



AGENDA

**WORKSHOP
OF THE
BOARD OF DIRECTORS**

**WEDNESDAY, DECEMBER 7, 2016
10:00 A.M.**

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

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

FLAG SALUTE

PUBLIC COMMENT

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

ADDITIONS TO THE AGENDA

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

1. **WORKSHOP**


A. FINANCE WORKSHOP

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

2. **ADJOURN**

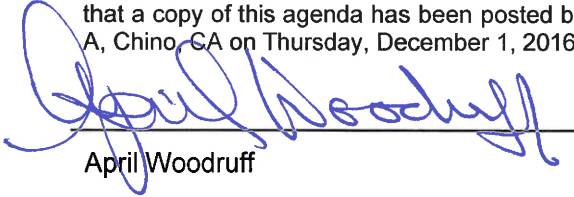
*A Municipal Water District

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

Proofed by: 

Declaration of Posting

I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, December 1, 2016.


April Woodruff

**WORKSHOP
ITEM**

1A

Finance Workshop

December 2016



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

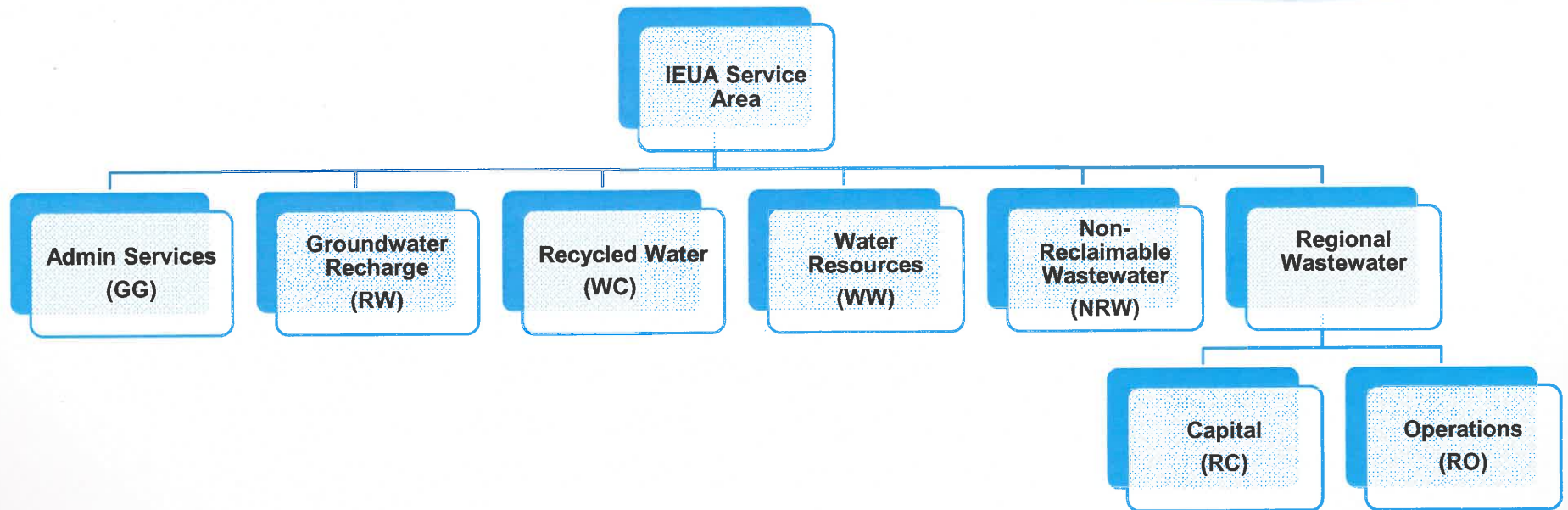
Finance Workshop

- Overview Agency Funds
- Refinancing options for 2008A Bonds
- Financial impact of refinancing options



Fund Overview

Agency Funds



Administrative Services (GG) Fund

Accounts for Agency-wide general and administrative expenses, including employments costs. Costs are then distributed to the various Agency funds based on support and resource allocation.

- FY 2015/16 Ending Fund Balance \$19.7 million

Major Revenues	Major Expenses
Property Tax	Employment costs
Reimbursement from CDA	Agency-wide expenses
Interest Revenue	Agency-wide capital expenditures
Inter-fund transfers for capital expenditures	



Recycled Water (WC) Fund

Operations and maintenance and capital expenditures related to distribution of recycled water from the four Agency recycling plants, and pro-rata share of groundwater recharge operating expense not funded by CBWM.

- Recycled Water Program Strategy planning period through 2035
- Adopted multi-year rates for FYs 2015/16-2019/20, reaching **cost of service by FY 2018/19**
- FY 2015/16 Ending Fund Balance \$17.6 million

Major Revenues	Major Expenses
Recycled Water Sales	Operation and Maintenance of the distribution system (pumping)
Property Tax	Pro-rata share recharged recycled water O&M
Water Connection Fees	Capital Construction
SRF Loans/Grants/Inter-fund loans	Debt Service (\$ outstanding balance)
Reimbursements for lateral & retrofit installations	<ul style="list-style-type: none"> • Inter-fund loans \$28.5 million • SRF loans \$94.4 million • 2008A bonds \$33.7 million
MWD Rebate (expires June 30, 2017)	

Recycled Water Adopted Rates FYs 2015/16 – 2019/20

Cost of Service Projected to be Achieved in FY 2018/19

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

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



Water Resources (WW) Fund

Operations and maintenance costs related to delivery of imported water purchased from MWD and program costs related to Water Use Efficiency (WUE) and Integrated Water Resource Plan (IRP) regional programs.

- Rates were restructured to comply with Prop 26 requirements
- Multi-year rates adopted effective October 1, 2016
- Fund Balance FY 2015/16 \$7.7 million

Major Revenues	Major Expenses
Imported water sales	Imported water purchases
Readiness to Serve (RTS) recovery	Metropolitan Water District (MWD) RTS pass through fees
Meter Equivalent Unit (MEU)	Regional conservation program
Property Tax	Regional water resources planning
Grants/Rebates	Regional water supply programs



Water Resources Adopted Rates

- New Readiness to Serve (RTS) Ten Year Rolling Average
 - Consistent with MWD RTS pass through billing methodology
- New Meter Equivalent Unit (MEU) based on meter size
 - Consistent with water member agencies billing methodology

	FY 2015/16 Current	FY 2016/17 Amended	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	
MEU	n/a	\$0.90	\$0.95	\$0.99	\$1.04	Adjustments based on CPI			
RTS Ten Year Rolling Average	n/a	15%	30%	45%	60%	75%	90%	100%	
			7 year phase supported by property taxes						
Water Meter Rate/Account	\$2.105	*\$2.105	n/a	n/a	n/a	n/a	n/a	n/a	
AF Surcharge	\$15.0	*\$15.00	n/a	n/a	n/a	n/a	n/a	n/a	

*Only in effect through September 30, 2016.

Non-Reclaimable Wastewater (NRW) Fund

Operations and maintenance and capital expenditures related to the non-reclaimable wastewater system to export high-salinity industrial wastewater for treatment and eventual discharge to the Pacific Ocean.

- **North System:** Discharge to Sanitation District of Los Angeles County (SDLAC);
- **South System:** Discharge to Orange County Sanitation District (OCSD) through Santa Ana Watershed Project Authority (SAWPA) Inland Empire Brine Line (IEBL)
- FY 2015/16 Ending Fund Balance \$6.6 million

Major Revenues	Major Expenses
Pass-through Volumetric, Strength and Capacity fees	Pass-through Operating Fees
IEUA Cost Recovery	Pass through SDLAC Capital Costs (4Rs)
Sale of Capacity (South)	IEUA Operating & Capital Costs
Interest	Debt Service (2008A Bonds)



Regional Wastewater Operations & Maintenance (RO) Fund

Activities related to the collection, treatment and disposal of municipal wastewater through the Agency's regional wastewater system.

- Multi-year rates to FY 2019/20, **reaching cost of service by FY 2018/19**
- Fund Balance FY 2015/16 \$58.4 million

Major Revenues	Major Expenses
EDU Volumetric Charges	Operating and Maintenance (O&M)
Wastewater Connection Fees	Replacement & Rehabilitation (R&R) Costs
Property Taxes	Debt Service Costs
IERCA Cost Reimbursement	IERCA Labor Costs
Interest	

Regional Wastewater Capital Improvement (RC) Fund

Activities associated with the acquisition, construction, expansion, improvement and financing of the Agency's Regional wastewater system.

- Connection fee study completed in 2015
- Multi-year fees adopted through FY 2019/20
- FY 2015/16 Ending Fund Balance \$76.2 million

Major Revenues	Major Expenses
EDU Connection Fees	Capital Construction
Property Taxes	Debt Service
Debt Proceeds / Grant Receipts	Inter-fund transfers to support capital and debt costs

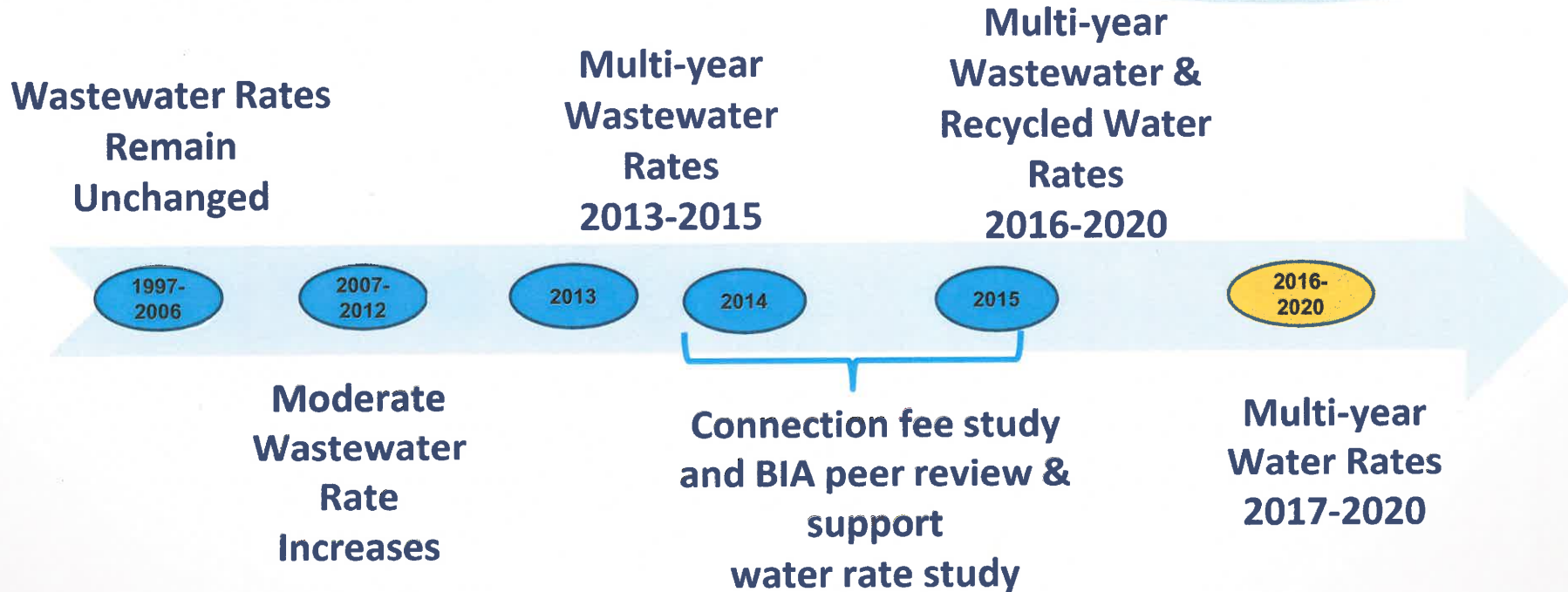


Adopted Regional Wastewater Rates

Cost of Service for RO fund projected to be achieved by FY 2018/19

Program	Rate Description	FY 2014/15	FY 2015/16		FY 2016/17		FY 2017/18	FY 2018/19	FY 2019/20
Regional Wastewater	Monthly EDU Volumetric Fee per EDU	\$14.39	\$15.89		\$17.14		\$18.39	\$19.59	\$20.00
	<i>Effective</i>	7/1/2014	7/1/2015		7/1/2016		7/1/2017	7/1/2018	7/1/2019
Regional Wastewater	New EDU Connection Fee per EDU	\$5,107	\$5,107	\$5,415	\$5,415	\$6,009	\$6,309	\$6,624	\$6,955
	<i>Effective</i>	7/1/2014	7/1/2015	1/1/2016	7/1/2016	1/1/2017	7/1/2017	7/1/2018	7/1/2019

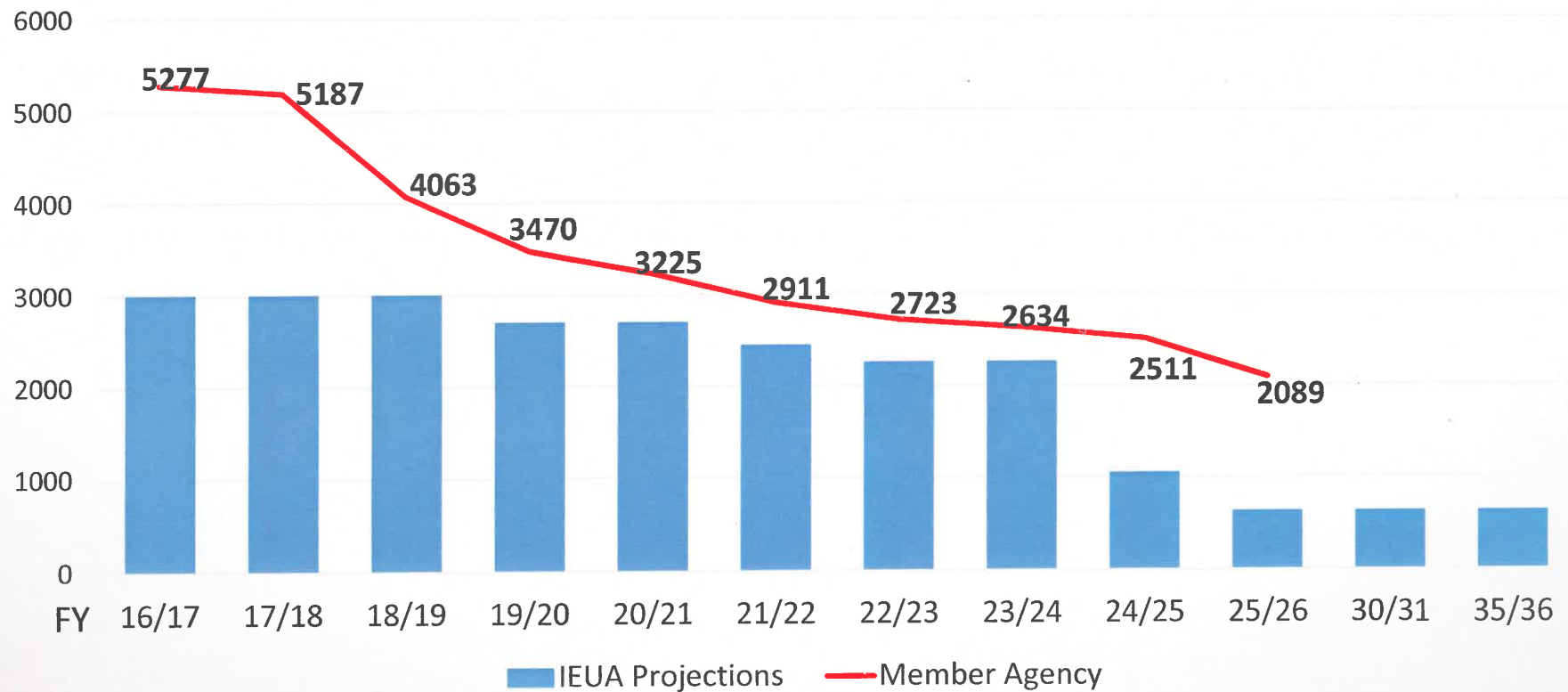
How Have IEUA's Rates Changed?



Multi-year rates targeted to meet cost of service

Continued growth is projected

EDUs



How do we meet the new demand?

**RP-2/RP-5
Solids
Expansion
~ \$165M**

**RP-1
Expansion
~ \$165M**

**RP-2
Decommissioning
~ \$30-\$60M**

2023

2025

2030

2032

2036

**RP-5 Liquids
Expansion
~ \$160M**

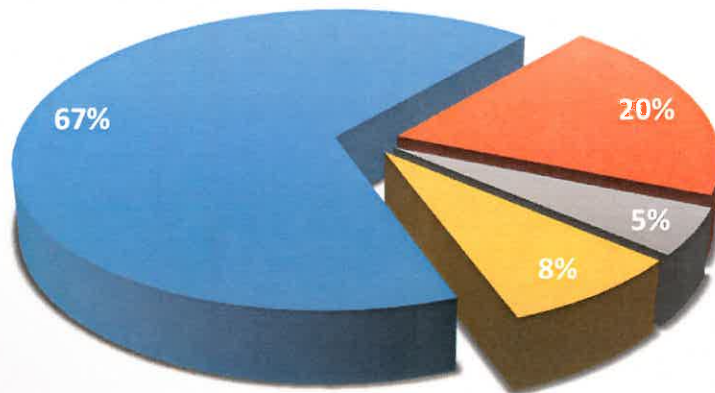
**RP-4
Expansion
~ \$10M**

20 Year Outlook: 2017 - 2036

Baseline: FY 2016/17 Amended Budget & Adopted Ten Year Capital Improvement Plan

Major Funding Sources

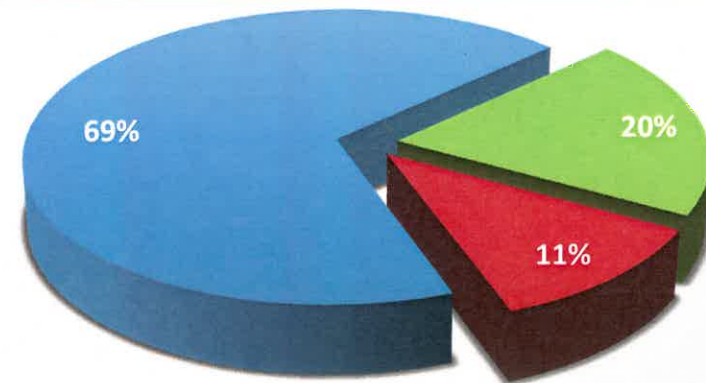
\$5.3 billion



■ Operating Revenues ■ Property Tax
■ Connection Fees ■ Grants and Loans

Major Uses of Funds

\$5.2 billion

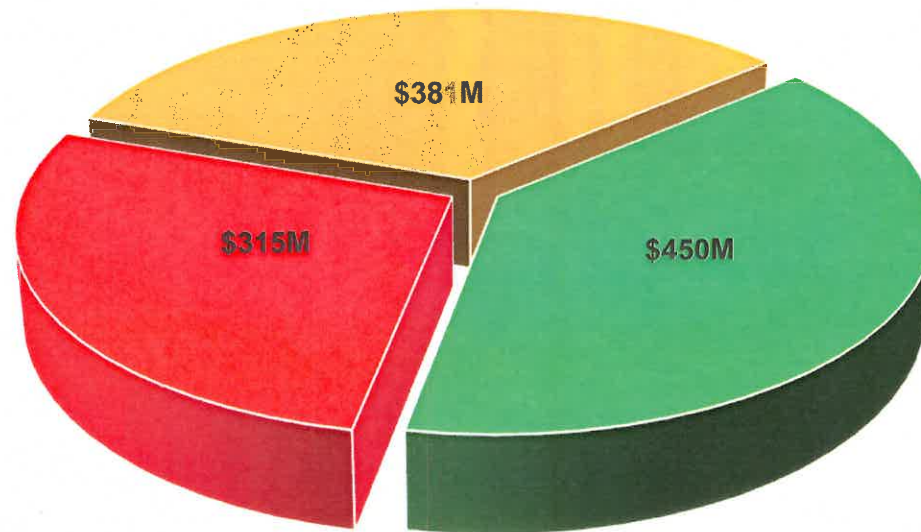


■ Operating Expenses ■ Capital Projects
■ Debt Service

How do we pay for expansion?

Future borrowings will increase total debt outstanding to ~\$500 million

**20 Year CIP - \$1.1 billion
Projected Funding Sources**

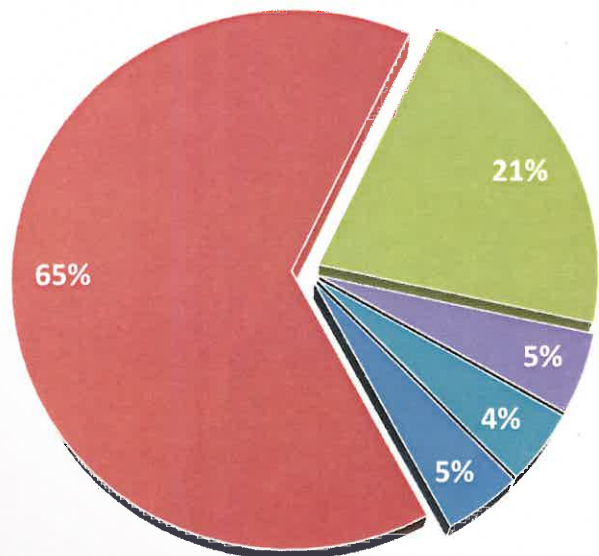


- Connection Fees Funded
- Debt Funded
- PAYGO &/or Capital Contributions

Continue Investment of Property Tax Receipts

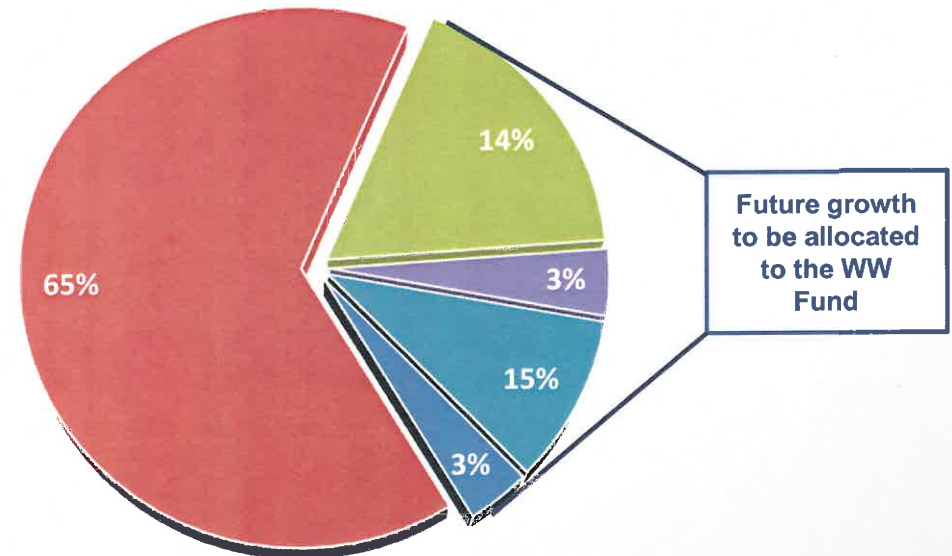
- No change in the 65% allocated to the RC fund
- Future growth for the 35% will be assigned to the Water Fund (WW):
 - Support regional projects not supported by the water rates

FY 2016/17 Property Tax Allocation
\$44.7 Million



- Admin Services (GG)
- Regional Wastewater Operations (RO)
- Water Resources (WW)

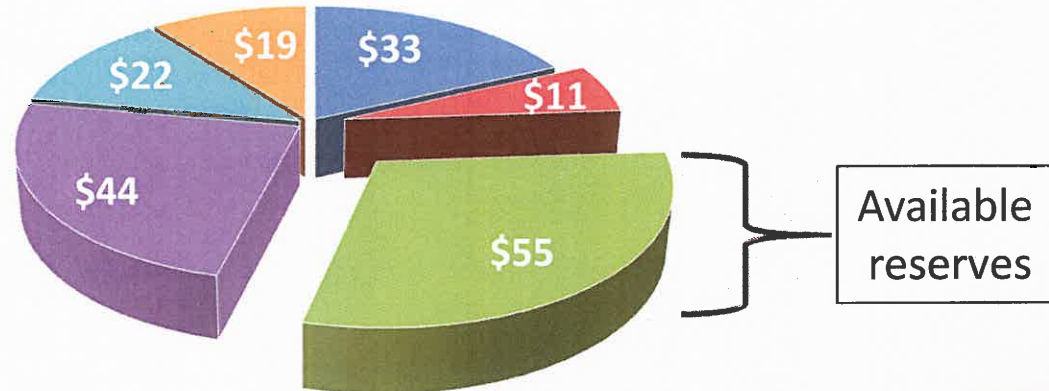
FY 2035/36 Property Tax Allocation
\$66.4 Million



- Regional Wastewater Capital (RC)
- Recycled Water (WC)

Available Reserves to Support Financing of Regional Wastewater System

FY 2016/17 Beginning Fund Reserve Balance – All Funds
\$184 million



- Operating Contingencies
- CCRA Capital Construction
- Debt Service & Redemption
- Capital Expansion & Replacement
- Rehabilitation/Replacement Reserve
- Retirement & Insurance

How can we save money?

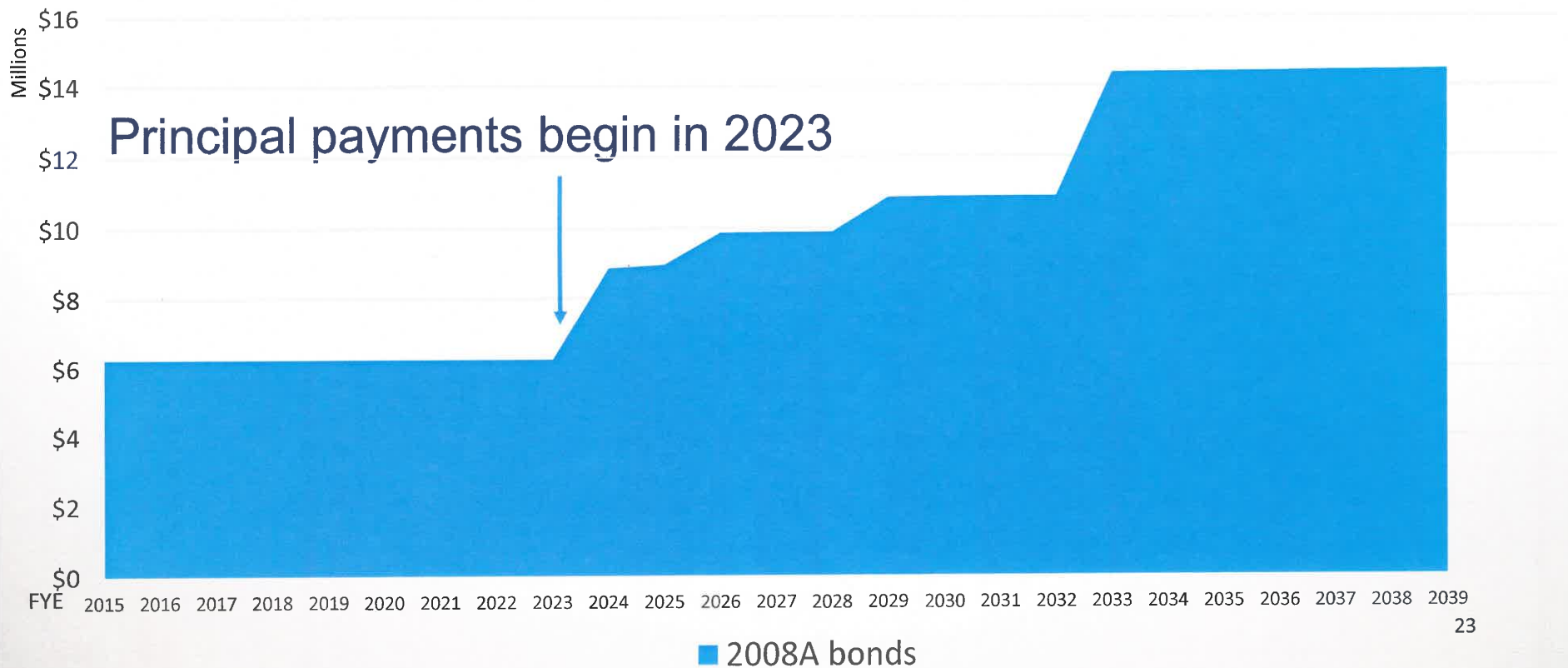
- Pay down debt
- Refinance debt at a lower interest rate
- Ongoing review of opportunities to lower debt service cost is consistent with the IEUA Business Goal of Fiscal Responsibility

Which scenario saves the most?

Scenario	Name	Cash Pay Down	Estimated Savings
1	Baseline/Do nothing	\$-	None
2	5 Year Pay Down	\$125 million	\$83 million
3	Partial Refinancing/ Cash Pay Down	\$50 million	\$62 million
4	Full Refinancing	\$-	\$23 million

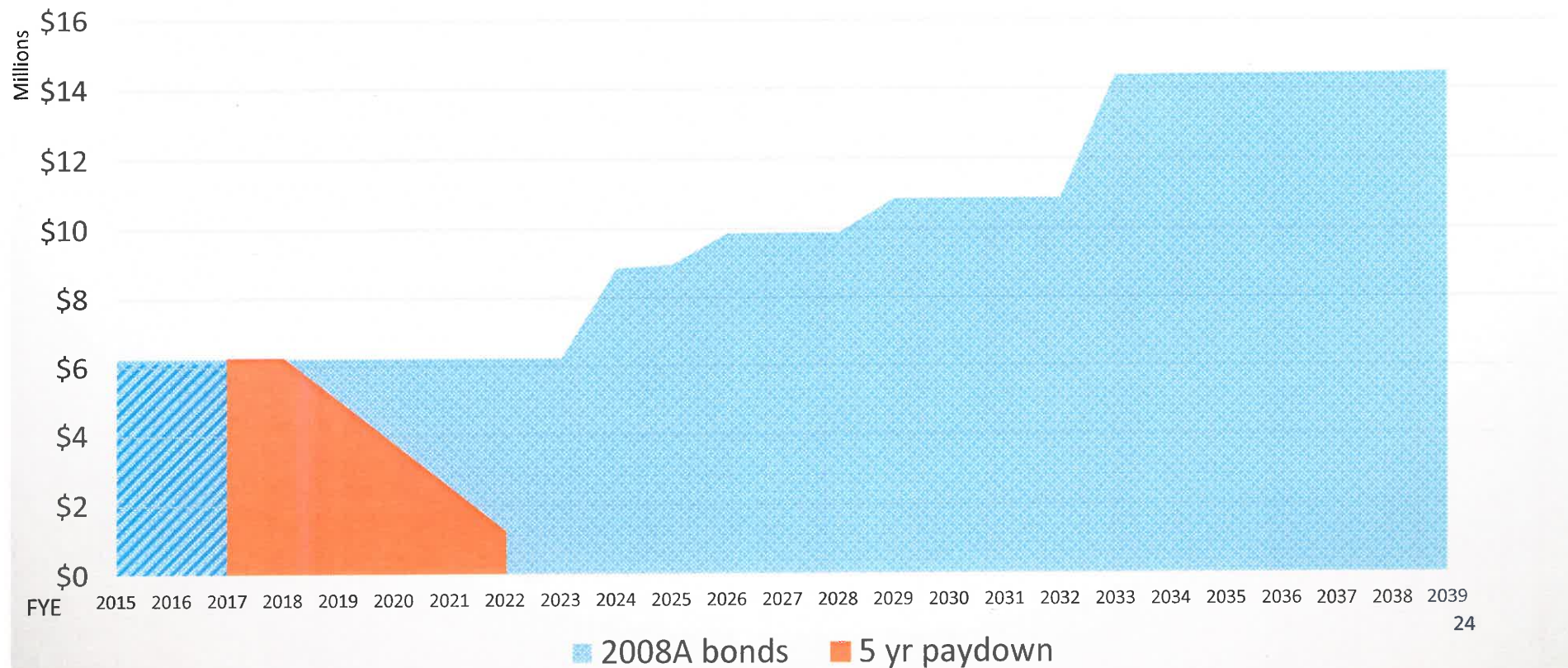
Scenario 1 – Baseline/Do nothing

Current amortization schedule



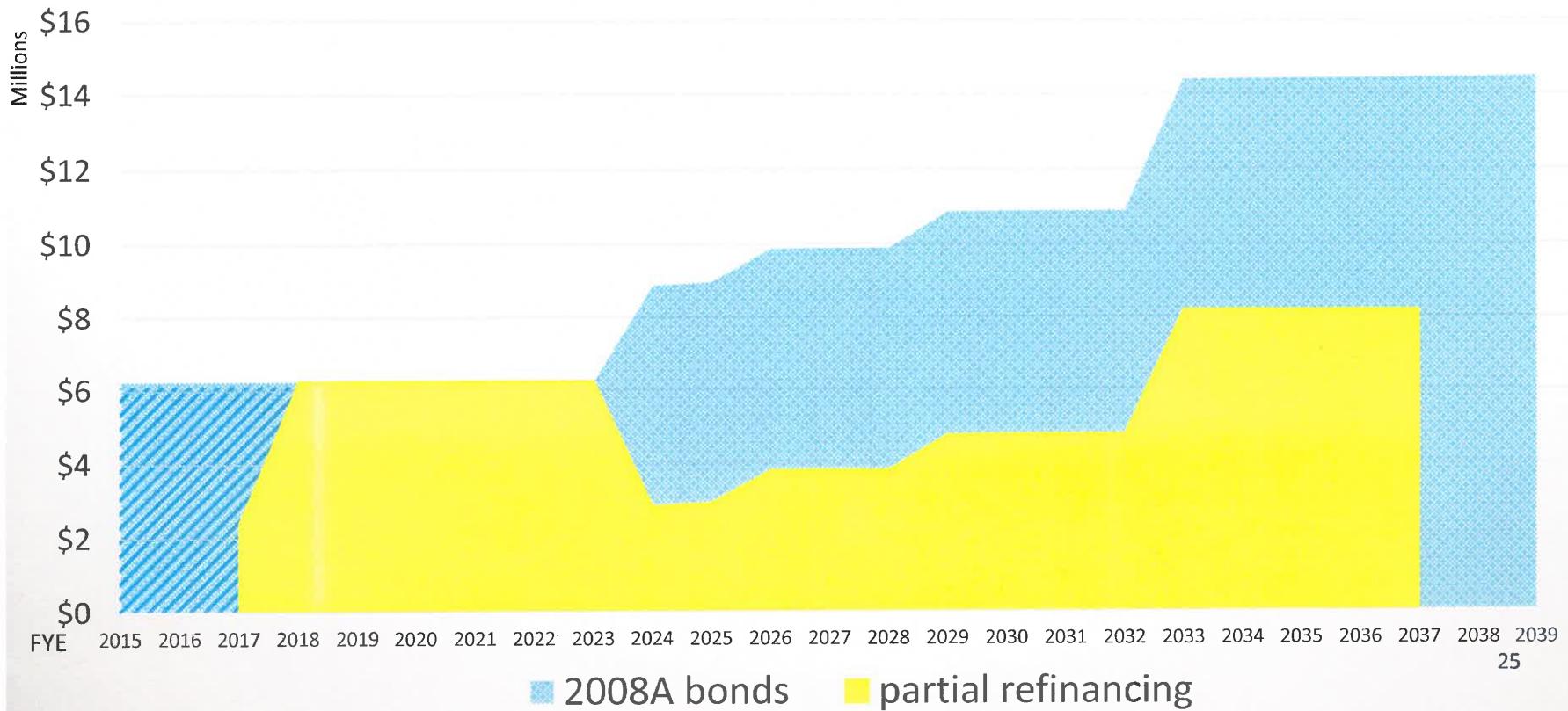
Scenario 2 – 5 year pay down

Total Savings: \$ 83 million



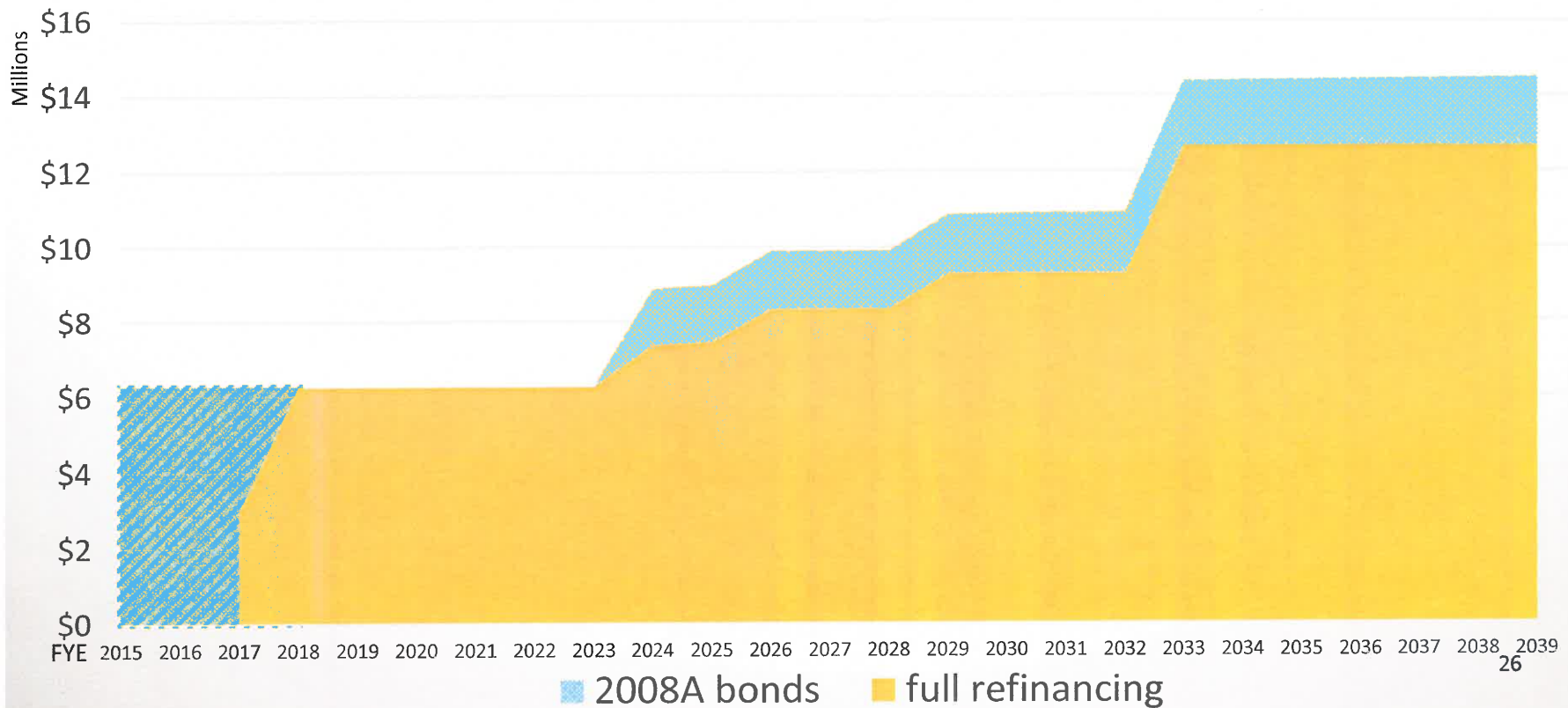
Scenario 3 – Partial Refinancing

Total Savings: \$ 62 million



Scenario 4 – Full Refinancing

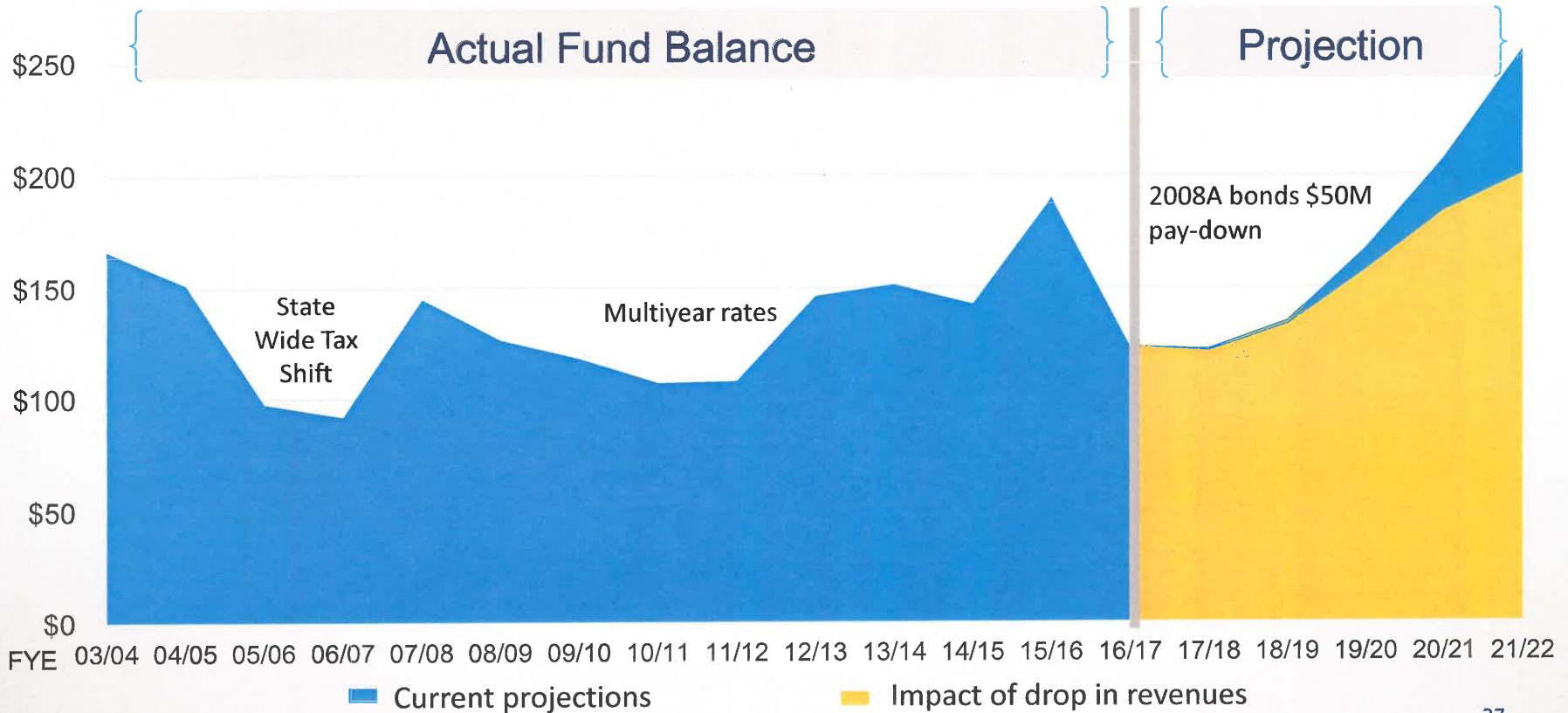
Total Savings: \$ 23 Million



What happens if.....

- Connection fees drop by 30%
- Property tax receipts drop by 10%

\$Millions
\$300



Recommendation Scenario 3 – Partial Refinancing

- **Prudent use of available cash reserves**
 - \$55 million available in CCRA funds
 - Minimal interest earnings due to historically low rates
- **Reduce debt service costs**
 - Eliminates high principal payments starting in 2023
 - Shortens final maturity by 2 years to 2036
 - Relieves upward pressure on future rates and fees
- **Ensure debt capacity to support future capital requirements**
 - Estimated 16% reduction of in total principal outstanding debt
 - Debt Coverage Ratio maintained above 2.4X over the next 20 years

Next Steps

Week of	Activity
12/01/16	Special meeting of the Regional Technical Committee
12/06/16	Special meeting of the Regional Policy Committee
12/21/16	IEUA and Chino Basin Regional Financing Authority Board approval
	Credit rating agency meetings
	Redemption Notice to trustee, review of final documents
	Receive credit ratings
Estimated bond closing in late January 2017	Board approval of final documents, Redemption Notice to bondholders
	Post Preliminary Official Statement (POS), market bonds
	Pre-pricing, final pricing
	Closing