32,014.09
4	CDA Soils Mitigation & Sulfuric Acid Line Repair	WA Rasic	\$129,226.32
5	16" RW Triple Offset BFV Installation at RP-2	WA Rasic	\$37,600.00
6	RP-1 Odor Control Biofilter No. 2	Coonstruction, Inc.	\$42,275.30
7	HQ-B Backflow Assembly	Norman Olsson Construction	\$8,552.35
8	Valve Box Repair - El Prado Rd	VCI Construction	\$4,482.24
9	Sinkhole on Mission Ave (Ontario)	WA Rasic	\$16,275.40
10	Etiwanda Ave Damaged Valve Cover	WA Rasic	\$5,034.37
11	RP-5 Chlorine Contact Basin RW Leak	WA Rasic	\$2,002.79
12	18" PVC on Kimball	WA Rasic	\$55,175.94
13	RP-2 Utility Water Line Leak	Ferreira Construction	\$3,449.13
14	RP-1 Digested Sludge Line Leak	WA Rasic	\$8,902.70
15	RP-1 Odor Control Biofilter No. 2	WA Rasic	\$21,933.52
16	San Bernardino Ave. Vault Repair (City of Fontana)	Mike Bubalo Construction	\$10,000.00
17	CCWRF - RAS Piping Leak	WA Rasic	\$9,867.94
18	RP-5 Underground Water Leak	WA Rasic	\$16,393.89
19	ProLogis/CSI Sewer Manhole Surveys	WA Rasic	\$20,000.00
20	6-inch Sewer Line Break	WA Rasic	\$2,174.00
21	HQ-A & HQ-B Slab Repair	WA Rasic	\$49,998.00
22	RP-1 Silo Catwalk -Request for Additional Safety Improvements	WA Rasic	\$3,500.00
23	CBWCD RW Piping Leaks	WA Rasic	\$28,000.00
24	RP-1 42-Inch Primary Effluent Pipe Repair	VCI Construction	\$162,500.00
Total Emergency Projects in FY14/15			\$704,904.66