



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

**MINUTES OF THE REGULAR
MEETING OF
THE
INLAND EMPIRE UTILITIES AGENCY
BOARD OF DIRECTORS**

**WEDNESDAY, DECEMBER 21, 2016
9:00 A.M.**

DIRECTORS PRESENT:

Michael Camacho, Vice President
Steven J. Elie, Secretary/Treasurer
Jasmin A. Hall
Paul Hofer
Kati Parker

STAFF PRESENT:

P. Joseph Grindstaff, General Manager
Chris Berch, Executive Manager of Engineering
Martha Davis, Executive Manager of Policy Development/AGM
Randy Lee, Executive Manager of Operations/AGM
Christina Valencia, Chief Financial Officer/AGM
Blanca Arambula, Deputy Manager of Human Resources
Kathryn Besser, Manager of External Affairs
Jerry Burke, Deputy Manager of Engineering
Andy Campbell, Groundwater Recharge Coordinator/Hydrogeologist
Javier Chagoyen-Lazaro, Manager of Finance and Accounting
Tina Cheng, Budget Officer
Lucia Diaz, Facilities Program Supervisor
Warren Green, Manager of Contracts and Facilities Services
Jason Gu, Grants Officer
Sylvie Lee, Manager of Planning and Environmental Resources
Jason Pivovarovoff, Senior Engineer
Joyce Rucker, Senior Accountant
John Scherck, Acting Deputy Manager of Engineering
Shaun Stone, Manager of Engineering
Ken Tam, Senior Associate Engineer – PE
Teresa Velarde, Manager of Internal Audit
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT:

Scott Burton, City of Ontario
Doug Brown, Stradling Yocca Carlson & Rauth
Jean Cihigoyenette, JC Law Firm
Travis Hickey, Audit Committee Advisor
Greg Newmark, Meyers Nave
Tyler Old, PFM
Curtis Paxton, CDA

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

Vice President Camacho called the meeting to order at 9:41 a.m., and he led the pledge of allegiance to the flag. A quorum was present.

Vice President Camacho stated that members of the public may address the Board. Chino Basin Watermaster General Manager Peter Kavounas requested to address the Board after the presentation of Information Item 2A Summary of the South Archibald Plume Cleanup Project.

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

1. **CONSENT CALENDAR**

Vice President Camacho asked if there were any Board members wishing to pull an item from the Consent Calendar for discussion.

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

M2016-12-3

MOVED, to approve the Consent Calendar.

- A. Approved the minutes from the November 16, 2016.
- B. Approved the total disbursements for the month of October 2016, in the amount of \$17,069,654.56.
- C. Reviewed and adopted the 2016 IEUA Business Goals.
- D. The Board:
 - 1. Awarded Contract No. 4600002127 to E.R. Block Plumbing, Inc. for the Carbon Canyon Water Recycling Facility (CCWRF) odor control bleach and air piping replacement for a firm fixed price of \$119,850; and
 - 2. Authorized the General Manager to execute the contract.
- E. The Board:
 - 1. Approved Contract Amendment No. 4600001912-001 to O.C. Vacuum, Inc., which increases the contract by \$100,000; and
 - 2. Authorized the General Manager to execute the contract amendment.
- F. The Board:
 - 1. Awarded the consulting engineering services contract for the East End Avenue NRW Flowmeter Replacement, Project No. EN22002 to Civiltec Engineering Inc., for the not-to-exceed amount of \$213,554; and
 - 2. Authorized the General Manager to execute the consulting engineering services contract.

Continued....

M2016-12-3, continued.

G. The Board:

1. Awarded a construction contract for the RP-5 Flow Equalization & Effluent Monitoring Project No. EN11031, to SCW Contracting in the amount of \$945,029;
2. Approved a contract with Lee & Ro, Inc., to provide engineering services during construction for the not-to-exceed amount of \$68,452; and
3. Authorized the General Manager to execute the construction contract and contract amendment.

H. Adopted the resolution approving the extra-territorial request for sewer service from the City of Upland for the Sycamore Hills Development.

2. **INFORMATION ITEMS – (to be continued after Action Items)**

SUMMARY OF THE SOUTH ARCHIBALD PLUME CLEANUP PROJECT

General Manager Joe Grindstaff stated that from the 1940s to the 1970s, local industries in the Ontario region used a common industrial solvent that contained a chemical compound called trichlorethylene (TCE). He said that by the early 1970s, it was determined that TCE was highly toxic, and due to decades of widespread use, the chemical seeped in the area's groundwater creating the South Archibald Plume. Mr. Grindstaff reported that in 2005, the California Regional Water Quality Control Board (RWQCB), Santa Ana Region issued draft Cleanup and Abatement Orders (CAO's) to several companies. He stated that in response to the draft CAO and the need to address legacy contamination within the Chino Basin, the Agency led discussions to plan the implementation of a permanent cleanup solution. He said that the discussion led to the development of several agreements and actions between the parties. In 2015, IEUA entered into an agreement with Ontario, Chino Desalter Authority (CDA), and Upland, and just a couple months ago, a settlement agreement was finalized. Mr. Grindstaff stated that the fundamental design of the clean-up for the project is to move what had been Well 12 in the CDA expansion right up to the heart of the area, and to build a parallel pipeline that takes the contaminated water all the way to the Desalter and then treat the water from the TCE Plume there at the plant. He said that this project will not be completed until 2019. Mr. Grindstaff stated that the funding parties are the Department of Defense grant funding, Aerojet General Company, City of Ontario, IEUA, and City of Upland. Mr. Grindstaff acknowledged the City of Upland, City of Ontario, Chino Desalter Authority, legal counsel, IEUA Board, IEUA staff, and the Regional Board for playing an integral part in this project. It's only with the help of all the different parties that this project has been able to get this far. He stated that the next step is to undergo the design and construction phase and begin operation.

Director Camacho echoed General Manager acknowledgement of all parties involved.

Director Elie stated that he has invested personal interest in this project and he wanted to acknowledge General Manager Joe Grindstaff and the beloved Director Gene Koopman.

PUBLIC COMMENT

Chino Basin Watermaster General Manager Peter Kavounas wanted to be present to personally commend IEUA General Manager Joe Grindstaff, Chino Desalter Authority General Manager Curtis Paxton, and IEUA staff.

Vice President Camacho called for a five-minute recess at 10:05 a.m.

The Board meeting resumed at 10:15 a.m.

3. **ACTION ITEMS**

RESOLUTION NO. 2016-12-1, AUTHORIZING AGENCY ORGANIZATIONAL MEMBERSHIP AND AFFILIATIONS

Manager of External Affairs Kathy Besser stated that on an annual basis, staff brings to the Board the recommendations for the annual memberships on behalf of the Agency, which are above \$5,000. She stated that staff is recommending that the Board of Directors approve Agency-wide memberships and affiliations for the FY 2017/18 in the amount of \$225,382. Ms. Besser stated that for the benefit of the new Board members, she has included the under and over \$5000 membership due, as well as a 5% contingency to provide a complete list of the Agency's organization membership and affiliations. She reminded the Board that if the amount exceeds 5%, staff will bring the item back to the Board for approval. Ms. Besser noted that the amount decreased just over \$13,000. She reported that the reason for the decrease is that an organization merged with another organization, which the Agency had paid combined \$38,000 in dues, and with the merge of the two organizations, the amount due for this year is \$15,000.

General Manager Joe Grindstaff mentioned that one of the questions that came up during the December 14 Committee meeting was about the benefits of the National Association of Clean Water Agencies (ACWA), membership which the Agency joined last year. Source Control and Environmental Resources Supervisor Craig Proctor provided the committee with the example of the EPA wanting to impose a ruling that would have impacted every dentist who uses a kind of filling material nationwide which would have caused us to have to regulate perhaps about a thousand dentists and it was something that the Agency would not want to do. It's not an issue that will regularly come to the Board. It's an issue that ACWA has been heavily engaged in and it makes a significant difference over the long term to make sure that we don't get that kind of regulation imposed on the Agency.

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

M2016-12-4

MOVED, to:

1. Approved the Agency-wide memberships and affiliations for FY 2017/18, in the amount of \$225,382 (includes 5% contingency); and
2. Adopted Resolution No. 2016-2-1, authorizing Agency organizational memberships and affiliations.

RESOLUTION FOR THE USBR TITLE XVI WATER RECLAMATION AND REUSE PROGRAM FUNDING

Grants Officer Jason Gu stated that the purpose of this item was to recommend the adoption of the resolution for a grant application that will be submitted to the US Department of Interior Bureau of Reclamation under the USBR Title XVI Grant Program. The Title XVI Federal Program is for water reuse desalination and regulation in 17 western states and Hawaii. He provided a PowerPoint presentation on the grant application for the Title XVI Water Reuse and Reclamation Program. Mr. Gu provided a brief background of the grant program. He stated the program pays for 25% of eligible project costs, and between 2007-09, \$590 million dollars was authorized for 27 projects in Southern California, including three IEUA projects - water recycling, water desalination, and wastewater treatment facilities. USBR announced annual opportunity and the authorized numbers are projects that have to be completed annually. Mr. Gu reported that IEUA has received \$20 million and it has fully been utilized on the Agency's distribution system. He further reported that the salt water desalination and reclamation is \$26 million and this application will be submitted under this authorization. \$20.8 million has been awarded and the remaining balance is \$5.2

million. There is another authorization for \$10 million for wastewater treatment facilities. Originally, it was considered for a satellite treatment plant in the Cucamonga Valley Water District area. The Agency Management and Board members have been working with USBR to make the scope of work change to get this funding. He also noted that under Salt Water Desalination Authorization – we have received five contracts for a total amount of \$26 million. This money will be used mainly on the CDA expansion project which also includes the South Archibald Plume Project. Mr. Gu provided an overview of the funding sources for the CDA expansion project and South Archibald TC Plume Clean Up Project. The total project has an overall cost of \$141 million dollars. With this, he recommended that the Board adopt the Resolution 2016-12-3 authorizing the Agency to submit the application and enter into the financial grant agreement and also authorize the General Manager to execute the funding agreement.

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

M2016-12-5

MOVED, to:

1. Adopted Resolution No. 2016-12-3, authorizing the Agency to enter into financial assistance agreements with the U.S. Department of Interior – Bureau of Reclamation (USBR) WaterSMART: Title XVI Water Reclamation and Reuse Program Funding for Fiscal Year 2017; and
2. Authorized the General Manager, or in his absence, his designees, to execute the financial assistance agreement, any amendments, and any grant related documents thereto.

IEUA FISCAL YEAR 2015/16 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Manager of Internal Audit Teresa Velarde gave an overview of the Agency's financial reporting requirements. Ms. Velarde stated that the compilation of the Fiscal Year 2016 Comprehensive Annual Financial Report is a team effort by many Agency employees and that for the past 18 years the Agency has received the Government Finance Officers Award for excellence in financial reporting. Ms. Velarde stated that the independent certified public accounting firm of Lance, Soll and Lunghard, LLP (LSL) audited the financial statements and provided an opinion as to the fairness of the financial statements. LSL issued an unmodified opinion, which is the best type of audit opinion, that indicates there were no material misstatements. Ms. Velarde also provided an overview of the Internal Audit Department's quality control review of the CAFR, stating that they reviewed for mathematical accuracy, completeness and professional presentation. Ms. Velarde introduced Ms. Deborah Harper, the audit partner with LSL and Mr. Travis Hickey, the Audit Committee Financial Advisor.

Ms. Deborah Harper, discussed the purpose and process of the financial audit, their review of the Agency's internal controls, the three audit reports and letters issued by the firm, and explained the significance of the unmodified opinion. Ms. Harper indicated the opinion report is part of the CAFR and documents that there were no deficiencies or material misstatements. The second is a report on the internal controls and the third is the required communications letter. Ms. Harper stated that in future years, the Agency may request an opinion on the Agency's internal controls which will involve additional audit procedures and tests. Ms. Harper also discussed the process of the Single Audit and explained that the final report will be delayed for completion until March of 2017 pending State classification of certain expenses as either State or Federal monies.

Manager of Finance and Accounting Javier Chagoyen-Lazaro provided a PowerPoint presentation on the Agency's financial position as of June 30, 2016. Mr. Chagoyen-Lazaro provided details on the revenue and expenses, including changes in the operating and non-operating activities. Mr. Chagoyen-Lazaro announced the Agency's net position significantly improved by almost \$37 million. Mr. Chagoyen-Lazaro stated that the Agency has \$175 million

in available cash, a large portion of that held in trust by the member agencies. Mr. Chagoyen-Lazaro discussed plans to apply some of the cash for the refinancing of the 2008A Bonds.

General Manager Joe Grindstaff stated that the Agency operates a complex budget of \$241 million, not including the IERCA which operates \$10 million. Mr. Grindstaff stated that IEUA staff does a great job of safeguarding the Agency's assets to exceed minimum required standards. Mr. Grindstaff also added that the Agency exceeds recommended standards set by GFOA to achieve the highest level of financial reporting. He thanked the IEUA staff for their dedicated service.

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

M2016-12-6

MOVED, to:

1. Approved the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year (FY) ended June 30, 2016; and
2. Directed staff to distribute the report as appropriate, to the various federal, state, and local agencies, financial institutions, bond rating agencies, and other interested parties.

2. INFORMATION ITEMS

ENGINEERING AND CONSTRUCTION MANAGEMENT PROJECT UPDATES (POWERPOINT)

Manager of Engineering Shaun Stone gave a PowerPoint presentation on the Engineering and Construction Management Project Updates. He provided updates on the following projects: EN18806 – RP-1 Flare Improvements, RW15003 – RMPU Projects, EN17042 – RP-1 Digester 6 & 7 Roof Repairs, EN16071 – San Bernardino Avenue Gravity Sewer, EN14019 – RP-1 Headworks Primary and Secondary Upgrades, and EN15012 – RP-1 Primary Effluent Conveyance Improvements.

MWD AND DROUGHT UPDATE – STATE WATER PROJECT (POWERPOINT)

Senior Engineer Jason Pivovaroff stated that in terms of November and December activities for the MWD water conditions in sales, the Department of Water Resources announced that the initial State Water Project allocation is set at 20%. This means that MWD will receive 20% of their full table A request of 2 million AF from the State Project Contractors. Last year, MWD started with 10% as the initial allocation which is set at about November/December. As we get into the winter months, the Department of Water Resources are more active in releasing updates that will trend hydrology expectations. We ended with 16% last year. In regards to hydrology, we are off to a decent start. Snow pack is trending 66%, 5 inches of water equivalent. In regards to precipitation, we are just under 200% of normal, about 30 inches. For the last couple months, we have been trending at 10-15 inches a month which is a great step forward. Sales are trending on MWD budget forecast, which are 15-20% of what they were in the past year. That 20% allocation is the highest that we have received in the past 3-4 years. There are good chances of not being in a water rationing allocation under MWD based on the hydrology of this year.

Senior Engineer Jason Pivovaroff continued the mini-series on the overview of the California's water supply systems. In this series, he highlighted the San Luis Reservoir.

UPDATE ON GOVERNOR BROWN'S EXECUTIVE ORDER B-37-16 (POWERPOINT)

Executive Manager of Policy Development Martha Davis reported that the Governor has directed his state agencies to come up with a conservation framework, which they released about two weeks ago. Ms. Davis provided a PowerPoint update on Governor Brown's Executive Order B-37-16. She highlighted drought drives/reassessment of conservation; Governor Brown leading

new statewide water efficiency policy; conservation framework recommendations – using water more wisely and strengthen local drought resilience; and overall support for the proposed conservation framework. She stated that the final State Agency recommendations for the conservation framework is to be submitted to the Governor by January 10, and a final conservation framework is to be issued by the Governor in January/February 2017.

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

TREASURER’S REPORT OF FINANCIAL AFFAIRS (WRITTEN/POWERPOINT)

FY 2016/17 FIRST QUARTER BUDGET VARIANCE, PERFORMANCE GOALS UPDATES, AND BUDGET TRANSFERS (WRITTEN)

FUNDING OF ESTIMATED WORKERS’ COMPENSATION LIABILITIES (WRITTEN)

PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)

LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN)

LEGISLATIVE REPORT FROM WEST COAST ADVISORS (WRITTEN)

LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES (WRITTEN)

CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN)

INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR DECEMBER 2016 (WRITTEN)

UPDATES FOR THE AUDIT COMMITTEE AND THE INTERNAL AUDIT DEPARTMENT CHARTERS (WRITTEN)

FOLLOW-UP REVIEW – INFORMATION TECHNOLOGY EQUIPMENT AUDIT (WRITTEN)

AUDIT COMMITTEE FINANCIAL ADVISOR CONTRACT EXTENSION (WRITTEN)

REPORT OF OPEN AUDIT RECOMMENDATIONS (WRITTEN)

ANNUAL ENERGY REPORT (WRITTEN/POWERPOINT)

CONTRACTS AND FACILITIES SERVICES LAWN CONVERSION IMPROVEMENTS (POWERPOINT)

4. AGENCY REPRESENTATIVES’ REPORTS

SAWPA REPORT

Director Hall reported that the SAWPA Commission meeting was routine in nature. One of the future agency items discussed was the partnership between IEUA and SAWPA for the lift station with the developer Lewis Homes. She stated that the Agency currently discharges domestic sewage into the Inland Empire Brine Line, and the Agency has an agreement that Lewis Homes is going to divert that back to our system and it will take about eight or nine months to a year. She stated that the Agency was granted a permit extension for a couple of years to discharge into the Brine Line until that project is complete.

MWD REPORT

Director Camacho reported that there are some Quagga Mussels that were found in the West branch. There was 6-9 adult Quagga Mussels, which means they have been there for well over a year. He reported that the Quagga Mussels originated at the Great Lakes and somehow worked

their way out west. They are very invasive and plug up the pipes, filters, and pumps. He stated that this issue will be monitored and action will be taken to deal with the problem.

Director Camacho also reported that there was a Rialto Pipeline shutdown for seven days and everything went well. MWD highlighted the regions ability to develop local water resources. The amount of local supplies developed by our agencies in the Southern California area is quite astonishing. For example, in FY 2015/16 the entire region produced 1.5 million AF of conservation and development of local supplies which offset the need of imported water from Northern California and Colorado River.

REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

General Manager Joseph Grindstaff reported that the Policy Committee met and gave us comment on the refinancing.

CHINO BASIN WATERMASTER REPORT

Director Elie reported that there was no meeting this month.

5. GENERAL MANAGER'S REPORT

General Manager Joseph Grindstaff had nothing additional to report.

6. BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS

Director Hofer said that he would like to put the Resolution from the Board of Directors from Western Municipal Water District, which addresses some of the functions and operations of their Executive Board. He would like to bring it before the Board for discussion at the January 18, Board meeting.

7. BOARD OF DIRECTORS' COMMENTS

Director Hall attended ACWA, the Fontana Parade, and the LAFCO Training of the Formation of Mergers.

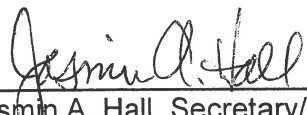
Director Elie reported that at the December 6 Chino Council meeting, he presented a commendation resolution honoring Chino Mayor Dennis Yates' retirement from the city.

Director Camacho reported that he attended the ACWA Fall Conference from November 29 to December 2.

8. CLOSED SESSION

The Board decided to forego the closed session this Board meeting.

With no further business, Vice President Camacho adjourned the meeting at 11:30 a.m.



Jasmin A. Hall, Secretary/Treasurer

APPROVED: FEBRUARY 15, 2017