

Finance, Legal, and Administration Committee

**INFORMATION
ITEM**

3A



Date: May 11, 2016

To: Finance, Legal, and Administrative Committee

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

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

JL #882 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: Ordinance No. 102, Establishing Fiscal Control

RECOMMENDATION

This is an informational item to be presented to the Finance, Legal, and Administrative Committee.

BACKGROUND

The current Fiscal Control Ordinance No. 90 (Attachment A) was last updated in June 2012. The Ordinance provides for a system of financial administration, accounting, fiscal, and budgetary control, which conforms to general-accepted accounting principles and practices (GAAP).

Fiscal Ordinance No. 102 (Attachment C) has been updated to reflect the necessary changes as the Agency transitions from a single year budget to a biennial budget, as well as providing updates and clarification to the budget amendment and budget approval process. Minor housekeeping items, such as updates to the definition section, were also addressed. The Fiscal Ordinance No. 102 incorporated comments and recommendations from various departments, in particular the Internal Audit department. Their review and recommendations ensure consistency throughout the ordinance.

Significant updates to better define the guidelines for fiscal control are summarized below:

Section 104: Fund Structure

- Remove the Administrative Service Fund, as Administrative Service Fund is an enterprise fund, which is essentially the Agency's current fund structure.

Section 106: Basis of Accounting

- Add “conformity with Generally Accepted Accounting Principles (GAAP,” to address the requirement for the basis of accounting.

Section 107: Adoption of the Budget

- Combine current ordinance’s Section 4: Adoption of Budget and Section 6: Final Adoption of the Budget in one section.
- Add the requirement on the adoption of the Agency’s budget; to be accompanied by the approval of a budget resolution. This action has been implemented but was not clearly indicated in the current ordinance.

Section 109: Budget Amendments

- Revise the section heading from Budget Modification (Section 7, current ordinance) to Budget Amendments.
- Provide more clearly defined budget amendment guidelines on; emergency procurement, proposed changes in the second year of the biennial budget, and carry forward current fiscal year’s encumbrances to the following fiscal year.

Section 201: Approval and Responsibilities

- Revise the section heading of Approval and Expenditure of Funds (Section 8, current ordinance) to Approval and Responsibilities.
- Include all employees’ responsibilities to comply with the provisions of the Ordinance and department managers’ responsibilities in monitoring department budget.

This updated ordinance is further supported by Budget Amendment Policy in regards to the review and approval process and procedures of budget amendments and budget transfers, as well as the key elements of budget control.

The fiscal control established by this Ordinance is consistent with the Agency’s Business Goal, Fiscal Responsibility, of safeguarding the Agency’s fiscal health, while providing an open and transparent communication to educate the Member Agencies of the fiscal policies of the Agency.

PRIOR BOARD ACTION

On June 20, 2012, following a public hearing, the Board adopted Ordinance No. 90, establishing fiscal control.

Ordinance No. 102, Establishing Fiscal Control
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IMPACT ON BUDGET

If approved, Ordinance No. 102 will continue to demonstrate the Agency's fiscal control and responsibility for its sources and uses of funds.

Attachments:

Attachment A, Fiscal Control Ordinance No. 90 (June 2012)
Attachment B, Fiscal Control Ordinance No. 102 with key changes
Attachment C, Fiscal Control Ordinance No. 102



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

FISCAL CONTROL ORDINANCE UPDATE


May 2016

Board Meeting

FISCAL CONTROL ORDINANCE

An Ordinance of the Board of Directors to provide for a system of financial administration, accounting, fiscal, and budgetary control, which conforms to general –accepted accounting principles and practices (GAAP) and recommended best practices according to the Government Finance Officers Association (GFOA)

WHY UPDATE?

- Last updated in June 2012.
 - Incorporate biennial budget update process.
 - Better define guidelines for fiscal control.
 - Clarifications & process efficiencies.
 - Alignment with other Agency ordinances and policies
- 

KEY CHANGES

- Expand and update definition section:
 - Account categories, Adopted budget, Amended budget,
- Clarified budget amendment guidelines on:
 - **Biennial Budget:** Budget amendment for the second year of the biennial budget, and fiscal year end encumbrances carry forward
 - **Exceptions:**
 - Emergency procurement,
 - General Manager Contingency Account
- **Responsibilities:**
 - All employees: prudent use of public funds.
 - Department Managers: monitoring and reporting.
 - **CFO/AGM:** administration, control and reporting.

OVERSIGHT

Internal:


- Financial reports presented to the Board of Directors throughout the fiscal year
- Adherence to Financial Policies;
 - Budget Amendment Policy
 - Debt Management Policy
 - Investment Management Policy
 - Reserve Policy

External:

- Annual independent audit
- Financial reports available on Agency website

Questions?

These changes in the ordinance are consistent with the Agency's Business Goals under Fiscal Responsibility of safeguarding the Agency's fiscal health, while providing an open and transparent communication to educate the Member Agencies of the fiscal policies of the Agency.



ORDINANCE NO. 90

**AN ORDINANCE OF THE INLAND EMPIRE UTILITIES AGENCY*,
SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING
FISCAL CONTROL**

BE IT ORDAINED by the Board of Directors of the Inland Empire Utilities Agency* as follows:

SECTION 1. PURPOSE

The purpose of this Ordinance, to be known as the "Fiscal Control Ordinance of the Inland Empire Utilities Agency*", is to provide for a system of financial administration, accounting, fiscal, and budgetary control, which conforms to generally accepted accounting principles and practices.

SECTION 2. DEFINITIONS

- A. Appropriation – Shall mean an authorization made by the Board, which permits designated Agency employees to incur obligations against, and to make expenses of, Agency resources. Appropriations for expenses and certain capital acquisitions shall be granted for a period of one fiscal year, or less. Capital acquisition projects meeting the multi-year criteria, as defined by fiscal current Agency policy, shall be granted for a period that expires upon the project's completion.
- B. Board – Shall mean the Board of Directors of the Inland Empire Utilities Agency.
- C. Budget- Shall mean the approval plan of financial operations embodying an estimate of proposed expenses for a given fiscal year and the proposed means of financing them.
- D. Agency – Shall mean the Inland Empire Utilities Agency.
- E. GM – Shall mean the General Manager of the Inland Empire Utilities Agency.
- F. AGM – Shall mean the Assistant General Manager of the Inland Empire Utilities Agency.
- G. CFO – Shall mean the Chief Financial Officer of the Inland Empire Utilities Agency.
- H. Designated Agency Employee – Shall mean those employees of the Agency so empowered under the provisions of Ordinance 74 and Agency Policy No. A-32.
- I. Account Category – Shall mean a grouping of various accounts.

SECTION 3. FISCAL YEAR

The fiscal year shall begin on July 1 of each year and end on June 30 of the succeeding year.

SECTION 4. ADOPTION OF THE BUDGET

The annual budget will be adopted by the Board prior to the first day of the fiscal year. However, if for good and sufficient reasons, the budget cannot be adopted by the first day of the fiscal year, the budget shall be adopted not later than 45 days subsequent to the beginning of the fiscal year. If the budget is not adopted prior to the beginning of the fiscal year, a resolution authorizing the continuation of necessary and essential expenses to operate the Agency shall be adopted prior to the beginning of the fiscal year. The proposed budget shall be prepared by the CFO and transmitted to members of the Board for its review a minimum of 10 days before the required date of adoption. The budget, as adopted, shall be a balanced budget with anticipated revenues (including appropriated unencumbered fund balances and reserves) equal to appropriate expenses. All funds within the budget shall also be balanced.

SECTION 5. BUDGET, A PUBLIC RECORD

At the time the proposed budget is transmitted to the Board by the GM, a copy of the proposed budget shall be made available for public inspection during regular business hours at the Agency's administrative office.

SECTION 6. FINAL ADOPTION OF THE BUDGET

The adoption of the budget shall be accomplished by the approval of a budget resolution, which specifies the anticipated revenues and appropriated expenses, by reference to the attached budget, for each fund covered by the budget. Amendments to the budget shall be approved by a majority of the Board.

SECTION 7. BUDGET MODIFICATION

An increase in the appropriation in any fund budget major account category, whether accomplished through a transfer of or increase to appropriations among funds or departments, that exceeds the appropriated amount as defined in Section 8, shall require the approval of the Board. The only exception is the General Manager's (GM) Contingency Account(s) established in a specific Agency fund(s) and included in the adopted budget to support unplanned costs that may arise during the fiscal year. Solely in the case of the GM Contingency Account(s), the GM, or his designate, is authorized to transfer budget to other fund(s) and between major account categories as needed. A report on the amount expended from the GM Contingency account is to be provided to the Board at least every three months. Replenishment of the GM Contingency Account(s) during the fiscal year will require Board approval.

The transfer of appropriations for a single account category within a single fund's budget shall only require the approval of the GM, AGM or CFO. After a fund's cumulative appropriated amount (sum of major account categories) for the fiscal year is reached, all such transfers shall require the approval of the Board, (with the exception of the GM Contingency Account as aforementioned). A report of all individual transfers shall be prepared and presented to the Board at least every three months. However, any transfer of appropriations

so as to increase the total wages appropriation, for whatever purpose, shall require the approval of the Board

SECTION 8. APPROVAL AND EXPENDITURE OF FUNDS

The CFO, acting under the direction of GM, or AGM, shall have charge of the administration of the financial affairs of the Agency and to that end shall supervise and be responsible for the disbursement of all monies that have control over all expenses to insure that the appropriation amount approved by Board of Directors as part of the annual budget adoption in any fund budget major account category (defined as Operating or Capital) is not exceeded. The CFO shall exercise financial budgetary control over each department, division and fund of the Agency and shall cause separate accounts to be kept for the items of appropriation contained in the budget. Unless the CFO shall certify that there is a sufficient unencumbered balance available, no appropriation shall be encumbered and no expenditure shall be made.

SECTION 9. UNENCUMBERED FUND BALANCE

All appropriations which are not obligated, encumbered, or expended at the end of the fiscal year, shall lapse except for multi-year capital appropriations, and shall become part of the unrestricted fund balance after adjustment for required fund reservations and sinking fund reserves. The final unrestricted fund balance at the end of a fiscal year may be appropriated in the following fiscal year.

SECTION 10. FUND STRUCTURE

The following funds may be established and shall be used as necessary to provide for the proper accounting of all financial activities of the Agency:

- (a) The Administrative Service Fund - to account for the general operations of the Agency and all financial transactions not properly accounted for in another fund. This fund will also account for the financing of special activities and services performed by a designated Agency organization unit for other Agency organization units.
- (b) Enterprise Funds - to account for the financing of services to the general public where all or most of the costs involved are paid in the form of charges by users of such services.
- (c) Special Assessment Funds - to account for special assessments levied to finance public improvements or services deemed to benefit the properties against, which the assessments are levied.

SECTION 11. SELF-BALANCING ACCOUNTS

A complete self-balancing group of accounts shall be established and maintained for each fund used. This group of accounts shall include all general ledger accounts and subsidiary

records necessary to reflect compliance with legal provisions, and to set forth the financial position and the results of financial operations of the fund.

SECTION 12. BASIS OF ACCOUNTING

To the extent possible, the accrual basis of accounting shall be used so that expenses are recorded at the time liabilities are incurred and revenues are recorded when earned. All receipts and disbursements shall be posted promptly and, at least, on a monthly basis. To the extent possible, all interfund transfers shall be cleared by the end of the fiscal year.

SECTION 13. FINANCIAL REPORTING

Financial reports showing the current conditions of all accounts shall be prepared and presented to the Board at least every three months. A comprehensive annual financial report, covering all funds and financial operations, shall be prepared and published not later than six months after the close of the fiscal year.

SECTION 14. ANNUAL INDEPENDENT AUDIT

All the funds, accounts, and financial transactions of the Agency shall be subjected to an annual audit by an independent certified public accountant selected by the Agency's Audit Committee and approved by the Board. The audit shall be conducted in accordance with Generally Accepted Auditing Standards (GAAS) promulgated by the American Institute of Certified Public Accountants (AICPA).

SECTION 15. IMPLEMENTATION RESPONSIBILITY

The responsibility for the proper execution of the provisions of this Fiscal Control Ordinance shall be with the CFO under the direction of the GM or AGM, except where the responsibility is explicitly given to the Board.

SECTION 16. SEVERABILITY

In the event any section, subsection, sentence, clause, or phrase of this Ordinance shall be declared or adjusted invalid or unconstitutional, such adjudication shall in no manner affect the other sections, subsections, sentences, clauses, or phrases of this Ordinance, which shall remain in full force and effect, as if the section, subsection, sentence, clause or phrase so declared or adjudged invalid or unconstitutional were not originally part hereof.

SECTION 17. REPEAL OF PRIOR ORDINANCES

Ordinance No. 77 is hereby repealed in its entirety.

SECTION 18. EFFECTIVE DATE

This Ordinance shall become effective upon its passage

ADOPTED THIS 20th day of June 2012,



Michael Camacho, Vice President of the Inland
Empire Utilities Agency* and the Board of
Directors thereof

ATTEST:



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

* A MUNICIPAL WATER DISTRICT

STATE OF CALIFORNIA)
COUNTY OF) SS
SAN BERNARDINO)

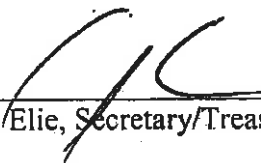
I, Steven J. Elie, Secretary of the Inland Empire Utilities Agency*, DO HEREBY CERTIFY
that the foregoing Ordinance being No. 90, was adopted at a regular Board Meeting on June
20, 2012, of said Agency by the following vote:

AYES: Santiago, Elie, Camacho, Koopman

NOES: None

ABSTAIN: None

ABSENT: Catlin



Steven J. Elie, Secretary/Treasurer

(SEAL)

* A MUNICIPAL WATER DISTRICT

ORDINANCE NO. 102

AN ORDINANCE OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING FISCAL CONTROL

BE IT ORDAINED by the Board of Directors of the Inland Empire Utilities Agency* as follows:

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PART I - DESIGNATIONS**SECTION 101 - PURPOSE**

The Fiscal Control Ordinance of the Inland Empire Utilities Agency sets forth the requirements for fiscal control that provide a framework for ensuring accountability in the Agency's budgetary and financial operations. These requirements provide for a system of financial administration, accounting, fiscal, and budgetary control on the same basis as the audited financial statements which conform to recommended best practices for budgeting according to the Government Finance Officers Association of the United States of America.

SECTION 102 - DEFINITIONS

- A. Account Categories – Shall mean Operating and Non-Operating account groups as defined in the Agency's budget to report sources and uses of funds and to execute budget control. [Modified to include Operating and Non-Operating]

PROPOSED

- B. **Adopted Budget** - Shall mean the plan of financial operations adopted by the Board of Directors embodying an estimate of proposed revenues and funding sources, operating expenses, capital expenditures, debt service costs, and other uses of funds for a given fiscal year (annual budget), or for two consecutive fiscal years (biennial budget), and the proposed means of financing them. [Changed from "Budget"]
- C. **Agency** – Shall mean the Inland Empire Utilities Agency.
- D. **Amended Budget** - Shall mean the Adopted Budget inclusive of approved budget amendments and budget transfers. [Added to distinguish from "Adopted Budget"]
- E. **Appropriation/Appropriated Expense** – Shall mean an expense which has been authorized by the Board of Directors for a specific fund or project which permits designated Agency employees, as defined in the Agency's Procurement Ordinance, to incur obligations against, and to incur expenses for a specified purpose. Appropriations approved by the Board of Directors in the Adopted or Amended Budget are limited to the fiscal year they are approved for unless otherwise specified. All unexpended appropriations shall lapse at the end of the fiscal year, unless approved by the Board to be carried forward to the following fiscal year. The Agency's annual appropriation is subject to the State's Article XIII Gann Appropriation Limit. [Modified to reference the Agency's Procurement Ordinance]
- ~~E. _____~~
- ~~F. **Appropriated Funding** – Shall mean funding which has been authorized by the Board of Directors as part of the Adopted Budget, or as budget amendment thereto. The Agency's annual appropriation is subject to the State's Article XIII Gann Appropriation Limit.~~
- ~~G. **Board of Directors** – Shall mean the Board of Directors (Board) of the Inland Empire Utilities Agency, which sometimes is referred to as the Board within this document.~~
- F. **Board of Directors** - Shall mean the Board of Directors (Board) of the Inland Empire Utilities Agency, which sometimes is referred to as the Board within this document.
- H.G. _____ **Budget Amendment** – Shall mean a change to the Adopted Budget of a fund in a fiscal year, including the reallocation of budget either between funds, or account categories within the same fund, as defined in Budget Transfer & Amendment Policy. Budget amendments are subject to ~~Board approval or ratification~~ by a majority of the Board. [New]
- H. **Budget Control** – Shall mean a system of management control in which actual costs, revenues, and resources are compared to the Agency's Adopted or Amended Budget to ensure consistency with the Board approved appropriations, and identify if changes are needed, as defined in Agency's Budget Transfer & Amendment Policy. [New]

PROPOSED

~~I.~~ J. Budget Transfer – Shall mean the reallocation of appropriations or resources within the same fund and the same account category in a given fiscal year, as defined in the Budget Transfer & Amendment Policy. [New]

~~I.~~

~~I.~~ Capital Expenditures – Shall mean costs associated with acquisition, construction, replacement and rehabilitation (R&R), and improvement of fixed and real assets. Based on the scope and duration of a capital project, the total project budget can be established for one or multiple years. [New]

~~I.~~

K. CFO/AGM – Shall mean the Chief Financial Officer/Assistant General Manager of the Inland Empire Utilities Agency. [Combined with “AGM”]

L. CIP – Shall mean the Agency’s capital improvement plan provided in the Adopted Budget document, Capital section. [New]

M. Debt Service – Shall mean the payment of current year portion of principal and interest costs incurred on long-term debt issued by the Agency. [New]

~~N.~~ Designated Agency Employee/Designee – Shall mean employees of the Agency empowered under the provision of the Fiscal Control Ordinance and Procurement Ordinance to incur obligation against and to make expenses of appropriated resources.

~~N.~~

~~O.~~ Emergency Procurement – Shall mean any procurement required for the prevention against imminent danger, or to mitigate the loss or impairment of: life, health, or safety of the public, Agency employees, suppliers, contractors; public or private property; compliance with critical permit and regulatory requirements; or any other condition which cannot reasonably be foreseen and would have a significant effect on the public’s health/safety or that could have a significant adverse financial impact on the Agency. [New]

~~O.~~

~~O.P.~~ Enterprise Fund – Shall mean a fund which is used to account for operations that are financed and operated in a manner similar to a private business enterprise. Enterprise funds account for operations, capital and debt service costs which are substantially financed by revenue derived from user charges and fees. [New]

~~P.Q.~~ Fund – Shall mean Agency’s enterprise funds as established for a specific program to account for operations, capital, debt service costs, and funding sources. [New]

PROPOSED

~~Q.R.~~ GM – Shall mean the General Manager of the Inland Empire Utilities Agency.

~~R.S.~~ General Manager (GM) Contingency Account – Shall mean an account budgeted with contingency funds which the GM or his designee can transfer to any funds to meet unplanned requirements for any account or project under the Operating account category. Replenishment of the GM Contingency Account appropriation is considered a budget amendment and requires ~~Board approval~~ Approval by a ~~the~~ majority of the Board. Use of the GM contingency funds and requests for replenishment to the account will be submitted as part of the budget variance reporting process, or if necessary, at the next regularly scheduled meeting of the Board of Directors. [New]

~~S.T.~~ Inter-Fund Activities – Shall mean (1) inter-fund transfers between Agency's funds to support operating and/or capital requirements; and (2) inter-fund loans between Agency funds to support shortfall in debt service, operating and/or capital requirements. Inter-fund loans require the establishment of a promissory note between borrower and lender, providing payment terms and repayment timeline. The use of an inter-fund loan or inter-fund transfer is determined on a case by case basis. Both inter-fund activities are considered budget amendments and require ~~Board approval~~ Approval by ~~the~~ a majority of the Board. [New]

~~T.U.~~ Lapsed Appropriations – Shall mean all appropriations which are not obligated, encumbered, or expended and which lapse at the end of the fiscal year. [New]

~~U.V.~~ Non-Operating Accounts – Shall mean classification of accounts utilized by the Agency which are not directly related to day-to-day operational activities. The Non-Operating expense classification includes capital, debt service and other non-operating expenditures. The Non-Operating revenue classification includes tax receipts, capital contributions, interest income, grant and debt proceeds, and other non-operating miscellaneous receipts. [New]

~~V.W.~~ Operating Accounts – Shall mean classification of accounts utilized by the Agency to track revenues and expenses associated with day-to-day activities. The operating expense classification includes among others, chemicals and utilities. The operating revenue classification includes among others, service charges and recycled water sales and miscellaneous operating income. [New]

~~W.X.~~ Special Assessment Fund – Shall mean fund that is used to account for special assessments levied to finance public improvements or services deemed to benefit the properties, against which the assessments are levied. [New]

~~X.Y.~~ State's Article XIII Gann Appropriation Limit – Shall mean Article XIII B of the California Constitution which was added by the November 1979 passage of the Gann Initiative. This legislation mandates the Agency compute, and establish by resolution, an annual appropriation limit that places a ceiling on the total amount of tax revenues that can be appropriated annually. [New]

PROPOSED

Y.Z. Total Project Budget – Shall mean the total amount planned to complete project tasks. The total project budget for an operations and maintenance (O&M) project, or special project, should be limited to one fiscal year. The total project budget for a capital project may extend over multiple fiscal years. [New]

SECTION 103 - FISCAL YEAR

The fiscal year shall begin on July 1 of each year and ends on June 30 of the succeeding year.

SECTION 104 - FUND STRUCTURE

The following fund types may be established and shall be used as necessary to provide for the proper accounting of all financial activities of the Agency; enterprise and special assessment. All Agency funds are enterprise funds, and include both capital and operating activities.

SECTION 105 - SELF-BALANCING ACCOUNTS

A complete self-balancing group of accounts shall be established and maintained for each fund used. This group of accounts shall include all general ledger accounts and subsidiary records necessary to reflect compliance with legal provisions, and to set forth the financial position and the results of financial operations of the fund.

SECTION 106 - BASIS OF ACCOUNTING

The accrual basis of accounting shall be used so that expenses are recorded at the time liabilities are incurred and revenues are recorded when earned in conformity with Generally Accepted Accounting Principles (GAAP). All receipts and disbursements shall be posted promptly and, at a minimum, on a monthly basis.

SECTION 107 - ADOPTION OF THE BUDGET

The Agency's budget will be adopted by the Board prior to the first day of the fiscal year. The proposed budget shall be submitted by the CFO/AGM and transmitted to members of the Board for review at a minimum of 10 days before the required date of adoption. However, if for a valid and sufficient reason, the budget cannot be adopted by the first day of the fiscal year, the budget shall be adopted no later than 45 days subsequent to the beginning of the fiscal year. If the budget is not adopted prior to the beginning of the fiscal year, a resolution authorizing the continuation of necessary and essential expenses to operate the Agency shall be adopted prior to the beginning of the fiscal year.

The budget, as adopted, shall be a balanced budget with anticipated sources of funds including appropriated unencumbered fund balances and reserves equal to appropriated uses of funds. Each fund within the budget shall also be balanced.

PROPOSED

The adoption of the budget shall be accomplished by the approval of a budget resolution. The resolution must be entered into the minutes of the Board meeting at which it was adopted.

SECTION 108 - BUDGET, A PUBLIC RECORD

At the time the proposed budget is submitted by the CFO/AGM and delivered to members of the Board for its review, a summary of the proposed budget shall be made available for public inspection during regular business hours at the Agency's administrative office and website for a minimum of 10 days before the required date of adoption. At a minimum the summary of the proposed budget should include the Sources and Uses of Funds by Funds reports, program rates and fees, and a listing of capital and O&M projects.

When the proposed budget has been approved by the Board, the adopted budget document shall be made available for public inspection, during regular business hours at the Agency's administrative office; as well as, on the Agency's website (www.ieua.org).

SECTION 109 - BUDGET AMENDMENTS

Budget amendments must be approved by a majority of the Board prior to obligating funds in excess of the budgeted appropriations to ensure they pose no financial risk to the Agency' overall financial health. The only exceptions to prior Board approval are; emergency procurements, ~~as defined in the Agency's Procurement Ordinance, which can be approved by the GM or his designee, as well and~~ as the use of the GM Contingency Account(s) to support unplanned expenditures.

- Emergency procurements can be approved by the GM or designee and shall be submitted for ratification by the Board at the next regularly scheduled meeting, as defined in the Agency's Procurement Ordinance.
- Solely in the case of the GM Contingency Account(s), the GM or designee is authorized to transfer GM Contingency budget to other funds and account categories as needed to support unplanned expenditures, as defined in the Agency's Budget Transfer & Amendment Policy. Replenishment of the GM Contingency Account are considered budget amendments and are subject to approval by the majority of the Board approval.

Changes to the second year of the Adopted Biennial Budget are considered budget amendments. These budget amendments shall be made through the mid-year budget review process which takes place ~~in on the second half of~~ the first year of the biennial budget cycle.

Encumbered, obligated or unexpended funds at the end of the fiscal year carried forward to the following fiscal year, as defined in the Agency's Fiscal Year End Carry Forward of Encumbrances and Related Budget, are considered budget amendments and require ~~Board approval by the~~ majority of the Board.

PART II – RESPONSIBILITIES**SECTION 201 - APPROVAL AND RESPONSIBILITIES**

All Agency employees shall comply with the provisions of this Ordinance to ensure the responsible and prudent use of public funds, and to maintain the preservation of the public trust.

The CFO/AGM, under the direction of GM, is authorized as follows:

- Administration, control, oversight, and reporting of the financial affairs of the Agency;
- Oversight of disbursement of all monies; ~~and~~
- Exercise budgetary control over expenditures to ensure that ~~annual~~ appropriations and total project budget as approved by the Board are not exceeded; and
- No appropriation will be encumbered and no expenditure shall be made prior to confirming sufficient unencumbered fund balance is available.

The GM and the CFO/AGM are authorized to approve reallocation of appropriations between departments within the same fund and account category, as defined in the Budget Transfer & Amendment Policy.

Department managers are responsible for monitoring their budgets and determining if a budget amendment or budget transfer is necessary.

SECTION 202 - UNENCUMBERED FUND BALANCE

All appropriations which are not obligated, encumbered, or expended at the end of the fiscal year shall lapse and shall become part of the unrestricted fund balance after adjustment for required fund reservations. The final unrestricted fund balance at the end of a fiscal year may be appropriated in the following fiscal year.

SECTION 203 - FINANCIAL POLICY AND REPORTING

Financial Policies to support the Agency's business goals of fiscal responsibility at the direction of the GM and CFO/AGM shall be presented to the Board upon revision or update, based on regulatory changes or staff recommendations and updated in accordance with California code.

Financial reports shall be prepared and presented to the Board during the fiscal year, amongst them:

- Monthly report on the Agency's cash and investments activities and status.
- Monthly report on detailed disbursements.
- Quarterly report on current conditions of all major accounts compared to the Adopted or Amended Budget, including budget transfers and budget amendments implemented during the report period.

PROPOSED

- A Comprehensive Annual Financial Report shall be prepared and published no later than six months after the conclusion of each fiscal year.
- Single Audit, as required.

All financial reports shall be posted on the Agency's website.

SECTION 204 - ANNUAL INDEPENDENT AUDIT

All funds, accounts, and financial transactions of the Agency, including a single audit for grants related activities if required, shall be subjected to an annual audit by an independent certified public accountant selected by the Agency's Audit Committee and approved by the Board. The audit shall be conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts.

SECTION 205 - IMPLEMENTATION RESPONSIBILITY

The responsibility for the proper execution of the provisions of this Fiscal Control Ordinance shall be with the CFO/AGM under the direction of the GM, except where responsibility is explicitly given to the Board.

SECTION 206 - SEVERABILITY

In the event any section, subsection, sentence, clause, or phrase of this Ordinance shall be declared or adjusted invalid or unconstitutional, such adjudication shall in no manner affect the other sections, subsections, sentences, clauses, or phrases of this Ordinance, which shall remain in full force and effect, as if the section, subsection, sentence, clause or phrase so declared or adjudged invalid or unconstitutional were not originally part hereof.

SECTION 207 - REPEAL OF PRIOR ORDINANCES

Upon adoption of Ordinance No. 102, Ordinance No. 90 is hereby repealed in its entirety.

SECTION 208 - EFFECTIVE DATE AND EXECUTION

This Ordinance shall take effect immediately upon adoption by the Board, and execution of said Ordinance by the President and Secretary/Treasurer thereof.

PROPOSED

ADOPTED, this 18th day of May, 2016.

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

ATTEST:

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

* A MUNICIPAL WATER DISTRICT

STATE OF CALIFORNIA)
COUNTY OF _____) SS
SAN BERNARDINO)

I, Steven J. Elie, Secretary of the Inland Empire Utilities Agency*, DO HEREBY CERTIFY that the foregoing Ordinance being No. ~~XXX~~102, was adopted at a regular Board Meeting on May 18, 2016, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie, Secretary/Treasurer

(SEAL)

* A MUNICIPAL WATER DISTRICT

ORDINANCE NO. 102

AN ORDINANCE OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING FISCAL CONTROL

BE IT ORDAINED by the Board of Directors of the Inland Empire Utilities Agency* as follows:

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PART I - DESIGNATIONS**SECTION 101 - PURPOSE**

The Fiscal Control Ordinance of the Inland Empire Utilities Agency sets forth the requirements for fiscal control that provide a framework for ensuring accountability in the Agency's budgetary and financial operations. These requirements provide for a system of financial administration, accounting, fiscal, and budgetary control on the same basis as the audited financial statements which conform to recommended best practices for budgeting according to the Government Finance Officers Association of the United States of America and Canada.

SECTION 102 - DEFINITIONS

- A. Account Categories – Shall mean Operating and Non-Operating account groups as defined in the Agency's budget to report sources and uses of funds and to execute budget control.
- B. Adopted Budget - Shall mean the plan of financial operations adopted by the Board of Directors embodying an estimate of proposed revenues and funding sources, operating expenses, capital expenditures, debt service costs, and other uses of funds for a given fiscal year (annual budget), or for two consecutive fiscal years (biennial budget).
- C. Agency – Shall mean the Inland Empire Utilities Agency.
- D. Amended Budget - Shall mean the Adopted Budget inclusive of approved budget amendments and budget transfers.
- E. Appropriation/Appropriated Expense – Shall mean an expense which has been authorized by the Board of Directors for a specific fund or project which permits designated Agency employees, as defined in the Agency's Procurement Ordinance, to incur obligations against, and to incur expenses for a specified purpose. Appropriations approved by the Board of Directors in the Adopted or Amended Budget are limited to the fiscal year they are approved for unless otherwise specified. All unexpended appropriations shall lapse at the end of the fiscal year, unless approved by the Board to be carried forward to the following fiscal year. The Agency's annual appropriation is subject to the State's Article XIIIB Gann Appropriation Limit.
- F. Board of Directors - Shall mean the Board of Directors (Board) of the Inland Empire Utilities Agency, which sometimes is referred to as the Board within this document.
- G. Budget Amendment – Shall mean a change to the adopted budget of a fund in a fiscal year, including the reallocation of expenditures or resources between funds, or between account categories within the same fund, or an increase to total project budget within the

PROPOSED

same fund as reported in the Agency's Capital Improvement Plan (CIP). Budget amendments are subject to Board approval or ratification.

- H. Budget Control – Shall mean a system of management control in which actual costs, revenues, and resources are compared to the Agency's Adopted or Amended Budget to ensure consistency with the Board approved appropriations, and identify if changes are needed, as defined in Agency's Budget Amendment Policy.
- I. Budget Transfer – Shall mean the reallocation of appropriations or resources within the same fund and the same account category in a given fiscal year, as defined in the Budget Amendment Policy.
- J. Capital Expenditures – Shall mean costs associated with acquisition, construction, replacement and rehabilitation (R&R), and improvement of fixed and real assets. Based on the scope and duration of a capital project, the total project budget can be established for one or multiple years.
- K. CFO/AGM – Shall mean the Chief Financial Officer/Assistant General Manager of the Inland Empire Utilities Agency.
- L. Capital Improvement Plan (CIP) – Shall mean the Agency's capital improvement plan provided in the Adopted Budget document, Capital section.
- M. Debt Service – Shall mean the current year portion of principal and interest costs incurred on long-term debt issued by the Agency.
- N. Designated Agency Employee/Designee – Shall mean those employees of the Agency empowered under the provisions of the Fiscal Control Ordinance and Procurement Ordinance to incur obligations against and to make expenses of appropriated resources.
- O. Emergency Procurement – Shall mean any procurement required for prevention/protection against imminent danger, or to mitigate the loss or impairment of: life, health, or safety of the public, Agency employees, suppliers, contractors; public or private property; compliance with critical permit and regulatory requirements; or any other condition which cannot reasonably be foreseen and would have a significant effect on the public's health/safety or that could have a significant adverse financial impact on the Agency.
- P. Enterprise Fund – Shall mean a fund which is used to account for operations that are financed and operated in a manner similar to a private business enterprise. Enterprise funds account for operations, capital and debt service costs which are substantially financed by revenue derived from user charges and fees.
- Q. Fund – Shall mean Agency's enterprise funds as established for a specific program to account for operations, capital, debt service costs, and funding sources.
- R. GM – Shall mean the General Manager of the Inland Empire Utilities Agency.

PROPOSED

- S. **General Manager (GM) Contingency Account** – Shall mean an account budgeted with contingency funds which the GM or his designee can transfer to any funds to meet unplanned requirements for any account or project under the Operating account category. Replenishment of the GM Contingency Account appropriation is considered a budget amendment and requires approval by a majority of the Board. Use of the GM contingency funds and requests for replenishment to the account will be submitted as part of the budget variance reporting process, or if necessary, at the next regularly scheduled meeting of the Board of Directors.
- T. **Lapsed Appropriations** – Shall mean all appropriations which are not obligated, encumbered, or expended and which lapse at the end of the fiscal year.
- U. **Non-Operating Accounts** – Shall mean classification of accounts utilized by the Agency which are not directly related to day-to-day operational activities. The Non-Operating expense classification includes capital, debt service and other non-operating expenditures. The Non-Operating revenue classification includes connection fees, tax receipts, capital contributions, interest income, grant and debt proceeds, and other non-operating miscellaneous receipts.
- V. **Operating Accounts** – Shall mean classification of accounts utilized by the Agency to track day-to-day operational revenue and expense. The operating expense classification includes among others; chemicals and utilities. The operating revenue classification includes among others; user charges, recycled water sales, and imported water sales.
- W. **Special Assessment Fund** – Shall mean fund that is used to account for special assessments levied to finance public improvements or services deemed to benefit the properties, against which the assessments are levied.
- X. **State’s Article XIII Gann Appropriation Limit** – Shall mean Article XIII B of the California Constitution which was added by the November 1979 passage of the Gann Initiative. This legislation mandates the Agency compute, and establish by resolution, an annual appropriation limit that places a ceiling on the total amount of tax revenues that can be appropriated annually.
- Y. **Total Project Budget** – Shall mean the total amount planned to fully fund a project through completion to meet its specific purpose and scope. The total project budget for an operations and maintenance project should be limited to one fiscal year. The total project budget for capital projects can extend over multiple fiscal years.

SECTION 103 - FISCAL YEAR

The fiscal year shall begin on July 1 of each year and ends on June 30 of the succeeding year.

SECTION 104 - FUND STRUCTURE

The following fund types may be established and shall be used as necessary to provide for the proper accounting of all financial activities of the Agency: Enterprise and special assessment. All Agency funds are enterprise funds, and include both capital and operating activities.

SECTION 105 - SELF-BALANCING ACCOUNTS

A complete self-balancing group of accounts shall be established and maintained for each fund used. This group of accounts shall include all general ledger accounts and subsidiary records necessary to reflect compliance with legal provisions, and to set forth the financial position and the results of financial operations of the fund. General ledger accounts record how much is spent and for what and ensure management is accountable for controlling expenditures as appropriated by the Board.

SECTION 106 - BASIS OF ACCOUNTING

The accrual basis of accounting shall be used so that expenses are recorded at the time liabilities are incurred and revenues are recorded when earned in conformity with Generally Accepted Accounting Principles (GAAP). All receipts and disbursements shall be posted promptly and, at a minimum, on a monthly basis.

SECTION 107 - ADOPTION OF THE BUDGET

The Agency's budget will be adopted by the Board prior to the first day of the fiscal year. The proposed budget shall be submitted by the CFO/AGM and transmitted to members of the Board for review at a minimum of 10 days before the required date of adoption. However, if for a valid and sufficient reason, the budget cannot be adopted by the first day of the fiscal year, the budget shall be adopted no later than 45 days subsequent to the beginning of the fiscal year. If the budget is not adopted prior to the beginning of the fiscal year, a resolution authorizing the continuation of necessary and essential expenses to operate the Agency shall be adopted prior to the beginning of the fiscal year.

The budget, as adopted, shall be a balanced budget with anticipated sources of funds including appropriated unencumbered fund balances and reserves equal to appropriated uses of funds. Each fund within the budget shall also be balanced.

The adoption of the budget shall be accomplished by the approval of a budget resolution. The resolution must be entered into the minutes of the Board meeting at which it was adopted.

SECTION 108 - BUDGET, A PUBLIC RECORD

At the time the proposed budget is submitted by the CFO/AGM and delivered to members of the Board for its review, a summary of the proposed budget shall be made available for public inspection during regular business hours at the Agency's administrative office and website for a minimum of 10 days before the required date of adoption. At a minimum the summary of the proposed budget should include the Sources and Uses of Funds by Funds reports, program rates and fees, and a listing of all projects.

When the proposed budget has been approved by the Board, the adopted budget document shall be made available for public inspection, during regular business hours at the Agency's administrative office; as well as, on the Agency's website (www.ieua.org).

SECTION 109 - BUDGET AMENDMENTS

Budget amendments must be approved by a majority of the Board prior to obligating funds in excess of the budgeted appropriations to ensure they pose no financial risk to the Agency' overall financial health. The only exceptions to prior Board approval are; emergency procurements and the use of the GM Contingency Account(s) to support unplanned expenditures.

- Emergency procurements can be approved by the GM or designee and submitted for ratification by the Board at the next regularly scheduled meeting, as defined in the Agency's Procurement Ordinance.
- Solely in the case of the GM Contingency Account(s), the GM or designee is authorized to reallocate the GM Contingency budget to other funds and account categories as needed to support unplanned expenditures, as defined in the Agency's Budget Amendment Policy. Replenishment of the GM Contingency Account are considered budget amendments and are subject to approval by the majority of the Board.

Changes to the second year of the Adopted Biennial Budget are considered budget amendments. These budget amendments shall be made through the mid-year budget review process which takes place in the second half of the first year of the biennial budget cycle.

Encumbered, obligated or unexpended funds at the end of the fiscal year carried forward to the following fiscal year, as defined in the Agency's Fiscal Year End Carry Forward of Encumbrances and Related Budget, are considered budget amendments and require approval by the majority of the Board.

PART II – RESPONSIBILITIES

SECTION 201 - APPROVAL AND RESPONSIBILITIES

All Agency employees shall comply with the provisions of this Ordinance to ensure the responsible and prudent use of public funds, and to maintain the preservation of the public trust.

The CFO/AGM, under the direction of GM, is authorized as follows:

- Administration, control, oversight, and reporting of the financial affairs of the Agency;
- Oversight of disbursement of all monies;
- Exercise of budgetary control over expenditures to ensure that annual appropriations and total project budget as approved by the Board are not exceeded; and
- Confirmation that appropriation will be encumbered and no expenditure shall be made unless sufficient unencumbered fund balance is available.

The GM and the CFO/AGM are authorized to approve reallocation of appropriations between departments within the same fund and account category, as defined in the Budget Amendment Policy.

Department managers are responsible for monitoring their budgets and determining if a budget amendment or budget transfer is necessary.

SECTION 202- UNENCUMBERED FUND BALANCE

All appropriations which are not obligated, encumbered, or expended at the end of the fiscal year shall lapse and shall become part of the unrestricted fund balance after adjustment for required fund reservations. The final unrestricted fund balance at the end of a fiscal year may be appropriated in the following fiscal year.

SECTION 203 - FINANCIAL POLICY AND REPORTING

Financial Policies to support the Agency's business goals of fiscal responsibility at the direction of the GM and CFO/AGM shall be presented to the Board upon revision or update, based on regulatory changes or staff recommendations and updated in accordance with California code.

Financial reports shall be prepared and presented to the Board during the fiscal year, amongst them:

- Monthly report on the Agency's cash and investments activities and status.
- Monthly report on detailed disbursements.
- Quarterly report on current conditions of all major accounts compared to the Adopted or Amended Budget, including budget transfers and budget amendments implemented during the report period.

PROPOSED

- A Comprehensive Annual Financial Report shall be prepared and published no later than six months after the conclusion of each fiscal year.
- Single Audit, as required.

All financial reports shall be posted on the Agency's website.

SECTION 204 - ANNUAL INDEPENDENT AUDIT

All funds, accounts, and financial transactions of the Agency, including a single audit for grants related activities if required, shall be subjected to an annual audit by an independent certified public accountant.

SECTION 205 - IMPLEMENTATION RESPONSIBILITY

The responsibility for the proper execution of the provisions of this Fiscal Control Ordinance shall be with the CFO/AGM under the direction of the GM, except where responsibility is explicitly given to the Board.

SECTION 206 - SEVERABILITY

In the event any section, subsection, sentence, clause, or phrase of this Ordinance shall be declared or adjusted invalid or unconstitutional, such adjudication shall in no manner affect the other sections, subsections, sentences, clauses, or phrases of this Ordinance, which shall remain in full force and effect, as if the section, subsection, sentence, clause or phrase so declared or adjudged invalid or unconstitutional were not originally part hereof.

SECTION 207 - REPEAL OF PRIOR ORDINANCES

Upon adoption of Ordinance No. 102, Ordinance No. 90 is hereby repealed in its entirety.

SECTION 208 - EFFECTIVE DATE AND EXECUTION

This Ordinance shall take effect immediately upon adoption by the Board, and execution of said Ordinance by the President and Secretary/Treasurer thereof.

ADOPTED, this 18th day of May, 2016.

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

ATTEST:

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

* A MUNICIPAL WATER DISTRICT

STATE OF CALIFORNIA)
COUNTY OF) SS
SAN BERNARDINO)

I, Steven J. Elie, Secretary of the Inland Empire Utilities Agency*, DO HEREBY CERTIFY that the foregoing Ordinance being No. 102, was adopted at a regular Board Meeting on May 18, 2016, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie, Secretary/Treasurer

(SEAL)

* A MUNICIPAL WATER DISTRICT

**INFORMATION
ITEM
3B**



Date: May 18, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (05/11/16)

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

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

JL Javier Chagoyen- Lazaro
Manager of Finance and Accounting

Subject: FY 2016/17 Adopted Budget for Inland Empire Regional Composting Authority

RECOMMENDATION

The FY 2016/17 Adopted Budget for the Inland Regional Composting Authority is submitted as an informational item for the Board to review and file.

BACKGROUND

Annually, the Inland Empire Regional Composting Authority (IERCA) prepares a budget for operating expenses and capital expenditures. The budget is presented to the IERCA Board for adoption prior to June 30 of each year, pursuant to the Joint Powers Agreement (JPA). The IERCA Board adopted the FY 2016/17 Budget on May 2, 2016.

Revenues

Total revenues and other funding sources are budgeted at \$9.6 million, an increase of \$1.1 million from the FY 2015/16 projected actual. An increase in the tipping fee from \$54 per wet ton of biosolids to \$55 per wet ton was proposed for FY 2016/17. Total wet tons of biosolids are projected to remain at 145,000, resulting in tipping fees of \$8.0 million. Compost sales and deliveries are estimated at \$550,000, equal to the current fiscal year projections. An anticipated capital call of \$1.0 million is included in the FY 2016/17 budget to support capital project spending. If executed, this call will be funded equally by IEUA and Sanitation District No. 2 of Los Angeles County (SDLAC). The call of \$0.5 million for IEUA will be supported by the Regional Wastewater Capital (RC) fund.

Expenses

Total operating expenses are budgeted at \$7.5 million, \$0.5 million higher than the \$7.0 million projected for the current fiscal year. Employment costs, projected for 25 full time equivalent (FTE) positions for FY 2016/17, comprise nearly 50% of total operating costs. Total employment costs are budgeted at \$3.6 million and include a 3.5% cost of living adjustment (COLA) that will take effect on July 1st. IEUA labor costs of \$3.5 million are budgeted in the Regional Wastewater Operations and Maintenance (RO) fund. SDLAC labor costs and other contract labor account for the remaining \$0.1 million. Other significant operating costs include: utilities \$1.3 million, materials and supplies \$1.1 million, professional fees and services \$891,600, and biofilter media replacement \$250,000. Capital expenditures are budgeted at \$1.6 million, an increase of approximately \$844,000 from the current year projected actual. This increase is primarily for capital expansion projects.

Reserves

Total fund balance is estimated to increase slightly from \$2.3 million projected at the end of the current fiscal year to \$2.8 million at the end of FY 2016/17. The estimated ending fund balance is designated as follows: \$1.8 million for operating contingency (based on a minimum of 3 months of budgeted operating costs), \$426,000 for capital replacement and construction, \$345,000 for bio-filter media replacement, and \$200,000 for liability insurance.

Please refer to the attached copies of the IERCA board letter, proposed budget, and presentation dated May 2, 2016.

PRIOR BOARD ACTION


None.

IMPACT ON BUDGET

There will be no impact on the FY 2016/17 budget.

Attachment A – IERCA Board Letter
Attachment B - Schedules 1A – C, FY 2016/17 IERCA Proposed Budget
Attachment C – FY 2016/17 IERCA Budget Presentation



Date: May 2, 2016
To: Honorable Board of Directors
From:  Christina Valencia
Treasurer
Subject: Adoption of IERCA Budget for Fiscal Year 2016/17

RECOMMENDATION

It is recommended that the Board of Directors;

1. Adopt the Inland Empire Regional Composting Authority (IERCA) budget for fiscal year 2016/17;
2. Increase the tipping fee rate to from \$54 to \$55 per wet ton effective July 1, 2016; and
3. Approve a capital call of \$1,000,000 to be shared equally by the Inland Empire Utilities Agency (IEUA) and the Sanitation District No. 2 of Los Angeles County (SDLAC) to support capital improvement project costs, as needed.

BACKGROUND

Pursuant to the Inland Empire Regional Composting Authority Joint Powers Agreement (JPA), an annual operating and capital budget is to be presented and adopted by the JPA Board prior to June 30 each year. The proposed FY 2016/17 budget is based on the following key assumptions:

Revenues

- Increase tipping fee from \$54 to \$55 per wet ton.
- Maintain the estimated biosolids receipts of 145,000 tons.
- Execute \$1,000,000 capital call.

O&M Expenses

- Authorized staffing of 25 full time equivalent (FTEs) positions.
- \$0.130/kWh rate assumed for electricity purchased from the grid.
- \$0.1354/kWh rate for solar power.

Capital Improvement Plan (CIP)

- \$650,000 capital construction projects supported by capital call and designated fund reserves.
- \$938,500 capital rehabilitation and replacement (R&R) projects supported by tipping fees.

(\$ Millions)	Actual 2014/15	Adopted Budget 2015/16	Amended Budget 2015/16	Projected Actual 2015/16	Proposed 2016/17
Total Capital/ R&R Projects	\$3.97	\$1.03	\$1.19	\$0.71	\$1.59

The increase of \$166,000 between the FY 2015/16 adopted and amended budget is primarily due open encumbrances carried forward from the prior fiscal year. Cumulative project costs for FY 2015/16 projects are within the respective total project budget.

Not included in the proposed capital improvement plan (CIP) budget is the expansion of the solar renewable energy system. Staff is currently evaluating alternative financing options, including direct purchase of the solar panels to take advantage of the federal/state incentives, or a power purchase agreement similar to the one exercised for the existing system.

A recommendation will be brought forth the JPA Board at the completion of the business case evaluation.

FY 2016/17 Budget Summary

The following section summarizes the FY 2016/17 budget for total revenues, expenses, and capital expenditures.

An increase of approximately \$1,095,000 is projected for total revenues in FY 2016/17 of \$9.6 million compared to the \$8.5 million of FY 2015/16 projected actual.

REVENUES	\$000's	\$/Ton	Assumptions
Tipping Fees	\$7,975	\$55	Based on 145,000 wet tons per year @ a rate of \$55.00/ton
Contributed Capital	1,000		Capital call equally shared by IEUA and <u>SDLAC</u> . The last approved call was adopted in the FY 2014/15 budget, but no call was executed.
Compost Sales/ Organics Waste Recycling/Compost Deliveries	550		100% sales of compost products Compost delivery service
Biosolids Administration Fees	25		Tipping fee surcharge paid by third party biosolids suppliers
Energy Rebates	12		
Interest Revenue	10		Assumes 0.5% annual interest rate
Other Non-Operating Revenues	5		Miscellaneous credits
Total Revenues	\$9,577		

Total operating expenses of \$7.5 million proposed for FY 2016/17 are approximately \$500,000 higher than current fiscal year projected actual of \$7.0 million.

OPERATING EXPENSES	\$,000's	Assumptions
Employment	\$3,620	25 FTEs and operations support provided by IEUA/SDLAC
Utilities	1,252	Includes power purchases from the grid and solar renewable energy
Materials & Supplies	1,323	Includes facility maintenance supplies, diesel fuel, and biofilter media replacement reserve
Professional Services	892	Includes compost transport and contracted services
Office & Administration	48	Includes employee training, memberships and office supplies
Other Expenses	371	Includes leases/rental and financial expenses, insurance, operating fees (Non-Reclaimable Wastewater charges, permits and licenses.)
Total Expenses	\$7,506	

FY 2016/17 project budget of \$1.6 million represent an increase of approximately \$874,000 compared to the FY 2015/16 projected actual. The additional amount is primarily driven by higher R&R requirements and additional facility improvements.

CAPITAL PROJECTS	\$,000's	Project Description
Capital Construction		
Baghouse Improvements	\$350	Modification of additional ducting to prevent dust accumulation and make the ducting system homogeneous throughout.
MCC HVAC Improvements	200	Replacement of existing air conditioning units to keep the facility operational without impacting productivity or quality of compost.
Building Improvements	100	Improvements to retrofit the conference room and create additional warehouse storage and office space.
Subtotal Capital Construction	\$650	
Capital R&R		
Capital Replacement	\$500	Unplanned facility and equipment rehabilitation and replacement.
Fire Sprinkler Improvements	200	Replacement of the exposed fire sprinkler system that has been corroded by the IERCF atmosphere.
Receiving Pit	150	
Other Capital Projects	89	Includes IS projects to replace printers, VM host servers, network switches, and database servers.
Subtotal R&R	\$939	
Total Capital Project Budget	\$1,589	

Fund Balance

Based on the proposed budget, the total ending fund balance is estimated to be \$2.8 million at the end of FY 2016/17; an increase of approximately \$480,000 from the projected ending balance at the end of the current fiscal year. Included in the \$2.8 million is the \$1.0 million capital call to support capital construction project expenditures if needed.

Designation of Fund Balance

Maintaining an adequate fund balance is essential in ensuring the JPA's ability to support day-to-day operations and near term operating and capital requirements. The table below summarizes the proposed designation for the estimated fund balance of \$2.8 million at the end of FY 2016/17, along with the intended funding sources.

Fund Balance Category	Description	Estimated Funding Balance as of 6/30/2017 (\$Thousands)	Funding Source
Operating Contingency	Equal to three months of operating expenses to address unplanned eve	\$1,814	Tipping fees
BioFilter Replacement	Annual deposits build to support full replacement every 5 years	345	
Insurance Liability	Self-insurance program	200	
Capital Replacement/Construction	Projected R&R costs over the next 5 years averages about \$5 per wet ton. Approximately \$2.75 per wet ton is covered by the proposed \$55 fee.	426	Replacement-Tipping Fees Construction – Capital Call
Total		\$2,785	

PRIOR BOARD ACTION

The Board adopted the FY 2015/16 budget on May 4, 2015.

IMPACT ON BUDGET

None.

Inland Empire Regional Composting Authority
 Fiscal Year 2016/17 Proposed Budget -
 Schedule A Summary

	Actuals		Actual		Adopted		Amended		Proj. Actual		Forecast			
	2013/14	2014/15	2015/16	2015/16	2015/16	2015/16	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
Rate Per Ton	\$52.00	\$54.00	\$54.00	\$54.00	\$54.00	\$54.00	\$55.00	\$55.00	\$54.00	\$54.00	\$57.00	\$58.00	\$60.00	\$60.00
Actual/Projected Tonnage	146,611	145,540	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000
Revenues														
Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,000,000)	(\$1,000,000)	\$0	(\$1,000,000)	(\$1,000,000)	\$0	\$0	\$0
Biosolids Recycling (Tipping Fees)	(7,715,437)	(7,922,761)	(7,830,000)	(7,830,000)	(7,830,000)	(7,830,000)	(7,975,000)	(7,975,000)	(7,900,000)	(7,975,000)	(8,265,000)	(8,410,000)	(8,700,000)	(8,700,000)
Biosolids Recycling Admin Fees	(93,888)	(300)	(23,500)	(23,500)	(23,500)	(23,500)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Compost Delivery Svcs	(93,888)	(167,589)	(180,000)	(180,000)	(180,000)	(180,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Compost Sales	(475,339)	(407,252)	(400,000)	(400,000)	(400,000)	(400,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
Energy/Cap Rebates	(17,442)	(1,695)	(15,000)	(15,000)	(15,000)	(15,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Interest Income	(16,006)	(15,960)	(18,000)	(18,000)	(18,000)	(18,000)	(10,000)	(10,000)	(10,000)	(10,000)	(18,000)	(18,000)	(18,000)	(18,000)
Proceeds from Sale of Assets	(400)	-	-	-	-	-	-	-	-	-	-	-	-	-
Draw on Biofilter Reserve	(1,590)	(15,047)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Other Non Operating Revenues	(68,320,203)	(\$8,530,604)	(\$8,448,000)	(\$8,471,500)	(\$8,448,000)	(\$8,471,500)	(\$9,577,000)	(\$9,577,000)	(\$8,482,000)	(\$8,482,000)	(\$9,875,000)	(\$9,020,000)	(\$10,310,000)	(\$10,310,000)
Total Revenues Available for Expenses														
Expenses														
Labor	\$3,190,056	\$3,477,139	\$3,482,317	\$3,501,703	\$3,482,317	\$3,501,703	\$3,619,831	\$3,619,831	\$3,427,317	\$3,427,317	\$3,913,200	\$4,019,857	\$4,115,598	\$4,115,598
Office & Administration	44,567	43,560	53,916	54,927	53,916	54,927	47,960	47,960	45,590	45,590	50,762	52,213	53,699	53,699
Professional Fees & Services	558,144	945,838	770,100	1,074,988	770,100	1,074,988	891,600	891,600	764,361	764,361	944,889	972,745	1,001,932	1,001,932
Materials & Supplies/O&M Projects	949,128	1,077,806	1,090,700	1,151,301	1,090,700	1,151,301	1,073,100	1,073,100	1,015,600	1,015,600	1,213,817	1,248,162	1,283,537	1,283,537
Bio Filter Media Replacement	-	719,792	250,000	250,000	250,000	250,000	250,000	250,000	-	-	265,225	275,182	1,000,000	1,000,000
Insurance	146,256	159,160	163,000	169,000	163,000	169,000	165,000	165,000	151,998	151,998	180,358	185,764	191,336	191,336
Operating Fees	43,279	77,952	87,556	87,556	87,556	87,556	91,800	91,800	74,310	74,310	95,564	97,531	99,557	99,557
Utilities	1,255,181	1,164,936	1,263,425	1,263,425	1,263,425	1,263,425	1,251,630	1,251,630	1,442,148	1,442,148	1,383,944	1,376,962	1,421,271	1,421,271
Leases & Rentals	72,958	92,958	112,000	117,966	112,000	117,966	115,000	115,000	80,000	80,000	122,003	125,664	129,433	129,433
Financial Expenses	16,684	241,333	100	100	100	100	100	100	100	100	100	100	100	100
Total Expenses	\$8,276,252	\$8,000,473	\$7,273,114	\$7,664,966	\$7,273,114	\$7,664,966	\$7,506,021	\$7,506,021	\$7,001,364	\$7,001,364	\$8,119,859	\$8,352,179	\$9,286,464	\$9,286,464
Capital Projects														
Capital Replacement Project	\$3,436,382	\$2,916,757	\$825,000	\$991,563	\$825,000	\$991,563	\$998,500	\$998,500	\$714,615	\$714,615	\$800,000	\$800,000	\$800,000	\$800,000
Capital Expansion Projects	15,144	1,051,029	200,000	200,000	200,000	200,000	650,000	650,000	-	-	-	-	-	-
Total Capital Projects	\$3,451,526	\$3,967,786	\$1,025,000	\$1,191,563	\$1,025,000	\$1,191,563	\$1,588,500	\$1,588,500	\$714,615	\$714,615	\$800,000	\$800,000	\$800,000	\$800,000
Net Profit/(Loss)	(\$1,407,575)	(\$3,457,655)	\$149,886	(\$385,029)	\$149,886	(\$385,029)	\$482,479	\$482,479	\$766,021	\$766,021	\$955,141	(\$132,179)	\$213,536	\$213,536
Reserves														
Beginning Reserve Balance	\$6,381,688	\$4,974,113	\$3,948,179	\$1,536,457	\$3,948,179	\$1,536,457	\$2,302,479	\$2,302,479	\$1,536,457	\$1,536,457	\$2,956,093	\$3,911,234	\$3,779,055	\$3,779,055
Ending Reserve Balance	\$4,974,113	\$1,536,457	\$4,098,064	\$1,151,428	\$4,098,064	\$1,151,428	\$2,784,958	\$2,784,958	\$2,302,479	\$2,302,479	\$3,911,234	\$5,779,055	\$3,962,591	\$3,962,591
Operating Contingency (3mths Expenses)														
Replacement Reserve - Bio Filter	\$2,092,084	\$2,666,824	\$2,941,038	\$1,853,742	\$2,941,038	\$1,853,742	\$1,814,005	\$1,814,005	\$1,750,341	\$1,750,341	\$1,963,658	\$2,019,749	\$2,074,116	\$2,074,116
Insurance Liability (Risk Mgmt)	100,000	200,000	409,000	272,500	409,000	272,500	345,000	345,000	272,500	272,500	620,500	823,500	26,500	26,500
Capital Replacement & Construction	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Total Reserve Balance	\$2,582,029	(1,530,367)	\$1,544,026	(1,174,813)	\$1,544,026	(1,174,813)	\$2,302,479	\$2,302,479	\$2,302,479	\$2,302,479	\$3,911,234	\$3,779,055	\$3,962,591	\$3,962,591

Inland Empire Regional Composting Authority
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Cost Center	Cost Element	Actual 2013/14	Actual 2014/15	Adopted 2015/16	Amended 2015/16	Proj. Actual 2015/16	Proposed 2016/17	2017/18	2018/19	2019/20	2020/21
	Tonnage/Rate										
	Tons	146,611	145,540	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000
	O&M Cost per ton	\$ 42.81	\$ 54.97	\$ 50.16	\$ 52.86	\$ 48.29	\$ 51.77	\$ 54.37	\$ 56.00	\$ 57.60	\$ 57.22
	Biofilter Medio Replacement Reserve			\$ 1.40	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 1.40	\$ 1.40	\$ 1.40
	Capital Expansion Cost per Ton			\$ 7.07	\$ 8.22	\$ 4.93	\$ 6.47	\$ 3.97	\$ 5.52	\$ 5.52	\$ 5.52
	Capital Replacement Cost per Ton	\$ 23.54	\$ 27.26	\$ 58.63	\$ 61.58	\$ 53.71	\$ 63.22	\$ 59.33	\$ 62.92	\$ 64.52	\$ 64.13
	Total Cost Per Ton	\$ 66.35	\$ 82.23	\$ 116.26	\$ 123.16	\$ 107.23	\$ 127.98	\$ 121.77	\$ 125.44	\$ 127.54	\$ 127.17
	Member Contributions										
	CIP Funded by Reserves										
	Rate Per Ton	\$ 66.35	\$ 82.23	\$ 58.63	\$ 61.58	\$ 53.71	\$ 63.22	\$ 59.33	\$ 62.92	\$ 64.52	\$ 64.13
	Adopted Rate Per Ton	\$ 52.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 54.00	\$ 55.00	\$ 56.00	\$ 57.00	\$ 58.00	\$ 60.00
	Revenues										
	211112 406000 Compost Delivery Svcs	(93,888)	(167,589)	(180,000)	(180,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
	211112 406200 Compost Sales	(475,339)	(407,252)	(400,000)	(400,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
	Service Charges	(569,227)	(574,841)	(580,000)	(580,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)	(550,000)
	200112 404010 Biosolids Recycling (Tipping Fees)	(7,715,437)	(7,922,761)	(7,830,000)	(7,830,000)	(7,900,000)	(7,975,000)	(8,120,000)	(8,265,000)	(8,410,000)	(8,700,000)
	200112 409920 Biosolids Recycling Admin Fees	(300)	(300)	(23,500)	(23,500)	(10,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
	Sales	(7,715,437)	(7,923,061)	(7,853,500)	(7,853,500)	(7,910,000)	(8,000,000)	(8,145,000)	(8,290,000)	(8,435,000)	(8,725,000)
	211112 412030 Energy/Cap Rebates	(17,442)	(1,695)	(15,000)	(15,000)	(10,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
	Other Revenues	(17,442)	(1,695)	(15,000)	(15,000)	(10,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
	Operating Revenues	(8,302,106)	(8,499,587)	(8,425,000)	(8,448,500)	(8,470,000)	(8,562,000)	(8,707,000)	(8,852,000)	(8,997,000)	(9,287,000)
	211112 480110 Interest Income	(16,006)	(15,960)	(18,000)	(18,000)	(12,000)	(10,000)	(18,000)	(18,000)	(18,000)	(18,000)
	211112 483010 Contributed Capital	(400)	-	-	-	-	(1,000,000)	-	(1,000,000)	-	-
	211112 493110 Proceeds from Sale of Assets	(400)	-	-	-	-	-	-	-	-	(1,000,000)
	Draw on Reserves for Biofilter Reserve	(1,690)	(15,047)	(5,000)	(5,000)	-	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
	211112 499010 Other Non Operating Revenues	(18,097)	(31,087)	(23,000)	(23,000)	(12,000)	(1,015,000)	(23,000)	(1,023,000)	(23,000)	(1,023,000)
	Non Operating Revenues	(18,097)	(31,087)	(23,000)	(23,000)	(12,000)	(1,015,000)	(23,000)	(1,023,000)	(23,000)	(1,023,000)
	TOTAL REVENUES	(8,320,203)	(8,530,604)	(8,448,000)	(8,471,500)	(8,482,000)	(9,577,000)	(8,730,000)	(9,875,000)	(9,020,000)	(10,310,000)
	Expenses										
	Office & Administration										
	211112 511120 Employee Training and Seminars - Dept Sp	6,529	2,255	7,500	7,500	7,500	7,500	7,725	7,957	8,195	8,441
	211112 511210 Overtime - Meal Costs	9,111	12,494	9,800	9,800	9,800	9,800	10,000	10,400	10,700	11,000
	211112 511220 Travel Costs - Mileage Reimbursement	1,472	1,569	2,400	2,400	1,000	1,000	1,030	1,061	1,093	1,125
	211112 511230 Travel Costs - Transportation	628	430	800	800	300	300	319	329	339	349
	211112 511240 Travel Costs - Meals	2,135	2,288	4,500	4,500	1,500	2,500	2,575	2,652	2,732	2,814
	211112 511250 Travel Costs - Lodging	288	231	300	300	200	200	206	212	219	225
	211112 511290 Travel Costs - Other	100	100	300	300	240	240	247	255	262	270
	211112 511330 Safety Awards	6,853	6,801	8,300	9,311	8,000	8,000	8,240	8,487	8,742	9,004
	211112 512010 Office Supplies-General	-	427	350	350	350	360	371	382	393	405
	211112 512210 Forms, Printing and Copying costs	-	1,268	1,000	1,000	700	500	515	530	546	563
	211112 512350 Postage and Delivery Charges	23	-	1,000	1,000	700	500	515	530	546	563

**Inland Empire Regional Composting Authority
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Cost Center	Cost Element	Actual 2013/14	Actual 2014/15	Adopted 2015/16	Amended 2015/16	Proj Actual 2015/16	Proposed 2016/17	2017/18	2018/19	2019/20	2020/21
	211112 513010 Meeting Expenses	1,413	2,044	1,560	1,560	3,000	3,000	3,000	3,000	3,000	3,000
	211112 513020 Conference Expenses	1,130	2,095	2,750	2,750	1,000	2,000	2,060	2,122	2,185	2,251
	211112 514010 Memberships - Agency Wide	11,050	10,300	11,000	11,000	11,000	11,000	11,360	11,731	12,113	12,506
	211112 514020 Memberships - Cost Center / Employee Spe	-	222	156	156	-	-	-	477	492	507
	211112 514110 Subscriptions and Publications	-	226	450	450	400	450	464	530	546	563
	211112 514210 Registration-DMV, Title, Permit, Applic	1,208	250	500	500	500	500	515	530	546	563
	211112 515030 Contributions-Sponsorships	3,028	186	1,800	1,800	-	-	-	-	-	-
	211112 516010 Ad's-Newspaper/Mag Announcement	-	375	200	200	100	200	206	212	219	225
	211112 519510 Othr Admin Expense	-	-	400	400	-	400	412	424	437	450
	211112 519530 Fines & Penalties	-	-	-	-	-	-	-	-	-	-
	Office & Administration Expenses	44,367	43,560	53,916	54,927	45,550	47,960	49,245	50,762	52,213	53,699
	Materials & Supplies										
	211112 512110 Operating Supplies - General	21,350	23,928	12,000	12,000	12,000	12,000	12,360	12,731	13,113	13,506
	211112 512140 Uniform / Throw Rugs	14,641	18,094	16,500	16,500	16,500	17,000	17,510	18,035	18,576	19,134
	211112 512160 Laboratory Supplies	3,700	1,616	5,000	5,000	3,000	5,000	5,150	5,305	5,464	5,628
	211112 512170 Operations & Maintenance Supplies	275,374	405,860	450,000	472,298	450,000	475,000	489,250	503,927	519,045	534,617
	211112 512190 Disaster Preparedness Supplies	50	-	100	100	100	100	103	106	109	113
	211112 512410 Fuel	214,732	159,030	240,000	259,170	200,000	200,000	257,500	265,225	273,182	281,377
	211112 512440 Industrial Gases	18	-	-	-	-	-	-	-	-	-
	211112 512450 Fleet Parts & Supplies	30	2,620	2,100	2,100	2,000	2,000	2,000	2,000	2,000	2,000
	211112 512610 Equipment/Furniture - Office - Low Value	1,284	108	5,000	5,000	2,000	2,000	2,000	2,000	2,000	2,000
	211112 512660 Equipment - Small Tools/Equip.< \$2000	4,759	5,472	310,000	326,739	300,000	320,000	329,600	339,488	349,673	360,163
	211112 512710 Equipment Maintenance & Supplies	316,269	232,349	50,000	52,394	30,000	40,000	40,000	40,000	40,000	40,000
	211112 512910 Other Materials & Supplies	69,792	222,383	250,000	250,000	-	250,000	257,500	265,225	273,182	1,000,000
	211112 512920 Biofilter Media Replacement	27,130	6,346	-	-	-	-	25,000	25,000	25,000	25,000
	211112 O&M Projects	949,128	1,797,598	1,340,700	1,401,301	1,015,600	1,323,100	1,437,973	1,479,042	1,521,344	2,283,537
	Materials & Supplies			1,340,700	1,401,301	1,015,600	1,323,100	1,437,973	1,479,042	1,521,344	2,283,537
	Insurance										
	211112 517010 Insurance Premiums - Liability	29,914	38,560	38,000	38,000	29,312	35,000	36,200	42,436	43,709	45,020
	211112 517210 Insurance Premiums - Casualty	116,600	120,600	125,000	125,000	122,626	130,000	133,900	137,917	142,054	146,316
	211112 517510 Insurance Deductions - Property Loss	(258)	-	-	-	-	-	-	-	-	-
	Insurance	146,256	159,160	163,000	163,000	151,938	165,000	170,100	180,353	185,764	191,336
	Professional Fees & Services										
	211112 520110 External Audit Services	4,450	4,049	5,000	5,101	5,000	5,000	5,150	5,300	5,463	5,627
	211112 520210 Legal Fees - General	9,928	15,024	8,500	8,500	7,761	8,500	8,500	8,500	8,500	9,000
	211112 520960 Internet Services	-	10	-	5,000	2,000	5,000	5,000	5,000	5,000	5,000
	211112 520980 Professional Services - Other	48,964	-	-	-	-	-	-	-	-	-
	211112 521010 Contract Labor	98,799	89,268	60,000	79,386	60,000	62,000	63,860	65,776	67,749	69,782
	211112 521015 Contract Labor_I EUA	3,054,652	3,359,606	3,350,317	3,350,317	3,350,317	3,525,831	3,707,491	3,813,476	3,917,141	4,009,800
	211112 521018 Contract Labor-IACSD	21,388	16,258	65,000	65,000	10,000	25,000	25,750	26,522	27,318	28,138
	211112 521030 Contract Burden	15,237	12,008	7,000	7,000	7,000	7,000	7,210	7,426	7,649	7,879
	211112 521050 Contract Materials	813	520	3,000	3,000	1,000	3,000	3,000	3,000	3,000	3,000
	211112 521080 Other Contractual Services	431,339	888,202	700,000	1,000,997	700,000	820,000	844,600	869,938	896,036	922,917
	211112 521110 Outside Svc's-Landscaping/Weed/Pest Cntrl	8,050	7,864	8,300	8,368	8,300	8,500	8,755	9,018	9,288	9,567
	211112 521120 Outside Services - Security	13,646	13,646	24,000	24,492	24,000	25,000	25,750	26,522	27,318	28,138
	211112 521130 Outside Services - Janitorial	11,293	10,369	11,300	11,873	11,300	11,600	11,948	12,306	12,676	13,056

Inland Empire Regional Composting Authority
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Cost Center	Cost Element	Actual 2013/14	Actual 2014/15	Adopted 2015/16	Amended 2015/16	Proj Actual 2015/16	Proposed 2016/17	2017/18	2018/19	2019/20	2020/21
		16,160	6,153	5,000	7,656	5,000	5,000	5,150	5,305	5,464	5,628
		13,500									
		3,748,200	4,422,978	4,252,417	4,576,691	4,191,678	4,511,491	4,722,164	4,858,090	4,992,602	5,117,530
	Prof. fees & Services										
	Operating Fees										
211112	519310 Operating Permits, Licenses & Fees	18,231	11,430	35,000	35,000	20,000	20,000	20,000	20,000	20,000	20,000
211112	540110 Wastewater-Volumetric Fees	9,699	8,279	9,000	9,000	10,000	10,000	10,000	10,000	10,000	10,000
211112	540210 Strength Charges-BOD/COD	8,338	12,488	7,000	7,000	12,000	17,500	18,025	18,566	19,123	19,696
211112	540220 Strength Charges-TSS	1,720	13,323	13,000	13,000	4,400	4,500	4,635	4,774	4,917	5,065
211112	540223 Strength Charges-TSS Discrepancy Charge		7,441	3,000	3,000	4,910	5,000	5,150	5,305	5,464	5,628
211112	540320 Monthly Capacity Charge-Regional	4,211	5,070	18,000	18,000						
211112	540330 Capital Improv Proj (CIP) Fees	1,080	19,921	2,556	2,556	23,000	34,800	35,844	36,919	38,027	39,168
	Operating Fees	43,279	77,952	87,556	87,556	74,310	91,800	93,654	95,564	97,531	99,557
	Utilities										
211112	545110 Electricity	982,941	906,078	1,000,000	1,000,000	1,194,223	1,000,000	1,033,000	1,066,990	1,102,000	1,138,060
211112	545220 Solar Power	233,775	224,396	225,675	225,675	225,675	230,180	237,085	244,198	251,524	259,070
211112	545310 Cell Phone Accessories		174	250	250		250	258	265	273	281
211112	545311 Cell Phone Expenses	7,294	7,050	6,700	6,700	8,000	6,900	7,107	7,320	7,540	7,766
211112	545320 Telephone	1,134	1,009	1,800	1,800	250	300	309	318	328	338
211112	545360 Disposal Service	26,893	22,835	25,000	25,000	10,000	10,000	10,300	10,609	10,927	11,255
211112	545370 Water	3,143	3,393	4,000	4,000	4,000	4,000	4,120	4,244	4,371	4,502
	Utilities	1,255,181	1,164,936	1,263,425	1,263,425	1,442,148	1,251,630	1,292,179	1,333,944	1,376,362	1,421,271
	Leases / Rentals										
211112	512730 Equipment Rental (Non Lease)		21,810	30,000	35,966	10,000	30,000	30,900	31,827	32,782	33,765
211112	547110 Building / Trailer Leases	71,085	71,148	82,000	82,000	70,000	85,000	87,550	90,176	92,882	95,668
	Lease/Rentals	72,958	92,958	112,000	117,966	80,000	115,000	118,450	122,003	125,664	129,433
	Operating Expenses	6,259,568	7,759,141	7,273,014	7,664,866	7,001,264	7,505,921	7,883,765	8,119,759	8,352,079	8,296,364
	Financial Expenses										
211112	551010 Bank Service Charges / Fees	55	94	100	100	100	100	100	100	100	100
211112	580020 Loss on Sale of Asset		237,166								
211112	580050 Bad Debt Expense	16,629	4,073								
	Financial Expenses	16,684	241,333	100	100	100	100	100	100	100	100
	Interest Expenses										
	Interest Expenses										
	Non-Operating Expenses	16,684	241,333	100	100	100	100	100	100	100	100
	Capital Projects										
	Capital Replacement Projects	3,436,382	2,916,757	825,000	991,563	714,615	938,500	575,000	800,000	800,000	800,000
	Capital Expansion Projects	15,144	1,051,029	200,000	200,000		650,000	100,000			
	Capital Projects	3,451,526	3,967,786	1,025,000	1,191,563	714,615	1,588,500	675,000	800,000	800,000	800,000
	TOTAL EXPENSES	9,727,778	11,968,259	8,298,114	8,856,529	7,715,979	9,094,521	8,558,865	8,919,859	9,152,179	10,096,464
	Net Profit/(Loss)	(1,407,575)	(3,437,653)	149,886	(385,029)	766,021	482,679	171,135	955,141	(132,179)	213,536

Inland Empire Regional Composting Authority
 Fiscal Year 2016/17 Proposed Budget - Schedule C Projects

Project No.	Project Title	Actual		Actuals 2014/15	Adopted 2015/16	Amended 2015/16	Proj. Actual 2015/16	Proposed 2016/17	Forecast			
		2013/14	2014/15						2017/18	2018/19	2019/20	2020/21
Capital Projects												
Capital Replacement												
<i>Completed & Closed Projects</i>												
RA11001	RCA Capital Replacement	259,763	619,464		500,000	560,458	350,000	500,000	500,000	500,000	500,000	500,000
RA11004	IERCF Process Improvements	349,975	271,406	2,014,544		21,475	173,150					
RA14002	IERCF Locker Room AC	2,721,777	3,875		250,000	250,000	100,000	150,000				
RA14003	IERCF Receiving Pit	80,257	387		75,000	5,630	760	200,000				
RA14004	IERCF Harmonic Filtr	14,817	7,081			75,000						
RA16001	Fire Sprinkler Improvements	-	-			54,000	51,205					
RA16002	IERCA ControlNet Replacement	-	-			25,000	19,500					
RA16003	IERCF Data Server Replacement	-	-				20,000					
RA16005	IERCF Workstation Replacement	-	-							75,000	300,000	
RA17001	IERCF Transition Air Duct Improvements	-	-									
RA17002	IERCF Replace Printers	-	-					4,700				
RA17003	IERCF Replace VM Host Servers	-	-					44,800				
RA17004	IERCF Replace Network Switches	-	-					25,000				
RA17005	IERCF UPS Replacement	-	-					14,000				300,000
RA20003	IERCF Belt Conveyor Improvements	-	-									
RA20004	IERCF Misc Fan Improvements	-	-									
RA23001	IERCF Inner Roof Lining Repair	-	-									
	Total Capital Replacement Projects	3,436,382	2,916,757		825,000	991,563	714,615	988,500	575,000	800,000	800,000	800,000
Capital Expansion												
RA15001	IERCF Baghouse Improvements	15,144	1,051,029		200,000	200,000		350,000				
RA17006	MCC HVAC Improvements	-	-					200,000				
RA17007	IERCF Building Improvements	15,144	1,051,029		200,000	200,000		100,000				
	Total Capital Expansion Projects	3,451,526	3,967,786		1,925,000	1,191,563	714,615	1,588,500	675,000	800,000	800,000	800,000
	Total Capital Projects				1,025,000	1,191,563	714,615	1,588,500	705,000	825,000	825,000	825,000
O&M Projects												
RA12009	IERCF Structure Protection	19,191	6,098							25,000	25,000	25,000
RA12011	IERCF Lighting Systr	7,938	248							25,000	25,000	25,000
	Total O&M Projects (Included in Materials & Supplies)	27,130	6,346							25,000	25,000	25,000
	Total Projects	3,473,656	3,974,132		1,025,000	1,191,563	714,615	1,588,500	705,000	825,000	825,000	825,000



INLAND EMPIRE REGIONAL

COMPOSTING
A U T H O R I T Y



FY 2016/17 PROPOSED BUDGET

MAY 2, 2016



FY 2016/17 Proposed Budget



	FY 2014/15 Actuals	FY 2015/16 Projected	FY 2016/17 Proposed	FY 2017/18 Forecast
(\$ in Thousands)				
Tippling fee per wet ton	\$54.00	\$54.00	\$55.00	\$56.00
Operating Revenues	\$8,499	\$8,470	\$8,562	\$8,707
Operating Expenses	7,759	7,001	7,506	7,884
Net Operating Increase (Decrease)	740	1,469	1,056	823
Other Funding Sources	31	12	1,015	23
Other Uses of Funds	4,209	715	1,588	675
Net Non-Operating Increase (Decrease)	(4,178)	(703)	(573)	(652)
Total Net Change	(3,438)	766	483	171
Beginning Reserve Balance	4,974	1,536	2,302	2,785
Ending Reserve Balance	\$1,536	\$2,302	\$2,785	\$2,956



Capital Improvement Plan



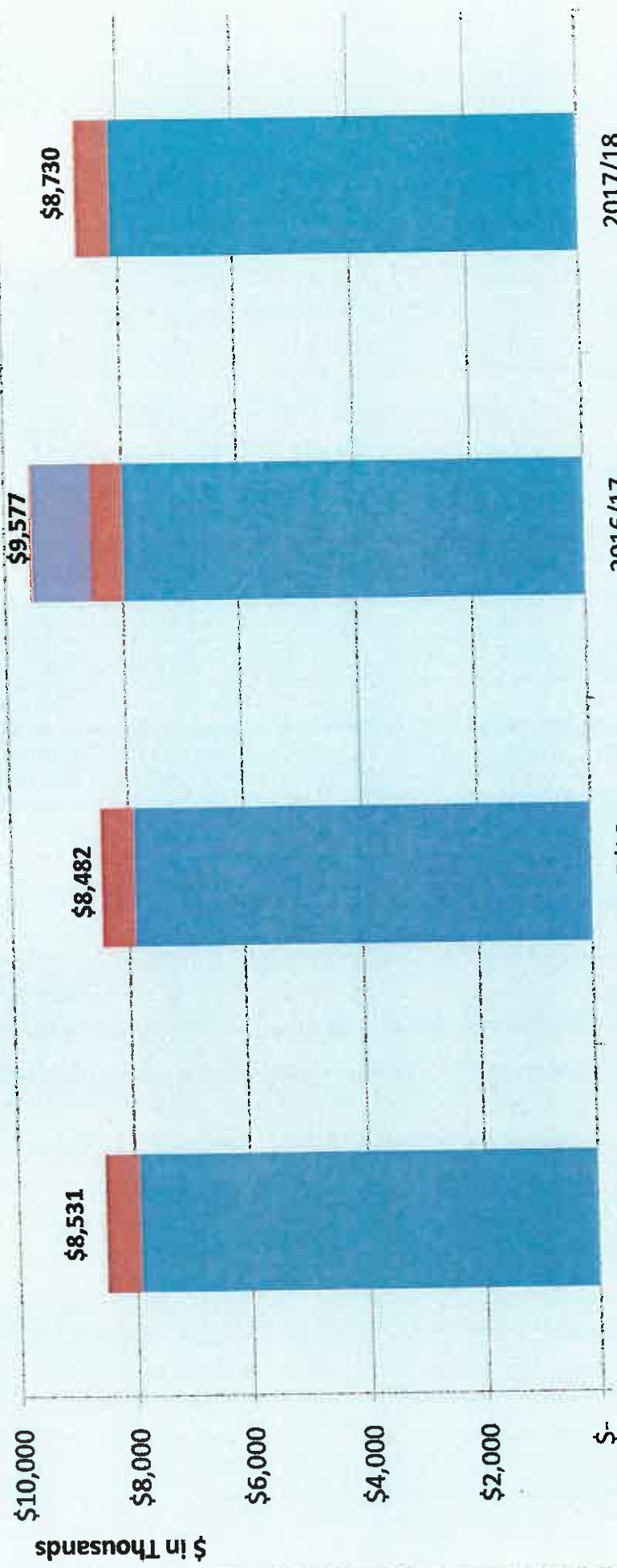
Project Description (\$ in Thousands)	FY 2014/15 Actual	FY 2015/16 Projected	FY 2016/17 Proposed	FY 2017/18 Forecast
Capital Replacement & Rehabilitation (R&R)				
Fire Sprinkler Improvements	\$271	\$350	\$500	\$500
Receiving Pit	0	0	200	0
Replace VM Host Servers	0	100	150	0
Replace Network Switches	0	0	45	0
Process Improvement	2,015	173	25	0
Loader Purchase (2 units), excludes trade-in*	566	0	0	0
Other Projects	64	92	19	75
Total Capital Replacement	\$2,916	\$715	\$939	\$575
Baghouse Improvements	1,051	0	350	0
MCC HVAC Improvements	0	0	200	0
Building Improvements	0	0	100	100
Total Capital Expansion	\$1,051	\$0	\$650	\$100
Total Capital	\$3,967	\$715	\$1,589	\$675

*Trade in value \$440,000

Revenue



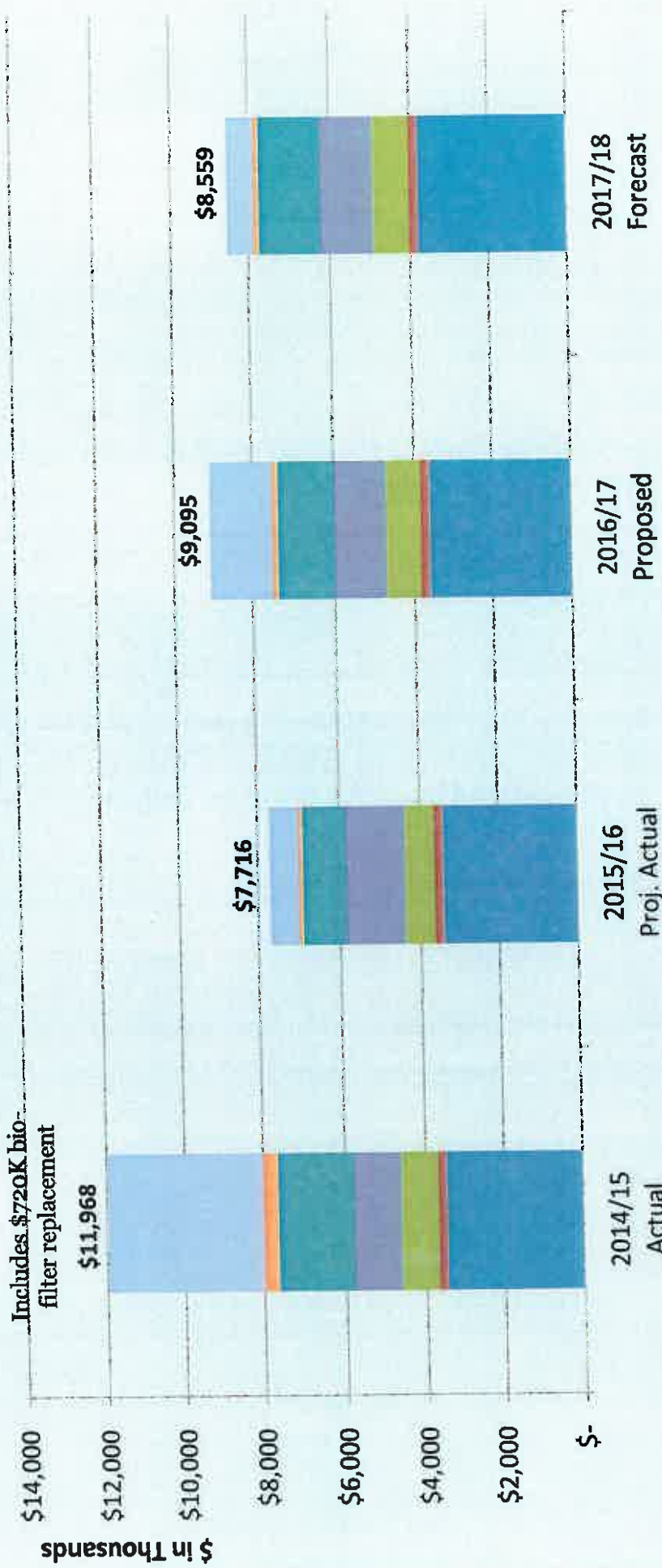
Includes \$1 million capital call



- Biosolids Recycling
- Other Non-Operating Revenues
- Compost Sales/Delivery
- Other Revenue*
- Contributed Capital

* Other Revenues include: Interest Income; Energy Cap Rebate; Proceeds from Sales of Assets; Draw on Biofilter Reserve

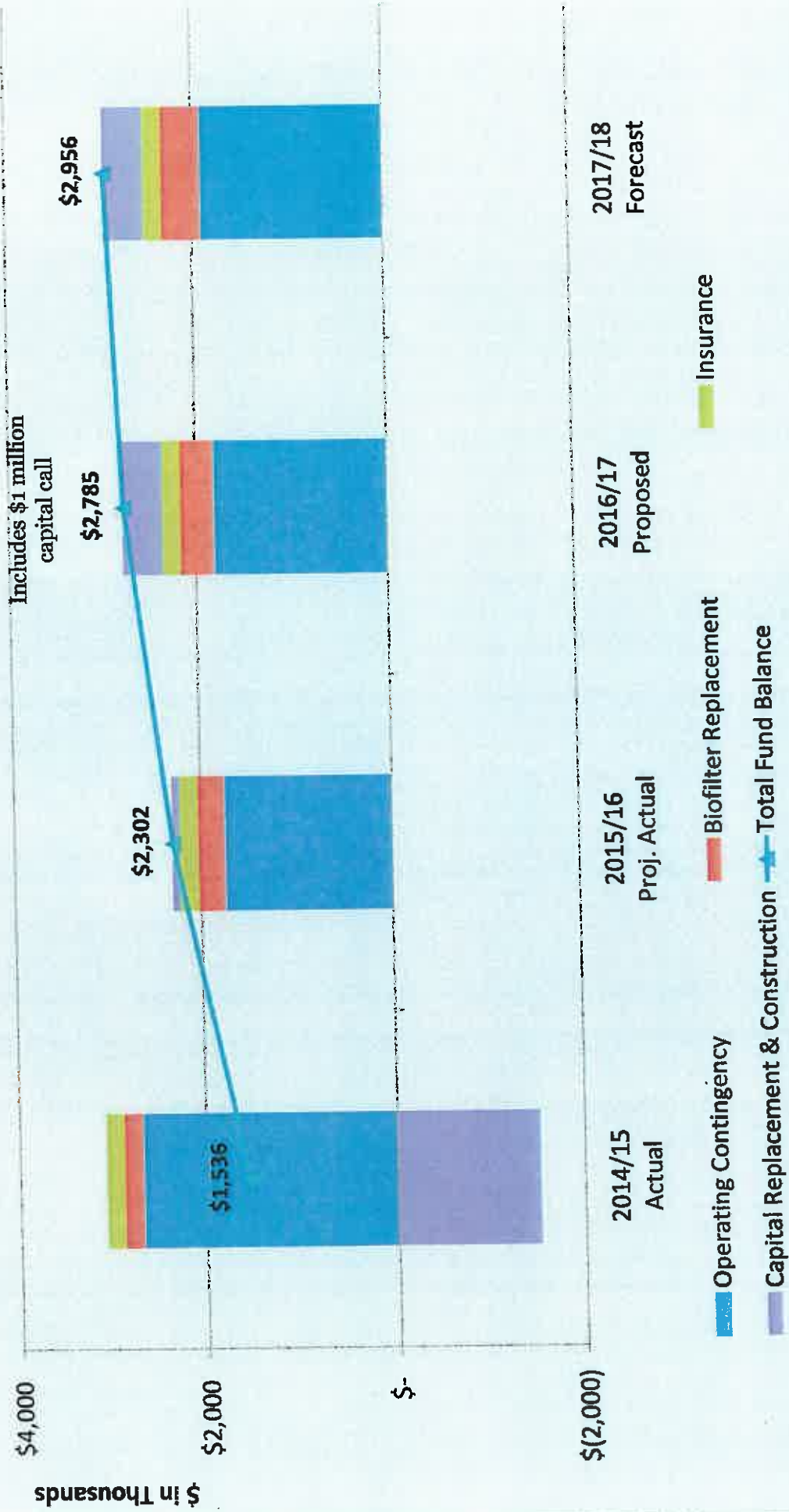
Expenses



- Labor
- Office & Administration/Insurance
- Professional Fees & Services
- Utilities
- Operating Costs*
- Other Expenses**
- Capital Projects

*Operating Costs include: Operating Fees; Biofilter Reserve Funding; Biofilter Replacement; Materials & Supplies
 ** Other Expenses include: Leases & Rentals; Financial Expenses

Total Fund Balance





INLAND EMPIRE REGIONAL
COMPOSTING
AUTHORITY



QUESTIONS?

**INFORMATION
ITEM**

3C

Date: May 18, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (05/11/16)
Finance, Legal & Administration Committee (05/11/16)

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

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

Sylvie Lee *SL*
Manager of Planning and Environmental Resources

Subject: Water Ordinance No. 104

RECOMMENDATION

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

BACKGROUND

In March 2015 the Agency completed the Cost of Service Study and on June 17, 2015, the Board adopted the water rates. Based on the Agency's commitment to our member agencies, the proposed water rates and methods identified in the Cost of Service Study were deferred to FY2016-17 to allow for continued discussion. During the transition to the new water rate structure, Agency staff identified revisions needed to the current Ordinance No. 103 to ensure that the Agency adopts resolutions in compliance with the approved legislation pursuant to the authority contained in the Municipal Water District Law of 1911, California Water Code, §71616.

The Agency's General Counsel has also reviewed the proposed revisions to Ordinance No. 103. To account for these revisions and upon approval, Ordinance No. 104 has been developed and shall supersede Ordinance No. 103. Staff will bring back Ordinance No. 104 to the Board in June 2016 as an action item for the Board to consider.

Key revisions are summarized below:

Part I, Section 107 – Definition of Terms

- Further defined Metropolitan Water District of Southern California (MWD) water fees and charges.
- Deleted Retail Meter Charge and replaced with Meter Equivalent Unit (MEU) Charge as the MEU Charge is the new method being adopted by the Agency.
- Updated Program Charge to include special projects (non-capital projects such as reports and studies) as part of the charge imposed by IEUA.

Part III, Division II, Section 301 – Other Charges: Deleted Retail Meter Charge and replaced with MEU Charge.

The Connection Fee, Classes of Water Service and Regulating the Sale and Delivery of Water Ordinance No. 104 is consistent with the Agency's Business Goal of *Fiscal Responsibility* by safeguarding the Agency's fiscal health through transparent fiscal policies of the Agency.

PRIOR BOARD ACTION

On May 20, 2015, the Agency's Board of Directors approved the Classes of Water Service and Regulating the Sale and Delivery of Imported Water Ordinance No. 103 to supersede Ordinance No. 100.

IMPACT ON BUDGET

None.

Attachment: Draft - Ordinance No. 104: Classes of Water Services & Regulating the Sale and Delivery of Water.

Water Ordinance No. 104



Jason Pivovarovff



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

IEUA Board of Directors Meeting
May 2016

Current Ordinance

- Cost of Service Study (COS) completed in March 2015
- Ordinance No. 103 adopted June 17, 2015
 - To include water connection fees and slight revisions to ensure compliance with California Water Code.
- Agency deferred proposed COS water rates to FY2016/17

Updates to Ordinance No. 104

- **Definition of Terms to further define MWD Full Service Rate**
- **Deleted the Retail Meter Charge and replaced with MEU Charge**
 - Retail Meter Charge = recover based on per account basis
 - MEU Charge = recover based on users potential capacity on the system

Incentives for Promoting Recycled Water

- **Section 202 – Water Meter Connection Fees:**
 - Requires all new connections or upsizes to pay a water connection fee
 - Regardless of modification or water supply type (one water connection fee)
- **To promote RW use, should the Agency consider incentives?**
 - For example, to encourage RW conversions, should the connection fee be waived?
 - Provision – an existing customer doing conversion to recycled water, and if customer can prove that their demand will not increase from current use

Next Steps

- June 2016 Public Hearing and Board consideration
 - Ordinance No. 104

ORDINANCE NO. 1043

AN ORDINANCE OF THE BOARD OF DIRECTORS OF INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING WATER CONNECTION FEES, CLASSES OF WATER SERVICE AND REGULATING THE SALE AND DELIVERY OF WATER WITHIN THE INLAND EMPIRE UTILITIES AGENCY* SERVICE AREA

BE IT ORDAINED by the Board of Directors of the Inland Empire Utilities Agency* ("Agency") as follows:

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SECTION 204 – EFFECTIVE DATE:	<u>2018</u>

DIVISION 1 – GENERAL

PART I - ADMINISTRATION

SECTION 101 –AUTHORIZATION:

This Ordinance is enacted pursuant to the authority contained in the Municipal Water District Law of 1911, California Water Code, §71616- et. seq., as amended, and California Government Code §66013 and §54999.

SECTION 102 - PURPOSE AND OBJECTIVES:

The purpose of this Ordinance is to establish classes of water service, rates, and charges for the delivery of imported and supplemental water within the Inland Empire Utilities Agency service area, to promote the conservation and reuse of water resources, and to provide procedures for complying with requirements placed upon the Inland Empire Utilities Agency by the Metropolitan Water District of Southern California.

Inland Empire Utilities Agency is a member agency of the Metropolitan Water District of Southern California.

The objectives of this Ordinance are:

- (A) To establish water connection fees to cover IEUA's cost of water infrastructure and supplies and other related expenses and financial requirements.
- (B) To adopt terms and conditions for the fixing of water connection fees from time to time by resolution by the Board of Directors.
- (C) To define classifications of water service and establish water rates and charges for the sale of imported ~~water and supplemental water~~ sufficient to cover IEUA's cost of water and other operating expenses and financial requirements.
- (D) To adopt terms and conditions for the provision of the various classes of water and to provide for the fixing of water rates and charges from time to time by resolution of the Board of Directors.

- (E) To establish water connection fees from each new connection or upsized connection within IEUA's service area as a condition of receiving water deliveries from any source provided by IEUA.
- (F) To provide for the collection from each IEUA Local Agency, those charges imposed by Metropolitan on IEUA as a condition of receiving water deliveries from Metropolitan, including but not limited to, a Readiness-to-Serve Charge, a New Demand Charge, a ~~Retail Meter Charge, and a~~ Connection Maintenance Charge and Capacity Charge.
- (G) To encourage the use of recycled water to supplement existing surface and underground water supplies to assist in meeting the future water requirements within the service area. To encourage the efficient use of water and affect change in water-use habits to reduce ~~imported~~ water demand.
- (H) To establish provisions for obtaining funds for capital projects necessary to support supplemental water supply sources, development and implementation of conservation and water use efficiency programs to increase supply reliability and meet future water demands within the service area.

SECTION 103 – SEVERABILITY:

If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason found to be invalid or unconstitutional by any court of competent jurisdiction, such decision shall not affect the remaining portion of this Ordinance. The Inland Empire Utilities Agency Board of Directors declares that it would have approved this Ordinance by section, subsection, sentence, clause, or phrase irrespective of the fact that any one or more of the sections, subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

SECTION 104 - SERVICE AREA:

This Ordinance pertains to Local Agencies within the boundaries of the IEUA service area unless otherwise stated.

SECTION 105 – ADMINISTRATOR:

Except as otherwise provided herein, the General Manager shall administer, implement, and enforce the provision of this Ordinance. The General Manager may, at his discretion, delegate any or all of these powers and duties.

SECTION 106 - RIGHT OF REVISION:

IEUA reserves the right to amend this Ordinance, as it deems appropriate.

SECTION 107 - DEFINITION OF TERMS:

- (A) **AGRICULTURAL PURPOSES:** the growing or raising in conformity with recognized practices of husbandry, for the purposes of commerce, trade, or industry, or for use by public educational or correctional institutions, of agricultural, horticultural, or floricultural products, and produce (1) for human consumption or for the market, or (2) for the feeding of fowl or livestock produced for human consumption or for the market, or (3) for the feeding of fowl or livestock for the purpose of obtaining their products for human consumption or for the market, such products to be grown or raised on a parcel of land having an area of not less than one acre utilized exclusively therefor.
- ~~(B)~~ **BOARD OF DIRECTORS:** the Board of Directors of the Inland Empire Utilities Agency.
- ~~(C)~~ **GENERAL MANAGER:** the General Manager or a duly Authorized Representative of the Inland Empire Utilities Agency.
- ~~(D)~~ **CALENDAR YEAR:** the time period which commences January 1 of each calendar year and ends December 31 of the calendar year.
- ~~(B)(E)~~ **CAPACITY CHARGE:** a pass-through charge of the monetary annual charge imposed by Metropolitan based on the maximum summer day demand placed on the Metropolitan system by IEUA between May 1 and September 30 in cubic foot per second during a rolling three-calendar year period.
- ~~(E)(F)~~ **CONNECTED CAPACITY:** a measure of the size of the service connection to the Metropolitan System or to any water system within the Agency's service area, which will be used for purposes of determining the fixed capital, operation and maintenance charges among the Service Connections.
- ~~(D)(G)~~ **CONNECTION FEE:** a one-time charge imposed on any new retail water connection or upsized connection, based upon the connected capacity, to any water system within ~~the Agency's~~ IEUA's service area.
- ~~(H)~~ **CONSERVATION CHARGE:** the charge for ~~capital~~ regional conservation projects necessary to support water conservation program development within the service area.
- ~~(E)(I)~~ **DOMESTIC AND MUNICIPAL PURPOSES:** the use of water for all domestic, municipal, commercial, industrial and recreational purposes commonly, but not exclusively, serviced by the water supply of a city, town, or other similar population group, but shall not include water use for agricultural purposes.
- ~~(F)(J)~~ **DROUGHT CHARGE:** the charge for the programs needed to meet the reduced water supply made available to the region.

~~(G)~~(K) FISCAL YEAR: the time period which commences July 1 of each calendar year and ends June 30 of the following calendar year.

~~(H)~~(L) FULL SERVICE WATER RATE: service of Metropolitan water that does not meet the criteria for other classes of service or special programs. For purposes of agreements with Metropolitan, reference to the Full Service Water Rate shall be as defined by Metropolitan's Administrative Code.

~~(I)~~(M) GROUNDWATER BASIN: any groundwater basin located entirely, ~~or partially~~ within or adjacent to ~~within~~ the boundaries of Inland Empire Utilities Agency.

~~(J)~~(N) GROUNDWATER REPLENISHMENT: the act of spreading, injecting, or causing to be spread or injected, water for the purpose of replenishing natural groundwater basins, without regard to subsequent use of the water.

~~(K)~~(O) IMPORTED WATER: water which is acquired by IEUA from Metropolitan and other Agencies or Entities, ~~except for~~ can be treated or untreated water but excludes recycled water sources.

~~(L)~~(P) IEUA: Inland Empire Utilities Agency or its officers or representatives when in the exercise of their official business.

~~(M)~~ ~~IEUA READINESS TO SERVE (RTS) CHARGE SHARE or RTS SHARE: a pass-through of Metropolitan's annual percent share of RTS charge imposed on the IEUA service area.~~

(Q) IN-LIEU GROUNDWATER REPLENISHMENT: maintenance or replenishment of water supplies in groundwater basins by reduction or elimination of extraction therefrom through the substitution of deliveries of water to IEUA local agencies from surface distribution facilities in-lieu of such extraction.

(R) LONG-TERM SEASONAL STORAGE (LTSS): delivery of imported water by IEUA to an IEUA Local Agency, for storage, by direct or in-lieu methods, beyond the 12-month Seasonal Storage Service program period. Local production is reduced over the winter period and IEUA deliveries are increased under this program. LTSS may be made available at other times based on terms and conditions established by the General Manager.

~~(N)~~(S) LOCAL AGENCY: any individual, partnership, association, corporation, governmental entity or agency, mutual water company, water company, or any other organization and users of water in such quantity as to merit being considered for an individual service connection from IEUA.

~~(T)~~ METER EQUIVALENT UNIT (MEU): the number of equivalent base meters served by an IEUA Local Agency. The number of MEU's is determined by multiplying the number of active water accounts of each water meter size by the MEU ratio associated with that meter size. The MEU ratio is established by the assigned base meter size of 5/8-inch.

~~(U)~~ METER EQUIVALENT UNIT (MEU) CHARGE: an annual basic charge imposed by the IEUA for each MEU served by an IEUA Local Agency which exists as of January 1 of each year. The charge shall be established at a level which will yield revenues sufficient to recover the Program Charge, costs incurred for the Water Conservation Program, which also includes the Conservation and Drought Charges, and could include a portion of the Net RTS charge by Metropolitan.

~~(O)(V)~~ METROPOLITAN: Metropolitan Water District of Southern California.

~~(P)(W)~~ METROPOLITAN CONNECTION MAINTENANCE CHARGE (CMC): a pass-through charge of the monetary charge imposed by Metropolitan on IEUA to recover a portion of the cost associated with operating and maintaining service connections and other connection related costs.

~~(Q)(X)~~ METROPOLITAN NEW DEMAND CHARGE ~~-BASE~~: a pass-through charge of the monetary charge imposed by Metropolitan based on water demand measured in acre-feet allocated by Metropolitan to IEUA as the basis for determining whether IEUA or an IEUA Local Agency its local agencies will incur a charge and the amount of the charge under Metropolitan's New Demand Charge.

~~(Y)~~ METROPOLITAN WATER DISTRICT FACILITIES: those facilities of Metropolitan that can provide water service to IEUA.

~~(Z)~~ READINESS-TO-SERVE (RTS) CHARGE or RTS CHARGE: a pass-through charge of the total monetary RTS charge, as determined by the RTS Share, imposed by Metropolitan on IEUA to recover the costs of emergency system storage and the cost of system conveyance capacity for peak and standby use not recovered by property tax revenue, ever fixed costs associated with the water quality and reliability benefits provided by Metropolitan's system.

~~(AA)~~ READINESS-TO-SERVE (RTS) SHARE: the annual percent share of the RTS Charge imposed on IEUA which is not collected as a Standby Charge on property within IEUA's service area.

~~(R)~~

~~(S)~~ NET METROPOLITAN READINESS-TO-SERVE CHARGE or NET RTS CHARGE: portion of the Metropolitan RTS charge which is not collected as a standby charge on property within IEUA's boundaries and is billed by Metropolitan directly to IEUA.

(~~T~~)(BB) RETAIL METER CHARGE: an annual basic charge imposed by the IEUA for each active retail water meter served by an IEUA Local Agency which exists as of January 1 of each year. The charge shall be established at a level which will yield revenues sufficient to cover the Net RTS charge by Metropolitan, Program Charge and costs incurred for the Water Conservation Program, including the Conservation and Drought Charges.

(CC) PROGRAM CHARGE: the charge ~~levied-imposed~~ by the IEUA on ~~imported deliveries for each class of water service water deliveries~~ to offset administration, operation, special projects, maintenance, depreciation expenses, and debt service incurred by the IEUA in association with the water resources program.

(~~U~~)(DD) RECYCLED WATER; as defined in Title 22, Division 4, of the California Administrative Code, as amended from time to time, is water which as a result of treatment of wastewater, is suitable for direct beneficial use or a controlled use that otherwise would not occur.

(~~V~~)(EE) RESERVOIR STORAGE: the act of storing water in surface reservoirs or the maintenance of reservoir storage by reduction or elimination of reservoir withdrawals through substitution of surface deliveries of water to consumers from surface distribution facilities in lieu of such withdrawals.

(~~W~~)(FF) SEASONAL STORAGE SERVICE: additional summer production of local water supply sources by the IEUA Local Agency that is offset by equivalent IEUA imported winter water deliveries to the Local Agency within a 12-month period.

(GG) SERVICE CONNECTION: outlet pipe together with a shutoff valve and a meter to record the flow of water.

(HH) SPECIAL PROJECTS: non-capital projects that include planning and feasibility studies and reports, excludes conservation related programs and projects.

(~~X~~)(II) SEASONAL SHIFT STORAGE: deliveries of water by IEUA to an IEUA local agency in the winter period for groundwater replenishment by spreading or injecting or in-lieu deliveries of water which would have otherwise been produced from local sources, and which replaces local storage depleted by increased pumping from local sources during the preceding summer period to reduce, by an equivalent amount, the water deliveries from IEUA which would otherwise have been taken by the IEUA local agency during the preceding summer period, as calculated in their seasonal storage service certification form. Local production and IEUA deliveries remain the same for the combined summer and winter periods under this program.

(~~Y~~)(JJ) STANDBY CHARGE: revenue collected by Metropolitan on parcels of land within the IEUA service area to offset all or a portion of the RTS ~~charge~~ Charge obligation.

~~(KK)~~ SUPPLEMENTAL WATER: includes recycled water, captured and treated stormwater, and water imported by IEUA which does not represent a delivery from Metropolitan to IEUA.

~~(Z)~~(LL) WATER CONSERVATION PROGRAM: ~~cost programs for programs~~ developed and implemented that are necessary to achieve efficient use of water resources to help meet future water demands within the service area

SECTION 108 - DUTY TO COMPLY:

All Local Agencies shall comply with all conditions of this Ordinance. Any Local Agency that is not in compliance with any provision of this Ordinance constitutes a violation of this Ordinance and is grounds for enforcement action as provided for in Division I, Part II of this Ordinance.

SECTION 109- RECYCLED WATER:

All Local Agencies are encouraged to promote the reuse of recycled water supplies in their service areas wherever technically and economically reasonable, and in compliance with the IEUA's Regional Reclamation Ordinance No. 63, as amended from time to time. Recycled water is available for the following uses: agricultural, recharge, wildlife habitat, recreational impoundments and any additional use provided for under Title 22, Division 4, of the California Administrative Code, as amended from time to time. To support the development of recycled water projects, IEUA may implement, from time to time, financial incentive programs, and levy additional imported water administrative charges to fund these incentive programs.

SECTION 110- WATER CONSERVATION:

All Local Agencies are encouraged to promote urban water conservation to supplement existing surface and underground water supplies and to assist in meeting the future water requirements of the region. To support the implementation of water conservation programs, IEUA may implement, from time to time, financial incentive programs and levy additional imported water administrative charges to fund these programs.

PART II – ENFORCEMENT

SECTION 201 -PROTECTION FROM DAMAGE:

No person, organization, or Local Agency shall maliciously, willfully, or negligently break, damage, destroy, impair the usefulness, uncover, deface, or tamper with any structure, appurtenance, or equipment which is a part of IEUA's Water Distribution System.

SECTION 202 - PENALTY FOR VIOLATION:

The IEUA shall have the right to assess such penalties as may be permitted by law and/or discontinue the water service to the connection, up to and including seizure of the service connection, of any Local Agency for failure to comply with any rule or regulation of the IEUA. A Local Agency will be notified of the IEUA's intention to discontinue service for non-compliance, with an explanation of the violation or infraction committed. A Local Agency shall have thirty (30) calendar days to respond before any action will be taken by the IEUA. However, no such notice to afford an opportunity to comply need be given in those instances in which the non-compliance may cause conditions dangerous and detrimental to public health, safety and welfare, or are in violation of State law or applicable section of the California Penal Code. These violations include, but are not limited to trespass, assault, water theft, cross connection, and water system damage.

DIVISION II -SERVICE CLASSIFICATION, RATES AND CHARGES

PART I – CLASSIFICATION

SECTION 101 -CLASSES OF SERVICE:

The classes of service for water are as follows:

- (A) Full Service Untreated (for domestic and municipal purposes, including groundwater replenishment, injection and in-lieu groundwater replenishment and reservoir storage).
- (B) Full Service Treated (for domestic and municipal purposes).
- (C) Interim Agricultural Untreated (for agricultural purposes without incidental domestic use for dwellings).
- (D) Seasonal Storage (for Long Term Seasonal Shift-Untreated and Seasonal Shift Storage-Untreated).
- (E) Recycled Water (recycled water delivered by the IEUA to the Local Agencies for selected non-potable uses, without regard to subsequent use of the water).

- (F) Replenishment (untreated water for groundwater replenishment by spreading by spreading, injecting or in-lieu deliveries of water within the service area).
- (G) Supplemental Water (includes recycled water and water imported to the IEUA service area from outside the Chino Basin Watershed, other than imported water delivered from Metropolitan to IEUA, without regard to subsequent use of the water).

PART II- WATER RATES

SECTION 201 –RATES:

The water rate shall be established in an amount which in combination with revenues from other charges collected by IEUA will result in revenues sufficient for the purposes set forth in §71616 of the California Water Code, and shall include but not be limited to, components for:

- (A) the cost for the acquisition of water (e.g., for water acquired from Metropolitan, the cost of acquisition would be Metropolitan's water supply rate for each class, including any penalties and other applicable charges); and
- (B) the cost incurred for the Program Charge by IEUA.
- (C) the cost incurred for the Water Conservation Program, which includes the Conservation and Drought Charges.

The Board shall establish said rates by resolution and shall adjust said rates from time to time by resolution. Written notice of the proposed establishment of water rates or amendment of water rates shall be given to all local agencies not less than ~~45~~ 15 days prior to the meeting at which such resolution will be considered.

SECTION 202 – CONNECTION FEES:

The water connection fees shall be established and collected by IEUA in order to proportionally recover the costs to create regional supplies that are available to meet the water demands of future development. Any customer requesting a new connection to a water distribution system within IEUA service area, or requiring an additional connection as a result of any addition, improvement, modification, or change in use of an existing connection to a water distribution system shall pay a water connection fee. The connection fee may not be sold, traded, or conveyed in a manner to another site or customer. The connection does not convey or imply ownership in or of any facilities of ~~the Agency~~ IEUA's water system.

Customers subject to payment of the water connection fee shall pay 100% of the fee prior to issuance of the applicable permit to construct. Any plan changes may result in a revised

connection fee payment. Assessment of the applicable connection fee will be based on the date that ~~the General Manager~~ IEUA receives the final permit application and building plans. If full payment of all fees and charges is not received in accordance with the ~~resolution~~ ~~General Manager's~~ payment requirements, the new or additional water services will not be authorized.

The connection fees have been developed in accordance with California Government Code §66013 and California Water Code §71616 and shall include, but not be limited to components for:

- (A) The cost for the construction of capture, treatment, transmission, distribution, and injection facilities;
- (B) The cost incurred for the Water Conservation Program which includes the Conservation and Drought Charges;
- (C) Provide a reasonable surplus for improvements, extensions, and enlargements for ~~operating system reliability~~ ~~contingency~~ and ~~associated debt services~~ costs;
- (D) The cost to administer the program incurred by IEUA; and
- (E) Any other costs that are deemed appropriate and comply with governing laws.

The Board shall establish said connection fees by resolution and shall adjust said fees from time to time by resolution. Written notice of the proposed establishment of water rates or amendment of water rates shall be given to all local agencies not less than 15 days prior to the meeting at which such resolution will be considered.

SECTION 203 – RIGHT TO INSPECT DOCUMENTS AND PROPERTY:

IEUA retains the right, upon reasonable notice, to audit all public records and accounts of any local agency, to ensure ongoing compliance and enforcement of this ordinance. Additionally, pursuant to California Water Code § 71601, IEUA may enter upon the private property of any person to investigate possible violations of this ordinance, including, but not limited to the verification of meter connections previously issued by IEUA to verify that no unauthorized or non-permitted meter change has occurred.

SECTION 204 – LIEN FOR CHARGES:

Charges fixed by IEUA shall be a lien on all the property benefitted thereby as provided in California Water Code § 71637 and shall have the same force and effect as other liens for taxes and may be enforced by the same means as provided for the enforcement of liens for state and county taxes.

PART III - OTHER CHARGES

SECTION 301 -OTHER CHARGES:

In addition to the water rates provided in Division II, Part II, Section 201, this ordinance authorizes IEUA to levy on each IEUA Local Agency the following charges:

- (A) ~~IEUA Readiness-to-Serve-Charge: a pass-through of Metropolitan's annual monetary charge imposed on IEUA which provides a firm revenue source to cover the fixed costs associated with the water quality and reliability benefits provided by Metropolitan's system.~~
- (B) ~~IEUA New Demand Charge: a pass-through of Metropolitan's charge imposed on IEUA which shall be assessed to an IEUA Local Agency for each increment of water by which the IEUA Local Agency New Demand Charge Rolling Average exceeds the IEUA Local Agency's New Demand Charge Base allocated to that IEUA Local Agency.~~
- (C) ~~Connection Maintenance Charge: a pass-through of Metropolitan's annual monetary charge which shall be assessed to each IEUA Local Agency based upon that IEUA Local Agency's connected capacity at each Metropolitan Service Connection.~~
- (E) ~~The IEUA Readiness to Serve Charge, IEUA New Demand Charge, and IEUA Connection Maintenance Charge shall be set by the Board of IEUA by resolution and shall be established at a level which will yield revenues sufficient to cover the charges imposed by Metropolitan upon IEUA under Metropolitan's Readiness to Serve Charge, New Demand Charge, and Connection Maintenance Charge, provided that IEUA charges may provide for collection in advance of expected invoice by Metropolitan and provide for a reasonable excess to cover variations in the amount of Metropolitan's charges which cannot be calculated in advance.~~
- (F)(D) ~~Retail Meter Charge: an annual basic charge for each active retail water meter served by an IEUA Local Agency which exists as of January 1 of each year. The meter charge shall be set by the Board of IEUA by resolution and shall be established at a level which will yield revenues sufficient to cover the Net RTS charge, Program Charge and costs incurred for the Water Conservation Program, including the Conservation and Drought Charges.~~
- (E) Meter Equivalent Unit Charge
- (G)(F) ~~Capacity Charge: a pass-through of Metropolitan's semiannual monetary charge imposed on IEUA based on the maximum summer day demand placed on Metropolitan's system between May 1 and September 30.~~

~~(H)~~(G) Any additional charges imposed on IEUA by Metropolitan shall be administered as a pass-through charge.

Water rates and charges shall be set by the Board of IEUA by resolution and shall be established at a level which will yield revenues sufficient to cover the charges imposed by Metropolitan upon IEUA. IEUA may provide for collection in advance of expected invoice by Metropolitan and provide for a reasonable excess to cover variations in the amount of Metropolitan's charges which cannot be calculated in advance.

DIVISION III – REGULATIONS AS RELATED TO THE SALE OF IMPORTED WATER FROM METROPOLITAN

PART I- WATER SERVICE REGULATIONS

SECTION 101- OBLIGATION TO PAY FOR WATER DELIVERED:

All water delivered through any service connection to an IEUA Local Agency for use within the Local Agency shall be supplied in accordance with the provisions of the Metropolitan Water District Act and the rules and regulations of IEUA. IEUA shall bill the Local Agency for all water delivered through the service connection, and the Local Agency shall pay IEUA for all water so delivered at the rate or rates fixed by the Board of Directors by Resolution.

SECTION 102 - LIABILITY AND INDEMNIFICATION:

All contracts for the delivery of water to others shall contain the following language: Neither IEUA nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water supplied by IEUA to a Local Agency after such water has been delivered to such Local Agency; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water beyond the point of such delivery; and the Local Agency shall indemnify and hold harmless IEUA and its officers, agents, and employees from any such damages or claims of damages, and shall reimburse IEUA for costs of repair of IEUA's facilities and other damages resulting from the operations of the Local Agency. Neither the Local Agency nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water prior to such water being delivered to the Local Agency; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water prior to its delivery to such Local Agency, excepting, however, claims by IEUA for costs of repair to IEUA's facilities and other damages resulting from the operations of the Local Agency; and IEUA shall indemnify and

hold harmless the Local Agency and its officers, agents, and employees from any such damages or claim of damages, except claims by IEUA for costs of repair of IEUA's facilities and other damages resulting from the operations of the Local Agency.

SECTION 103 - SUSPENSION OF DELIVERIES:

Whenever repairs or maintenance of Metropolitan's and/or IEUA's system shall require suspension of delivery of water at any point or points, such delivery may be suspended without liability on the part of the IEUA; provided, that except in cases of emergency, as determined by the General Manager, notice of such suspension of service shall be given to the affected Local Agency in advance of such suspension.

Each Local Agency should have a seven (7) day supply of water in case of an interruption in Metropolitan deliveries. Except in cases of emergency, IEUA will notice long term (over seven days) shutdowns at least one year in advance and produce a shutdown schedule in September of each year for shutdowns less than seven days.

Seasonal Storage Service certifications will be adjusted for the reduction of credits that are accrued due to shutdowns that are greater than seven days. No adjustments will be made for shutdowns seven days or less.

SECTION 104 - RATES OF FLOW:

- (A) IEUA shall have the right to regulate and prescribe the maximum and minimum quantities of water that shall be discharged or delivered through any service connection so as to assure equitable service to all Local Agencies, and maintain compliance with Metropolitan's rules and regulations as may be amended from time to time.

SECTION 105 - WATER REQUIREMENTS AND SCHEDULE OF DELIVERIES:

(A) Before January 31 of each year or at such time as the General Manager may specify, each IEUA Local Agency shall furnish IEUA, on form provided by IEUA, the quantity of active water service accounts, an estimate of the amounts of water to be furnished to such IEUA Local Agency by IEUA, and an estimate of the quantity of water anticipated to be obtained from local sources to meet IEUA Local Agency needs. The estimate shall constitute the Local Agency's request for deliveries for the first of the five (5) years covered therein.

~~(A)(B)~~ Requests made by IEUA to a Local Agency shall be complete and returned to IEUA no later than 45 calendar days after the initial request.

~~(B)(C)~~ Each estimate furnished by a Local Agency shall contain, as a minimum, ~~for each service connection and for each month of the fiscal year beginning with the succeeding July 1, and for each month of the succeeding years,~~ the following information:

- (1) The quantity of untreated water to be delivered by IEUA to the IEUA Local Agency in full service for each month of the Fiscal Year.
- ~~(2)~~ The quantity of water to be delivered by IEUA to the IEUA Local Agency in ~~Interim~~-Agricultural Water Service for each month of the Fiscal Year.
- ~~(3)~~ The quantity of water to be delivered by IEUA to the IEUA Local Agency in Replenishment Water Service for each month of the Fiscal Year.
- ~~(2)~~ _____
- ~~(3)~~~~(4)~~ The quantity of water to be delivered by IEUA to IEUA Local Agency in Seasonal Storage Service for each month of the Fiscal Year.
- ~~(4)~~~~(5)~~ With regard to water estimated to be delivered in Seasonal Storage Service, the quantity of water to be used for:
 - (a) Domestic and municipal purposes, exclusive of groundwater replenishment by spreading or injecting;
 - (b) Groundwater replenishment by spreading or injecting;
 - ~~(c)~~ Direct Reservoir Storage.
- ~~(e)~~~~(6)~~ The quantity of active water service accounts itemized by customer class and meter size.

SECTION 106- METERING OF WATER:

All water delivered by IEUA shall be metered. Meter readings shall be made on or about the last day of each calendar month for billing purposes. Any Local Agency may request that the meter through which its water is being furnished be examined and tested by IEUA for the purpose of checking its accuracy. Such requests shall be made in writing to the General Manager and shall be accompanied by a deposit of the estimated cost of such examination and test as determined by the General Manager. Such demands may not be made more often than once a year without evident cause.

Any Local Agency affected shall have the right to be represented by a qualified observer at and during any such tests. In the event that any such test shall disclose an error exceeding two (2) percent, an adjustment shall be made in charges made to the affected Local Agency, covering the known or estimated period of duration of such error, but in no event exceeding six months, and the deposit shall be refunded. In the event that any such test shall disclose an error below two (2) percent, the deposit shall be retained by IEUA and the water bill paid as rendered.

SECTION ~~108-107~~ - DELINQUENT PAYMENT:

- (A) In the event any IEUA Local Agency is delinquent in payment of bills for water rates and charges, a penalty of ten (10) percent of the original unpaid invoice amount shall be added to any fee or charge that becomes delinquent. Interest at the maximum rate provided by California Government Code Section 926.10 as may be amended from time to time, shall accrue on the total of all delinquent fees or charges, commencing on the 25th calendar day after the postmark of the invoice, and shall be added to any fee or charge that becomes delinquent. Invoices for delinquencies, including additional charges, shall be mailed within five (5) business days of delinquency. Additional charges provided herein for delinquent payments may be waived by the Board upon written request by the IEUA Local Agency upon a finding that the delinquency was caused by excusable neglect or circumstances beyond the control of the IEUA Local Agency, provided that the delinquent Local Agency reimburses IEUA for all costs and penalties actually incurred by IEUA as a result of the delinquent payment. In the event that any IEUA Local Agency which receives deliveries of water from IEUA shall be delinquent for more than 25 calendar days in the payment of billings for IEUA's charges, the Board, at its discretion and upon other conditions as it may prescribe, after giving the IEUA Local Agency a 20 calendar day notice in writing of such delinquency and of the right to request a hearing on the matter, and after such hearing, if requested, may order the termination of water service to such agency until all delinquent payments, including additional charges, are made to IEUA, and may authorize such other action as may be appropriate.

In the event a mistake is discovered in a water sales record of IEUA, the General Manager shall initiate appropriate corrective action, except that no mistake made more than three (3) years prior to discovery shall be corrected. If an incorrect invoice has been issued to a Local Agency, the General Manager shall notify the affected Local Agency of any adjustment and the manner of making any required credit or charge, neither of which shall bear interest.

- (B) In the event that a retail water customer does not pay required connection fees in full, a penalty charge shall be imposed and must be paid in full prior to continued water service. The delinquent payment shall include any unpaid portion of the connection fee plus a penalty charge of ten (10) percent interest per annum beginning from the date of delinquency. All charges and penalties shall be assessed based on the connection fee that is in place at the time that full payment occurs.

SECTION ~~109-108~~ - NOTICES:

All notices and communications from Local Agencies to IEUA, relating to the service of water or the administration of these regulations by IEUA, shall be addressed to the General Manager, Post Office Box 697, Rancho Cucamonga, California 91729-0697, or such address as may be established by IEUA.

SECTION ~~110-109~~ - WATER AVAILABILITY:

All sales and deliveries of water at the rates established by Board resolution shall be subject to the ability of IEUA to sell and deliver such water under operating conditions determined by the General Manager.

- (A) IEUA may restrict the use of available water during any emergency caused by drought or other threatened or existing water shortages and during such periods prohibit wastage of ~~IEUA~~-water or the use of available ~~IEUA~~-water for any purpose other than household uses or such other limited uses as may be determined by IEUA to be essential. IEUA shall prohibit use of water during such periods for specific uses which IEUA may deem to be nonessential.
- (B) IEUA shall have the right to turn off water from lines and pipes of the system in case of an emergency, without notice. However, when possible, advance notice will be given by IEUA whenever Metropolitan announces an impending temporary shut-down of service or if a need arises for IEUA to shut down temporarily for routine or emergency repairs.

SECTION ~~11011~~ - ANNEXATIONS AND DETACHMENTS:

IEUA makes available water to the people and land within its service area boundaries. A request for annexation of area to the IEUA shall be made in writing and executed on behalf of the Local Agency responsible for providing water service to the annexing area, the area which is or is proposed to be situated. Local Agency annexation proposals shall be evaluated according to the requirements set forth by IEUA, and in accordance with Metropolitan's Administrative Code, as amended from time to time.

PART II - SERVICE CONNECTIONS

SECTION 201 -GENERAL AUTHORIZATION:

The General Manager is authorized to construct, or have constructed, any service connection requested by a Local Agency, which, in the opinion of the General Manager, should be authorized and which is not specifically precluded by resolution of the Board; subject to the terms and conditions deemed reasonable and proper, and which shall include the following:

- (A) The IEUA shall cause a service connection to be constructed pursuant to a written request by a Local Agency in accordance with plans and specifications approved by the General Manager and by an authorized representative of the Local Agency.

- (B) The service connection shall include the facilities for diversion of water from Metropolitan's system and for delivery of such water into the pipeline distribution system of IEUA or of IEUA's Local Agency. The service connection up to and including the fitting connecting with the pipeline through which IEUA will receive water delivered through the service connection, which shall include metering instruments and a cabinet therefor, shall be the property of Metropolitan and shall be operated, maintained and controlled by Metropolitan.
- (C) All service connections shall be installed at the sole expense of the Local Agency. IEUA shall furnish the Local Agency with an estimated cost of the service connection. The Local Agency shall deposit with IEUA the amount of such estimate prior to the start of construction. Any difference between the deposit and the actual cost shall be refunded to the Local Agency, if in excess of actual cost, or if the cost of the connection exceeds the estimate, the Local Agency shall be required to pay the difference.
- (D) Prior to the release of water by Metropolitan into the pipeline distribution system of IEUA or of IEUA's Local Agency, the Local Agency shall install its own flow control device or devices as a means of maintaining uniform flow. The flow control device shall be of a type approved by the General Manager and shall be accessible to and available for operation by representatives of IEUA when necessary. Tampering of the Local Agency's flow control device to take water at times not agreed upon with IEUA is forbidden under penalty of disconnection.
- ~~(E)~~ The number, design, and location of all service connections, meters, and the charges to be made therefore shall be as established by the Board of IEUA. Before any service connection shall be installed, the Local Agency desiring such connection shall execute an application on the form provided by IEUA and file the same with IEUA together with any and all deposits required, in accordance with IEUA rules and regulations as may be amended from time to time.
- ~~(E)~~

SECTION 202 - DISCONTINUANCE OF SERVICE:

- (A) A Local Agency's water service may be discontinued if a bill is not paid within twenty-five (25) days after the date of billing. The Board of Directors, in its discretion and upon such other conditions as it may prescribe after giving the Local Agency a reasonable opportunity to be heard, may order the termination of service to such Local Agency until all delinquent payments, including additional charges, are made to IEUA.
- (B) Whenever notice is given by IEUA to a Local Agency to discontinue service, the water may be shut off and the meter removed at the option of IEUA.
- (C) A Local Agency may have its water service discontinued by notifying IEUA thirty (30) days in advance of the date of discontinuance. The Local Agency shall be required to pay all water charges until the date of discontinuance.

(D) If a Local Agency requests water service be restored, the meter shall be reinstalled at the sole expense of the Local Agency. If a Local Agency requests service be reinstated within a twenty-four (24) month period after discontinuance, the Local Agency shall be required to pay IEUA all outstanding charges up to the time of discontinuance.

SECTION 203 - INTERFERENCE BY LOCAL AGENCIES:

No Local Agency shall take or draw water from any water line or pipe of IEUA without paying the established charges therefore. Any Local Agency interference constitutes a violation of the Ordinance and is grounds for discontinuance of service.

SECTION 204 – EFFECTIVE DATE:

Upon the effective date of this Ordinance No. ~~103104~~, Ordinance No. ~~100103~~, including any amendments thereto, shall be repealed and superseded by this Ordinance. This Ordinance shall be in full force and effect immediately following its passage, approval, and publication, as provided by law.

ADOPTED, this ~~18th~~-15th of June, ~~2014~~2016.

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 the Board of Directors thereof

**INFORMATION
ITEM**

3D



Date: May 18, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (05/11/16)

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

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

JCh #882 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: FY 2016/17 Proposed Amended Budget

RECOMMENDATION

It is an information item for the Board of Directors to review and provide comments.

BACKGROUND

The Agency's first biennial budget of FYs 2015/16 and 2016/17 was adopted by the Board in June 2015, along with the multi-year rates for the Regional Wastewater Operation and Maintenance (RO), the Regional Wastewater Capital Improvement (RC), and the Recycled Water (WC) funds. In March 2016, a review of the proposed changes to the FY 2016/17 adopted operations and maintenance (O&M) budget was presented to the Board. The March overview was also provided to the Regional Technical and Policy Committees. The overview included an update of the changes to the Water Resources (WW) fund rate structure and draft rates still under discussion with the water member agencies. No changes to the capital improvement plan (CIP) were presented, as review of the FYs 2016 - 2025 Ten Year Capital Improvement Plan (TYCIP) was still underway.

Following is a summary of the proposed changes (amendments) to the FY 2016/17 O&M adopted budget and TYCIP, followed by an overview of each fund and proposed amendments. A summary of budget amendments by fund is also provided in Exhibit A.

FY 2016/17 Amended Budget (All Funds)

Total revenue and other sources of funds of \$258 million adopted for FY 2016/17 is being reduced to \$230 million. The following adjustments account for the \$28 million reduction:

- \$13.4 million adjusted in water sales based on changes in estimated water deliveries
- \$10.5 million of reduced revenue from new connection fees; \$9 million in Regional Wastewater Capital Improvement (RC) fund and \$1.5 million in Recycled Water (WC) fund. The number of new wastewater connections was decreased to 3,000 units from the adopted 4,580 units. New water connection units were adjusted downward from 4,167 units to 2,730 units. The reduced projections are consistent with the member agencies more recent forecast as of October 2015.
- \$3.8 million decrease in state loan and grants receipts to align with the extended project execution timeline.
- \$3.7 million of reduction in user charges; \$5.1 million reduction in the Water Resources (WW) fund due to rate restructuring on proposed water rates being offset by increase in volumetric EDU revenue of \$1.4 million based on prior year favorable growth.
- \$0.9 increase in other revenue; \$1.2 million increase in inter-fund loan from Regional Wastewater Operations and Maintenance (RO) fund to Administrative Service (GG0 fund and offset by projected decrease in interest revenue.
- \$2.3 million increase in property tax receipts based on projected growth of 6 percent in FY 2015/16 from FY 14/15 and assume a 3 percent increase in FY 2016/17.

Property Tax Allocation by Fund

Total property tax receipts were increased from \$42.4 million in the FY 16/17 adopted budget to \$44.7 million. The 6% increase is based on higher than projected receipts in the current fiscal year. Table 1 provides a summary of property tax allocation by fund.

Table 1: FY 2016/17 Property Tax Allocation by Fund (\$Millions)

Fund	Allocation %	2016/17 Adopted	Allocation %	2016/17 Amended
RC Fund	65%	\$27.6	65%	\$29.1
RO Fund	22%	9.3	21.3%	9.5
WC Fund	5%	2.1	4.9%	2.2
WW Fund	4%	1.5	4.4%	1.9
GG Fund	4%	1.9	4.4%	2.0
Total	100%	\$42.4	100%	\$44.7

Property taxes were first allocated to the WW fund in FY 2014/15 from the Administrative Service (GG) fund to support regional water resource initiatives not supported by the proposed water rates, such as Santa Ana River Conservation and Conjunctive Use Program (SARCCUP), Integrated Resources Plan (IRP) Phase II drought resiliency projects, and supplemental water purchases and storage.

In order to adequately finance these regional investments without impacting program rates, beginning in FY 2017/18 all future growth in property tax receipts allocated to the RO, WC and GG funds will be re-allocated to the WW fund. Going forward, property tax receipts for the RO, WC and GG fund will be “fixed” at the FY 2016/17 amended amount as reported in Table 1. No change is proposed for the allocation to the RC fund. Consistent with past practice, the annual allocation of total property taxes to the RC fund will continue at 65 percent, including related growth. The 65 percent relates to the portion of Improvement District “C” (IDC) taxes collected prior to the adoption of Proposition 13 in 1978.

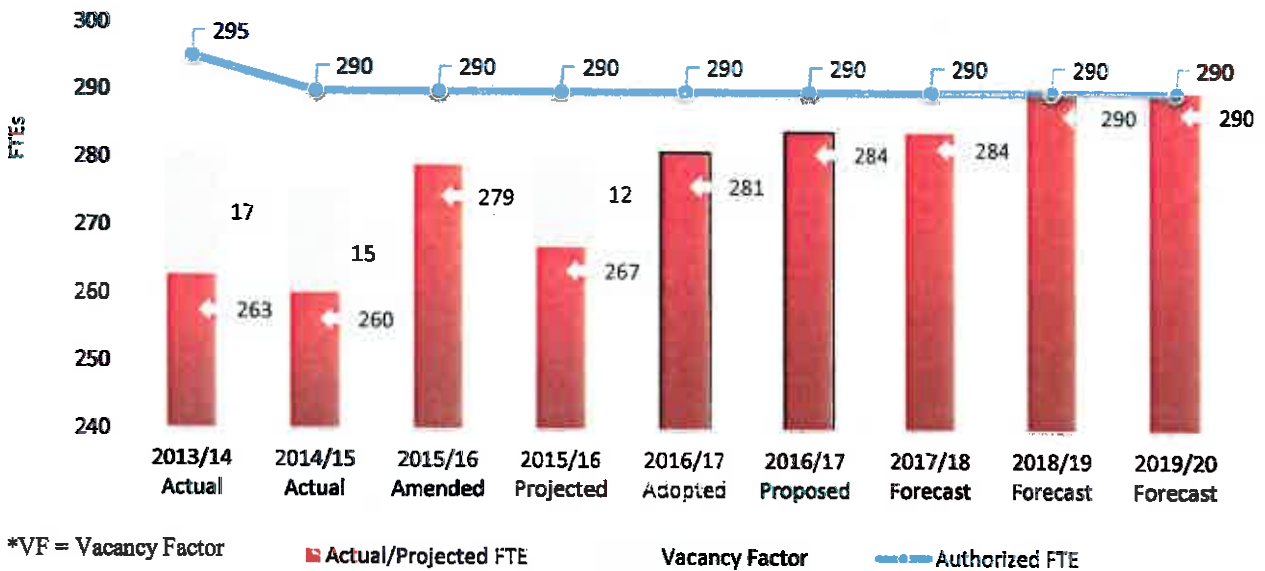
Total Expenses and Other Uses of Funds

The total expenses and other uses of funds adopted for FY 2016/17 were \$227.7 million. The proposed FY 2016/17 budget reflects an increase of \$7.8 million to \$235.5 million. The primary driver is an increase of \$7.8 million in Capital Improvement Plan (CIP) expenditures mainly due to changes in project schedules.

Staffing and Employment Costs

No changes to the 290 authorized full time equivalent (FTE) staff level as adopted in the biennial budget. The Agency’s vacancy factor projected a decrease from 8.6 percent (actual average over the last three fiscal years) to 4 percent in FY 2015/16 and 2 percent in FY 2016/17 (Figure 1). The reduction in the vacancy factor will help support the Agency’s implementation of succession planning without the need to increase the 290 authorized FTEs. The reduced vacancy factor resulted in an increase of approximately \$590,000 in employment costs (wages and benefits) for FY 2016/17.

Figure 1: Employment Cost and Staffing Trend

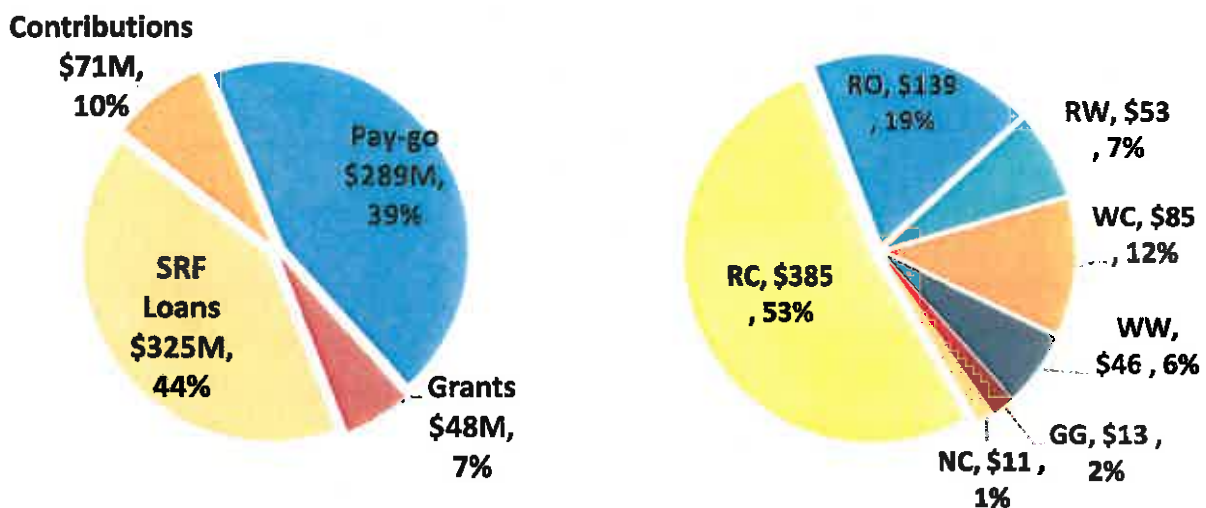


Additional changes to the FY 2016/17 amended budget are expected as program rates for the WW fund and the Non-Reclaimable Wastewater (NC) fund are finalized. The WW and NC fund amended budget and program rates will be brought back to the Board for final review and approval in June.

Ten Year Capital Improvement Plan (TYCIP)

The amended FY 2016/17 – 2025/26 TYCIP of \$733 million, as presented to the Board in May 2016, includes \$126 million for O&M projects and \$607 million for capital projects. The amended Capital Improvement Plan (CIP) for FY 2016/17 is \$84 million; \$24 million for O&M projects and \$60 million for capital projects. As indicated in Figure 1, approximately 61 percent will be funded by State Revolving Fund (SRF) loans and grants, and other receipts. The remaining 39 percent will be supported by pay-go which includes connection fees, user charges, and property tax receipts.

**Figure 2: TYCIP Funding Sources and by Fund
 \$733 Million**



A list of the major projects and changes in the FY 2016/17 adopted budget are included in the individual fund sections below.

Debt service

Total proposed debt service in FY 2016/17, net of financial expenses and inter-fund loans, is estimated at approximately \$21.6 million. This is slightly lower than the adopted debt service of \$22.3 million.

Table 2: Debt Service Cost by Type (\$Millions)

	2014/15 Actual	2015/16 Projected	2016/17 Adopted	2016/17 Amended	Change
Bonds	\$29.9	\$13.8	\$14.2	\$14.1	(\$0.1)
SRF Loans	4.8	6.6	7.2	6.7	(0.5)
Notes	0.8	0.8	0.9	0.8	(0.1)
Total	\$35.5	\$21.2	\$22.3	\$21.6	(\$0.7)

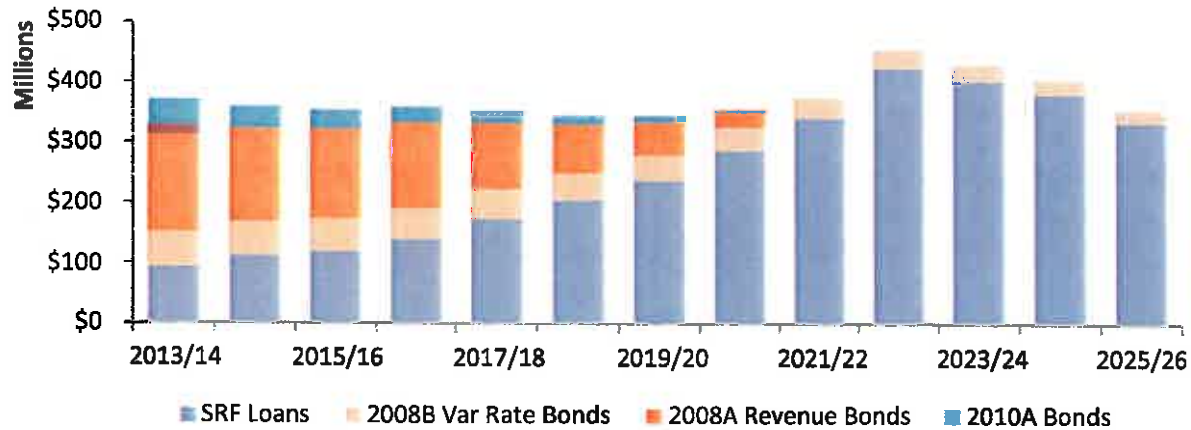
*FY 2014/15 - 2005A Bond defeasance
 Excluding financial expenses, inter-fund loan and interest*

The fluctuation in the total outstanding amount is due to new SRF loan borrowing requirements anticipated over the next ten years, the planned defeasance of the 2008A Revenue Bonds (2008A Bonds). The early repayment of the 2008A Bonds with an outstanding principal balance of \$125 million and annual interest rate of 5 percent is planned over a five year period beginning in FY 2017/18 when the bonds are eligible for refunding. At an interest rate of 5 percent and scheduled maturity of 2038, total interest savings are estimated at \$80 million with present value savings of over \$50 million. Staff will closely monitor the Agency’s financial position and adjust the repayment period as needed to ensure funding is available to support operations, required capital investments, and other Agency obligations.

The projected Agency DCR for FY 2016/17 is 2.62 compared to the adopted DCR of 3.19. The change is driven by an increase in overall operating costs. The Debt Coverage Ratio (DCR) serves as a critical financial indicator in determining the Agency’s overall credit rating, its ability to refinance existing debt and issue new debt, and Agency accessibility to lower rates for future borrowing costs. Current bond covenants require the Agency to maintain a minimum total debt ratio (DCR) of 1.25 times (x) or higher on total outstanding debt. The Agency has no legal debt limits imposed by state legislation.

As of June 30, 2016, total outstanding debt (principal and interest), excluding financial expenses and inter-fund loans, is estimated at \$365 million, as reported in Figure 3 which includes the estimated trend in outstanding debt, excluding notes payable and inter-fund loans through FY 2025/26. During the next ten years the Agency is planning to replace outstanding bond indebtedness with SRF loans, as a cheaper alternative to fund the capital projects included in the TYCIP.

Figure 3: Summary of Agency’s Outstanding Debt (\$Millions)



As shown in Figure 3 above, bond debt declines while SRF loan debt continues to increase. The primary driver for this change is the FY 2017/18 to FY 2020/21 pay down of the 2008A bonds and increasing SRF loan debt to finance major expansion projects. SRF loans are projected for the preliminary design and the RP-1 and RP-5 expansion projects and the RP-5 Solids Handling Facility.

FY 2016/17 Amended Budget by Fund

Water Resource (WW) Fund

Proposed Water Rates

In 2014 the Agency engaged Carollo Engineering to perform a rate study analysis of the potable water rates. The study identified some structural deficiencies in the existing rate structure. The final report issued in March 2015 (IEUA 2015 Water Rate Study) recommended restructuring of the rates to better align the collection and incurrence of program costs. Given the potential fiscal impact to ratepayers, water member agencies requested deferring implementation of the proposed rate restructuring to FY 2016/17.

AF Surcharge

The AF surcharge, currently at \$15 per acre foot (AF), applied to MWD imported water deliveries will be eliminated. Under the proposed water rates, program costs covered by the AF surcharge will be supported by the MEU rate.

Readiness to Serve (RTS) Pass-Through Fees

Currently IEUA collects the MWD RTS pass-through fees through the monthly meter charge. The meter charge is based on an account or fixed basis regardless of the meter size. MWD bills RTS based on water use over a ten year rolling average (TYRA). Under the proposed restructuring, the Agency will pass through RTS using MWD’s TYRA methodology. This change has a significant

impact to water agencies that purchase a greater portion of the MWD water deliveries. Member agencies requested an extended phase-in period of seven (7) years in alignment with the implementation of the proposed recycled water surcharge for use over entitlement.

Monthly Meter Charge/MEU Rate

Currently, approximately 80 percent of the monthly meter charge imposed on all potable water connections is applied to recover the MWD RTS pass-through fees. The remaining 20 percent is allocated to support operating costs for the water resources program, including a small portion of the regional conservation program.

Under the proposed rates, the monthly meter charge rate will be restructured from an account based (total number of customer accounts) to a meter equivalent unit (MEUs). One MEU will be equivalent to a 5/8" or 3/4" meter. A higher MEU will be applied to larger size meters. For example, a 1" meter will be equivalent 2.5 MEUs. The revenue generated from MEUs will support the water resource program costs, a portion of which was previously supported by the acre foot (AF) surcharge rate.

The use of the MEU rate to support a primarily "fixed" program cost will provide more stable funding for the management of water resource initiatives, including the Agency's regional conservation and water use efficiency programs.

Proposed Water Rates

Since January 2016, numerous review sessions with the water member agencies have been held to analyze the program costs to be supported by the proposed water rates. Throughout this review period, significant changes have been made to refine the program costs to be supported by the proposed rates and the implementation period. Some of the significant changes include;

- Removal of direct costs associated with the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP), Integrated Resources Plan (IRP) Phase II projects, and purchases of supplemental water supplies from program costs to be supported by the MEU rate,
- Seven year phased implementation of the MWD RTS Ten Year Rolling Average (TYRA) direct charge to member agencies,
- Use of property taxes to cover the RTS fees not recovered through the TYRA direct charge during the seven year implementation period,
- Reduction in the minimum fund balance reserves from \$6 million to \$1.6 million (Operating Contingency only). The significant reduction is due to the elimination of the reserve to support payment to MWD in the event of default by a water agency. The recommendation from the member agencies is for the Agency to rely on reserves already maintained by each of the water agencies, and
- Forgiveness of the \$4.3 million inter-fund loans due to the Administrative Services (GG) fund by the WW fund, subject to the Board's approval of the member agencies formal request.

All of these significant changes, including the forgiveness of the inter-fund loans, are reflected in the proposed rates as summarized in Table 3.

Table 3: Proposed Multi-Year Water Rates

	FY 2015/16 Current	FY 2016/17 Amended	FY 2017/18 Forecast	FY 2018/19 Forecast	FY 2019/20 Forecast	FY 2020/21 Forecast	FY 2021/22 Forecast	FY 2022/23 Forecast
AF Surcharge	\$15.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
RTS Ten Year Rolling Average	n/a	15% ~\$7.82	30% ~\$16.02	45%	60%	75%	90%	100%
Water Meter Rate/Account	\$2.105	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Meter Equivalent Units (MEU)	n/a	\$0.90	\$0.95	\$0.99	\$1.04	Adjustments based on CPI		

Other Funding Sources

Beginning in FY 2014/15, a portion of property taxes was re-allocated from the GG fund to the WW fund to support program costs not covered by existing rates and charges. In addition to the \$3 million of property tax reallocated to date (\$1.5 million in FY 2014/15 and \$1.5 million in FY 2016/17), additional transfers will be needed to support the seven year phased implementation of the RTS TYRA. Table 4 provides a summary of projected property tax transfers from the GG fund to the WW fund.

Table 4: Projected Property Tax Transfers from GG Fund

\$ Millions	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2020/22	Total
Property Taxes (RTS Deficit)	\$2.7	\$2.3	\$1.8	\$1.4	\$0.9	\$0.4	\$9.5
Other property tax support	\$1.2	\$0.1	\$2.3	\$2.8	\$2.7	\$3.5	\$12.6
Total Property Tax Allocation	\$3.9	\$2.4	\$4.1	\$4.2	\$3.6	\$3.9	\$22.1

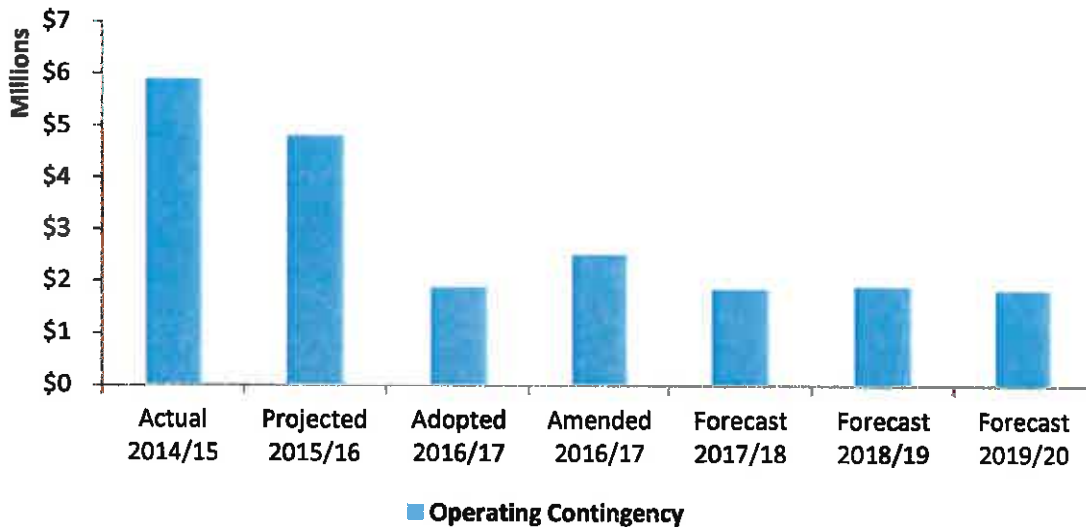
Property taxes allocated to the WW fund not needed to support the RTS TYRA seven year implementation will be designated to regional water resources initiatives not supported by the proposed rates. These initiatives include SARCCUP, IRP Phase II drought resiliency projects, and supplemental water purchases and storage.

In addition to the property tax allocations, inter-fund loans were also needed to support program costs. At the end of FY 2014/15 a total of \$4.3 million in inter-fund loans had been issued to support both operating costs (\$1.3 million) and expansion of the turf removal program (\$3 million). Another \$3.2 million loan from the RO fund may be needed to support supplemental water purchases in FY 2016/17.

As aforementioned, the water member agencies are expected to submit a formal request to the Board to request forgiveness of the \$4.3 million inter-fund loans due to the GG fund. The draft rates include the forgiveness of the inter-fund loans.

The WW fund estimated ending fund balance for FY 2016/17 of \$2.5 million is slightly higher than the \$1.9 million reported in the adopted budget. As shown in Figure 3 below, the fund balance is projected to slightly decline over the ensuing three fiscal years. The primary drivers are higher project expenditures such as the SARCCUP and other regional water resources initiatives beginning in FY 2017/18.

Figure 4: WW Fund Reserve Balance



Regional Wastewater Capital Improvement (RC) Fund

A major revenue source for the RC fund is the fees levied for new connections to its regional wastewater system, referred to as wastewater connections fees. Pursuant to the Regional Sewage Service Contract (Regional Contract), member agencies collect and hold these funds in a trust account (Capital Construction Reimbursement Accounts) until they are “called” or requested by the Agency to support planned capital expenditures for the regional wastewater system.

Table 5: Wastewater Connection Fee Rates

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

The proposed number of new EDU connections has been reduced as the result of revised data submitted by member agencies. The proposed budget projects for FY 2016/17 3,000 new EDU connections and \$17.1 million of related revenue. This is a reduction of \$9.1 million as compared to the adopted budget of 4,580 new EDU connections and \$26.2 million revenue.

The total number of new connections between FY 2015/16 through FY 2019/20 as projected by the member agencies is shown in Table 6 below.

Table 6: Member Agency Wastewater Connection Estimates with Proposed Budgeted Connections

New Wastewater Connections	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	5 Year Total
Projected for 2015/16	5,849	6,185	5,045	4,470	4,453	26,002
Projected for 2016/17	4,693	5,277	5,187	4,063	3,470	22,690
FY 2016/17 Proposed New Connections	4,330	3,000	3,000	3,000	2,700	16,030

Property tax receipts are another major funding source for the RC fund. Consistent with past practice, approximately 65 percent, or \$29.1 million in FY 2016/17, of property tax is allocated to the RC fund. The 65 percent relates to the portion of Improvement District “C” (IDC) taxes collected prior to the adoption of Proposition 13 in 1978.

An additional 3 percent increase in total property tax receipts is assumed for FY 2016/17 based on favorable estimated growth of 6 percent in FY 2015/16. Property tax receipts budgeted in the RC fund is first allocated to support debt service costs of \$13.5 million in FY 2016/17. The remaining portion of property taxes is designated to support the Regional wastewater CIP. Key changes in the RC fund revenue and other funding sources FY 2016/17 adopted budget are summarized below in Table 7.

Table 7: RC Fund Major Revenues and Other Funding Sources

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Regional Wastewater Capital (RC)	Wastewater Connections Fees	\$26.2	\$17.1	(\$9.1)	Reduced from 4,580 units to 3,000 units based on revised member agency count.
	Property Tax Receipts	27.6	29.1	1.5	An additional 3% increase in FY 2016/17 based on year to date receipts.
	SRF Loan	0.0	2.9	2.9	Proceeds for the RP-1 and RP-5 Expansion PDR SRF planning loan.
	Interest and Other Revenue	2.5	1.1	(1.4)	Interest rates lower than anticipated.
	Total	\$56.3	\$50.2	(\$6.1)	

Inter-fund transfers from the RC fund support debt service and capital expenditures. The increase over the adopted FY 2016/17 budget is due to higher capital costs in the Administrative Service (GG) fund. Table 8 summarizes the key changes to RC fund expenses and other uses of funds.

Table 8: RC Fund Major Expenses & Other Uses of Funds

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Regional Wastewater Capital (RC)	Operating Expenses	\$6.3	\$9.5	\$3.2	Program costs to support increase of the Regional CIP.
	Debt Service Costs	13.7	13.5	(0.2)	Interest rates lower than anticipated. Includes principal & interest for the 2008A, 2008B and 2010A bonds.
	Capital Improvement Plan (CIP)	15.3	20.0	4.7	See Table 7 for summary of major capital projects.
	Inter-Fund Transfers	7.5	9.5	2.0	Support GG fund CIP.
	Total	\$42.8	\$51.5	\$8.7	

A total of \$20 million of capital project costs is budgeted in FY 2016/17, an increase of \$4.7 million over the previously adopted budget. The major projects are listed in Table 9 below.

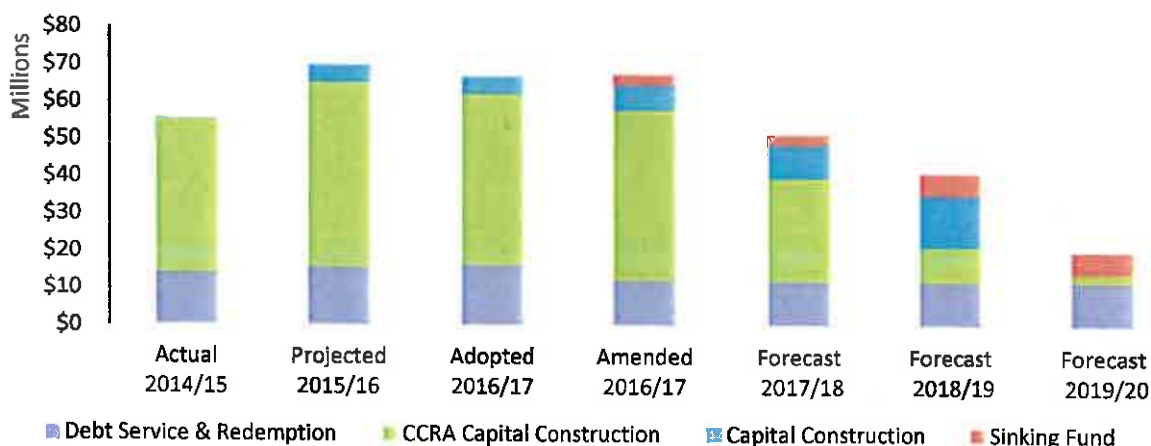
Table 9: RC Fund Major Capital Projects

\$Millions	Project	Adopted FY 2016/17	Amended FY 2016/17
RC Fund	RP-2 Relocation/ RP-5 Solids Treatment Facility	\$4.0	\$3.1
	RP-1 Mixed Liquor Return Pump	3.0	2.4
	RP-1 and RP-5 Expansion PDR	2.0	2.2
	RP-4 Chlorination Facility Retrofit	1.5	1.0
	RP-1 Headworks Primary & Secondary Upgrade	-	1.5
	San Bernardino Ave. Gravity Sewer	-	1.3
	RP-5 Expansion to 30 MGD	-	1.2
	All Other Regional Capital Projects	4.8	7.3
	Major Capital Projects	\$15.3	\$20.0

The RC fund estimated ending fund balance for FY 2016/17 of \$67.5 million is slightly higher than the \$66.7 million reported in the adopted budget. As shown in Figure 3 below, the fund balance is projected to drop over the ensuing three fiscal years. The primary drivers are higher capital expenditures on major plant expansions and the early retirement of the 2008A Bonds beginning in FY 2017/18.

A sinking fund is also being established beginning in FY 2016/17 to support the early repayment of the 2008A Bonds. Future capital calls against the Capital Construction Reimbursement Accounts (CCRAs) held by member agencies will be a primary funding source for the sinking fund.

Figure 5: RC Fund Reserve Balance by Type



Regional Wastewater Operations and Maintenance (RO) Fund

The key revenue and funding sources for the RO fund include: EDU volumetric charges, property taxes, and reimbursement from the Inland Empire Regional Composting Authority (IERCA) for labor and operating costs. Major expenses include operating costs for the collection, treatment, and disposal of wastewater, maintenance and capital replacement and rehabilitation (R&R) costs of regional facilities and infrastructure, and organic management activities. The bio-solids recycling budget includes tipping fees paid to the IERCA for processing of bio-solids from all of the Agency’s facilities.

Pursuant to the Agency’s commitment to have rates that fully recover the cost of service, incremental increases to the monthly EDU volumetric rate were adopted for five fiscal years in FY 2014/15, as reported in Table 5. The initial assumptions of achieving full cost of service, or recovery of O&M, Replacement & Rehabilitation (R&R), and debt service costs, was projected to be reached in FY 2018/19. Due to increased replacement and rehabilitation (R&R) project costs, full cost of service may not be achieved until FY 2020/21. No change in the adopted EDU volumetric rates is proposed. Property taxes will continue to be used to support program costs not supported by the adopted rates.

Table 10: Adopted EDU Volumetric Rates FYs 2015/16 – 2019/20

Rate Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
EDU Volumetric Rate	\$14.39	\$15.89	\$17.14	\$18.39	\$19.59	\$20.00
Effective Date		10/01/15	07/01/16	07/01/17	07/01/18	07/01/19

The RO fund FY 2016/17 amended revenue and other funding sources are estimated at \$86.8 million, an increase of 2.2 million compared to the adopted budget of \$84.6 million. The primary change is the increase in volumetric EDU revenue due to favorable growth in volumetric units in both FY 2014/15 (2.5%) and FY 2015/16 (0.5%) compared to the budgeted 0.25% annual growth. The higher number of EDUs increased the projected volumetric EDU revenue from \$54.9 million to \$56.2 million with the same 0.25% growth assumption. Table 11 highlights the changes in major revenue and other funding sources.

Table 11: RO Fund Major Revenues and Other Funding Sources

\$Millions	Major Funding Sources	Adopted FY2016/17	Amended FY 2016/17	Change	Key Assumptions
Regional Wastewater Operations and Maintenance (RO)	Volumetric EDU Revenue	\$55.0	\$56.4	\$1.4	Favorable growth in volumetric EDUs in FY 2014/15 and FY 2015/16. Proposed FY 16/17 revenue assumes 0.25% growth
	Property Tax Receipts	9.3	9.5	0.2	An additional 3% increase in FY 2016/17 based on year to date receipts.
	State Loans	7.7	7.7	0.0	Water Quality laboratory project
	Grants	3.5	3.5	0.0	South Archibald Plume Cleanup Project
	Other Revenues	4.6	4.6	0.0	Reimbursement of IERCA labor costs
	Inter-Fund Transfers	4.5	5.1	0.6	Transfer from RC for LAB project, and from WC for the SCADA system project.
	Total		\$84.6	\$86.8	\$2.2

The amended RO fund FY 2016/17 total expenses and other uses of funds are estimated at \$89.2 million compared to the adopted budget of \$75.5 million as indicated in Table 10. The increase of \$13.7 million includes a \$3.2 million inter-fund loan to the WW fund to support purchase of supplemental water supplies, and an increase of \$7.5 million in R&R projects.

Table 12: RO Fund Major Expenses & Other Uses of Funds

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Regional Wastewater O&M (RO)	Operating Expenses	\$62.0	\$66.5	\$4.5	Changes in Plume project schedule
	Debt Service Costs	0.2	3.4	3.2	Includes a \$3.2 million inter-fund loan to WW fund for supporting purchase of supplemental water

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
	Capital Improvement Plan (CIP)	11.8	19.3	7.5	Added new projects for Agency-wide pump efficiency, RP-2 dry bed rehabilitation, etc.
	Inter-Fund Transfers	\$1.5	0	(1.5)	Support RC fund project; RP-5 solids handling facility
	Total	\$75.5	\$89.2	\$13.7	

The Amended FY 2016/17 total expenses and other uses of funds includes \$26.9 million of project expenses for both capital and operations and maintenance (O&M) projects. The funding sources for these projects include grants, loans, volumetric EDU rates and portion of property tax receipts. The major RO fund projects are listed below in Table 13. The \$3.0 million expense for the Chino Basin Groundwater Supply Wells and Raw Water Pipeline project in FY 2016/17 will be funded by grants. A combination of grants, contributions and property taxes will support the remaining project costs projected in FY 2017/18.

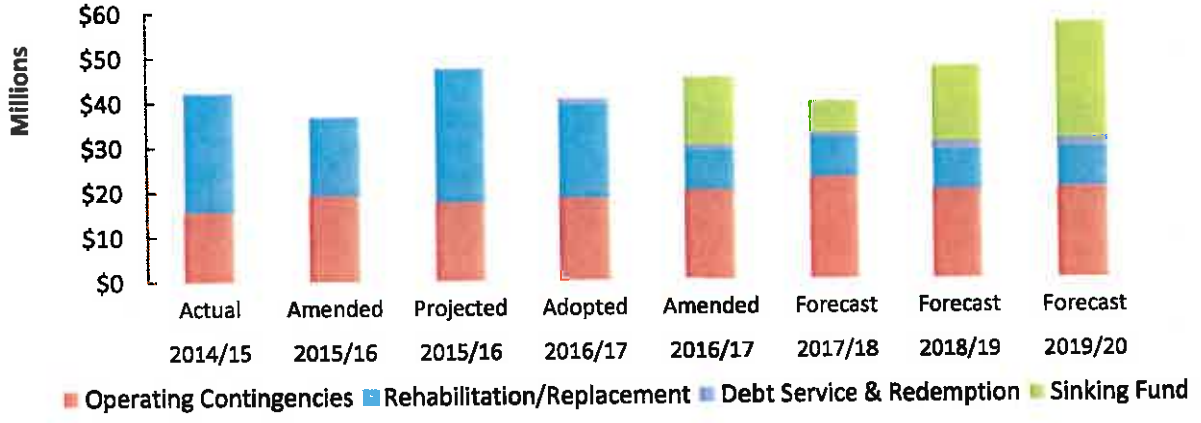
Table 13: RO Fund Major Projects

\$Millions	Project	Adopted FY 2016/17	Amended FY 2016/17
RO Fund Capital Projects	New Water Quality Laboratory	\$7.0	\$7.0
	Agency-Wide Lighting Improvements Phase 2	0	1.4
	Agency-Wide Pump Efficiencies	0	1.3
	SCADA Enterprise System	1.0	1.2
	RP-1 East Primary Effluent Pipe Rehab	1.4	0.5
	Other capital projects	2.4	7.9
	Total Capital Projects	\$11.8	\$19.3
RO Fund O&M Projects	Chino Basin Groundwater Supply Wells and Raw Water Pipeline	\$3.0	\$3.0
	Panel Replacement	0	2.4
	RO O&M Emergency Projects	0.6	0.6
	Other O&M projects	0.5	1.6
	Total O&M Projects	\$4.1	\$7.6
	Total Project Costs	\$15.9	\$26.9

The FY 2016/17 ending fund balance is estimated at \$45.2 million, approximately \$4.6 million higher than the adopted budget's fund balance of \$40.6 million (Figure 4). The estimated increase is primarily due to a higher projected ending fund balance for FY 2015/16 as a result of lower O&M and capital expenditure projections.

Beginning in FY 2016/17 a sinking fund reserve is being established to support the relocation, rehabilitation and decommissioning of wastewater facilities with an estimated of over \$100 million. At the end of FY 2019/20, the sinking fund reserve is projected to be \$25 million. The use of property taxes to fund the sinking fund over time will help mitigate the impact to future rates.

Figure 6: RO Fund Reserve by Type



Recycled Water (WC) Fund

No change in the budgeted 37,100 acre feet (AF) of recycled water deliveries in FY 2016/17, or the related revenue of \$16.0 million. Additionally, there is no change in the \$2.1 million Local Projects Program (LPP) rebate from the Metropolitan Water District of Southern California (MWD). The LPP rebate will sunset in June 2017.

Other key funding sources for the WC fund include; State Revolving Fund (SRF) low interest loans, grants, and the water connection fees. SRF loan proceeds and grant receipts are estimated at \$12.6 million in FY 2016/17, a reduction of \$5.5 million from the adopted budget. The reduction is mainly attributed to timing of expenditures and related receipts for major projects receiving funding from the Proposition 1 grant and SRF loans. Additionally the WC fund will be transferring approximately \$1.4 million of SRF loan receipts to the RO fund for costs associated with the SCADA Enterprise System project. Beginning in FY 2017/18 the RO fund will provide annual transfer to support o the WC fund for the SCADA Enterprise System project related debt service (Table 14).

Table 14: WC Fund Major Revenue & Other Funding Sources

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Recycled Water (WC)	Direct Sales	\$9.7	\$9.7	\$0.0	24,200 AF in FY 2016/17.
	Recharge Sales	6.0	6.0	0.0	12,900 AF in FY 2016/17.
	MWD LPP Rebate	2.1	2.1	0.0	\$134/AF rebate for recycled water sales up to 13,500 AF p

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\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
					FY. Rebate expires in June 2017.
	Connection Fee	4.5	2.9	(1.6)	4,167 MEUs reduced to 2,730 for FY 2016/17.
	Property Tax Receipts	2.1	2.2	0.1	An additional 3% increase in FY 2016/17 based on year to date receipts.
	Loan and Grant Proceeds	18.1	12.6	(\$5.5)	SRF loans and grants to support WC fund capital projects.
	Inter-Fund and Other Revenues	2.4	2.7	0.3	Interest and other reimbursements.
	Total	\$44.9	\$38.2	(\$6.7)	

Major expenses for the WC fund include capital, debt service and operating costs. Operating costs include labor, pumping costs, O&M project expense and a portion of the ground water recharge operating costs not reimbursed by Watermaster. Groundwater recharge expenses of \$1.1 million are estimated in FY 2016/17. In addition, the Agency's FY 2016/17 pro-rata share is estimated to be \$506,000.

Annual debt service costs are estimated at \$6.7 million in FY 2016/17. Repayment of the \$28.5 million outstanding inter-fund loans (\$13.5 million due to RC fund and \$15 million due to the NC fund) has been deferred from FY 2016/17 to FY 2019/20 with full repayment projected by FY 2025/26. The proposed major expense and other uses of funds are summarized in Table 15.

Table 15: WC Fund Major Expenses & Other Uses of Funds

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions	
Recycled Water (WC)	Utilities	\$3.0	\$3.0	\$0.0	\$0.12 kWh electricity rate for direct access, renewal energy rates based Purchase Power Agreements (PPAs) melded rate.	
	Operating Expense	7.9	9.5	1.6	Includes labor, professional fees and services, materials and supplies, and a portion of the groundwater recharge operations expense and inter-fund transfers to support operating and capital costs.	
	Debt Service Costs	9.3	6.7	(2.6)	Includes principal and interest costs for outstanding debt. Inter-fund loan repayment is deferred until FY 2019/20.	
	Capital Improvement Plan (CIP)	18.6	11.9	(6.7)	See Table 13 for summary of major capital projects.	
	Water Connection Fee Transfers	0.4	0.4	0.0	Connection fee to support projects in GG, RW and WW funds.	
	Inter-Fund Transfers	1.2	2.4	1.2	Capital and operating support to other funds.	
	Total		\$40.4	\$33.9	(\$6.5)	

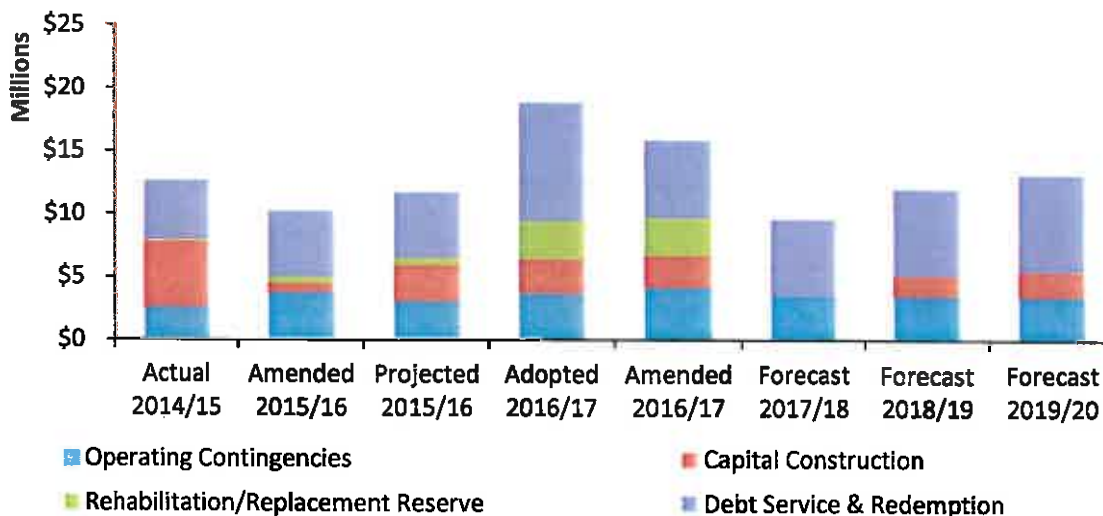
Capital expense is projected to be \$11.9 million as indicated in Table 16, reflects a reduction of \$6.7 million from the previously adopted budget of \$18.6 million. The reduction of projected CIP expense can mostly attributed to timing of and execution of the recycled water regional intertie projects.

Table 16: WC Fund Major Capital Projects

\$Millions	Project	Adopted FY 2016/17	Amended FY 2016/17
WC Fund	Recycled Water Regional Interties	\$10.0	\$1.5
	San Sevaine Improvements	3.0	3.2
	1630 West RW Pump Station – Surge Tank Install	-	1.3
	Napa Lateral/SB Speedway	1.0	0.5
	RP-1 Parallel Outfall Pipeline	1.0	0.2
	1158 Reservoir Site Cleanup	-	0.6
	All Other Capital Projects	3.6	4.6
	Major Capital Projects	\$18.6	\$11.9

Fund reserves for FY 2016/17 are projected to be \$15.9 million, a \$3.0 million decrease from the estimated ending balance reported in the adopted FY 2016/17 budget (Figure 7). The decrease is mainly due to a reduction in SRF loan and related grant proceeds. Also contributing to the decrease of reserves is the projected reduction in the number of new MEU connections. Previously budgeted for fiscal years 2015/16 through 2019/20 was 14,562 new MEU connections, this has been reduced to 11,632 new MEU connections. The R&R and capital expansion reserves fluctuates based on capital expenditures, which becomes stabilized and show improvements starting in FY 2018/19.

Figure 7: WC Fund Reserve Balance by Type



Recharge Water (RW) Fund

The Recharge Water (RW) fund accounts for the revenues and expenses associated with groundwater recharge (GWR) operations and maintenance through joint efforts with Chino Basin Watermaster (Watermaster), Chino Basin Water Conservation District (CBWCD), and the San

Bernardino County Flood Control District (SBCFCD). Operating expenses include general basin maintenance and/or restoration, groundwater administration (e.g. labor, tools, and supplies), contracted services (e.g. weeding and vector control), compliance reporting, and environmental documentation for permit compliance.

Total budgeted revenues, other funding sources and inter-fund contributions/support adopted for FY 2016/17 was \$7.4 million and the amended budget shows slight decrease at \$7.1 million. The budget is comprised of reimbursements from Watermaster for groundwater recharge facilities' operations and maintenance (O&M), capital/special project support, and debt service costs. The remaining balance will be contributed by IEUA for its portion of capital (50/50 shared with Watermaster), debt service, and pro-rata of O&M cost (Table 17).

Table 17: RW Fund Revenue and Other Funding Sources

SMillions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Description
Recharge Water (RW) Fund	Watermaster GWR O&M	\$0.8	\$0.9	\$0.1	Watermaster reimbursement of groundwater recharge operations & maintenance (GWR O&M) and facilities.
	Watermaster Debt Service	0.5	0.4	(0.1)	Watermaster reimbursement for its share of the debt service costs, interest rate estimated at 1.5% and 2015/16 interest credit adjustment.
	Watermaster Capital and O&M Projects	4.2	4.1	(0.1)	Capital project cost shared with Watermaster.
	IEUA Operations Support	1.9	1.7	(0.2)	Operating support for the Agency's pro-rate share for groundwater basin maintenance; capital projects; and non-reimbursable labor cost and water fee share from Recycled Water Fund. In addition to debt service share from the Regional Wastewater

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Description
					Capital Improvement (RC) Fund
	Total	\$7.4	\$7.1	(0.3)	

Total Recharge Water (RW) Program expenses adopted for FY 2016/17 and the Proposed FY 2016/17 remained at \$7.3 million. The expenses include debt service costs for bond issued in 2002 to finance the Chino Basin Facilities Improvement Project (CBFIP) which were refinance in 2008B Variable Bond; groundwater operations and maintenance cost, and capital projects.

FY 2016/17 groundwater O&M expense budget as shown in Table 18, includes utilities and general groundwater basin maintenance costs for infiltration restoration and slope repairs on various groundwater basins; Declez, Ely, Hickory, Banana, and Jurupa Basins.

Table 18: RW Major Expenses & Other Uses of Funds

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Description
Recharge Water (RW) Fund	Debt Service	\$1.0	\$0.9	(\$0.1)	Bond principal, lower projected interest expense, and financial expenses.
	Groundwater O&M	1.6	1.8	0.2	GWR maintenance and administration costs, utilities, specialty O&M, Watermaster, SBCFCD costs, and IEUA pro-rata share.
	Watermaster Capital Improvement Plan	4.7	4.6	(0.1)	Capital project costs
	Total Expenses	\$7.3	\$7.3	\$0.0	

The slight reduction in capital project costs in FY 2016/17 is mainly due to modifications, improvements and refurbishment at selected basins for \$4.6 million (Table 19). As Watermaster has

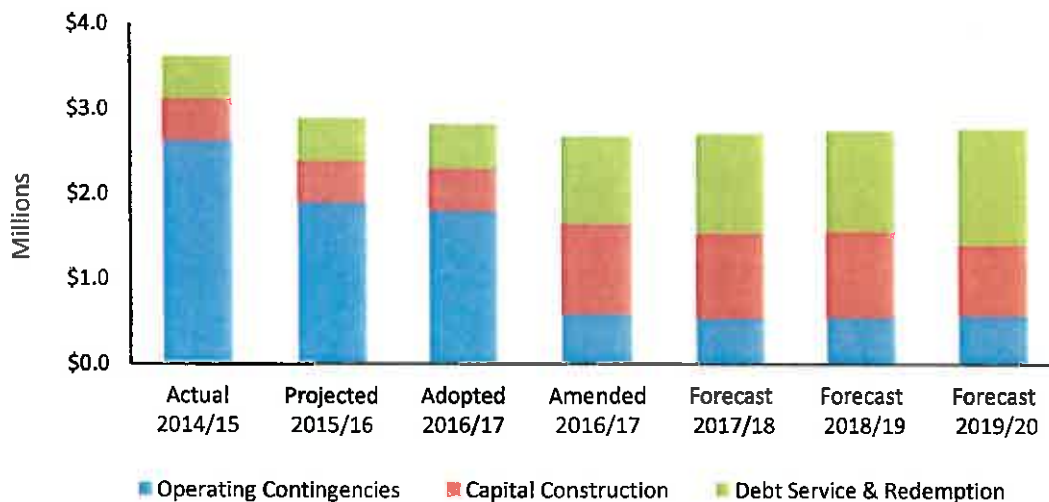
updated the Recharge Master Plan, Agency staff is taking the lead in the execution and administration of the capital projects.

Table 19: Recharge Program Capital Projects

\$Millions	Capital Projects	Adopted FY 2016/17	Amended FY 2016/17
Recharge Water (RW) Fund	RW15003 Recharge Master Plan Update	\$3.1	\$3.1
	RW15004 Lower Day RMPU	1.2	1.2
	EN16052 Ely Basin Turnout Remote Control Upgrade	0.4	
	RW15002 Upper Santa Ana River HCF	0.1	0.3
	Total Capital Projects	\$4.7	\$4.6

The ending fund balances for the amended FY 2016/17 budget is projected to be approximately \$2.7 million, compared to the adopted budget's ending balance of \$2.8 million. Operating contingency reserve is adjusted to reflect the updated reserve requirement of 4 month operating contingency for each program fund. Average ending balance in ensuring fiscal years is estimated to be stable at approximately \$2.8 million (Figure 8).

Figure 8: RW Fund Reserve Balance by Type



Administrative Service (GG) Fund

The Administrative GG) fund serves as the Agency's general fund. The GG fund accounts for agency-wide costs, such as; employment, general and administrative services, and contract services, including legal, external audit, landscaping, janitorial, computer software and hardware support, etc.

Similar to an internal-service fund, O&M costs recorded in the GG fund are allocated to other Agency funds and the Inland Empire Regional Composting Authority (IERCA) and Chino Basin Desalter Authority (CDA), whose facilities are operated by Agency staff. The GG Fund also accounts for agency-wide capital acquisitions for items such as computers, printers, copiers and pooled vehicles. Capital expenditures are supported by wastewater connection fees and inter-fund transfers from various Agency funds, including; RC, RO and WC funds.

The primary funding sources for the GG fund are property taxes, labor cost reimbursement from CDA, inter-fund transfers, and an allocation of wastewater connection fees. Total funding sources adopted for FY 2016/17 was \$4.6 million, will be updated to \$6.4 million, as illustrated on Table 20.

Table 20: GG Fund Revenue and Other Funding Sources

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Administrative Services (GG)	Property Tax	\$1.9	\$2.0	\$0.1	Beginning FY 2014/15 allocation reduced from 8% to 5%, shifted to WW fund to support program costs.
	CDA Reimbursement	1.4	1.5	0.1	Operations and labor costs for operation of the Chino 1 Desalter.
	Capital Support	0.9	2.5	1.6	Inter-fund transfers from RC, WC and NC funds to support agency-wide capital expenditures, net of connection fees.
	Inter-Fund Transfers & Other Revenues	0.4	0.4	0.0	Water Connection fees from WC fund
	Total	\$4.6	\$6.4	\$1.8	

The total gross operating and capital expenditures for FY 2016/17 amended budget is \$61.0 million, an increase of \$3.2 million compared to the FY 2016/17 adopted budget mainly due to higher special project (O&M) costs. Approximately, 99.5 percent of total O&M costs are allocated to other Agency funds, net of office and administration expenses and reimbursement from the CDA. The net unallocated operating expenses remaining in the GG fund are projected at \$3.8 million in FY 2016/17 (Table 21) mainly due to higher special project expenditures

Table 21: GG Fund Major Expenses & Other Uses of Funds (Alex to provide breakdown of expense allocation and explain the \$3.8M with 99.5% allocation)

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Administrative Services (GG)	Operating Expense	\$2.6	\$3.8	\$1.2	Net of expense allocation, includes: labor, professional fees and services, materials supplies, and special projects
	Capital Improvement Plan	0.9	2.9	2.0	See Table 20 for changes in major projects.
	Inter-fund Transfer	0.0	2.0	2.0	Inter-fund Property Tax Transfer to WW fund
	Total	\$3.5	\$8.7	\$5.2	

Capital projects for the GG fund are primarily related to vehicle fleet, computer system applications upgrade and business network improvements (Table 22).

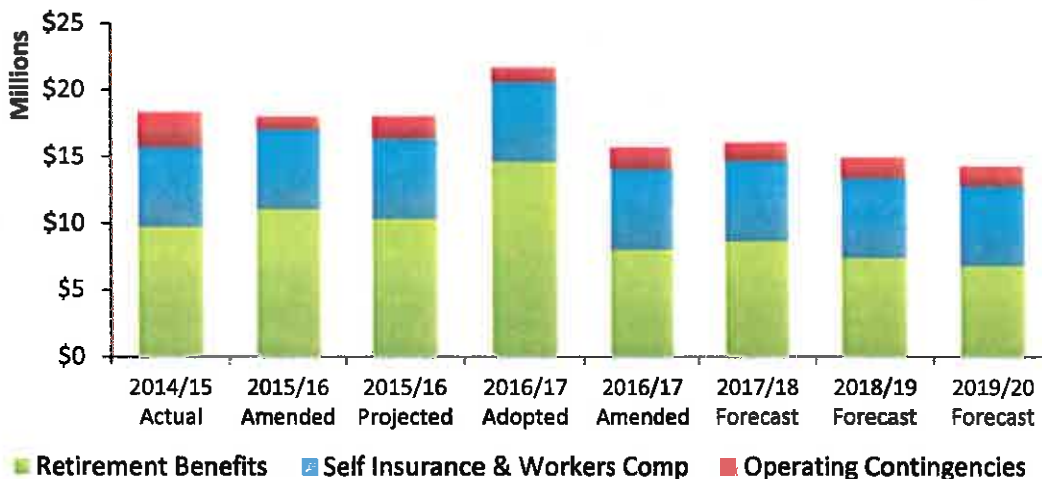
Table 22: GG Fund Capital Projects

\$Millions	Capital Projects	Adopted FY 2016/17	Amended FY 2016/17
Administrative Services (GG)	SAP Strategy and Roadmap Enhancement	\$0.3	\$0.2
	Document Management System - Implementation	0.1	0.4
	Conference Rooms Audio Video (agency-wide)	0.2	0.4
	SAP User Interface Improvement	0.1	0.3
	Agency Wide Vehicle	0.0	0.6
	Main Office Permit and RP-1 Training Room	0.0	0.5
	All Other	0.2	0.5
Total Capital Projects		\$0.9	\$2.9

The GG fund maintains the Agency's reserves for its self-insurance programs and employee retirement benefits, including pension and other post-employment benefits (OPEB). The ending fund balance for the proposed FY 2016/17 budget are estimated at \$15.7 million compared to the fund balance \$21.7 million of the adoption budget (Figure 9). Decrease in fund balance is mainly

due to the re-allocation of property taxes to the WW fund and the proposed forgiveness of the inter-fund loans due from the WW fund.

Figure 9: GG Fund Reserve Balance by Type



Conclusion

The Agency is committed to adopt rates and fees that fully recover the cost of providing the services in order to maintain a high quality level of service, (funding and appropriation commitment under the Fiscal Responsibility Business goal). The rates adopted in 2015 for the five-year period support this commitment, as well as the proposed new water rates. Member water agencies and other stakeholders have been actively engaged in reviewing and evaluating the proposed changes to existing water rate structure and the proposed implementation period. The proposed changes to the water rate structure will more appropriately collect costs as they are incurred and provide for a more stable revenue source to support program costs. Providing reliable and sustainable water supplies is essential to ensuring the region can continue to prosper from future economic development.

As the water rates and the Non-Reclaimable Wastewater System (NRWS) rates are being finalized, the respective rates and budget will be brought back to the Board for review and approval in June 2016, as shown in the schedule below:

Action	IEUA Finance Committee	IEUA Board	Regional Technical Committee	Regional Policy Committee
Overview of FY 2016/17 Budget Amendments	May 11	May 18	May 26	June 2
FY 2016/17 Budget Amendments, Water Rates, NRW Program Rates, and related rate resolutions	June 8	June 15		

Attached in the Appendix section are the Summary of major changes in fund budget and Sources and Uses of Fund reports of the Agency’s RO RC, WC, RW, WW, and GG funds. The proposed budget for these programs is consistent with the IEUA Business Goals of *Fiscal Responsibility, Water Reliability, Wastewater Management, Environmental Stewardship and Business Practices*.

PRIOR BOARD ACTION

On June 20, 2015, the Board adopted the biennial FYs 2015/16 and 2016/17 Operating Budget and FY’s 2015/16 through 2024/25 TYCIP.

IMPACT ON BUDGET

None.

Attachments:

- Appendix A – Summary of Major Changes in Fund Budget (WW, RC, RO, WC, RW, and GG funds)
- Appendix B - Sources and Uses of Funds: WW, RC, RO, WC, RW, and GG Programs
- Appendix C - Repayment Schedule of Inter-Fund Loans

**Appendix A: Summary of Major Changes in Fund Budgets
 (\$ in Millions)**

		Adopted FY 2016/17	Amended FY 2016/17	Proposed Changes for Amendments
WW Fund	Total Revenue & Funding Sources	\$56.8	\$42.9	(\$13.9)
	Total Expense & Uses of Funds	56.5	45.2	(11.3)
	Net Increase (Decrease)	0.3	(2.3)	(2.6)
	Beginning Fund Balance	1.6	4.8	3.2
	Ending Fund Balance	\$1.9	\$2.5	\$0.6
RC Fund	Total Revenue & Funding Sources	\$55.3	\$49.2	(\$6.1)
	Total Expense & Uses of Funds	41.8	51.5	9.7
	Net Increase (Decrease)	13.5	(2.3)	(15.7)
	Beginning Fund Balance	53.3	69.8	16.5
	Ending Fund Balance	\$66.8	\$67.5	\$0.8
RO Fund	Total Revenue & Funding Sources	\$84.2	\$86.8	\$2.6
	Total Expense & Uses of Funds	80.1	89.2	9.1
	Net Increase (Decrease)	4.1	(2.4)	(6.5)
	Beginning Fund Balance	31.9	47.6	15.7
	Ending Fund Balance	\$36.0	\$45.2	\$9.2
WC Fund	Total Revenue & Funding Sources	\$44.9	\$38.2	(\$6.8)
	Total Expense & Uses of Funds	40.4	34.0	(6.5)
	Net Increase (Decrease)	4.5	4.2	(0.3)
	Beginning Fund Balance	14.4	11.7	(2.7)
	Ending Fund Balance	\$18.9	\$15.9	(\$3.0)
RW Fund	Total Revenue & Funding Sources	\$7.4	\$7.1	(\$0.3)
	Total Expense & Uses of Funds	7.3	7.3	0.0
	Net Increase (Decrease)	0.1	(0.2)	(0.3)
	Beginning Fund Balance	2.7	2.9	0.1
	Ending Fund Balance	\$2.8	\$2.7	(\$0.1)

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		Adopted FY 2016/17	Amended FY 2016/17	Proposed Changes for Amendments
GG Fund	Total Revenue & Funding Sources	\$4.6	\$4.4	(\$0.2)
	Total Expense & Uses of Funds	3.6	6.7	3.2
	Net Increase (Decrease)	1.0	(2.3)	(3.3)
	Beginning Fund Balance	20.7	18.1	(2.6)
	Ending Fund Balance	\$21.7	\$15.7	(\$6.0)

Appendix B

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

	2014/15	2015/2016	2015/2016	2016/2017	2016/2017
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	ADOPTED BUDGET	AMENDED BUDGET
REVENUES					
User Charges	\$5,690	\$5,620	\$5,620	\$9,498	\$4,443
Contract Cost reimbursement	138	1,867	1,867	1,500	1,465
Interest Revenue	12	14	14	31	8
Water Sales	34,147	34,659	26,514	42,062	28,671
TOTAL REVENUES	\$39,987	\$42,160	\$34,015	\$53,091	\$34,587
OTHER FINANCING SOURCES					
Property Tax - Debt and Capital	\$1,500	\$1,500	\$4,253	\$1,500	\$1,956
Grants	\$565	\$1,000	\$0	\$2,000	\$865
Loan Transfer from Internal Fund	4,308	2,000	0	0	3,200
TOTAL OTHER FINANCING SOURCES	\$6,373	\$4,500	\$4,253	\$3,500	\$6,021
EXPENSES					
Employment Expenses	\$949	\$1,750	\$1,750	\$1,842	\$1,828
Contract Work/Special Projects	2,200	11,138	3,959	8,372	7,707
Operating Fees	3,715	3,562	3,562	3,669	3,185
Professional Fees and Services	239	157	278	157	157
Office and Administrative expenses	50	60	60	60	60
MWD Water Purchases	34,147	34,659	29,460	42,062	31,856
Other Expenses	69	406	329	338	347
TOTAL EXPENSES	\$41,369	\$51,733	\$39,397	\$56,501	\$45,140
DEBT SERVICE					
Inter-Fund Loan	\$0	\$32	\$0	\$32	\$16
TOTAL DEBT SERVICE	\$0	\$32	\$0	\$32	\$16
TRANSFERS IN (OUT)					
One Water	\$0	\$41	\$41	\$269	\$269
Property Tax Transfer	0	0	0	0	2,000
TOTAL INTERFUND TRANSFERS IN (OUT)	\$0	\$41	\$41	\$269	\$2,269
FUND BALANCE					
Net Income (Loss)	\$4,991	(\$5,063)	(\$1,088)	\$328	(\$2,280)
Beginning Fund Balance July 01	\$916	\$5,906	\$5,906	\$1,572	\$4,818
ENDING FUND BALANCE AT JUNE 30	\$5,906	\$844	\$4,818	\$1,899	\$2,539
RESERVE BALANCE SUMMARY					
Capital / Operation Contingencies	\$5,906	\$844	\$4,818	\$1,899	\$2,539
ENDING BALANCE AT JUNE 30	\$5,906	\$844	\$4,818	\$1,899	\$2,539

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

	2014/15	2015/2016	2015/2016	2016/2017	2016/2017
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	ADOPTED BUDGET	AMENDED BUDGET
REVENUES					
Contract Cost reimbursement	\$12	\$0	\$0	\$0	\$0
Interest Revenue	94	365	128	545	135
TOTAL REVENUES	\$105	\$365	\$128	\$545	\$135
OTHER FINANCING SOURCES					
Property Tax - Debt and Capital	\$26,414	\$26,752	\$28,212	\$27,554	\$29,058
Regional System Connection Fees	15,074	22,647	22,647	26,161	17,136
State Loans	0	2,888	0	0	2,888
Grants	50	0	0	0	0
Other Revenues	0	6	1	6	6
TOTAL OTHER FINANCING SOURCES	\$41,538	\$52,292	\$50,860	\$53,721	\$49,088
EXPENSES					
Employment Expenses	\$3,230	\$3,535	\$3,437	\$3,171	\$4,021
Contract Work/Special Projects	1,007	908	307	750	2,950
Operating Fees	233	240	240	247	247
Professional Fees and Services	312	321	345	299	399
Other Expenses	1,457	1,605	1,310	1,790	1,899
TOTAL EXPENSES	\$6,239	\$6,609	\$5,638	\$6,258	\$9,516
CAPITAL PROGRAM					
IERCA Investment	\$0	\$0	\$0	\$500	\$500
Work In Progress	4,318	14,015	9,580	14,845	19,504
TOTAL CAPITAL PROGRAM	\$4,318	\$14,015	\$9,580	\$15,345	\$20,004
DEBT SERVICE					
Financial Expenses	\$207	\$381	\$45	\$248	\$233
Interest	6,204	6,043	5,775	6,125	5,991
Principal	23,083	7,078	7,074	7,279	7,274
Short Term Inter-Fund Loan	10,500	0	0	0	0
TOTAL DEBT SERVICE	\$39,994	\$13,502	\$12,894	\$13,652	\$13,499
TRANSFERS IN (OUT)					
Capital Contribution	\$207	(\$1,608)	(\$1,520)	\$1,014	(\$1,943)
Debt Service	6,204	(1,925)	(1,925)	(1,964)	(1,937)
Operation support	23,083	(6,000)	0	0	0
Capital - Connection Fees Allocation	10,500	(4,318)	(4,780)	(4,600)	(4,600)
TOTAL INTERFUND TRANSFERS IN (OUT)	39,994	(13,852)	(8,224)	(5,550)	(8,480)
FUND BALANCE					
Net Income (Loss)	(\$10,282)	\$4,680	\$14,652	\$13,461	(\$2,276)
Beginning Fund Balance July 01	65,455	55,174	55,174	53,321	69,825
ENDING FUND BALANCE AT JUNE 30	\$55,174	\$59,853	\$69,825	\$66,782	\$67,549
RESERVE BALANCE SUMMARY					
Capital Expansion / Construction	\$32	\$441	\$4,765	\$1,724	\$6,829
CCRA Capital Construction	41,023	43,824	49,472	45,913	45,608
Rehabilitation/Replacement	0	0	0	3,000	0
Debt Service & Redemption	14,119	15,588	15,588	16,144	12,112
Sinking Fund	0	0	0	0	3,000
ENDING BALANCE AT JUNE 30	\$55,174	\$59,853	\$69,825	\$66,782	\$67,549

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

	2014/2015	2015/16	2015/16	2016/17	2016/17
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	ADOPTED BUDGET	AMENDED BUDGET
REVENUES					
User Charges	\$46,965	\$49,696	\$50,921	\$55,023	\$56,381
Cost Reimbursement JPA	3,423	3,350	3,240	3,526	3,526
Contract Cost Reimbursement	123	531	531	93	93
Interest Revenue	195	154	154	150	182
TOTAL REVENUES	\$50,706	\$53,731	\$54,846	\$58,792	\$60,182
OTHER FINANCING SOURCES					
Property Tax Revenues	\$9,140	\$9,054	\$9,549	\$9,326	\$9,549
State Loans	0	948	0	7,657	7,657
Grants	332	3,525	525	3,525	3,525
Other Revenues	763	738	738	757	757
TOTAL OTHER FINANCING SOURCES	\$10,235	\$14,265	\$10,812	\$21,264	\$21,487
EXPENSES					
Employment Expenses	\$24,338	\$27,887	\$26,973	\$29,348	\$29,552
Contract Work/Special Projects	1,053	12,065	3,354	4,110	7,640
Utilities	6,398	7,331	6,595	7,687	7,690
Operating Fees	1,819	2,283	1,847	2,339	2,347
Chemicals	4,092	4,471	4,328	4,349	4,499
Professional Fees and Services	2,979	3,640	2,922	2,721	2,812
Office and Administrative expenses	20	406	206	406	406
Biosolids Recycling	3,755	4,233	4,223	4,188	4,354
Materials & Supplies	1,621	2,096	2,113	2,020	2,028
Other Expenses	741	5,652	4,623	4,857	5,149
TOTAL EXPENSES	\$46,815	\$70,064	\$57,183	\$62,025	\$66,478
CAPITAL PROGRAM					
Capital Construction & Expansion (WIP)	9,336	\$12,588	\$8,899	\$11,794	\$19,281
TOTAL CAPITAL PROGRAM	\$9,336	\$12,588	\$8,899	\$11,794	\$19,281
DEBT SERVICE					
Financial Expenses	(\$5)	\$2	\$0	\$2	\$0
Interest	159	214	214	214	214
Short Term Inter-Fund Loan	0	0	0	0	3,200
TOTAL DEBT SERVICE	\$154	\$216	\$214	\$216	\$3,415
TRANSFERS IN (OUT)					
Capital Contribution	\$1,274	\$82	\$1,727	(\$1,545)	\$1,025
Operation support	0	6,000	0	0	0
Capital - Connection Fees Allocation	0	3,440	4,249	4,111	4,111
TOTAL INTERFUND TRANSFERS IN (OUT)	\$1,274	\$9,522	\$5,976	\$2,566	\$5,136
FUND BALANCE					
Net Income (Loss)	\$5,909	(\$5,350)	\$5,337	\$8,589	(\$2,368)
Beginning Fund Balance July 01	\$36,306	\$42,215	\$42,215	\$32,053	\$47,553
ENDING FUND BALANCE AT JUNE 30	\$42,215	\$36,865	\$47,553	\$40,642	\$45,185
RESERVE BALANCE SUMMARY					
Capital / Operation Contingencies	\$15,605	\$19,238	\$17,628	\$18,500	\$19,984
Rehabilitation/Replacement	26,395	17,412	29,710	20,830	8,857
Debt Service & Redemption	216	216	216	1,312	1,312
Sinking Fund	0	0	0	0	15,032
ENDING BALANCE AT JUNE 30	\$42,215	\$36,865	\$47,553	\$40,642	\$45,185

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2016/17 BUDGET UPDATE
WC FUND - SOURCES AND USES OF FUNDS (In Thousands)

	2014/2015 ACTUAL	2015/2016 AMENDED BUDGET	2015/2016 PROJECTED ACTUAL	2016/2017 ADOPTED BUDGET	2016/2017 AMENDED BUDGET
REVENUES					
Contract Cost reimbursement	\$480	\$5	\$0	\$0	\$0
Interest Revenue	0	192	77	216	85
Water Sales	12,047	14,022	14,022	17,814	17,814
TOTAL REVENUES	\$12,527	\$14,219	\$14,098	\$18,030	\$17,899
OTHER FINANCING SOURCES					
Property Tax - Debt/Capital	\$2,063.83	\$2,057.83	\$2,170	\$2,119.57	\$2,170.10
Connection Fees	0	683	417	4,475	2,932
State Loans	22,714	11,367	5,002	15,985	6,749
Grants	4,901	4,417	4,161	2,125	5,815
Capital Contract Reimbursement	110	1,444	138	718	1,136
Other Revenues	32	0	0	0	0
Loan Transfer from Internal Fund	10,500	0	0	0	0
TOTAL OTHER FINANCING SOURCES	\$40,321	\$19,969	\$11,889	\$25,422	\$18,802
EXPENSES					
Employment Expenses	\$4,080	\$3,300	\$3,462	\$3,419	\$3,653
Contract Work/Special Projects	343	2,332	1,178	2,225	3,289
Utilities	2,033	2,877	2,231	3,010	3,026
Operating Fees	159	216	215	152	352
Professional Fees and Services	737	704	692	654	683
Materials & Supplies	114	183	168	169	159
Other Expenses	197	1,356	1,119	1,283	1,357
TOTAL EXPENSES	\$7,662	\$10,968	\$9,065	\$10,911	\$12,519
CAPITAL PROGRAM					
Work In Progress	\$35,295	\$19,898	\$9,949	\$18,630	\$11,899
TOTAL CAPITAL PROGRAM	\$35,295	\$19,898	\$9,949	\$18,630	\$11,899
DEBT SERVICE					
Financial Expenses	(\$31)	\$2	(\$36)	\$2	\$1
Interest	2,773	2,816	2,816	2,822	2,803
Principal	2,815	3,412	3,962	4,433	3,919
Short Term Inter-Fund Loan	0	0	0	2,000	0
TOTAL DEBT SERVICE	\$5,557	\$6,230	\$6,742	\$8,257	\$6,722
TRANSFERS IN (OUT)					
Capital Contribution	(\$1,649)	(\$370)	(\$2,034)	(\$459)	(\$1,941)
Debt Service	0	1,465	1,465	1,465	1,465
Operation support	(400,000)	(465,893)	(466)	(791)	(506)
One Water	0	(130)	(130)	(378)	(378)
TOTAL INTERFUND TRANSFERS IN (OUT)	(\$401,649)	(\$464,928)	(\$1,165)	(\$164)	(\$1,361)
FUND BALANCE					
Net Income (Loss)	(\$397,315)	(\$467,836)	(\$934)	\$4,490	\$4,199
Beginning Fund Balance July 01	10,351	12,636	12,636	14,381	11,702
ENDING BALANCE AT JUNE 30	(\$386,964)	(\$455,200)	\$11,702	\$18,881	\$15,901
RESERVE BALANCE SUMMARY					
Operating Contingencies	\$2,554	\$3,656	\$3,022	\$3,637	\$4,173
Capital Expansion & Replacement	5,217	813	2,923	2,751	2,538
Rehabilitation/Replacement Reserve	100	500	500	3,000	3,000
Debt Service & Redemption	4,765	5,258	5,258	9,493	6,190
ENDING BALANCE AT JUNE 30	\$12,636	\$10,227	\$11,702	\$18,881	\$15,901

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

	2014/2015 ACTUAL	2015/16 AMENDED BUDGET	2015/16 PROJECTED ACTUAL	2016/17 PROPOSED BUDGET	2016/17 AMENDED BUDGET
REVENUES					
User Charges					
Property Tax - O&M					
Cost Reimbursement from JPA	\$595	\$742	\$486	\$773	\$915
Contract Cost reimbursement	0	50	0	0	60
Interest Revenue	13	10	10	10	10
TOTAL REVENUES	\$608	\$802	\$496	\$783	\$985
OTHER FINANCING SOURCES					
Capital Contract Reimbursement	\$604	\$1,487	\$1,506	\$4,701	\$4,539
Other Revenues	23	0	34	0	0
TOTAL OTHER FINANCING SOURCES	\$697	\$1,487	\$1,540	\$4,761	\$4,599
EXPENSES					
Employment Expenses	\$398	\$650	\$628	\$684	\$679
Contract Work/Special Projects	0	140	0	0	120
Utilities	112	122	122	122	104
Operating Fees	4	7	7	5	7
Professional Fees and Services	183	647	643	593	687
Office and Administrative expenses	8	16	16	16	16
Expense Allocation	0	76	62	61	65
Materials & Supplies	67	86	86	83	86
TOTAL EXPENSES	\$772	\$1,742	\$1,563	\$1,564	\$1,762
CAPITAL PROGRAM					
CSDLAC 4Rs	\$0	\$0	\$0	\$0	\$0
Capital Expansion/Construction	\$758	\$1,816	\$1,521	\$4,735	\$4,620
TOTAL CAPITAL PROGRAM	\$758	\$1,816	\$1,521	\$4,735	\$4,620
DEBT SERVICE					
Financial Expenses	\$86	\$145	\$212	\$78	\$92
Interest	7	143	30	273	205
Principal	607	632	632	647	647
TOTAL DEBT SERVICE	\$700	\$920	\$874	\$999	\$945
TRANSFERS IN (OUT)					
Capital Contribution	\$338	\$315	\$251	\$440	\$457
Debt Service	350	460	460	499	472
Operation support	400	466	466	791	506
Property Tax Transfer	0	62	62	96	96
TOTAL INTERFUND TRANSFERS IN (OU	\$1,088	\$1,302	\$1,239	\$1,826	\$1,531
FUND BALANCE					
Net Income (Loss)	\$162	(\$887)	(\$684)	\$73	(\$211)
Beginning Fund Balance July 01	\$3,413	\$3,575	\$3,575	\$2,743	\$2,890
ENDING FUND BALANCE AT JUNE 30	\$3,575	\$2,687	\$2,890	\$2,816	\$2,679
RESERVE BALANCE SUMMARY					
Operating Contingencies	\$2,614	\$1,688	\$1,891	\$1,798	\$587
Capital Expansion / Construction	500	500	500	500	1,056
Debt Service & Redemption	460	499	499	518	1,036
ENDING BALANCE AT JUNE 30	\$3,575	\$2,687	\$2,890	\$2,816	\$2,679

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

	2014/2015	2015/2016	2015/2016	2016/2017	2016/2017
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	ADOPTED BUDGET	AMENDED BUDGET
REVENUES					
Property Tax	\$1,828	\$1,793	\$1,972	\$1,891	\$1,972
Cost Reimbursement from JPA	1,238	1,391	1,391	1,439	1,473
Contract Cost reimbursement	-	-	-	-	-
Interest Revenue	87	215	215	279	221
TOTAL REVENUES	\$3,153	\$3,398	\$3,578	\$3,610	\$3,666
OTHER FINANCING SOURCES					
Other Revenues	\$157	\$34	\$34	\$34	\$49
Sale of Capacity	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES	\$157	\$34	\$34	\$34	\$49
EXPENSES					
Employment Expenses	\$1,319	\$2,030	\$420	\$2,137	\$2,121
Contract Work/Special Projects	387	1,425	1,513	450	1,793
Utilities	438	699	678	723	703
Operating Fees	7	6	6	6	10
Professional Fees and Services	2,651	4,254	4,243	3,967	4,883
Office and Administrative expenses	1,537	1,370	1,184	1,983	2,173
Biosolids Recycling	33	25	25	25	25
Materials & Supplies	418	438	451	505	503
Other Expenses	(1,103)	(7,921)	(7,936)	(7,202)	(7,307)
TOTAL EXPENSES	\$5,686	\$2,327	\$583	\$2,594	\$4,904
CAPITAL PROGRAM					
Capital Expansion & Construction	\$1,098	\$1,770	\$1,770	\$938	\$2,855
Rehab & Replacement	0	0	0	0	0
TOTAL CAPITAL PROGRAM	\$1,098	\$1,770	\$1,770	\$938	\$2,855
DEBT SERVICE					
Financial Expenses	\$3,503	\$18	\$20	\$18	\$21
Short Term Inter-Fund Loan	4,308	2,000	-	-	2,000
TOTAL DEBT SERVICE	\$7,811	\$2,018	\$20	\$18	\$2,021
TRANSFERS IN (OUT)					
Capital Contribution	\$1,098	\$1,638	\$1,630	\$571	\$2,487
Capital - Connection Fees Allocation	-	684	401	355	355
One Water	-	27	27	13	13
Property Tax Transfer	-	-	-	-	-
TOTAL INTERFUND TRANSFERS IN (OUT)	\$1,098	\$2,349	\$2,058	\$938	\$2,855
FUND BALANCE					
Net Income (Loss)	(\$10,188)	(\$334)	\$3,296	\$1,031	(\$3,210)
Beginning Fund Balance July 01	\$28,528	\$18,340	\$18,340	\$20,691	\$21,636
ENDING FUND BALANCE AT JUNE 30	\$18,340	\$18,006	\$21,636	\$21,722	\$18,425
RESERVE BALANCE SUMMARY					
Capital / Operation Contingencies	\$2,643	\$963	\$92	\$1,097	\$2,252
Insurance & Other	6,000	6,000	6,000	6,000	6,000
Retirement reserves	9,697	11,043	15,544	14,625	10,173
ENDING BALANCE AT JUNE 30	\$18,340	\$18,006	\$21,636	\$21,722	\$18,425

**Appendix C
 Repayment Schedule of Inter-Fund Loans (\$Millions)**

Inter Fund Loan Issued	From	To	Loan Amount	Proposed Repayment Amount 2016/17	Repayment Schedule
2007/08	Non-Reclaimable Wastewater (NC) Fund	Recycled Water	\$9.0	\$0	2019/20 \$2.0 2020/21 \$2.0 2021/22 \$2.0 2022/23 \$2.0 2023/24 \$1.0 Total \$9.0
2007/08	Regional Wastewater Capital (RC) Fund	Recycled Water	\$3.0	\$0	2022/23 \$1.0 2023/24 \$1.0 2024/25 \$1.0 Total \$3.0
2009/10	Non-Reclaimable Wastewater (NC) Fund	Recycled Water	\$6.0	\$0	2023/24 \$1.0 2024/25 \$2.0 2025/26 \$3.0 Total \$6.0
2014/15	Regional Wastewater Capital (RC) Fund	Recycled Water	\$10.5	\$0	2022/23 \$1.0 2023/24 \$5.0 2024/25 \$4.5 Total \$10.5
2014/15	Administrative Services (GG) fund	Water Fund	\$4.3*	\$0	\$4.3 TBD
2016/17	Regional Wastewater O&M (RO) Fund	Water Fund	\$3.2	\$0	2024/25 \$0.5 2025/26 \$0.5 2026/27 \$0.5 2027/28 \$0.5 2028/29 \$0.5 2029/30 \$0.5 2030/31 \$0.2 Total \$3.2
Grand Total			\$36.0	\$0	\$36.0

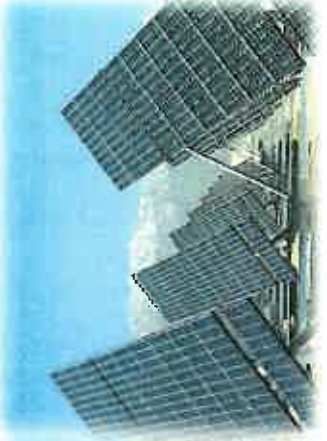
* Expected request for forgiveness



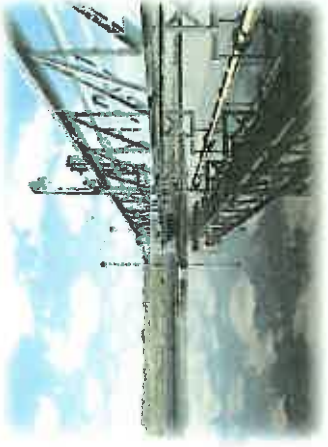
Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

Overview of FY 2016/17 Budget Amendments



**May 2016
Board Meeting**



Proposed Amendments to FY 2016/17 Budget



Total Revenue and Other Sources of Funds:

Major Funding Sources (\$Millions)	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Water Sales	\$42.1	\$28.7	(\$13.4)	Change in estimated water deliveries.
Connection Fees	30.6	20.1	(10.5)	Wastewater units reduced from 4,580 to 3,000 based on recent member agency forecast.
Grants and Loans	31.3	27.5	(3.8)	Delay of SRF loans and grants related to WC fund capital projects.
User Charges	76.7	73.0	(3.7)	Change in water rates and RTS recovery.
Property Taxes	42.4	44.7	2.3	An additional 3% increase based on FY 2015/16 YTD receipts.
Other Revenues	17.0	17.9	0.9	Includes \$3.2M inter-fund loan from RO to WW.
Recycled Water Sales	17.8	17.8	0	24,200 Acre Feet (AF) in direct sales; 12,900 AF in recharge sales.
Total Revenues & Other Funding Sources	\$257.9	\$229.7	(\$28.2)	

Proposed Amendments to FY 2016/17 Budget



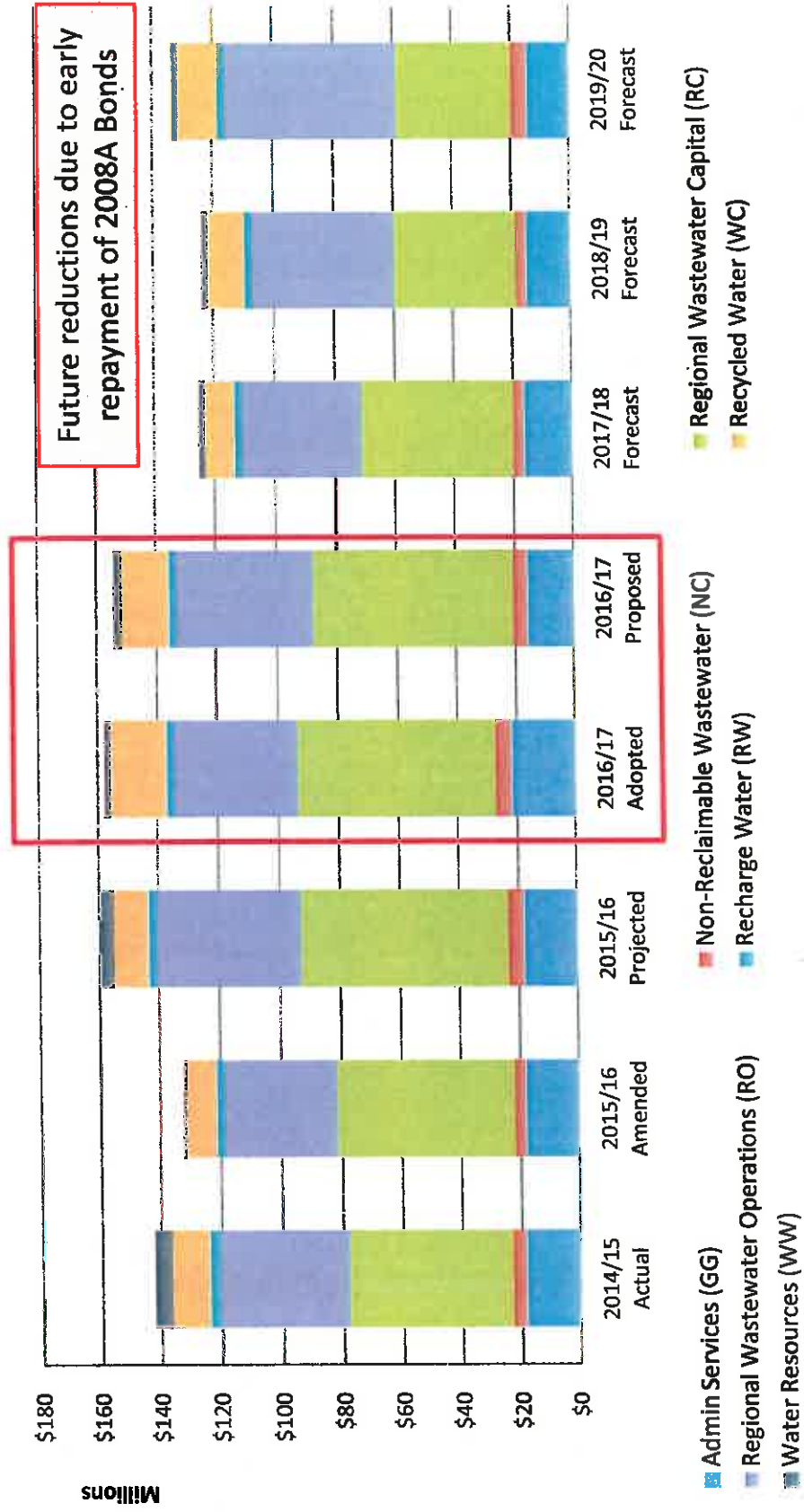
Total Expenses and Other Uses of Funds:

Major Uses of Funds (\$Millions)	Adopted FY 2016/17	Amended FY 2016/17	Change	Key Assumptions
Capital Improvement Plan (CIP)	\$52.5	\$60.4	\$7.9	Ten Year Capital Improvement Plan totals \$732M.
Operating Expenses	150.5	149.9	(0.6)	Increase in special projects of \$7.6M offset by \$10M decrease in MWD water purchases.
Debt Service	24.7	25.2	0.5	\$3.2M inter-fund loan from RO to WW offset by decrease in SRF loan repayment due to project spending delays.
Total Expenses & Uses of Funds	\$227.7	\$235.5	\$7.8	

Total Fund Balance - Amended (All Funds)



- ❖ ~\$4 million decrease in FY 2016/17 to \$154 million
- ❖ The projected Agency DCR for FY 2016/17 is 2.62; estimated average DCR for the next 10 years is 2.73

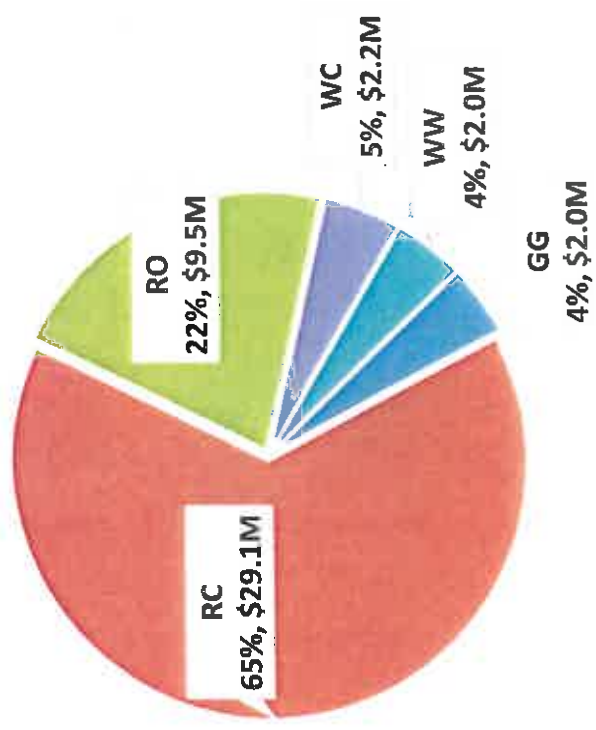


Continue Investment of Property Taxes

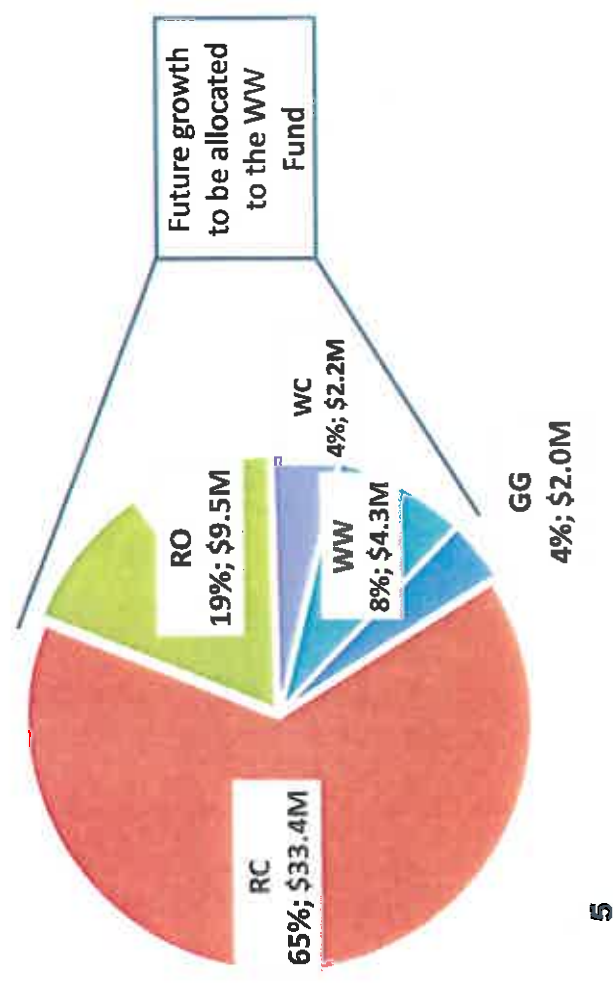


- ❖ No change in the 65% allocated to the RC fund.
- ❖ Future growth for the 35% will be assigned to the Water Fund (WW):
 - ✓ Support regional projects not supported by the proposed rates.

FY 2016/17 Property Tax Allocation
\$44.7 Million



FY 2022/23 Property Tax Allocation
\$51.4 Million



Water Resources (WW) Fund Draft Rate Implementation



- Use property taxes to support RTS fees shortfall during the 7 year implementation, and regional water resources initiatives not supported with proposed water rates.
- Forgive the \$4.3M loan due to GG fund
- Consider effective date of October 1, 2016 to accommodate water agencies Proposition 218 process.

	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
RTS TYRA direct charge: 7YR Phase-in, estimated rate per AF	15% ~\$7.82	30% ~\$16.02	45%	60%	75%	90%	100%
MEU rate: \$/MEU	\$0.90	\$0.95	\$0.99	\$1.04	Adjustments based on CPI		

Water Resources (WW) Fund Key Changes in Draft Rate



	March 2016 Proposal	April 2016 Proposal
Property Tax	<p>\$8M Support phasing in of employment expenses & RTS TYRA</p> <ul style="list-style-type: none"> Covered program expenses, partial employment and RTS TYRA, debt service, operating reserve 373,865 MEUs 	<p>\$16M Covers the full RTS phasing over 7 years & operating reserve</p> <ul style="list-style-type: none"> Covers program and employment expenses, and operating reserve 365,675 MEUs
MEU		
Operating Reserve	4 months including one average MWD monthly invoice (\$6M)	4 months of operating expenses (~\$2M)
Conservation	\$1.12M	\$1.12M
Debt Service	Begins in FY 17/18, over 8 yrs	Forgive \$4.3M debt due to GG fund
Supplemental Property Tax		SARCCUP (\$9M) and Drought Projects support (dependent on IRP phase II)

**INFORMATION
ITEM**

3E



Date: May 18, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (05/11/16)

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

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

JL 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 March 31, 2016, is an informational item for the Board of Director's review.

BACKGROUND

The Treasurer's Report of Financial Affairs for the month ended March 31, 2016, 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 \$166,873,665 reflects an increase of \$1,260,155 compared to the total reported for February 2016. The increase was primarily due to property tax and grant receipts.

The average days of cash on hand for the month ended March 31, 2016, increased from 234 days to 235 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 days of cash on hand calculation.

The Agency's investment portfolio average rate of return in March 2016 was 0.817%, an increase of 0.042% compared to the average yield of 0.775% reported in February 2016. The increase can be attributed to an increase in the yields of the Local Agency Investment Fund (LAIF) and CalTrust Short-Term Portfolio of 0.039% and 0.040%, respectively.

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: March 2016 Treasurer's Report of Financial Affairs

TREASURER'S REPORT OF FINANCIAL AFFAIRS

For the Month Ended March 31, 2016



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
 March 31, 2016

	March	February
Cash, Bank Deposits, and Bank Investment Accounts	\$2,234,594	\$1,590,849
Investments		
Citizens Business Bank (CBB) Repurchase (Sweep)	\$12,227,621	\$19,379,520
Local Agency Investment Fund (LAIF)	36,397,078	34,897,078
CalTrust	10,057,625	7,553,845
California Asset Management Program (CAMP)	2,000,719	1,000,080
Certificates of Deposit	3,874,000	3,874,000
Medium Term Notes	6,101,325	6,102,974
U.S. Treasury Notes	999,873	999,857
U.S. Government Sponsored Entities	27,974,066	27,973,480
Total Investments	\$99,632,307	\$101,780,834
Total Cash and Investments Available to the Agency	\$101,866,901	\$103,371,683
Restricted Deposits		
Debt Service Accounts	\$2,544,729	\$2,544,729
CCRA Deposits Held by Member Agencies	55,361,666	52,869,354
OPEB (CERBT) Account	7,070,337	6,804,928
Escrow Deposits	30,032	22,816
Total Restricted Deposits	\$65,006,764	\$62,241,827
Total Cash, Investments, and Restricted Deposits	\$166,873,665	\$165,613,510

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 March 31, 2016

Cash, Bank Deposits, and Bank Investment Accounts

CBB Demand Account (Offset by CBB Sweep Balance)	\$926,105
CBB Workers' Compensation Account	38,968
Bank of America (BoFA) Payroll Account	687,695
BoFA Payroll Taxes Account	491,563
Subtotal Demand Deposits	\$2,144,331
Other Cash and Bank Accounts	
Petty Cash	\$2,250
Subtotal Other Cash	\$2,250
Bank of the West Money Market Account	\$51,816
US Bank Pre-Investment Money Market Account	\$36,197
Total Cash and Bank Accounts	\$2,234,594

Investments

CBB Repurchase (Sweep) Investments	
Federal Home Loan	\$12,227,621
Subtotal CBB Repurchase (Sweep)	\$12,227,621
Local Agency Investment Fund (LAIF)	
LAIF Non-Restricted Fund	\$30,474,253
LAIF Insurance Sinking Fund	5,922,825
Subtotal Local Agency Investment Fund	\$36,397,078
CalTrust	
Short Term	\$10,057,625
Subtotal CalTrust	\$10,057,625
California Asset Management Program (CAMP)	
Pool	\$2,000,719
Subtotal CAMP	\$2,000,719

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 March 31, 2016

<u>Investments Continued</u>	
Certificates of Deposit	\$3,874,000
Brokered Certificates of Deposit	
Subtotal Certificates of Deposit	\$3,874,000
Medium Term Notes	
John Deere Capital Corp	\$1,001,272
JP Morgan Chase & Co.	999,253
Johnson & Johnson	2,025,769
Microsoft	2,075,031
Subtotal Medium Term Notes	\$6,101,325
U.S. Treasury Notes	
Treasury Note	\$999,873
Subtotal U.S. Treasury Notes	\$999,873
U.S. Government Sponsored Entities	
Fannie Mae Bank	\$7,999,526
Freddie Mac Bank	3,000,918
Federal Farm Credit Bank	6,000,000
Federal Home Loan Bank	10,973,622
Subtotal U.S. Government Sponsored Entities	\$27,974,066
<u>Total Investments</u>	\$99,632,307
<u>Restricted Deposits</u>	
Debt Service Reserves	
08B Debt Service Accounts	\$2,544,719
10A Debt Service Accounts	10
Subtotal Debt Service Reserves	\$2,544,729

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 March 31, 2016

CCRA Deposits Held by Member Agencies

City of Chino	\$12,841,092
Cucamonga Valley Water District	12,544,154
City of Fontana	9,082,938
City of Montclair	2,505,342
City of Ontario	9,463,382
City of Chino Hills	5,379,456
City of Upland	3,545,302
Subtotal CCRA Deposits Held by Member Agencies	\$55,361,666

CalPERS

OPEB (CERBT) Account	\$7,070,337
Subtotal CalPERS Accounts	-

Escrow Deposits

Genesis Construction	\$30,032
Subtotal Escrow Deposits	\$30,032

Total Restricted Deposits

Subtotal Restricted Deposits	\$65,006,764
Total Restricted Deposits as of March 31, 2016	\$166,873,665

Total Cash, Investments, and Restricted Deposits as of March 31, 2016

Total Cash, Investments, and Restricted Deposits as of 3/31/16	\$166,873,665
Less: Total Cash, Investments, and Restricted Deposits as of 2/29/16	165,613,510
Total Monthly Increase (Decrease)	\$1,260,155

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
March 31, 2016

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	March Amortization	March 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 (CBB)													
Demand Account*					\$926,105	\$926,105	N/A	N/A	\$926,105		N/A	N/A	\$926,105
Workers' Compensation Account					38,968	\$38,968	N/A	N/A	\$38,968		N/A	N/A	\$38,968
Subtotal CBB Accounts					\$965,073	\$965,073			\$965,073				\$965,073
Bank of America (BoFA)													
Payroll Checking					\$687,695	\$687,695	N/A	N/A	\$687,695		N/A	N/A	\$687,695
Payroll Tax Checking					491,563	491,563	N/A	N/A	491,563		N/A	N/A	491,563
Subtotal B of A Accounts					\$1,179,258	\$1,179,258			\$1,179,258				\$1,179,258
Bank of the West													
Money Market Plus - Business Account					\$51,816	\$51,816	N/A	N/A	\$51,816		0.18%	N/A	\$51,816
Subtotal Bank of the West Account					\$51,816	\$51,816			\$51,816		0.18%		\$51,816
US Bank (USB)													
Federated Automated MMA					\$36,197	\$36,197	N/A	N/A	\$36,197		0.01%	N/A	\$36,197
Subtotal USB Account					\$36,197	\$36,197			\$36,197		0.01%		\$36,197
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													
					\$2,234,594	\$2,234,594			\$2,234,594				\$2,234,594
<i>*Negative demand checking balance is offset by the Daily Repurchase (Sweep) Account balance</i>													
Investments													
CBB Daily Repurchase (Sweep) Accounts													
Federal Home Loan					\$12,227,621	\$12,227,621	N/A	N/A	\$12,227,621		0.30%	N/A	\$12,227,621
Subtotal CBB Repurchase Accounts					\$12,227,621	\$12,227,621			\$12,227,621		0.30%		\$12,227,621
LAIF Accounts													
Non-Restricted Funds					\$30,474,253	\$30,474,253	N/A	N/A	\$30,474,253		0.506%	N/A	\$30,474,253
LAIF Sinking Fund					5,922,825	5,922,825	N/A	N/A	5,922,825		0.506%	N/A	5,922,825
Subtotal LAIF Accounts					\$36,397,078	\$36,397,078			\$36,397,078		0.506%		\$36,397,078
CALTRUST Accounts													
Short-Term					\$10,057,625	\$10,057,625	N/A	N/A	\$10,057,625		0.69%	N/A	\$10,057,625
Subtotal CalTrust Accounts					\$10,057,625	\$10,057,625			\$10,057,625		0.69%		\$10,057,625
CAMP Accounts													
Short-Term					\$2,000,719	\$2,000,719	N/A	N/A	\$2,000,719		0.50%	N/A	\$2,000,719
Subtotal CAMP Accounts					\$2,000,719	\$2,000,719			\$2,000,719		0.50%		\$2,000,719

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
March 31, 2016

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost-Basis Amount	Term (Days)	March Amortization	March Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									
Investments (continued)													
Brokered Certificates of Deposit (CDs)													
Ally Bank	N/A				\$245,000	\$245,000	551		\$245,000	0.80%	0.80%	01/17/17	\$245,091
Capital One National Association	N/A				240,000	240,000	552		240,000	0.80%	0.80%	01/17/17	240,089
Compass Bank	N/A				245,000	245,000	552		245,000	0.85%	0.85%	01/17/17	245,091
Comerity Capital Bank	N/A				240,000	240,000	731		240,000	1.15%	1.15%	07/13/17	240,326
Discover Bank	N/A				240,000	240,000	552		240,000	1.15%	1.15%	07/17/17	240,281
Medallion Bank	N/A				240,000	240,000	733		240,000	1.20%	1.20%	07/17/17	240,281
Sallie Mae Bank	N/A				248,000	248,000	743		248,000	1.15%	1.15%	11/06/17	248,620
Key Bank National Association	N/A				248,000	248,000	732		248,000	1.10%	1.10%	11/13/17	248,645
Capital One Bank	N/A				240,000	240,000	916		240,000	1.35%	1.35%	01/16/18	241,102
Goldman Sachs Bank USA	N/A				240,000	240,000	916		240,000	1.40%	1.40%	01/16/18	241,313
BMW Bank of North America	N/A				240,000	240,000	915		240,000	1.40%	1.40%	01/17/18	241,310
American Express Bank	N/A				240,000	240,000	1097		240,000	1.70%	1.70%	07/16/18	241,509
American Express Centurion	N/A				240,000	240,000	1097		240,000	1.70%	1.70%	07/16/18	241,509
HSBC Bank USA, NA Step	N/A				244,000	244,000	1827		244,000	1.25%	1.25%	07/29/20	244,874
JPM Chase NA Step	N/A				244,000	244,000	1827		244,000	1.25%	1.25%	07/31/20	244,593
Synchrony Bank	N/A				240,000	240,000	1827		240,000	2.25%	2.25%	10/02/20	244,524
Subtotal Brokered CDs					\$3,874,000	\$3,874,000		\$0	\$3,874,000		1.426%		\$3,889,158

US Treasury Note	N/A	AAA			\$1,000,000	\$999,463	1092	15	\$999,873	0.63%	0.64%	12/15/16	\$1,000,510
Subtotal US Treasuries					\$1,000,000	\$999,463		15	\$999,873		0.64%		\$1,000,510

U.S. Government Sponsored Entities													
Federal Home Loan Bank	N/A	AAA			\$2,000,000	\$2,000,000	355		\$2,000,000	0.38%	0.38%	06/20/16	\$2,000,360
Freddie Mac Bond	AA+	AAA			2,000,000	2,001,500	722	(64)	2,000,918	0.85%	0.81%	06/16/17	2,000,440
Federal Home Loan Bank	AA+	AAA			2,000,000	2,000,000	1,100		2,000,000	1.20%	1.20%	06/29/18	2,000,360
Fannie Mae Bond	AA+	AAA			2,000,000	2,000,000	1,097		2,000,000	1.20%	1.20%	11/28/18	2,004,040
Fannie Mae Bond	AA+	AAA			2,000,000	2,000,000	1,459		2,000,000	1.63%	1.63%	12/28/18	2,013,540
Federal Farm Credit Bank	AA+	AAA			3,000,000	3,000,000	1,079		3,000,000	1.15%	1.15%	02/22/19	3,003,810
Federal Home Loan Bank	AA+	AAA			3,000,000	3,000,000	1,186		3,000,000	1.50%	1.50%	04/26/19	3,010,200
Fannie Mae Bond	AA+	AAA			4,000,000	3,999,400	1,456	13	3,999,526	1.50%	1.50%	05/24/19	4,005,200
Federal Farm Credit Bank	AA+	AAA			2,000,000	2,000,000	1,460		2,000,000	1.52%	1.52%	06/24/19	2,033,160
Freddie Mac Bond	AA+	AAA			1,000,000	1,000,000	1,461		1,000,000	1.00%	1.00%	07/29/19	1,000,700
Freddie Mac Bond	AA+	AAA			3,000,000	2,972,928	1,359	618	2,974,502	1.25%	1.50%	10/02/19	3,012,930
Federal Home Loan Bank	AA+	AAA			1,000,000	999,000	1,461	21	999,120	1.40%	1.43%	10/08/19	1,000,010
Federal Farm Credit Bank	AA+	AAA			1,000,000	1,000,000	1,461		1,000,000	1.42%	1.42%	10/21/19	1,000,780
Subtotal U.S. Gov't Sponsored Entities					\$28,000,000	\$27,972,828		\$588	\$27,974,066		1.349%		\$28,085,530

(As of August 2011, all US GSE's have been downgraded to AA+ Rating by S&P)

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
March 31, 2016

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	March Amortization	March Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									
Medium Term Notes													
John Deere Capital Corp	A	A2			\$1,000,000	\$1,004,000	1,754	(71)	\$1,001,272	1.20%	1.11%	10/10/17	\$999,960
JP Morgan Chase & Co	A-	A3			1,000,000	999,000	1,037	30	999,253	1.63%	1.66%	05/15/18	1,002,050
Johnson & Johnson	AAA	AAA			2,000,000	2,027,480	1,044	(816)	2,025,769	1.65%	1.16%	12/05/18	2,038,720
Microsoft	AAA	AAA			2,050,000	2,076,691	1,045	(792)	2,075,031	1.63%	1.16%	12/06/18	2,086,970
Subtotal Medium Term Notes					\$6,050,000	\$6,107,171		(\$1,649)	\$6,101,325		1.24%		\$6,129,700
Total Investments					\$99,607,043	\$99,636,505			\$99,632,307				\$99,787,941
<i>(Source of Investment Market Value: US Bank)</i>													
Restricted Deposits													
Debt Service and Arbitrage Accounts													
ORB Debt Service Accounts					\$2,544,719	\$2,544,719	N/A	N/A	\$2,544,719		0.00%		\$2,544,719
10A Debt Service Accounts					10	10	N/A	N/A	10		0.00%		10
Total Debt Service Accounts					\$2,544,729	\$2,544,729			\$2,544,729				\$2,544,729
CCRA Deposits Held by Member Agencies													
City of Chino					\$12,841,092	\$12,841,092	N/A	N/A	\$12,841,092		N/A	N/A	\$12,841,092
Cucamonga Valley Water District					12,544,154	12,544,154	N/A	N/A	12,544,154		N/A	N/A	12,544,154
City of Fontana					9,082,938	9,082,938	N/A	N/A	9,082,938		N/A	N/A	9,082,938
City of Montclair					2,505,342	2,505,342	N/A	N/A	2,505,342		N/A	N/A	2,505,342
City of Ontario					9,463,382	9,463,382	N/A	N/A	9,463,382		N/A	N/A	9,463,382
City of Chino Hills					5,379,456	5,379,456	N/A	N/A	5,379,456		N/A	N/A	5,379,456
City of Upland					3,545,302	3,545,302	N/A	N/A	3,545,302		N/A	N/A	3,545,302
Subtotal CCRA Deposits Held by Member Agencies					\$55,361,666	\$55,361,666			\$55,361,666				\$55,361,666
<i>(Reported total as of February 29, 2016)</i>													
CalPERS Deposits													
OPEB (CERBT) Account					\$7,000,000	\$7,000,000	N/A	N/A	\$7,070,337		N/A	N/A	\$7,070,337
Subtotal CalPERS Deposits					\$7,000,000	\$7,000,000			\$7,070,337				\$7,070,337
Escrow Deposits													
Genesis Construction Escrow					\$30,032	\$30,032	N/A	N/A	\$30,032		N/A	N/A	\$30,032
Subtotal Escrow Deposits					\$30,032	\$30,032			\$30,032				\$30,032
Total Restricted Deposits					\$64,936,427	\$64,936,427			\$65,006,764				\$65,006,764
Total Cash, Investments, and Restricted Deposits as of March 31, 2016					\$166,778,064	\$166,807,526			\$166,873,665				\$167,029,299

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 March 31, 2016

March Purchases					
No.	Date	Transaction	Investment Security	Par Amount Purchased	Investment Yield
			N/A		
Total Purchases				\$ -	

March Investment Maturities, Calls & Sales					
No.	Date	Transaction	Investment Security	Par Amount Matured/Sold	Investment Yield to Maturity
			N/A		
Total Maturities, Calls & Sales				\$ -	

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
March 31, 2016

<u>Directed Investment Category</u>	<u>Amount Invested</u>	<u>Yield</u>
CBB Repurchase (Sweep)	\$12,227,621	0.300%
LAIIF	36,397,078	0.506%
CalTrust	10,057,625	0.690%
CAMP	2,000,719	0.500%
Medium Term Notes	6,101,325	1.235%
US Treasury Notes	999,873	0.640%
U.S. Government Sponsored Entities	27,974,066	1.349%
	\$95,758,307	0.793%

Bank Deposit and Investment Accounts

Various Banks - Brokered Certificates of Deposit	\$3,874,000	1.426%
Bank of the West Money Market Account	51,816	0.180%
	\$3,925,816	1.410%

Total Investment Portfolio

Investment Portfolio Rate of Return

\$99,684,123
0.817%

Restricted/Transitory/Other Demand Accounts

<u>Restricted/Transitory/Other Demand Accounts</u>	<u>Amount Invested</u>	<u>Yield</u>
CCRA Deposits Held by Member Agencies	\$55,361,666	N/A
CalPERS OPEB (CERBT) Account	7,070,337	N/A
US Bank - 2008B Debt Service Accounts	2,544,719	0.000%
Citizens Business Bank - Demand Account	926,105	N/A
US Bank - 2010A Debt Service Accounts	10	0.000%
US Bank - Pre-Investment Money Market Account	36,197	0.010%
Citizens Business Bank - Workers' Compensation Account	38,968	N/A
Other Accounts*	1,181,508	N/A
	\$67,159,510	0.000%

Total Other Accounts

Average Yield of Other Accounts

\$166,843,633

Total Agency Directed Deposits

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

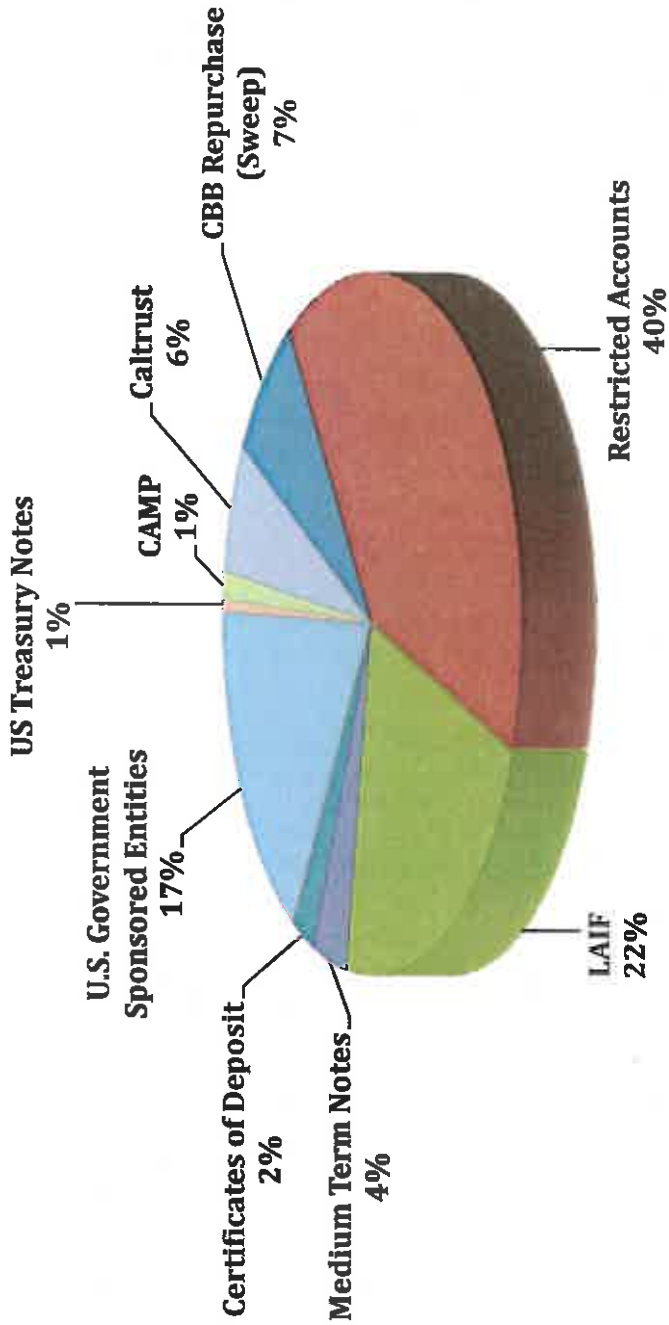
Inland Empire Utilities Agency

Treasurer's Report of Financial Affairs

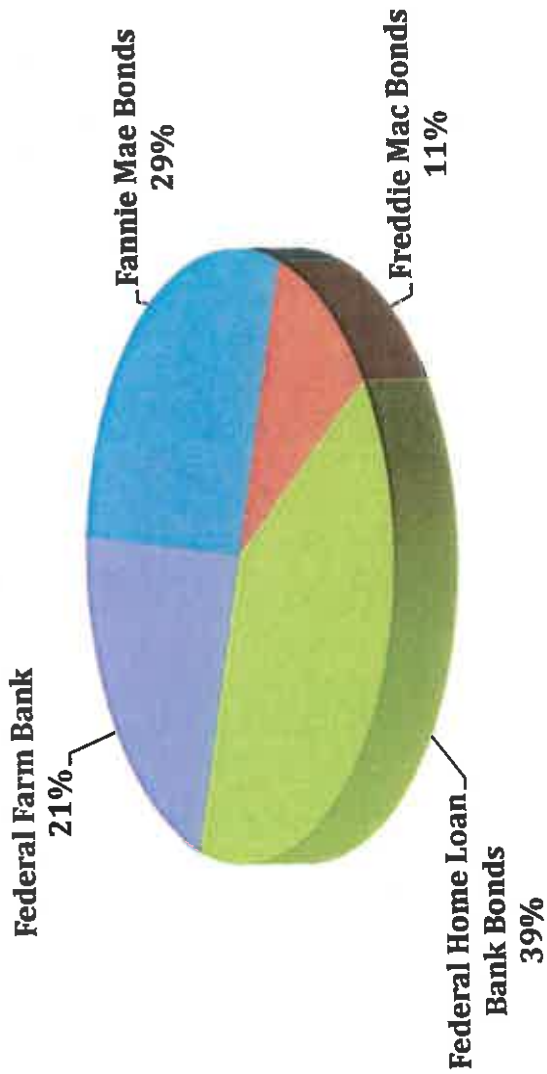
For the Month Ended March 31, 2016

Agency Investment Portfolio (net of escrow deposits)

\$166,843,633



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended March 31, 2016
U.S. Government Sponsored Entities Portfolio
\$27,974,066



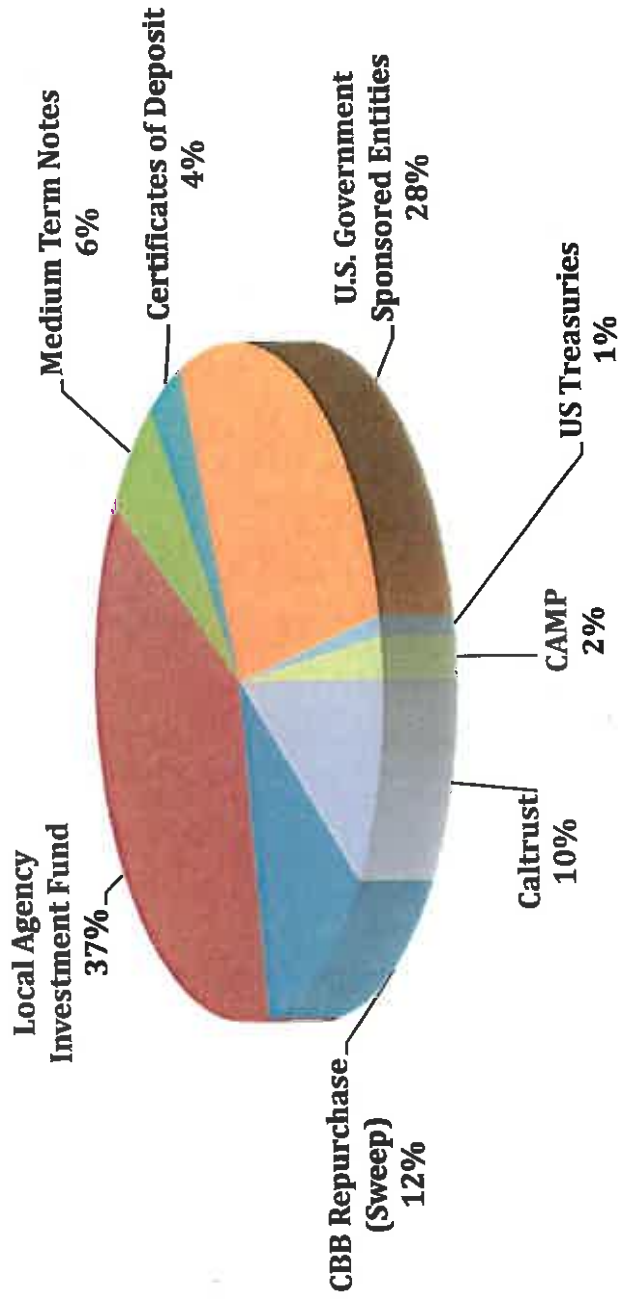
Inland Empire Utilities Agency

Treasurer's Report of Financial Affairs

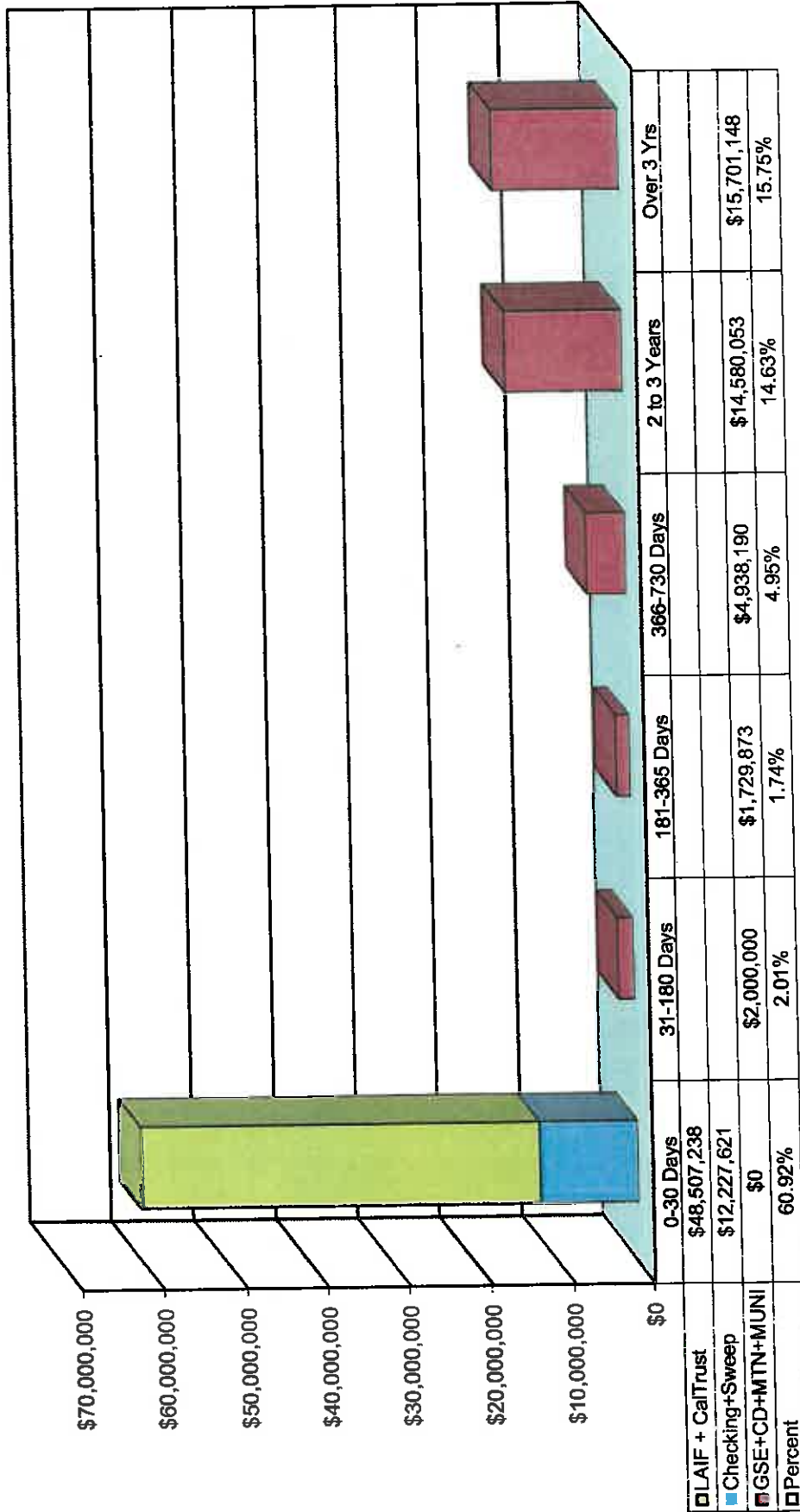
For the Month Ended March 31, 2016

Unrestricted Agency Investment Portfolio

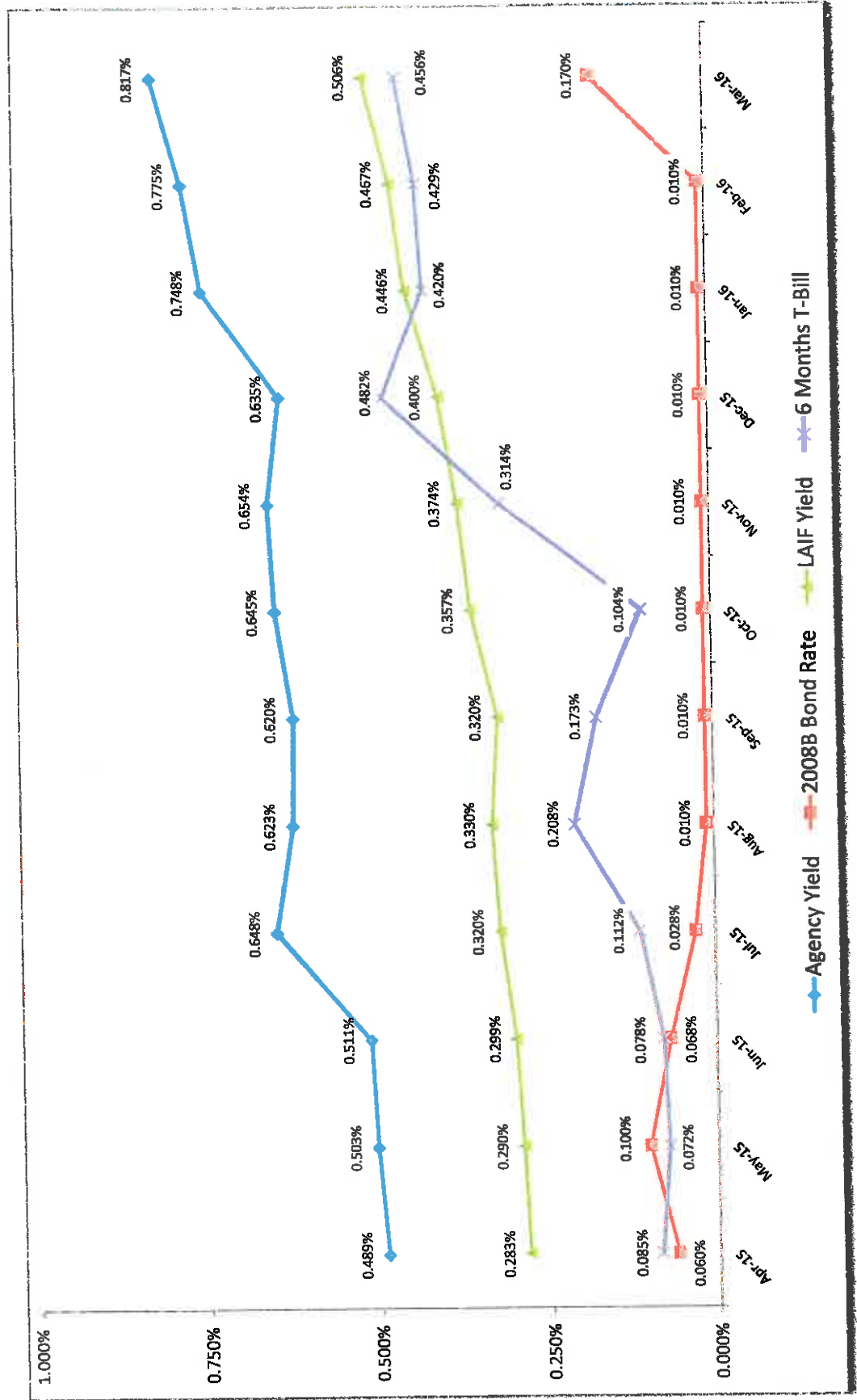
\$99,684,123



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
 For the Month Ended March 31, 2016
Agency Investment Portfolio Maturity Distribution
\$99,684,123



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
Agency Investment Portfolio Yield Comparison





Treasurer's Report of Financial Affairs for March 31, 2016

**May 2016
Board Meeting**

Report of Financial Affairs

Liquidity

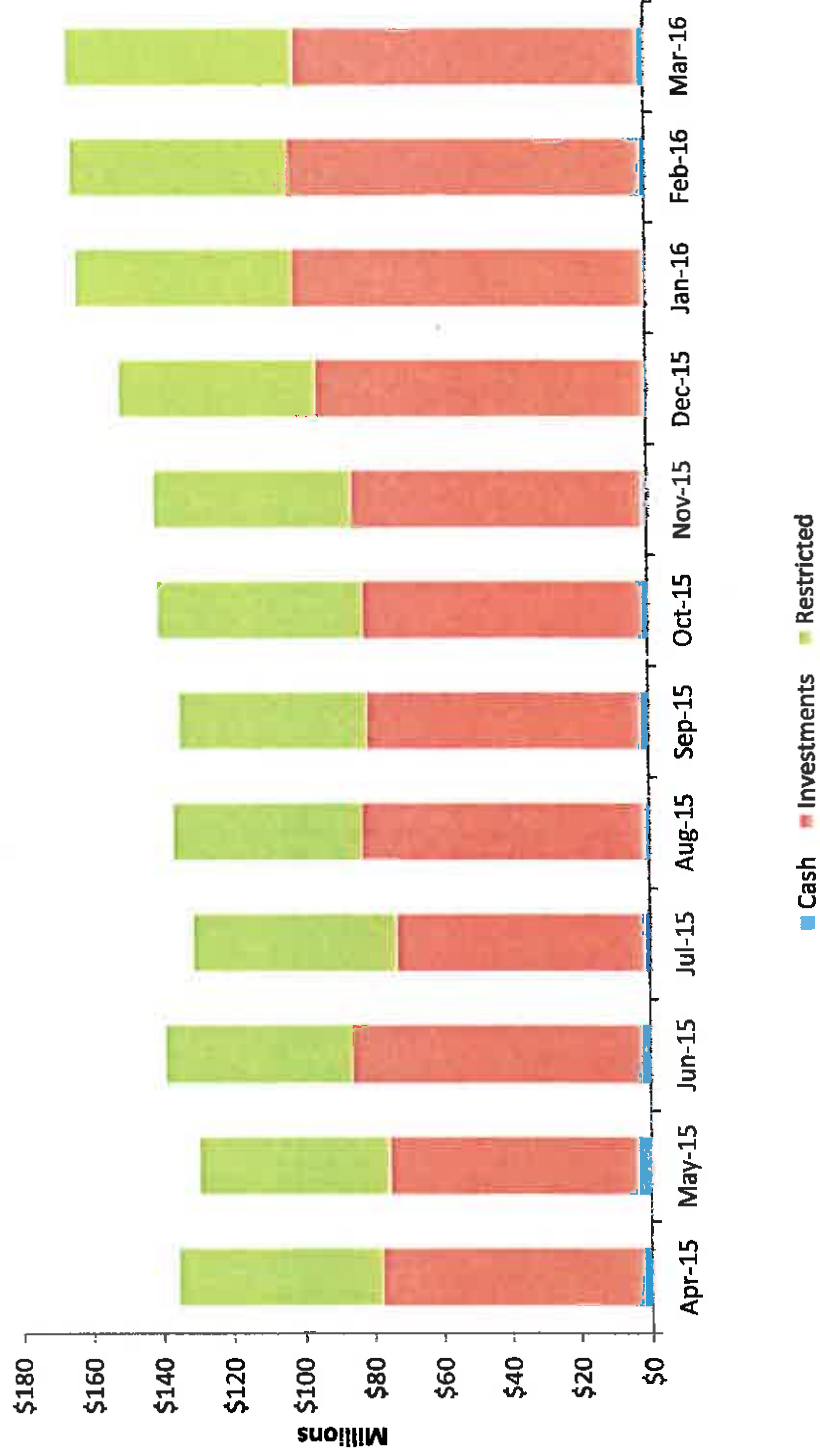
Description	March 2016 (\$ million)	February 2016 (\$ million)	Increase (Decrease) (\$ million)
Total Cash, Investments, and Restricted Deposits	\$166.9	\$165.6	\$1.3
Total Investment Portfolio	\$99.6	\$101.8	(\$2.2)
Investment Portfolio Yield	0.817%	0.775%	0.042%
Weighted Average Duration (years)	1.03	1.04	(0.01)
Average Cash on Hand (days)	235	234	1

Portfolio

Term	Description	Allowable Threshold (\$ million)	Investment Value (\$ million)	Yield	Current Portfolio %
Short Term, Under 1 Year:	LAIF	\$65	\$36.4	0.51%	37%
	CalTrust	\$20	\$10.1	0.69%	10%
	Citizens Business – Sweep	40%	\$12.2	0.30%	12%
	CAMP	\$20	\$2.0	0.50%	2%
	Brokered CDs	30%	\$0.7	0.82%	1%
	US Treasury Note	n/a	\$1.0	0.64%	1%
	US Government Securities	n/a	\$2.0	0.38%	2%
1 to 3 Years:	Brokered CDs	30%	\$2.4	1.33%	2%
	US Government Securities	n/a	\$11.0	1.20%	11%
	Medium Term Notes	10%	\$6.1	1.27%	6%
Over 3 Years:	Brokered CDs	30%	\$0.7	2.36%	1%
	US Government Securities	n/a	\$15.0	1.70%	15%

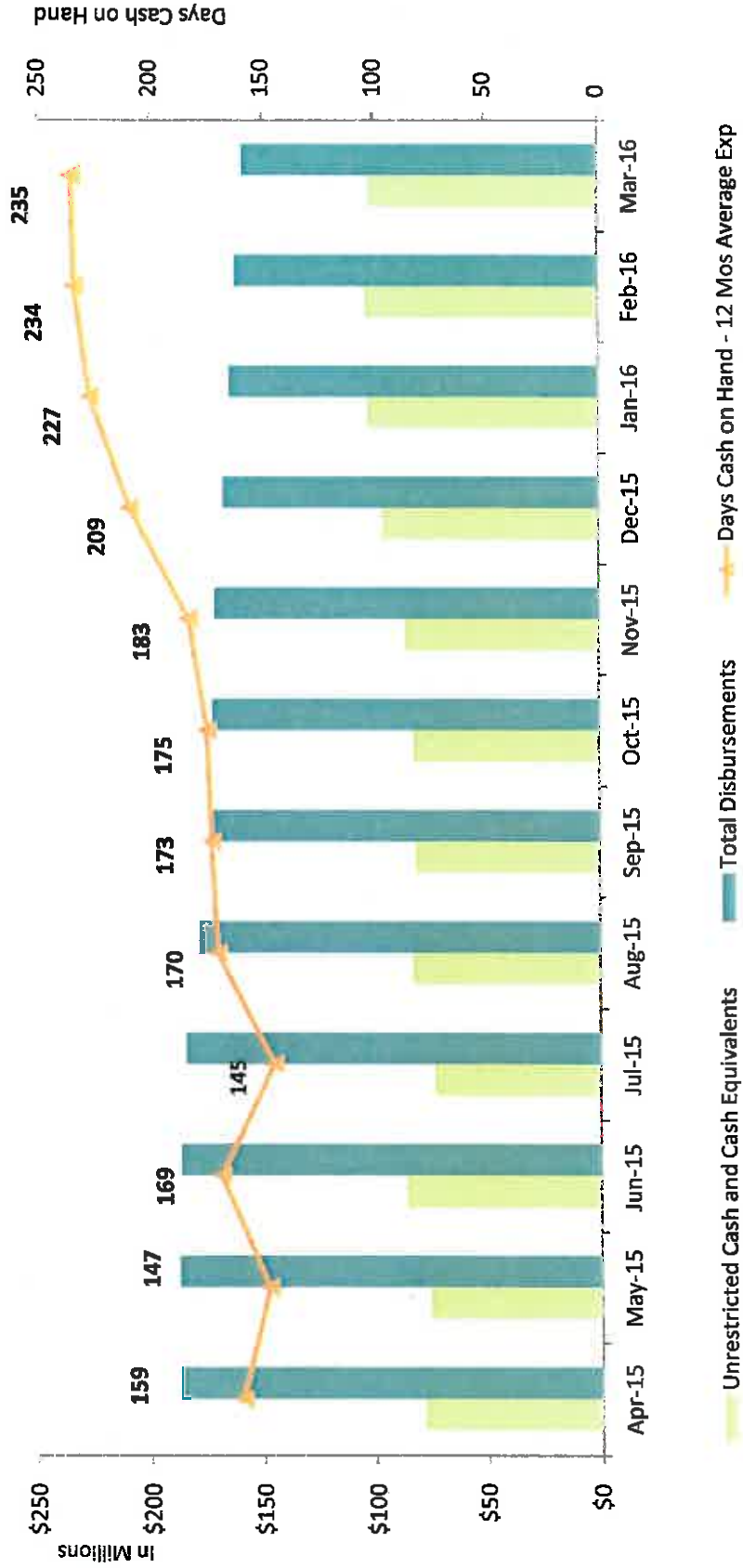
Cash, Investments and Restricted Deposits

Cash, Investments and Restricted Deposits

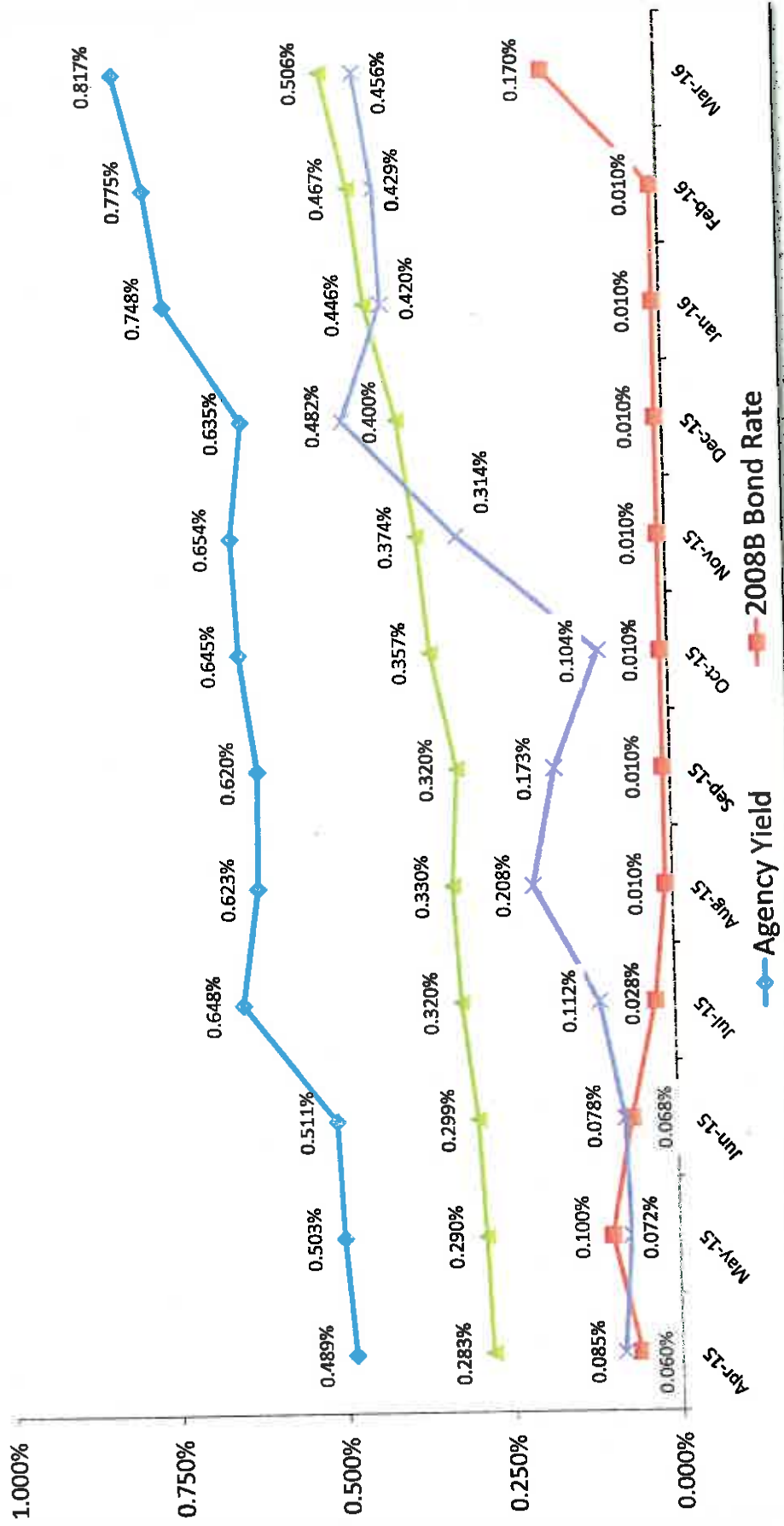


Day Cash on Hand 12 Months Rolling Average

Days Cash on Hand - 12 Mos Rolling



Month End Portfolio Yield Comparison





Questions?

The Treasurer's Report of Financial Affairs is consistent with the Agency's business goal of fiscal responsibility