



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

**WEDNESDAY, JULY 19, 2017
10:00 A.M.**

DIRECTORS PRESENT:

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

DIRECTORS ABSENT:

Michael Camacho, Vice President

STAFF PRESENT:

P. Joseph Grindstaff, General Manager
Chris Berch, Executive Manager of Engineering/AGM
Kathy Besser, Executive Manager of External Affairs/Policy Development/AGM
Christina Valencia, Executive Manager of Finance and Administration/AGM
Joshua Aguilar, Senior Engineer
Sharmeen Bhojani, Manager of Human Resources
Pietro Cambiaso, Environmental Compliance & Energy Supervisor
Michael Dias, Assistant Engineer
Warren Green, Manager of Contracts & Procurement
Jason Gu, Grants Officer
Liz Hurst, Environmental Resources Planner II
Sally Lee, Executive Assistant
Chander Letulle, Manager of Operations and Maintenance
Jesse Pompa, Senior Engineer
Eric Scherck, Senior Project Manager
Shaun Stone, Manager of Engineering
Teresa Velarde, Manager of Internal Audit
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT:

Mike Arreguin, IBE
Jean Cihigoyenetché, JC Law Firm
Phil Cothran, Fontana Planning Commission

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.

President Elie called the meeting to order at 10:00 a.m. General Counsel Jean Cihigoyenetché led the Pledge of Allegiance to the flag. A quorum was present.

President Elie stated that members of the public may address the Board. Mr. Michael Arreguin requested to address the Board.

Mr. Arreguin introduced himself as the Vice President for Burrtec Waste Industries, representing Inland Bioenergy (IBE). He thanked the Board of Directors for the opportunity to address the amendment between IBE and the Inland Empire Utilities Agency (IEUA). He stated over the past few months, there has been some serious discussion with staff on the deal points of this amendment. He reported that IBE and IEUA staff have worked very hard to come forward with a compromise, in his opinion, an amendment that works well for both sides. He acknowledged Executive Manager of Engineering/AGM Chris Berch as a tough negotiator and very smart guy, and he appreciated Mr. Berch's input and discussions, which has resulted in the amendment that will be presented this morning in Closed Session. He stated that they are looking forward to investing in the successful operation of this facility continuing to operate – now and into the future. He stated that they respectfully request that the Board consider this request with an approval, that will allow them to move forward. He thanked the Board.

President Elie thanked Mr. Arreguin, noting that this will be addressed in Closed Session.

President Elie asked if there were any changes/additions/deletions to the agenda.

General Counsel Jean Cihigoyenette reported one matter needs to be added to the Agenda in Closed Session under "General Manager Appointment". He stated that at this point, there was a misunderstanding as to the process, and this needs to be clarified before actual interviews are conducted on August 4, 2017. He stated that the inconsistent understanding was recently discovered; therefore, this matter was not placed on the agenda. He stated this will require a motion and a unanimous vote to add this item to today's Closed Session.

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

M2017-7-1

MOVED, to add Pursuant to Government Code Section 54954.5 – Public Employment -General Manager to Closed Session.

NEW HIRE INTRODUCTIONS

General Manager Joseph Grindstaff introduced the following new hire:

- Mr. Jennifer Hy-Luk, Administrative Assistant I, hired 7/17/17

The Board of Directors welcomed Jennifer Hy-Luk to the IEUA team.

CONSENT ITEMS

President Elie asked if there were any Board members wishing to pull an item from the Consent Calendar for discussion. There was no one desiring to do so.

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

M2017-7-2

MOVED, to approve the Consent Calendar.
(Continued...)

M2017-7-2, continued.

- A. Approved the minutes from the June 21, 2017 and July 6, 2017 Board meetings.
- B. Adopted Resolution No. 2017-7-4, commending Executive Director Eunice Ulloa for her 12 years of Public Service with the Chino Basin Water Conservation District.

**RESOLUTION 2017-7-4
RESOLUTION OF THE BOARD OF DIRECTORS OF INLAND
EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY,
CALIFORNIA, COMMENDING EXECUTIVE DIRECTOR EUNICE
ULLOA FOR 12 YEARS OF SERVICE WITH THE CHINO BASIN
WATER CONSERVATION DISTRICT (for full text, see Resolution
Book)**

- C. Recommended that the Board approve the total disbursements for the month of May 2017, in the amount of \$11,742,874.41.
- D. Adopted Resolution No. 2017-7-2, amending the Personnel Manual for the Unrepresented Employees and Resolution No. 2017-7-3, amending the salary schedule/matrix for Unrepresented Employees, Executive Management Employees, the Laboratory Unit, the General Unit, the Professional Unit, and the Operators' Association.

**RESOLUTION 2017-7-2
RESOLUTION OF THE BOARD OF DIRECTORS OF THE
INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO
COUNTY, CALIFORNIA, APPROVING THE AMENDMENT OF
THE PERSONNEL MANUAL (for full text, see Resolution Book)**

**RESOLUTION 2017-7-3
RESOLUTION OF THE BOARD OF DIRECTORS OF THE
INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO
COUNTY, CALIFORNIA, APPROVING THE AMENDMENT OF
THE UNREPRESENTED, EXECUTIVE MANAGEMENT,
LABORATORY UNIT, OPERATORS' ASSOCIATION,
PROFESSIONAL UNIT AND GENERAL UNIT SALARY
SCHEDULE/MATRIX (for full text, see Resolution Book)**

- E. Ratified the purchases from the expired Thatcher Company of California Contract No. 4600001078 for aluminum sulfate in the amount of \$23,435.64.
- F. The Board:
 - 1. Approved a construction contract change order with J. F. Shea for the RP-1 Mixed Liquor Return Pumps, Project No. EN16024, for the not-to-exceed amount of \$152,168; and
 - 2. Authorized the General Manager to execute the construction contract change order.

(Continued...)

M2017-7-2, continued.

G. The Board:

1. Approved the Director Agreement between Inland Empire Utilities Agency and Foundation HA Energy Generation, LLC for the benefit of ZB, N.A. dba National Bank of Arizona; and
2. Authorized the General Manager to execute the Direct Agreement.

H. The Board approved IEUA membership in the California Data Collaborative for FY 2017/18, in the amount of \$27,500.

I. The Board:

1. Awarded the consulting engineering services contract for Phase 2 of the Feasibility Study for the Recycled Water Intertie Project No. EN16060, to Carollo Engineers for the not-to-exceed amount of \$119,900; and
2. Authorized the General Manager to execute the agreement, subject to non-substantive changes.

J. The Board:

1. Awarded a consulting engineering services contract for the San Bernardino Lift Station, Project No. EN17077, to CDM Smith, Inc., for the not-to-exceed amount of \$224,360; and
2. Authorized the General Manager to execute the contract subject to non-substantive changes.

K. The Board:

1. Approved contract amendment 4600001385-002 with Tom Dodson and Associates (TDA), for an on-call environmental services contract, for an additional amount of \$300,000; and
2. Authorized the General Manager, or in his absence, his designee to execute the contract amendment, subject to non-substantive changes.

L. The Board:

1. Approved the amendment to the Energy Management Services Agreement between Inland Empire Utilities Agency and Advanced Microgrid Solutions, Inc. (AMS);
2. Authorized the General Manager to finalize and execute the agreement amendment subject to non-substantive changes; and

(Continued...)

M2017-7-2, continued.

3. Authorized the General Manager to negotiate and execute the agreement between Inland Empire Regional Composting Authority (IERCA) and IEUA for the installation of a solar photovoltaic power plant, subject to engineering evaluation.

M. The Board:

1. Approved the Memorandum of Understanding (MOU) between IEUA and Anaergia for the Development of a Renewable Natural Gas Project at RP-1; and
2. Authorized the General Manager to execute the MOU with Anaergia.

ACTION ITEM

PUBLIC CONTRACT CODE SECTION 3400(c) – SOLE SOURCE REQUESTS

Manager of Engineering Shaun Stone stated from time to time, during the course of a project, it becomes necessary to select a single supplier for process, to meet the needs for proper implementation of projects, system standardization for ease of maintenance and operations, as well as training and acquiring spare parts stocking. He said that Section 3400 of the public contract code provides an exemption for the "or equal" provisions that is stated throughout the public contract code for construction public works procurements. He stated in discussion with General Counsel, the Agency, following Section 3400, can make a finding to allow that selection. Mr. Stone stated what staff is asking today is for the Board to delegate that authority to the General Manager. He explained how this would fit into the procurement process. He stated that single and sole source procurements for general items are covered under the Agency's existing Procurement Ordinance. He stated that this exemption narrows that down to "within the scope of the project"; for example, washer compactor at RP-1 rehabilitation project has one piece of equipment that can meet the flow patterns, the standards, the configurations that is needed. While we specify that specific piece, it doesn't remove the competitive nature of the project as a whole. He stated that the entire project is approximately \$5 million, and the single piece of equipment is \$50,000, which is 1% of the overall. In the competitive nature of contractors working on a bid, they would want to be the low bidder on the project, so they will use their buying power, reputation and relationships, to drive the lowest competitive price for that piece of equipment to be the most competitive on the overall project. Therefore, the Agency is not losing the competitive nature overall. Mr. Stone reported that staff will be conducting a pre-selection process through the expansion of RP-5. He stated through that process, the goal is to standardize the big ticket items, i.e., blowers, aeration panels, etc., and also to go through a competitive life-cycle cost analysis, with the goal being to bring a list of those back to the Board in support of the standardization, which ties back to the Agency's preventative maintenance program versus corrective maintenance program.

Director Elie recapped the presentation as follows:

"The law requires X equipment or equal. The law allows the Board to make exceptions to that. What the staff is requesting is for the Board to delegate that authority, with the safeguards of the Manager of Engineering, Manager of Contracts and Procurement, and the General Manager, in the voting. When we do put it out to bid, we can say – we have a \$10 million project, but for this

\$1 million piece of equipment, we are removing the word – or equal – and staff would make that determination in the bidding process.”

Director Hofer responded that as a public agency, there needs to be all the backup information on file, and a very clear trail of how staff came to their decision, that could be examined at any time by anyone in the public or contractor that may have a dispute.

Director Parker requested an example of services from the phrase of “sole source request for material, product, things, or services”. Staff responded, that an example where staff would use this exemption would be a new electro scanning technology service, which conducts an MRI of a pipeline, and there is only one company providing this service. It would never apply to a contractor with a specific service.

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

M2017-7-3

MOVED, to authorize the General Manager, or his designee, to review and approve single or sole source requests for materials projects, things, or services per Public Contract Code Section 3400(c) consistent with the protocol defined herein.

ADOPTION OF RESOLUTION NO. 2017-7-1, FOR APPROVAL OF MASTER AMENDMENT NO. 1

Executive Manager of Finance & Administration/AGM Christina Valencia reported that staff has been working with the State Water Resources Control Board to consistently amend the lien positions, financing terms and certain definitions among the nineteen (19) Clean Water State Revolving Fund financing agreements. She mentioned that changes in the State Water Board financing policies resulted in varying lien requirements, with some of the more recent financing agreements requiring an equal position versus a junior position to the Agency’s outstanding bonded debt. Ms. Valencia stated that the proposed Amendment is intended to provide consistency to more clearly define the lien positions, financing terms, and certain definition among the 19 outstanding agreements. She noted that the Agency’s outstanding revenue bonds will be senior to the existing SRF loans. Any new future debt obligations will begin parity. Ms. Valencia further noted that this process will simplify the way that the Agency is currently calculating the debt coverage ratio amongst all 19 loans, and going forward, this will be used for a template for any new loans which should streamline the credit review process.

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

M2017-7-4

MOVED, to adopt Resolution No. 2017-7-1, for approval of Master Amendment No. 1 (Amendment) to consistently amend the lien positions, financing terms and certain definitions among the nineteen (19) Clean Water States Revolving Fund (SRF) financing agreements (Agreements) between the Agency and the California State Water Resources Control Board (State Water Board) as identified in the proposed Amendment.

RESOLUTION 2017-7-1

RESOLUTION OF THE BOARD OF DIRECTORS OF INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, FOR APPROVAL OF MASTER AMENDMENT NO. 1 (AMENDMENT) TO CONSISTENTLY AMEND

(Continued...)

M2017-7-4, continued.

**THE LIEN POSITIONS, FINANCING TERMS AND CERTAIN DEFINITIONS
AMONG THE NINETEEN (19) CLEAN WATER STATE REVOLVING FUND (SRF)
FINANCING AGREEMENTS (AGREEMENTS) BETWEEN THE AGENCY AND
THE CALIFORNIA STATE WATER RESOURCES CONTROL BOARD (STATE
WATER BOARD) (for full text, see Resolution Book)**

INFORMATION ITEMS

CITY OF UPLAND SEWAGE BILLING ERROR REVIEW (WRITTEN)

Executive Manager of Finance & Administration/AGM Christina Valencia reported that on May 18, 2017, the Agency was notified by the City of Upland of a billing error. She reported that based on the City of Upland's analysis, over the three fiscal years prior to FY 2016/17, the City has been overpaying IEUA for the monthly sewer charges. The City of Upland did make the corrections in the system in FY 2016/17; therefore, there is no outstanding claim for the prior fiscal year. Ms. Valencia reported that staff went out and conducted a preliminary review, followed by a second review, and an adjustment will be made based on their validation of the data. She noted this will be going to the Regional Technical Committee for recommendation to issue the City of Upland a credit consistent with the Regional Contract terms on July 27, 2017.

RP-2 MICROTURBINE CONTRACT TERMINATION (WRITTEN)

Senior Engineer Jesse Pompa informed the Board that circumstances have led to the need to cancel the contract for design and construction of a microturbine at the RP-2 Facility. He said that the project economics were predicated on achieving a return on investment (ROI) within the remaining life of the RP-2 facility, and achieving that ROI was dependent on receiving funding from the Self-Generation Incentive Program (SGIP). Mr. Pompa stated that recent changes to the SGIP have impacted the amount of funding that the Agency could receive for the project. He reported that the impact was so significant that the ROI is now multiple years beyond the life of the RP-2 facility. Staff is in the process of exercising the stipulation of the contract that allows the Agency to cancel all project work.

General Manager Grindstaff acknowledged Mr. Pompa for overseeing the IEUA Board Room transformation. He thanked Mr. Pompa for his work in accomplishing this project.

MWD UPDATE (ORAL)

Executive Manager of Engineering/AGM Chris Berch gave an update. MWD has identified approximately 400 acre feet (AF) of surplus imported water. They are triggering any type of store programs that they have. The Dry Year Yield Program (DYY) was triggered in June with 6,500 AF, and 25,000 AF this year, and may go up the 100,000 AF depending if the parties want to activate beyond the contract. He reported that MWD is trying to also trigger cyclic programs. Mr. Berch gave an update on the Cal Water Fix project. MWD started conducting detailed briefing to the Board, as well as issuing some white papers. The first one being released is looking more at the administration time between the State Water Project contractors and DWR. The next white paper will be on financing and looking at some of the regulatory impacts. He stated there has been a lot of discussions.

General Manager Grindstaff mentioned the Record of Decision and the Notice of Determination are likely to be issued in the next week or two on the environmental documents. He stated that would signal the start of legal wars, and also that they are in the final year toward the path of making a decision. The big decision is financing. The Agency is waiting to see how the financing evolves as we move ahead. A year from now is when the Agency is expecting to make some key decisions. IEUA is planning on having MWD conduct a briefing for the water managers of our

member agencies and have a workshop at IEUA where MWD will brief our Board members in the next couple months.

Mr. Berch stated that the advance treatment pilot plant that MWD has been working with the LA County Sanitation District at the Carson facility is a half a million gallon a day plant. They issued a \$14 million contract to construct the facility and it should be online in January 2019. The data they collect from this plant will go toward a possible future 100,000 AF a year advanced treatment plant out of Carson that will start pumping advanced treatment water up into the groundwater basins, with subsequent phases that may go as far as the Chino Basin. It's an expensive pilot process so they feel it's necessary to get the full buy-in from the MWD parties.

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

PUBLIC OUTREACH AND COMMUNICATION

LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES

LEGISLATIVE REPORT FROM WEST COAST ADVISORS

LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES

CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT

FEDERAL LEGISLATIVE TRACKING MATRIX

STATE LEGISLATIVE TRACKING MATRIX

TREASURER'S REPORT OF FINANCIAL AFFAIRS

FISCAL YEAR 2016/17 THIRD QUARTER BUDGET VARIANCE, PERFORMANCE GOALS UPDATES, AND BUDGET TRANSFERS

INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR JUNE 2017

AUDIT COMMITTEE FINANCIAL ADVISOR – REQUEST FOR PROPOSAL PROCESS

AUDIT PLANNING COMMUNICATION AS REQUIRED BY SAS 114

WATER USE EFFICIENCY PROGRAM AUDIT

2017 PETTY CASH AUDIT AND FOLLOW-UP REVIEW

FOLLOW-UP REVIEW – HUMAN RESOURCES

AGENCY REPRESENTATIVES' REPORTS

SAWPA REPORT

Director Hall reported that the July 18, 2017 meeting was routine. IEUA received a positive comment about the outreach effort from the Executive Manager of External Affairs & Policy Development/AGM to educate the public on the water use efficiency in the local movie theaters. Director Hall thanked the External Affairs & Policy Development department for their efforts and stated that the ad was reaching the public and was clear and effective.

MWD REPORT

There was nothing further to report.

REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

The Regional Sewerage Program Policy Committee meeting has been rescheduled to July 27, 2017.

CHINO BASIN WATERMASTER REPORT

President Elie reported that there were three or four appeals to the Safe Yield ruling. It is in the appellate process and some have asked for a stay. CBWM has resigned a contract with General Manager Peter Kavounas with a slight raise.

GENERAL MANAGER'S REPORT

General Manager Joe Grindstaff reported a summary of the different kinds of energy projects - fuel cell, wind turbine, internal combustion engines, and solar portfolio.

BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS

There were no Board requested future agenda items.

DIRECTORS' COMMENTS

Director Hall commented that she attended Celeste Cantú's retirement event on June 22, 2017. She also attended the Association of the San Bernardino County Special Districts Dinner with the speaker Sheriff John McMahon who shared about safety in the work place and how to protect employees.

President Elie commented that he had attended an event the night before, the ribbon cutting for Pinehurst Park in Chino Hills, a 14.2 acre park right off the 71 freeway.

CLOSED SESSION

The Board went into Closed Session at 10:35 a.m., A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION: (1) Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010; (2) Mwembu vs. IEUA, Case No. CIVDS 1415762; B. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR: (1) Supplemental Water Transfer/Purchase, Negotiating Party: General Manager P. Joseph Grindstaff, Under Negotiation: Price and Terms of Purchase; C. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(4) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION; INITIATION OF LITIGATION: Two (2) Cases

The meeting resumed at 10:53 a.m., and General Counsel Jean Cihigoyenette stated that the below-mentioned matters were discussed in Closed Session, and the Board took the following actions:

Regarding Conference with Legal Counsel – Existing Litigation:

Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010

Mwembu vs. IEUA, Case No. CIVDS 1415762

The Board did not discuss.

Regarding Conference with Real Property Negotiator:

Supplemental Water Transfer/Purchase

The Board did not discuss.

Regarding Conference with Legal Counsel – Anticipated Litigation; Initiation of Litigation:

First Case

The Board took no reportable action.

Regarding Conference with Legal Counsel – Anticipated Litigation; Initiation of Litigation:

Second Case

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

M2017-7-5

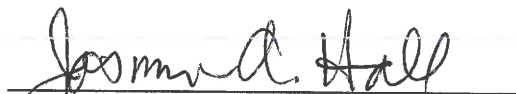
A settlement agreement was reached in the form of an amendment to the lease agreement at the RP-5 solids handling facility with IBE, was approved.

Pursuant to Government Code Section 54954.5 – Public Employment (*added this morning by unanimous vote*)

General Manager

The Board took no reportable action.

With no further business, President Elie adjourned the meeting at 10:55 a.m.



Jasmin A. Hall, Secretary/Treasurer

APPROVED: AUGUST 16, 2017

