



**SPECIAL  
FINANCE AND ADMINISTRATION  
COMMITTEE MEETING  
OF THE BOARD OF DIRECTORS  
INLAND EMPIRE UTILITIES AGENCY\*  
AGENCY HEADQUARTERS, CHINO, CALIFORNIA**

**WEDNESDAY, DECEMBER 13, 2017  
9:00 A.M.**

**CALL TO ORDER**

**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 is 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. CONSENT ITEMS**

**A. MINUTES**

The Committee will be asked to approve the Finance and Administration Committee meeting minutes of November 8, 2017.

**B. REPORT ON GENERAL DISBURSEMENTS**

Staff recommends that the Committee/Board approve the total disbursements for the month of October 2017, in the amount of \$15,532,023.67.



2. **ACTION ITEMS**

A. **RP-1 CAPACITY RECOVERY PROJECT CONSULTANT CONTRACT AWARD**

Staff recommends that the Committee/Board:

1. Award a consultant contract for the RP-1 Capacity Recovery, Project Nos. EN24001 and EN24002, to Carollo Engineers Inc., for the not-to-exceed amount of \$13,637,633; and
2. Authorize the General Manager to execute the consultant contract subject to non-substantive changes.

B. **RP-5 AERATION DIFFUSER REPLACEMENT CONSTRUCTION CONTRACT AWARD**

Staff recommends that the Committee/Board:

1. Award a construction contract for the RP-5 Aeration Diffuser Replacement, Project No. PA17006.02, to Genesis Construction in the amount of \$2,987,654; and
2. Authorize the General Manager to execute the contract.

C. **HEADQUARTERS BUILDINGS ROOFING REPLACEMENT CONSTRUCTION CONTRACT AWARD**

Staff recommends that the Committee/Board:

1. Award a construction contract for the Headquarters Buildings Roofing Replacement, Project No. CP16003, to Best Contracting Services Inc., in the amount of \$1,024,070;
2. Approve a project budget reclassification in the amount of \$1,311,000 in the Administration Services (GG) Fund from O&M to Capital project; and
3. Authorize the General Manager to execute the contract and budget reclassification.

D. **FISCAL YEAR (FY) 2016/17 SINGLE AUDIT REPORT FOR FEDERAL GRANT PROGRAMS**

Staff recommends that the Committee/Board:

1. Approve the Single Audit Report for FY 2016/17; and
2. Direct staff to distribute the report, as appropriate, to the State Controller's Office, the Federal Audit Clearing House, and other

interested parties.

**E. INVESTMENT ADVISORY AND MANAGEMENT SERVICES CONTRACT AWARD**

Staff recommends that the Committee/Board:

1. Award Contract No. 4600002440 to PFM Asset Management LLC for an initial three-year period with two, one-year options to extend, for investment advisory and management services;
2. Pursuant to the Agency's Risk Management Ordinance, Section 8, approve PFM's Self-Insured Retention (SIR) for Professional Liability Insurance in the amount of \$1,000,000; and
3. Authorize the General Manager to execute the consultant contract subject to non-substantive changes.

**F. IEUA FISCAL YEAR (FY) 2016/17 AUDITED COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

Staff recommends that the Committee/Board:

1. Approve the Inland Empire Utilities Agency Comprehensive Annual Financial Report for fiscal year ended June 30, 2017; and
2. Direct staff to distribute the report as appropriate, to the various federal, state, and local agencies, financial institutions, bond rating agencies, and other interested parties.

**3. INFORMATION ITEMS**

**A. FISCAL YEAR 2017/18 FIRST QUARTER BUDGET VARIANCE, PERFORMANCE GOAL UPDATES, AND BUDGET TRANSFERS (WRITTEN/POWERPOINT)**

**RECEIVE AND FILE INFORMATION ITEM**

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

**4. GENERAL MANAGER'S COMMENTS**

**5. COMMITTEE MEMBER COMMENTS**

**6. COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS**

**7. 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: HR

**DECLARATION OF POSTING**

I, April Woodruff, Board Secretary/Office Manager of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of the agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Ave., Building A, Chino, CA on Thursday, December 7, 2017.



April Woodruff

**ACTION  
ITEM**

**2D**





**Date:** December 20, 2017

**To:** The Honorable Board of Directors

**From:** Halla Razak, General Manager

**Committee:** Audit Committee

12/11/17

Finance & Administration

12/13/17

**Executive Contact:** Kathy Besser, Executive Manager of Ext. Aff. & Policy Dev./AGM

**Subject:** Fiscal Year (FY) 2016/17 Single Audit Report for Federal Grant Programs

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**Executive Summary:**

The Single Audit Act and the new Office of Management and Budget (OMB) Uniform Guidance, require each non-Federal entity that expends \$750,000 or more of Federal grants to undergo an annual independent audit. The objectives of the Single Audit are to determine whether there are issues that could have a direct and material effect over compliance for each major federal grant award program, internal control over compliance requirements of federal grant award programs, and eligibility of federal grant award program expenditures. In FY 2016/17, IEUA incurred \$11,798,196 in total federal costs for 2 federal programs, USBR \$11,088,961 and EPA \$709,235. The Agency's independent external audit firm, Lance Soll & Lunghard LLP, performed the annual single audit for fiscal year ended June 30, 2017. The Single Audit Report for the FY 2016/17 expressed the following opinion over the Agency's expense of federal funds:

1. IEUA is in compliance with each major federal grant award program.
2. No significant deficiencies in internal control over major federal award programs.
3. No findings or questioned costs to major federal award programs.
4. IEUA qualifies as a "Low-Risk Auditee."

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**Staff's Recommendation:**

1. Approve the Single Audit Report for FY 2016/17; and
2. Direct staff to distribute the report, as appropriate, to the State Controller's Office, the Federal Audit Clearing House, and other interested parties.

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**Budget Impact** Budgeted (Y/N): Y Amendment (Y/N): N Amount for Requested Approval:

Account/Project Name:

*Fiscal Impact (explain if not budgeted):*

The audit fee for the Single Audit Report is within the Agency's FY 2017/18 budget in the Administrative Services (GG) fund (100000/111100/520110) under the professional fees and services category.

Full account coding (internal AP purposes only): - - - Project No.:

**Prior Board Action:**

On March 15, 2017, the Board reviewed the FY 2015/16 Single Audit Report presented to the Audit Committee on March 6, 2017.

On December 16, 2015, the Board reviewed the FY 2014/15 Single Audit Report presented to the Audit Committee on December 9, 2015.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The IEUA FY 2016/17 Single Audit Report is consistent with the Agency's Business Goal of fiscal responsibility in providing transparent communication regarding federal grant award programs.

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**Attachments:**

Attachment 1 - IEUA Single Audit Report ending June 30, 2017





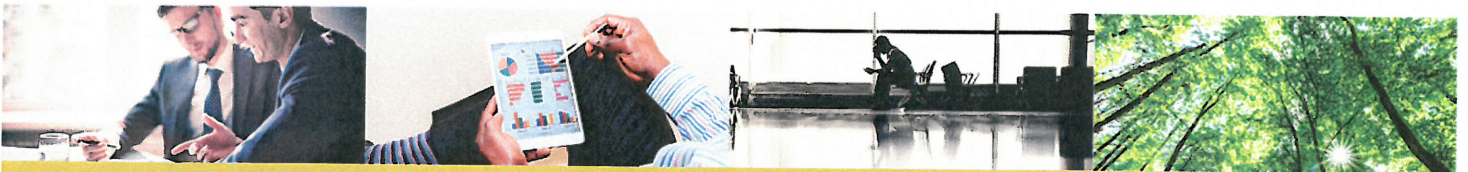
# INLAND EMPIRE UTILITIES AGENCY

JUNE 30, 2017

SINGLE AUDIT REPORT

DRAFT

Focused  
on YOU



**INLAND EMPIRE UTILITIES AGENCY**

**SINGLE AUDIT REPORT**

**JUNE 30, 2017**

**DRAFT**



INLAND EMPIRE UTILITIES AGENCY

SINGLE AUDIT REPORT

JUNE 30, 2017

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INLAND EMPIRE UTILITIES AGENCY

SINGLE AUDIT REPORT

JUNE 30, 2017

DRAFT



To the Board of Directors  
Inland Empire Utilities Agency  
Chino, California

### Accounting for Advance Refunding of Bonds Payable

As part of our audit testing, we examined the cash held with fiscal agent accounts and observed that the amount recorded on the Agency's books was approximately \$5.5 million more than what could be substantiated by the supporting bank statements, as cash held in escrow was recorded in the general ledger accounts. We determined that the cause of this condition was a journal entry which was incorrectly recorded for the purpose of defeasing in the Revenue Bonds, Series 2008A. This resulted in cash and investments held with fiscal agents being overstated by the above amount.

Given the infrequent nature and complexity of these type of transactions, it is not uncommon to find errors. To ensure these type of entries, including non-recurring and one-time transactions, are accounted for in accordance with authoritative guidance, and properly presented in the financials, we recommend the Agency implement more extensive review procedures. We recommend that the Agency implemented review procedures to ensure that uncommon transactions, such as advance refunding of long-term debt, are accounted for in accordance with authoritative guidance, and are properly recorded in the general ledger.

#### Management Response:

The transaction came about due to a bond defeasance, which is subject to complex accounting rules for recording the extinguishment of the old debt and recording of the new debt, including the treatment of any funds held in escrow before the old bonds are retired. The Agency is committed to accurate financial reporting and will ensure that future transactions of this nature are reviewed for compliance with accounting standards and will seek outside guidance from the auditors or other resources, where necessary, before finalizing the accounting entries.

#### Agency's Response to Findings

The Agency's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lane, Soll & Lughard, LLP*

Brea, California

, 2017



CPAs AND ADVISORS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Inland Empire Utilities Agency  
Chino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the Inland Empire Utilities Agency (the Agency), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated [REDACTED], 2017.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted one item as other matters that are required to be reported under *Government Auditing Standards*.







INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Inland Empire Utilities Agency  
Chino, California

**Report on Compliance for Each Major Federal Program**

We have audited the Inland Empire Utilities Agency (the Agency)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2017. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Inland Empire Utilities Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.





To the Board of Directors  
Inland Empire Utilities Agency  
Chino, California

### **Report on Internal Control over Compliance**

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Agency, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements. We issued our report thereon dated **October 31, 2017**, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.





CPAs AND ADVISORS  
To the Board of Directors  
Inland Empire Utilities Agency  
Chino, California

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Lance, Solt & Loughard, LLP*

Brea, California  
October 31, 2017

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INLAND EMPIRE UTILITIES AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of the Interior</u>				
Direct programs:				
Title XVI Water Reclamation and Reuse *	15.504	N/A	\$ 11,083,261	\$ 11,083,261
Reclamation States Emergency Drought Relief	15.514	N/A	-	5,700
<b>Total U.S. Department of the Interior</b>			<b>11,083,261</b>	<b>11,088,961</b>
<u>Environmental Protection Agency</u>				
Passed through the State of California Water Resources Control Board:				
Capitalization Grants for Clean Water State Revolving Funds *	66.458	C-06-7885-110	-	709,235
<b>Total Environmental Protection Agency</b>			<b>-</b>	<b>709,235</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 11,083,261</b>	<b>\$ 11,798,196</b>

\* Major Program

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

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The accompanying notes are an integral part of this schedule.

INLAND EMPIRE UTILITIES AGENCY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

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**Note 1: Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards**

**a. Scope of Presentation**

The accompanying schedule presents only the expenditures incurred by the Inland Empire Utilities Agency (the Agency), that are reimbursable under federal programs of federal financial assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the Agency from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

**b. Basis of Accounting**

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the Agency becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The Agency has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

**Note 2: Reconciliation of State Water Resource Control Board and GAAP Expenditure Reporting**

For the year ended June 30, 2017, the following adjustments were necessary to reconcile the federal awards provided to the Agency for the Capitalization Grants for Clean Water State Revolving Funds federal awards program per the State Water Resource Control Board's records to the federal expenditures reported by the Agency under accounting principles generally accepted in the United States of America (GAAP).

Federal awards per the State Water Resource Control Board:	
C-06-5318-110	\$ 7,586,911
C-06-7885-110	<u>1,261,335</u>
Subtotal	<u>8,848,246</u>
Adjustment for expenditures reported in the prior fiscal period:	
C-06-5318-110	(7,586,911)
C-06-7885-110	<u>(552,100)</u>
Subtotal	<u>(8,139,011)</u>
<b>Total Federal Expenditures of the Capitalization Grants for Clean Water State Revolving Funds Program (GAAP)</b>	<b><u><u>\$ 709,235</u></u></b>



INLAND EMPIRE UTILITIES AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Significant deficiencies identified?  yes  no
- Material weaknesses identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Significant deficiencies identified?  yes  no
- Material weaknesses identified?  yes  none reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.504 66.458	Title XVI Water Reclamation and Reuse Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee?  yes  no

**INLAND EMPIRE UTILITIES AGENCY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

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**INLAND EMPIRE UTILITIES AGENCY**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**SECTION I - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

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**ACTION  
ITEM**

**2E**

**Date:** December 20, 2017

**To:** The Honorable Board of Directors

**Committee:** Finance & Administration

**From:**  Halla Razak, General Manager

12/13/17

**Executive Contact:** Christina Valencia, Executive Manager of Finance & Administration/AGM

**Subject:** Investment Advisory and Management Services Contract Award

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**Executive Summary:**

The Agency's investment portfolio has historically been managed in-house by the Finance & Accounting Department under the direction of the Executive Manager of Finance & Administration/Assistant General Manager. Recognizing the benefits of a more diversified, better structured and actively managed portfolio, a Request for Proposal was released in September for investment advisory and management services. Three proposals were received: Chandler Asset Management, PFM Asset Management LLC (PFM) and High Mark Capital Management. The evaluation team identified PFM as the most qualified based on their resources, expertise and public sector focus. This was presented to the Finance and Administration Committee on November 8, 2017. On December 6, 2017, PFM provided the Board of Directors an overview of the firm's historical performance and proposed strategy for the Agency's portfolio to capitalize on current market opportunities by reducing excess liquidity and utilizing the full range of permitted investments. A comparison of the average return yield on the Agency's portfolio with the average yield on PFM's 1-5 Year Composite shows higher earnings of \$64,000 (net of fees) for each \$10 million invested in the 1-5 Year Composite. The estimated additional annual earnings should offset PFM annual management fees which are based on the assets under management as listed on Table 2 in the Background section.

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**Staff's Recommendation:**

1. Award Contract No. 4600002440 to PFM Asset Management LLC for an initial three-year period with two, one-year options to extend, for investment advisory and management services;
2. Pursuant to the Agency's Risk Management Ordinance, Section 8, approve PFM's Self-Insured Retention (SIR) for Professional Liability Insurance in the amount of \$1,000,000; and
3. Authorize the General Manager to execute the consultant contract subject to non-substantive changes.

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**Budget Impact** Budgeted (Y/N): Y Amendment (Y/N): N Amount for Requested Approval:

Account/Project Name:

Professional Services budgeted in the Administrative Services Fund.

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**Fiscal Impact** (explain if not budgeted):

The estimated higher investment returns from a better structured and more diversified portfolio are projected to offset fees paid to PFM to actively manage the Agency's investment portfolio.



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**Prior Board Action:**

None

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The Investment Advisory and Management Services contract award is consistent with the Agency's Business Goal of Fiscal Responsibility in optimizing the Agency's investment of surplus funds in accordance with the Agency's Investment Policy.

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**Attachments:**

- Attachment 1 - Background
- Attachment 2 - PowerPoint
- Attachment 3 - Contract Number 4600002440
- Attachment 4 - Agency Investment Policy
- Attachment 5 - Agency Reserve Policy
- Attachment 6 - PFM Quarterly Reports

# Attachment 1

## Background

## Background

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Subject: Investment Advisory and Management Services Contract Award

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An overview of the Agency's investment portfolio and current management process, previously presented to the Finance & Administration Committee on November 8, 2017, was presented to the Board of Directors at the Board Workshop on December 6, 2017. PFM Asset Management LLC (PFM), identified by the Agency's evaluation team as the most qualified firm to provide advisory and management investment services, also provided an overview of the firm's historical performance and proposed strategy.

The Agency's investment portfolio is comprised of all cash and reserve balances from all Agency funds (surplus monies), except monies held in restricted accounts, such as deferred compensation, debt service, and Capital Reimbursement Accounts (CCRA) held by member agencies. Authority to manage the investment program is delegated to the Executive Manager of Finance and Administration/Assistant General Manager by the Board of Directors pursuant to the Agency's Investment Policy (Investment Policy). The Investment Policy is presented regularly to the Board, and the last adoption was in April 2017.

Following the Orange County bankruptcy in 1994, the state of California enacted legislation to limit the risk of deposits and investment of public funds. The California Government Code (CGC) § 53600.6 and 53630.1 define permitted investments in which local agencies can invest surplus monies. To further minimize risk, the CGC establishes a percentage limitation for categories of permitted investments and limits the term remaining to maturity to a maximum of five years (unless specifically authorized by the legislative body) at the time of purchase. For example, the CGC prohibits investment in foreign sovereign fixed income instruments, and limits the duration of repurchase agreements to one year.

The Agency's Investment Policy takes a more conservative approach by excluding certain permitted investments and establishing lower limits from those defined in the CGC. One example are corporate bonds which have a limit of 30 percent under the CGC, but the Agency's Investment Policy limits to 10 percent of the portfolio to reduce exposure to market and credit risk. Consistent with the CGC, the Agency's Investment Policy primary objectives, in order of priority, are:

- 1) *Safety* – ensure the preservation of capital in the overall portfolio,
- 2) *Liquidity* – meet all operating requirements which might be reasonably anticipated, and
- 3) *Yield* – earning a fair return relative to the risk being assumed.

The Agency's investment portfolio has historically been managed in-house by the Finance & Accounting Department under the direction of the Executive Manager of Finance & Administration/Assistant General Manager. Unlike some local governments, the Agency does not have a dedicated resource, such as a Chief Investment Officer, to manage its investment portfolio. Investment transactions are executed by the Agency's financial analysts who are also responsible for, among other tasks: monitoring daily bank activity, updating cash flow movement and forecast, budget preparation, budget control, review budget transfer and budget amendment requests, credit quality reviews of potential vendors/contractors, and preparation of multiple reports for the Board,



member agencies and management. As a result, the Agency's investment strategy has been to "buy and hold" investments until maturity. A more active investment strategy requires dedicated resources with market expertise, including access to more sophisticated market and credit analysis tools, to effectively and prudently manage the portfolio. Another option is the engagement of an investment advisor. This option was already being evaluated by staff when the Board of Directors suggested evaluation of the current investment strategy and assess the benefits of outsourcing management of the portfolio to a professional investment advisor.

### Preliminary Evaluation

Staff's initial evaluation determined utilization of a qualified investment advisor would benefit the Agency by providing a better structured, more diversified and actively managed portfolio. The Agency's investment allocation in highly liquid assets has increased over the last two years. These investments include pooled investments comprised of the California Local Agencies Investment Fund (LAIF), CalTrust and California Asset Management Program (CAMP). As of September 30, 2017, about 60% or \$76 million of the Agency's total portfolio of \$127 million was held in liquid assets; well above the Agency's cash requirements which range between \$35 million to \$50 million.

An investment advisor can help better structure, further diversify and improve the overall yield of the Agency's portfolio as demonstrated in the following comparison. Assuming a portfolio of \$100 million, investment in 1-3 year Treasuries or 1-5 year Treasuries would have generated additional earnings over the last five years of \$1.1 million and \$2.3 million respectively, compared to LAIF as shown on Table 1.

**Table 1: Additional Earnings Over Past 5 Years**

Local Agency Investment Fund (LAIF) Index	Past 5 Year* Annualized Total Return	Growth of \$100 Million	Additional Earnings Over LAIF
LAIF	0.35%	\$101.7 M	
1-3 Year Treasury	0.57%	\$102.8 M	\$1.1 M
1-5 Year Treasury	0.80%	\$104.0 M	\$2.3 M
Index	Annual Total Return	Growth of \$100 Million	Additional Earnings Over LAIF
LAIF	0.35%	\$101.7 M	
3 Year Treasury	1.47%	\$107.3 M	\$5.6 M
5 Year Treasury	1.93%	\$109.6 M	\$7.9 M

Additionally, staff determined the use of an investment advisory firm will also provide the Agency:

- A team of experts in specialized disciplines with added sophisticated tools and resources,
- Day-to-day monitoring of market conditions and credit worthiness of investments,
- Ability to capitalize on current market conditions to optimize investment opportunities,
- Active management of the Agency's investment portfolio,

- Compliance with the Agency's Investment Policy and state regulations, and
- Discounts from increased competitive prices and economies of scale gained from managing several billions of dollars of governmental assets.

### **Request for Proposal**

Based on these findings, a Request for Proposal (RFP) for investment advisory and management services was posted on Planet Bids on September 25, 2017. The primary objective of the RFP was to select the firm most qualified to manage the Agency's investment portfolio in accordance with the laws of the State of California, the Agency's Investment Policy, and other investment policies and procedures established by the Agency. On October 16, 2017, the Agency received three proposals from:

- Chandler Asset Management
- PFM Asset Management LLC
- High Mark Capital Management

The three proposals were reviewed by an evaluation team comprised of key members of the Finance and Accounting Department and the Executive Manager of Finance & Administration/ Assistant General Manager. Each proposal was evaluated based on the firm's ability to deliver the primary investment advisory and management scope of services as identified in the RFP: the firm's financial strength, public sector experience in California, technical competence, resources and qualifications of the firm, and individuals to provide the services; the investment philosophy and strategy and demonstrated investment performance; and overall proposed fees and the value they represent for the services to be provided.

### **PFM Most Qualified**

The evaluation team identified PFM Asset Management LLC's (PFM) proposal as the most qualified to provide the investment advisory and management services for the Agency's investment portfolio. Some of PFM's strengths include:

- *Public Sector Focus.* Manage over \$77 billion in assets primarily for public sector entities.
- *California Presence.* Have been providing investment advisory services to California local government since 1989. A list PFM's clients in California is provided in Table 5.
- *Resources and Expertise.* Local offices and more than 200 investment professionals nationwide actively monitoring market conditions, conducting in-depth financial analysis of issuers, processing internal credit reviews, and have an established Credit Committee, and Compliance Department.
- *Extensive Training Program.* Year-round trainings available to clients on all aspects of finance, investment, governance, debt issuance, pension, compliance, and other economic related topics. PFM University courses are made available to clients at no cost.
- *Other Specialized Services.*
  - Trust Management & Administration - prefunding pension or other-post employment benefit (OPEB).
  - Treasury Consulting - determining the best banking service provider for cash management needs.



- Arbitrage Rebate Compliance Practice - focusing exclusively on the challenges of arbitrage rebate and post debt-issuance compliance.
- Payment Solution - providing tool to receive rebates for purchases.
- Procurement Card - purchasing cards for small purchases as designated by the client.

The fee proposal from PFM is based on the size of assets under management as summarized in Table 2:

**Table 2: Proposal Annual Fees**

Assets Under Management	Annual Fee
First \$25 million	10 basis points (0.10%)
Next \$25 million	8 basis points (0.08%)
Next \$50 million	7 basis points (0.07%)
Over \$100 million	6 basis points (0.06%)

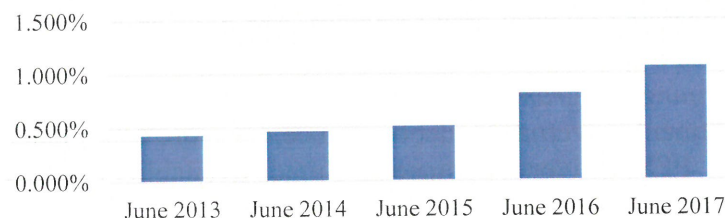
PFM carries a substantial level of \$20,000,000 in Excess Professional Liability insurance with a \$1,000,000 Self-Insured Retention. Staff has reviewed the insurance, as well as the information presented by PFM in their proposal, and is confident in the recommendation to approve their Self-Insured Retention (SIR) level. Pursuant to the Agency's Risk Management Ordinance No. 86, Section 8, formal approval must be obtained by the Agency's Board of Directors for self-insured retentions in excess of \$500,000 for Professional Liability insurance.

The Agency's Investment Policy Section 5.0 authorizes the General Manager to engage the services of one or more external investment advisors to assist in the management of the Agency's investment portfolio in a manner consistent with the policy and the Agency's investment objectives.

### Yield Analysis

The yield of the Agency's portfolio for the periods ending June has ranged between 0.43% to 1.06% over the last 5 fiscal years, as shown in Figure 1.

**Figure 1: Agency Yield**



Higher yield equal higher earnings. Engagement of an investment advisor can help the Agency enhance yield by introducing more diversification and extending the portfolio's duration.

As shown on Table 3, historically the average yield of the PFM 1-3 year Composite and 1-5 year Composite outperformed the Agency's average yield.

**Table 3: Agency and PFM Yield Comparison for Periods Ending September 30, 2017**

	Quarter Ending September 30, 2017	1 Year Average	3 Year Average
Agency Portfolio	1.14%	0.92%	0.73%
PFM 1-3 Year Composite	1.57%	1.45%	1.05%
PFM 1-5 Year Composite	1.71%	1.64%	1.28%

*PFM Composite Yield data is Yield to Maturity at Market as of 9/30/17  
Source: PFM and Agency Yield Comparison slide presentation 12/06/17*

Based on 1-Year Average, for every \$10 million invested in PFM 1-5 year composite with a yield of 1.64% compared to the Agency's yield of 0.92% would have resulted in additional earnings of \$72,000, or \$64,000 net of fees. The estimated higher earnings are projected to offset fees paid to an investment advisor to actively manage the Agency's investment portfolio.

In addition to anticipated higher earnings, significant distinctions between brokers and dealers currently used by the Agency and an investment advisor are highlighted in Table 4. The major difference is the investment advisors have fiduciary responsibility to safeguard the Agency's assets while brokers/dealers do not have a fiduciary responsibility. As a "fiduciary" to the Agency, an investment advisor has a fundamental obligation to act in the Agency's best interests: a duty of undivided loyalty and utmost good faith. Another difference is more transparency in compensation. Fees paid to brokers/dealers are on a transactional basis and are netted out from the final return of the investments purchased by the Agency. Fees paid to an investment advisor are based on assets under management.

**Table 4: Importance of an Independent Investment Advisor**

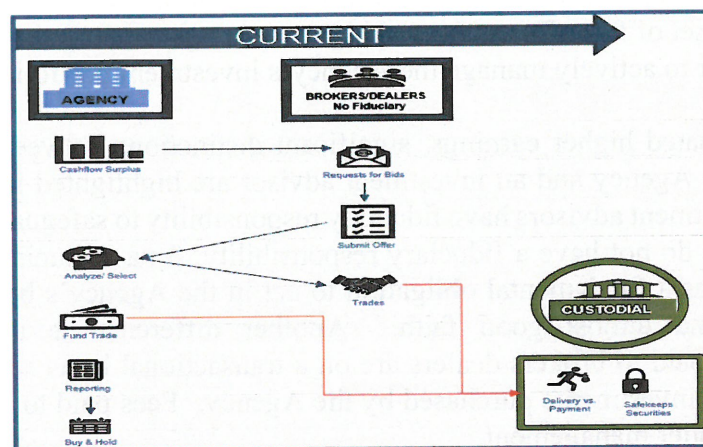
Investment Advisor	Broker	Dealers
Fiduciary Responsibility	Not a fiduciary	Not a fiduciary
Fees are fully disclosed	Does not maintain a portfolio of securities	"Takes a position" in the market
Owens no portfolio or inventory of securities	Buys securities from seller to resell to buyers	Owens securities
Competitively bids every buy and sell	Compensation: Difference between buy and sell, can earn commission	Buys for and sells from "house" inventory
Compensation: Fees based on assets under management		Buys at the bid price; sells at the offer price
		Compensation: Difference between buy and sell; can earn commission



## Changes to Current Process

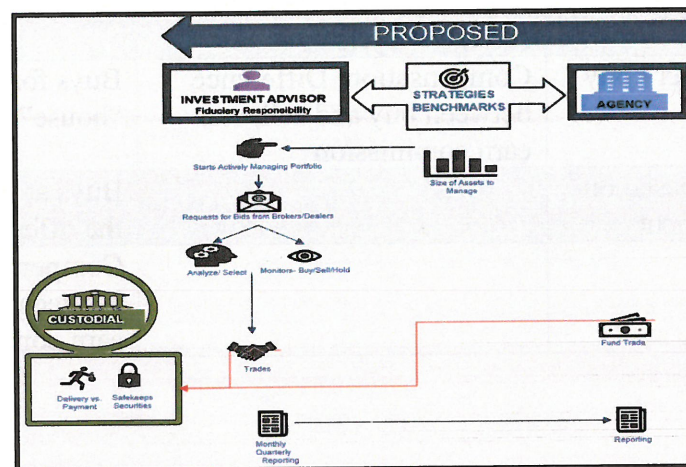
Currently (shown under Figure 2), a solicitation to bid is sent to authorized brokers/dealers (brokers/dealers are evaluated and updated as part of the Investment Policy annual update). Staff evaluates the bids received and notifies the broker/dealer of the selected investment. The broker/dealer confirms the purchase and on the settlement date forwards the trade ticket to the Agency's third-party custodian (US Bank). The Agency remits payment directly to US Bank. US Bank utilizes the delivery versus payment (DvP) process under which delivery of all documents necessary to give effect to a transfer of securities in exchange for the receipt of the stipulated payment amount occurs simultaneously. As the Agency's custodian, US Bank holds the Agency's investments until maturity or are called by the issuer. Fees paid to brokers/dealers are included in the purchase price and netted out from the final return of the investments purchased by the Agency.

**Figure 2: Current Investment Process**



Engagement of a financial advisor will shift the solicitation and purchase of investments from Agency staff to the financial advisor (Shown under Figure 3). The same DvP process currently in place will be used to settle investments purchased/sold by the investment advisor for the Agency's portfolio. The Agency's investments will continue to be held by US Bank.

**Figure 3: Proposed Investment Process**



If approved, PFM will work closely with the Agency to develop an investment strategy and benchmark consistent with the Agency's Investment Policy and cashflow projections. A key part of this process is identifying the permitted investments and allocation limits based on the Agency's risk tolerance. Based on this investment strategy and benchmark, the Agency will determine the amount of funds to be managed by PFM. Along with the monthly reports to be included in the periodic Financial Affairs presented to the Finance & Administration Committee, the investment advisors will present quarterly updates that may result in adjustments to the investment strategy, benchmark and the amount of managed funds to align with changes in market conditions, risk tolerance and overall Agency objectives. A preliminary implementation timeline is provided on Table 6.

### Recommendation

Staff recommends the Board award a contract to PFM for investment advisory and management services for an initial three-year term, with two one-year options to extend. PFM will proactively manage the Agency's portfolio while providing enough flexibility to meet the Agency's performance objectives. The estimated higher earnings from a better structured and more diversified portfolio are projected to offset fees paid to PFM to actively manage the Agency's investment portfolio.

**Table 5: PFM Asset Management Client List**

Client List	
Alameda County Water District	Merced Irrigation District
Antelope Valley East Kern Water Agency	Modesto Irrigation District
City of San Bernardino Municipal Water Dept.	Padre Dam Municipal Water District
City of Vista	Sacramento Suburban Water District
Coachella Valley Water District	San Bernardino Municipal Water District
Contra Costa Water District	San Bernardino Valley Municipal District
Cucamonga Valley Water District	San Juan Water District
Delta Diablo Sanitation District	Santa Margarita Water District
El Toro Water District	South Tahoe Public Utility District
Fallbrook Public Utility District	Turlock Irrigation District
Goleta West Sanitary District	Ventura Regional Sanitation District
Leucedia Wastewater District	West Basin Municipal Water District

**Table 6: Preliminary Implementation Timeline**

Date	Task/Event	Lead Party
12/20/2017	○ Award of Contract	Agency
1/2/2018 – 1/5/2018	○ Finalize implementation schedule with Agency ○ Gather information from Agency	PFM, Agency
1/4/2018- 1/10/2018	○ Agency delivers instruction letter and PFM's list of authorized signers to custodian ○ Agency returns online access forms to PFM	Agency



1/8/2018- 1/12/2018	<ul style="list-style-type: none"> <li>○ Perform cash flow analysis to determine the amount of managed funds</li> <li>○ Review Investment Policy</li> <li>○ Conduct review of inherited callable and non-governmental securities</li> </ul>	PFM
1/10/2018	<ul style="list-style-type: none"> <li>○ Finance Committee Approval of Investment Policy Recommended Changes</li> </ul>	
1/15/2018- 1/19/2018	<ul style="list-style-type: none"> <li>○ PFM to meet with the Agency to discuss: <ul style="list-style-type: none"> <li>○ Results of cash flow analysis</li> <li>○ Investment Policy recommendations</li> <li>○ Communication preferences</li> <li>○ Objectives for the portfolio</li> <li>○ Risk tolerance</li> <li>○ Investment strategy and performance benchmark</li> </ul> </li> </ul>	PFM, Agency
1/17/2018	<ul style="list-style-type: none"> <li>○ Board Approval of Investment Policy Recommended Changes</li> </ul>	
1/17/2018- 2/2/2018	<ul style="list-style-type: none"> <li>○ Provide Agency with template of instruction letter for custodian and PFM's list of authorized signers</li> <li>○ Provide Agency with form for online access</li> </ul>	PFM, Agency
1/17/2018- 2/2/2018	<ul style="list-style-type: none"> <li>○ Finalize and sign contract</li> </ul>	
2/14/2018	<ul style="list-style-type: none"> <li>○ Notice to Proceed</li> </ul>	
2/2/2018- 2/16/2018	<ul style="list-style-type: none"> <li>○ Set up Agency's existing investments in PFM accounting system</li> <li>○ Input compliance rules based on Agency's Investment Policy in Bloomberg AIM compliance system</li> <li>○ Review of rules in Bloomberg AIM Compliance Department</li> </ul>	PFM
2/16/2018	<ul style="list-style-type: none"> <li>○ Account approved for trading</li> </ul>	PFM
2/20/2018	<ul style="list-style-type: none"> <li>○ PFM begins managing the portfolio</li> </ul>	PFM
3/6/2018	<ul style="list-style-type: none"> <li>○ First monthly statement to be released to the Agency</li> <li>○ Meet to review the portfolio statement and the Agency's accounting needs</li> </ul>	PFM
April 2018	<ul style="list-style-type: none"> <li>○ Interim quarterly performance update (performance is provided after first full quarter of management)</li> </ul>	PFM
July 2018	<ul style="list-style-type: none"> <li>○ Expected delivery of first full performance report and meeting with the Agency</li> </ul>	PFM
Ongoing	<ul style="list-style-type: none"> <li>○ Daily review of portfolio and market for investment opportunities consistent with approved investment strategy</li> <li>○ Formulation of investment recommendations</li> <li>○ Execution through competitive process of investment purchases and sales</li> <li>○ Confirmation of trade settlement with brokers and custodian</li> <li>○ Notification of executed trades to Agency through email</li> <li>○ Communication of investment strategy and market outlook to Agency</li> <li>○ Assistance as needed with accounting for investments</li> <li>○ Monthly portfolio statements</li> </ul>	PFM

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	<ul style="list-style-type: none"><li>○ Monthly market update</li><li>○ Quarterly performance reporting</li><li>○ Regular meetings with Agency staff</li><li>○ Annual Investment Policy review</li><li>○ Update to cash flow analysis</li><li>○ Serve as general resource</li><li>○ Oversight</li><li>○ Feedback</li></ul>	
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# Attachment 2

## PowerPoint

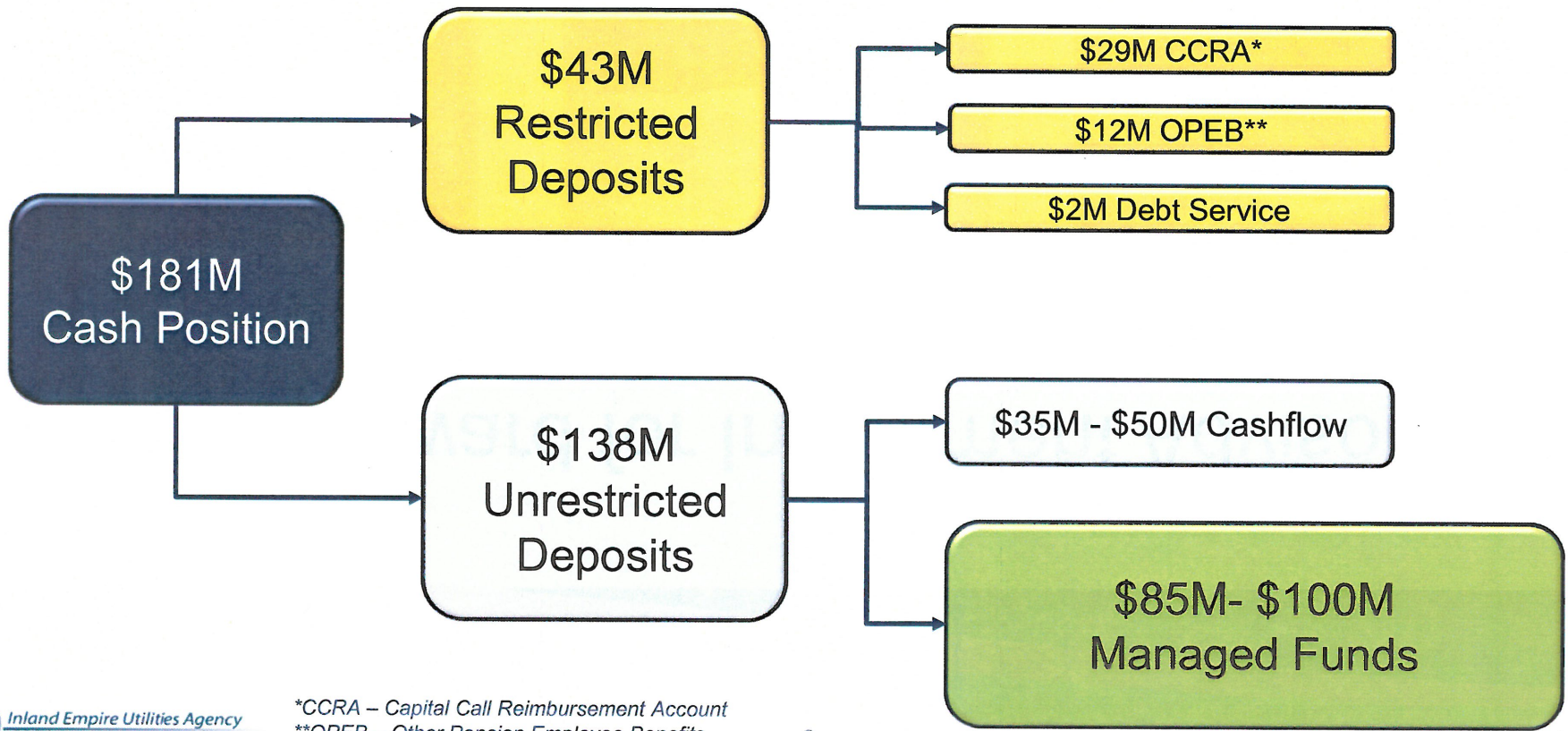


# Contract Award for Investment Advisory and Management Services





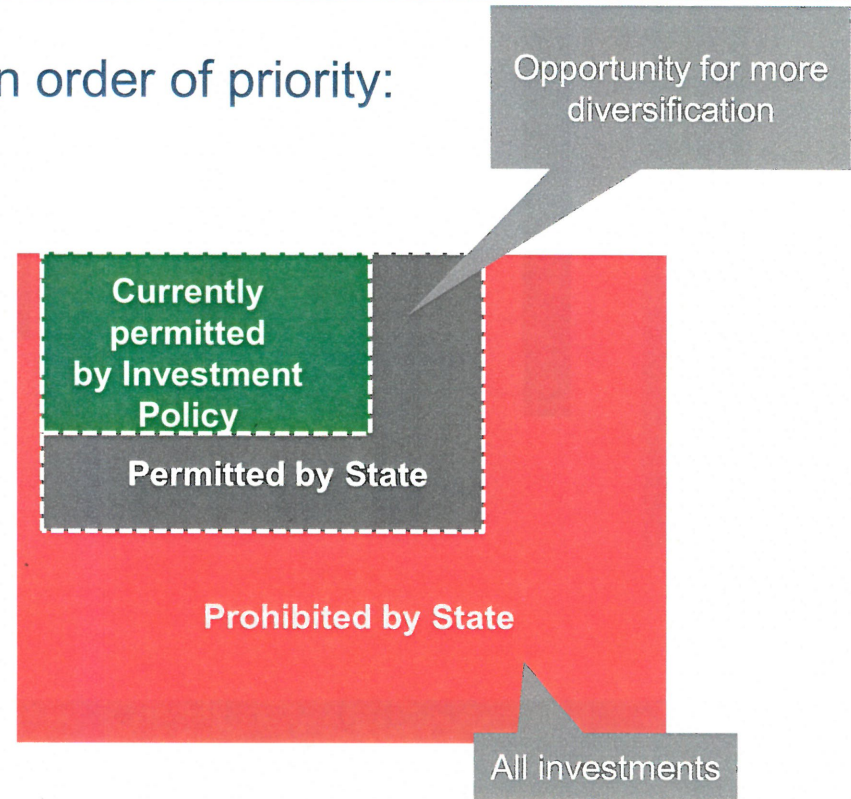
# IEUA's Portfolio Composition As of June 30, 2017



# Investment Policy

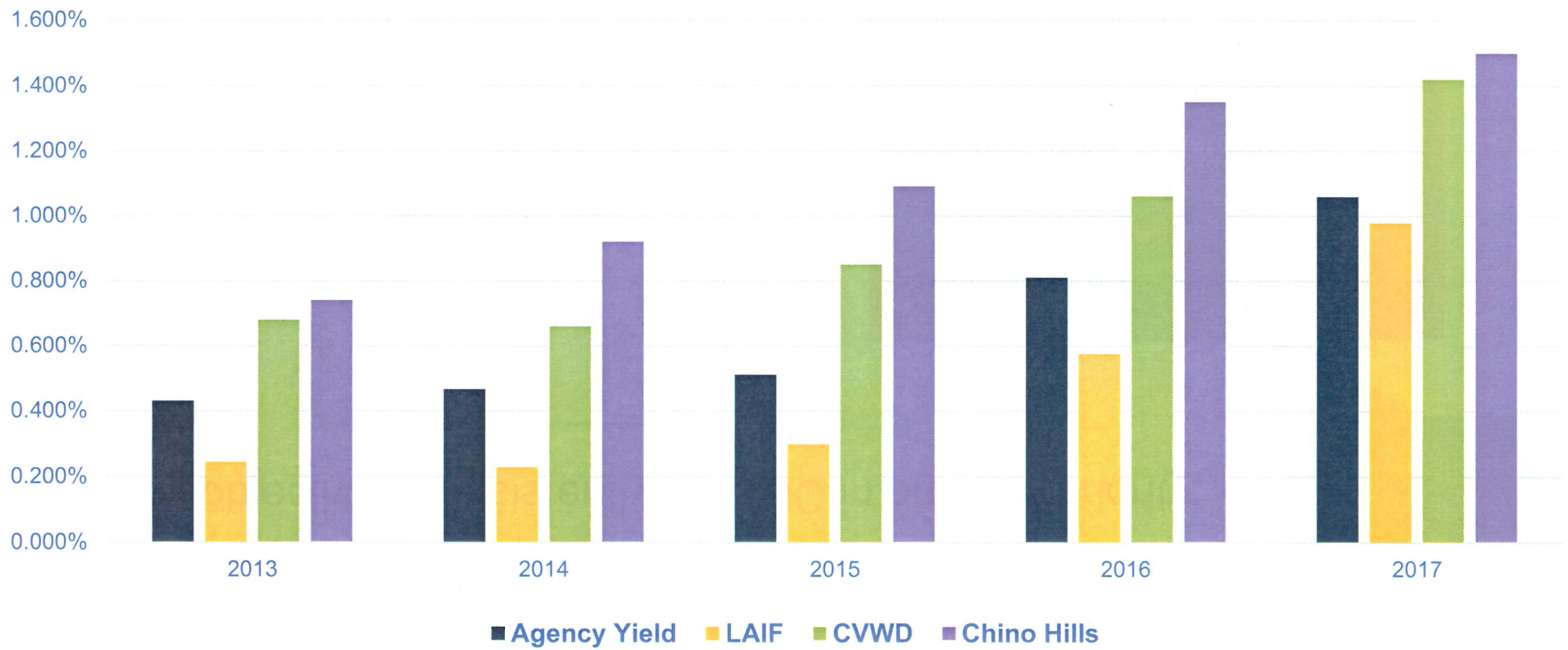
Key Policy objectives consistent with CGC in order of priority:

1. Safety
2. Liquidity
3. Yield





# Yield Comparison





# Importance of an Independent Investment Advisor

## Investment Advisor

- Fiduciary responsibility
- Fees are fully disclosed
- Owns no portfolio or inventory of securities
- Competitively bids every buy and sell
- Compensation: Fees based on assets under management

## Broker

- Not a fiduciary
- Does not maintain a portfolio of securities
- Buys securities from seller to resell to buyers
- Compensation: Difference between buy and sell price, can earn commission

## Dealer

- Not a fiduciary
- Takes position in the market and owns securities
- Buys for and sells from house inventory
- Compensation: Difference between buy and sell price, can earn commission



## Most Qualified Proposal

### RFP Selection Result – PFM Asset Management

- Public Sector Focus
- Resources and Expertise
- Financial Strength
- Excellent Training Programs
- Specialized Services

# PFM Team

Engagement Manager:  
Sarah Meacham, Managing Director



Relationship Manager:  
Richard D. Babbe, Senior Managing Consulting





# Proposed Timeline

December 2017

- Contract award

January 2018

- Strategy and benchmark development
- Investment Policy review
- Approve revised Investment Policy, if needed

February 2018

- PFM begins managing investment portfolio

Ongoing

- Cash flow analysis
- Monthly reporting
- Quarterly presentations to Finance Committee



## Recommendation

1. Award Contract No. 4600002440 to PFM Asset Management LLC for an initial three-year period with two, one-year options to extend, for investment advisory and management services;
2. Pursuant to the Agency's Risk Management Ordinance, Section 8, approve PFM's Self-Insured Retention (SIR) for Professional Liability Insurance in the amount of \$1,000,000; and
3. Authorize the General Manager to execute the consultant contract subject to non-substantive changes.



# Attachment 3

## Contract



**CONTRACT NUMBER: 4600002440**

**FOR PROFESSIONAL SERVICES**

**INVESTMENT ADVISORY AND MANAGEMENT SERVICES**

THIS CONTRACT NUMBER 4600002440 (the "Contract"), is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2017, by and between the Inland Empire Utilities Agency, a Municipal Water District, organized and existing in the County of San Bernardino under and by virtue of the laws of the State of California (hereinafter referred to as "Client" or "IEUA"), and PFM Asset Management, LLC, a Delaware limited liability company with an office located in Los Angeles, California (hereinafter referred to as "Advisor") for professional services related to providing investment advisory and management services for IEUA investment portfolio.

**WITNESSETH**

**WHEREAS**, the Client has funds available for investment purposes (the "Initial Funds") for which it intends to conduct an investment program; and

**WHEREAS**, the Client desires to avail itself of the experience, sources of information, advice, assistance and resources available to the Advisor; to have the Advisor undertake certain duties and responsibilities; and to perform certain services as investment advisor on behalf of the Client, as provided herein; and

**WHEREAS**, the Advisor is willing to provide such services on the terms and conditions hereinafter set forth;

**NOW, THEREFORE**, in consideration of the mutual promises and obligations set forth herein, the parties agree as follows:

1. **CLIENT PROJECT MANAGER ASSIGNMENT**: All technical direction related to this Contract shall come from the designated Project Manager. Details of the Client's assignment are listed below.

Project Manager: Christina Valencia,  
Executive Manager of Finance &  
Administration/Assistant General Manager

Address: 6075 Kimball Ave  
Chino, California 91708  
Telephone: (909) 993-1673  
Facsimile: (909) 993-1985  
Email: cvalencia@ieua.org

2. **ADVISOR ASSIGNMENT:** Special inquiries related to this Contract and the effects of this Contract shall be referred to the following:

Advisor: Sarah Meacham,  
Managing Director  
Address: 601 South Figueroa Street Suite 4500  
Los Angeles, California 90017  
Telephone: (213) 489-4075  
Facsimile: (213) 489-4085  
Email: meachams@pfm.com

3. **ORDER OF PRECEDENCE:** The documents referenced below represent the Contract Documents. Where any conflicts exist between the General Terms and Conditions the governing order of precedence shall be as follows:

1. Amendments to Contract Number 4600002440
2. Contract Number 4600002440 General Terms and Conditions.
3. Client's Request for Proposal Number RFP-SM-17-041
4. Advisor's Proposal, dated October 16, 2017

4. **SCOPE OF WORK AND SERVICES:** Advisor services and responsibilities shall include and be in accordance with Advisor's Proposal, dated October 16, 2017, which is attached hereto as Exhibit A, incorporated herein by reference and made a part hereof, and includes the following:

A. The Client hereby engages the Advisor to serve as investment advisor under the terms of this Contract with respect to the Initial Funds and such other funds as the Client may from time to time assign by written notice to the Advisor (collectively the "Managed Funds"), and the Advisor accepts such engagement. In connection therewith, the Advisor will provide investment research and supervision of the Managed Funds investments and conduct a continuous program of investment, evaluation and, when appropriate, sale and reinvestment of the Managed Funds assets. The Advisor shall continuously monitor investment opportunities and evaluate investments of the Managed Funds. The Advisor shall furnish the Client with statistical information and reports with respect to investments of the Managed Funds. The Advisor shall place all orders for the purchase, sale, loan or exchange of portfolio securities for the Client's account with brokers or dealers recommended by the Advisor and/or the Client, and to that end



the Advisor is authorized as agent of the Client to give instructions to the custodian designated by the Client (the "Custodian") as to deliveries of securities and payments of cash for the account of the Client. In connection with the selection of such brokers and dealers and the placing of such orders, the Advisor is directed to seek for the Client the most favorable execution and price, the determination of which may take into account, subject to any applicable laws, rules and regulations, whether statistical, research and other information or services have been or will be furnished to the Advisor by such brokers and dealers. The Custodian shall have custody of cash, securities and other assets of the Client. The Advisor shall not take possession of or act as custodian for the cash, securities or other assets of the Client and shall have no responsibility in connection therewith. Authorized investments shall include only those investments which are currently authorized by the Client's Investment Policy pursuant to state investment statutes and applicable covenants and as supplemented by such other written instructions as may from time to time be provided by the Client to the Advisor. The Advisor shall be entitled to rely upon the Client's written advice with respect to anticipated drawdowns of Managed Funds. The Advisor will observe the instructions of the Client with respect to broker/dealers who are approved to execute transactions involving the Managed Funds and in the absence of such instructions will engage broker/dealers which the Advisor reasonably believes to be reputable, qualified and financially sound.

- B. NOTE: Advisor shall advise Client within two (2) weeks of any changes to the written Scope of Work/Schedule based upon discussions from any meetings. Any changes must be made in writing by an Amendment to the Contract. Work initiated without written approval, shall be at Advisor's own risk, and shall not be reimbursed by the Client.
- C. Method of Inspection:
1. Work performed under this Contract may be required to undergo monthly, weekly, or daily inspections.
  2. The Project Manager shall be responsible for performance of the inspections.
  3. If Advisor fails an inspection, the Project Manager shall be responsible for providing a written notice to the Advisor explaining the error and a determination of the urgency for the correction of the error (herein referred to as a "Cure Notice").
- D. Cure Procedure:
1. For a Cure Notice deemed by the Client to be urgent, Advisor shall correct any error of the Work within three (03) calendar days after Advisor's receipt of a Cure Notice, as directed by the Project Manager.

2. For a Cure Notice deemed by the Client to be important, Advisor shall correct any error of the Work within ten (10) calendar days after Advisor's receipt of a Cure Notice, as directed by the Project Manager.
  3. If the Project Manager rejects all, or any part of, the Work as unacceptable and contract to correct such Work cannot be reached without modification to the Contract, Advisor shall notify the Project Manager, in writing, detailing the dispute and the reason(s) for the Advisor's position. Any dispute that cannot be resolved between the Project Manager and Advisor shall be resolved in accordance with the provisions of this Contract.
- E. The Client may, at any time, make changes to this Contract's Scope of Work; including additions, reductions and other alterations to any or all of the work. However, such changes shall only be made via written amendment to this Contract. The Contract Price and Work Schedule shall be equitably adjusted, if required, to account for such changes and shall be set forth within the Contract Amendment.
5. TERM: The term of this Contract shall extend from January 10, 2018, and terminate January 10, 2021 with an option to renew for two (2) one-year options, unless agreed to by both parties, reduced to writing, and amended to this contract.

6. COMPENSATION:

- a) For services provided by the Advisor pursuant to this Agreement, the Client shall pay the Advisor an annual fee, in monthly installments, based on the daily net assets under management according to the schedule below:

<u>Average Assets Under Management</u>	<u>Fees</u>
Initial \$25 million	10 basis points (0.10%)
Next \$25 million	8 basis points (0.08%)
Next \$50 million	7 basis points (0.07%)
Above \$100 million	6 basis points (0.06%)

"Daily net assets" is defined to include the amortized value of securities, accrued interest and cash or any money market fund balance.

The minimum annual fee is \$10,000, to be applied in equal monthly installments.

- b) The Advisor will bill the Client monthly for service performed under this Agreement, said bill to include a statement indicating the basis upon which

the fee was calculated. The Client shall pay to the Advisor the amount payable pursuant to this Contract within thirty (30) days following the month during which the Advisor's statement was rendered.

- c) Additionally, to qualify for payment, the Advisor shall prominently display, on the first page of the invoice, both:
1. The Contract Number – 4600002440
  2. A Purchase Order Number – If applicable
  3. If Advisor submits invoice by email, such invoice shall be submitted as follows:

[APGroup@ieua.org](mailto:APGroup@ieua.org)

Scan the invoice as a PDF file.

Attach the scanned file to an email.

If Advisor submits invoice by mail, such invoice shall be submitted as follows:

Inland Empire Utilities Agency  
Re: Contract Number: 4600002440  
P.O. Box 9020  
Chino Hills, CA 91709

- d) Concurrent with the submittal of the original invoice to the Client's Accounts Payable Department, the Advisor shall forward (mail, fax, or email) a copy of said invoice to the designated Project Manager, identified in Section 1, on Page 1 of this Contract.
- e) No Additional Compensation: Nothing Set forth in this Contract shall be interpreted to require payment by Client to Advisor of any compensation specifically for the assignments and assurances required by the Contract, other than the payment of expenses as may be actually incurred by Advisor in complying with this Contract, as approved by the Project Manager.
- f) Assets invested by the Advisor under the terms of this Contract may from time to time be invested in (i) a money market mutual fund managed by the Advisor or (ii) a local government investment pool managed by the Advisor (either, a "Pool), or in individual securities. Average daily net assets subject to the fees described in this section shall not take into account any funds invested in the Pool. Expenses of the Pool, including compensation for the Advisor and the Pool custodian, are described in the relevant prospectus or information statement and are paid from the Pool.



- g) If and to the extent that the Client shall request the Advisor to render services other than those to be rendered by the Advisor hereunder, such additional services shall be compensated separately on terms to be agreed upon between the Advisor and the Client.

7. EXPENSES:

- a) The Advisor shall furnish at its own expense all necessary administrative services, office space, equipment, clerical personnel, telephone and other communication facilities, investment advisory facilities, and executive and supervisory personnel for managing the Managed Funds.
- b) Except as expressly provided otherwise herein, the Client shall pay all of its own expenses including, without limitation, taxes, commissions, fees, and expenses of the Client's independent auditors and legal counsel, if any, brokerage and other expenses connected with the execution of portfolio security transactions, insurance premiums, and fees and expenses of the Custodian.

8. REGISTERED ADVISOR DUTY OF CARE: The Advisor hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940, as amended. The Advisor shall immediately notify the Client if at any time during the term of this Contract it is not so registered or if its registration is suspended. The Advisor agrees to perform its duties and responsibilities under this Contract with reasonable care and in accordance with any applicable federal, state, and local laws associated with Advisor's relationship to the Client, including, but not limited to, Advisor's fiduciary duties and other responsibilities owed to Client according to California Government Code §53600 et seq. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith. Nothing herein shall in any way constitute a waiver or limitation of any rights which the Client may have under any federal securities laws. The Client hereby authorizes the Advisor to sign I.R.S. Form W-9 on behalf of the Client and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement.

9. ADVISOR'S OTHER CLIENTS: The Client understands that the Advisor performs investment advisory services for various other clients which may include investment companies, commingled trust funds and/or individual portfolios. The Client agrees that the Advisor, in the exercise of its professional judgment, may give advice or take action with respect to any of its other clients which may differ from advice given or the timing or nature of action taken with respect to the Managed Funds. The Advisor shall not have any obligation to purchase, sell or exchange any security for the Managed Funds solely by reason of the fact that the Advisor, its principals, affiliates, or employees may purchase, sell or exchange such security for the account of any other client or for itself or its own accounts.

10. **INSURANCE:** During the term of this Contract, the Advisor shall maintain at Advisor's sole expense, the following insurance.
- A. **Minimum Scope of Insurance:** Coverage shall be at least as broad as:
1. **Commercial General Liability ("CGL"):** Insurance Services Office ("ISO") Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than \$1,000,000 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.
  2. **Automobile Liability:** ISO Form Number CA 00 01 covering any auto (Code 1), or if Advisor has no owned autos, covering hired, (Code 8) and non-owned autos (Code 9), with limit no less than \$1,000,000 per accident for bodily injury and property damage.
  3. **Workers' Compensation and Employers Liability:** Workers' compensation limits as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
  4. **Professional Liability (Errors and Omissions):** Insurance appropriate to the Advisor's profession, with limit no less than \$1,000,000 per occurrence or claim, \$2,000,000 aggregate.
- B. **Deductibles and Self-Insured Retention:** Any deductibles or self-insured retention must be declared to and approved by the Client.
- C. **Other Insurance Provisions:** The insurance policies are to contain, or be endorsed to contain, the following provisions:
1. **Commercial General Liability and Automobile Liability Coverage**
    - a. **Additional Insured Status:** The Client, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Advisor including materials, parts or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Advisor's insurance (at least as broad as ISO Form CG 20 10 11 85 or by either CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 forms if later revisions used).

- b. **Primary Coverage:** The Advisor's insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the Client, its officer, officials, employees and volunteers. Any insurance or self-insurance maintained by the Client, its officers, officials, employees, volunteers, property owners or engineers under contract with the Client shall be excess of the Advisor's insurance and shall not contribute with it.
  - c. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Client, its officers, officials, employees or volunteers.
  - d. The Advisor's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
  - e. The Advisor may satisfy the limit requirements in a single policy or multiple policies. Any such additional policies written as excess insurance shall not provide any less coverage than that provided by the first or primary policy.
2. **Workers' Compensation and Employers Liability Coverage**

The insurer hereby grants to Client a waiver of any right to subrogation which any insurer of said Advisor may acquire against the Client by virtue of the payment of any loss under such insurance. Advisor agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation, but this provision applies regardless of whether or not the Client has received a waiver of subrogation endorsement from the insurer.

3. **All Coverages**

Each insurance policy required by this contract shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the Client.

- D. **Acceptability of Insurers:** All insurance is to be placed with insurers with a current A.M. Best's rating of no less than A minus: VII, and who are admitted insurers in the State of California.
- E. **Verification of Coverage:** Advisor shall provide the Client with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the Client before work



commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Advisor's obligation to provide them. The Client reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

- F. Submittal of Certificates: Advisor shall submit all required certificates and endorsements to the following:

Inland Empire Utilities Agency  
Attn: Angela Witte  
P.O. Box 9020  
Chino Hills, California 91709

## 11. LEGAL RELATIONS AND RESPONSIBILITIES

- A. Professional Responsibility: The Advisor shall be responsible, to the level of competency presently maintained by other practicing professionals performing the same or similar type of work.
- B. Status of Advisor: The Advisor is retained as an independent contractor only, for the sole purpose of providing the services described herein, and is not an employee of the Client.
- C. Observing Laws and Ordinances: The Advisor shall keep itself fully informed of all relevant existing state and federal laws and all relevant county and city ordinances and regulations which pertain to tasks performed under this Contract, and of all such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same. The Advisor shall at all times observe and comply with all such existing laws, ordinances, regulations, orders and decrees, and shall to the extent of Advisor's negligence, protect and indemnify, as required herein, the Client, its officers, employees and agents against any claim or liability arising from or based on the violation of any such law, ordinance, regulation, order or decree, whether by the Advisor or its employees.
- D. Subcontract Services: Any subcontracts for the performance of any services under this Contract shall be subject to the written approval of the Project Manager.
- E. Travel and Subsistence Pay: The Advisor shall make payment to each worker for travel and subsistence payments which are needed to complete the work and/or service, as such travel and subsistence payments are defined in an applicable collective bargaining contract with the worker.

- F. Indemnification: Advisor shall indemnify the Client, its directors, employees and assigns, and shall defend and hold them harmless from all liabilities, demands, actions, claims, losses and expenses, including reasonable attorneys' fees, which arise out of or are related to the negligence, recklessness or willful misconduct of the Advisor, its directors, employees, agents and assigns, in the performance of work under this contract.
- G. Conflict of Interest: No official of the Client who is authorized in such capacity and on behalf of the Client to negotiate, make, accept or approve, or to take part in negotiating, making, accepting or approving this Contract, or any subcontract relating to services or tasks to be performed pursuant to this Contract, shall become directly or indirectly personally interested in this Contract.
- H. Equal Opportunity and Unlawful Discrimination: During the performance of this Contract, the Advisor shall not unlawfully discriminate against any employee or employment applicant because of race, color, religion, sex, age, marital status, ancestry, physical or mental disability, sexual orientation, veteran status or national origin. The Client is committed to creating and maintaining an environment free from harassment and discrimination
- I. Non-Conforming Work and Warranty: Consistent with the standard of skill and care set forth in Section 11.A, Professional Responsibility, Advisor represents and warrants that the Work and Documentation shall be adequate to serve the purposes described in the Contract. If the Project Manager rejects all or any part of the Work or Documentation as unacceptable, and agreement to correct such Work or Documentation cannot be reached without modification to the Contract, Advisor shall notify the Project Manager, in writing, detailing the dispute and reason for Advisor's position. Any dispute that cannot be resolved between the Project Manager and the Advisor, shall be resolved in accordance with the Dispute Section of this Contract.
- J. Disputes:
1. All disputes arising out of or in relation to this Contract shall be determined in accordance with this section. The Advisor shall pursue the work to completion in accordance with the instruction of the Client's Project Manager notwithstanding the existence of dispute. By entering into this Contract, both parties are obligated, and hereby agree, to submit all disputes arising under or relating to the Contract, which remain unresolved after the exhaustion of the procedures provided herein, to independent arbitration. Except as otherwise provided herein, arbitration shall be conducted under California Code of Civil Procedure Sections 1280, et. seq, or their successor.
  2. Any and all disputes prior to the work starting shall be subject to resolution by the Project Manager and the Advisor shall comply,

pursuant to the Project Manager instructions. If the Advisor is not satisfied with any such resolution by the Project Manager, they may file a written protest with the Project Manager within seven (7) calendar days after receiving written notice of the Client's decision. Failure by Advisor to file a written protest within seven (7) calendar days shall constitute waiver of protest, and acceptance of the Project Manager's resolution. The Project Manager shall submit the Advisor's written protests to the Client's General Manager ("General Manager"), together with a copy of the Project Manager's written decision, for his or her consideration within seven (7) calendar days after receipt of said protest(s). The General Manager shall make his or her determination with respect to each protest filed with the Project Manager within ten (10) calendar days after receipt of said protest(s). If Advisor is not satisfied with any such resolution by the General Manager, they may file a written request for arbitration with the Project Manager within seven (7) calendar days after receiving written notice of the General Manager's decision.

3. In the event of arbitration, the parties to this Contract agree that there shall be a single neutral Arbitrator who shall be selected in the following manner:
  - a. The Demand for Arbitration shall include a list of five names of persons acceptable to the Advisor to be appointed as Arbitrator. The Client shall determine if any of the names submitted by Advisor are acceptable and, if so, such person shall be designated as Arbitrator.
  - b. In the event that none of the names submitted by Advisor are acceptable to Client, or if for any reason the Arbitrator selected in Step (a) is unable to serve, the Client shall submit to Advisor a list of five names of persons acceptable to Client for appointment as Arbitrator. The Advisor shall, in turn, have seven (7) calendar days in which to determine if one such person is acceptable.
  - c. If after Steps (a) and (b), the parties are unable to mutually agree upon a neutral Arbitrator, the matter of selection of an Arbitrator shall be submitted to the San Bernardino County Superior Court pursuant to Code of Civil Procedure Section 1281.6, or its successor. The costs of arbitration, including but not limited to reasonable attorneys' fees, shall be recoverable by the party prevailing in the arbitration. If this arbitration is appealed to a court pursuant to the procedure under California Code of Civil Procedure Section 1294, et. seq., or their successor, the costs of arbitration shall also include court costs associated with such appeals, including but not limited to



reasonable attorneys' fees which shall be recoverable by the prevailing party.

4. **Association in Mediation/Arbitration:** The Client may join the Advisor in mediation or arbitration commenced by an Advisor on the Project pursuant to Public Contracts Code Sections 20104 et seq. Such association shall be initiated by written notice from the Client's representative to the Advisor.

12. **OWNERSHIP OF MATERIALS AND DOCUMENTS/CONFIDENTIALITY:** The Client retains ownership of any and all partial or complete reports, drawings, plans, notes, computations, lists, and/or other materials, documents, information, or data prepared by the Advisor and/or the Advisor's subcontractor(s) pertaining to this Contract. Said materials and documents are confidential and shall be available to the Client from the moment of their preparation, and the Advisor shall deliver same to the Client whenever requested to do so by the Project Manager and/or Client. The Advisor agrees that same shall not be made available to any individual or organization, private or public, without the prior written consent of the Client, unless such disclosure is required by law or by regulatory or judicial process.

Said materials and documents shall not be changed or used for purposes other than those set forth in the Contract without the prior written approval of Advisor. If Client reuses the materials and documents without Advisor's prior written consent, changes or uses the materials and documents other than as intended under this Contract, Client shall do so at its sole risk and discretion, and Advisor shall not be liable for any claims and/or damages resulting from use or connected with the release of or any third party's use of the reused materials or documents.

13. **TITLE AND RISK OF LOSS:**

- A. **Documentation:** Title to the Documentation shall pass, subject to payment therefore, to Client when prepared; however, a copy may be retained by Advisor for its records and internal use. Advisor shall retain such Documentation in a controlled access file, and shall not reveal, display or disclose the contents of the Documentation to others without the prior written authorization of Client or for the performance of Work related to the project.
- B. **Disposition:** Advisor shall dispose of items to which Client has title as directed in writing by the Contract Administrator and/or Client.

14. **PROPRIETARY RIGHTS:**

- A. **Rights and Ownership:** Client's rights to inventions, discoveries, trade secrets, patents, copyrights, and other intellectual property, including the Information and Documentation, and revisions thereto (hereinafter collectively

referred to as "Proprietary Rights"), used or developed by Advisor in the performance of the Work, shall be governed by the following provisions:

1. Proprietary Rights conceived, developed, or reduced to practice by Advisor in the performance of the Work shall be the property of Client, and Advisor shall cooperate with all appropriate requests to assign and transfer same to Client.
2. If Proprietary Rights conceived, developed, or reduced to practice by Advisor prior to the performance of the Work are used in and become integral with the Work, or are necessary for Client to have complete control of the Work, Advisor shall grant to Client a non-exclusive, irrevocable, royalty-free license, as may be required by Client for the complete control of the Work, including the right to reproduce, correct, repair, replace, maintain, translate, publish, use, modify, copy or dispose of any or all of the Work and grant sublicenses to others with respect to the Work.
3. If the Work includes the Proprietary Rights of others, Advisor shall procure, at no additional cost to Client, all necessary licenses regarding such Proprietary Rights so as to allow Client the complete control of the Work, including the right to reproduce, correct, repair, replace, maintain, translate, publish, use, modify, copy or dispose of any or all of the Work and grant sublicenses to others with respect to the Work. All such licenses shall be in writing and shall be irrevocable and royalty-free to Client.

15. **INFRINGEMENT:** Advisor represents and warrants that the Work and Documentation shall be free of any claim of trade secret, trade mark, trade name, copyright, or patent infringement or other violations of any Proprietary Rights of any person.

Advisor shall defend, indemnify and hold harmless, Client, its officers, directors, agents, employees, successors, assigns, servants, and volunteers free and harmless from any and all liability, damages, losses, claims, demands, actions, causes of action, and costs including reasonable attorney's fees and expenses to the extent of Advisor's negligence for any claim that use of the Work or Documentation infringes upon any trade secret, trade mark, trade name, copyright, patent, or other Proprietary Rights.

Advisor shall, at its expense and at Client's option, refund any amount paid by Client under the Contract, or exert its best efforts to procure for Client the right to use the Work and Documentation, to replace or modify the Work and Documentation as approved by Client so as to obviate any such claim of infringement, or to put up a satisfactory bond to permit Client's continued use of the Work and Documentation.

16. **NOTICES:** Any notice may be served upon either party by delivering it in person, or by depositing it in a United States Mail deposit box with the postage thereon fully prepaid, and addressed to the party at the address set forth below:

Client: Christina Valencia  
Executive Manager of Finance & Administration/Assistant  
General Manager  
Inland Empire Utilities Agency  
P.O Box 9020  
Chino Hills, California 91709

Advisor: Sarah Meacham  
Managing Director  
PFM Asset Management LLC.  
601 South Figueroa Street Suite 4500  
Los Angeles, California 90017

Any notice given pursuant to this section shall be deemed effective in the case of personal delivery, upon receipt thereof, or, in the case of mailing, at the moment of deposit in the course of transmission with the United States Postal Service.

17. **MODIFICATION:** This Contract shall not be changed, modified, terminated or discharged in whole or in part, except by an instrument in writing signed by both parties hereto, or their perspective successors or assigns.
18. **SUCCESSORS AND ASSIGNS:** All of the terms, conditions and provisions of this Contract shall take effect to the benefit of and be binding upon the Client, the Advisor, and their respective successors and assigns. No assignment of the duties or benefits of the Advisor under this Contract may be assigned, transferred or otherwise disposed of without the prior written consent of the Client; and any such purported or attempted assignment, transfer or disposal without the prior written consent of the Client shall be null, void and of no legal effect whatsoever.
19. **PUBLIC RECORDS POLICY:** Information made available to the Client may be subject to the California Public Records Act (Government Code Section 6250 et seq.) The Client's use and disclosure of its records are governed by this Act. The Client shall use its best efforts to notify Advisor of any requests for disclosure of any documents pertaining to Advisor. In the event of litigation concerning disclosure of information Advisor considers exempt from disclosure; (e.g., Trade Secret, Confidential, or Proprietary) Client shall act as a stakeholder only, holding the information until otherwise ordered by a court or other legal process. If Client is required to defend an action arising out of a Public Records Act request for any of the information Advisor has marked "Confidential," "Proprietary," or "Trade Secret," Advisor shall defend and indemnify Client from all liability, damages, costs, and expenses, including attorneys' fees, in any action or proceeding arising under the Public Records Act.



20. **RIGHT TO AUDIT:** The Client reserves the right to review and/or audit all Advisor's records related to the Work. The option to review and/or audit may be exercised during the term of the Contract, upon termination, upon completion of the Contract, or at any time thereafter up to twelve (12) months after final payment has been made to Advisor. The Advisor shall make all records and related documentation available within three (3) working days after said records are requested by the Client.
21. **INTEGRATION:** The Contract Documents represent the entire Contract made and entered into by and between the Client and the Advisor as to those matters contained in this contract. No prior oral or written understanding shall be of any force or effect with respect to those matters covered by the Contract Documents. This Contract may not be modified, altered or amended except by written mutual contract by the Client and the Advisor.
22. **APPLICABLE AND GOVERNING LAW:** This Contract is to be governed by and constructed in accordance with the laws of the State of California, in the County of San Bernardino.
23. **TERMINATION FOR CONVENIENCE:** The Client reserves and has the right to suspend, cancel or terminate this Contract in the event of any material breach of the terms by the Advisor, such as but not limited to; suspension or termination of registration as an investment advisor, violation of any state or federal securities law or regulation, purchase of investment securities not authorized by IEUA investment policy, or at any time upon thirty (30) days written notice to the Advisor. In the event of such termination, the Client shall pay Advisor for all authorized and Advisor-invoiced services up to the date of such termination, as approved by the Project Manager.
- The Advisor may terminate this Contract upon any material breach of the Contract such as but not limited to; non-payment, failure to deliver funds for the purchase of investment securities, or at any time, on not less than thirty (30) days' notice to the Client/Project Manager by certified mail, return receipt requested. Client shall have the sole option to cure any material breach with the thirty (30) days' notice window prior to termination of this Contract. If Client cures the material breach, this Contract shall not be terminated due to the cured material breach.
24. **FORCE MAJEURE:** Neither party shall have no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Contract which result from events beyond its control, including interruption of the business activities of the Advisor or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.
25. **DISPLINARY ACTIONS:** The Advisor shall promptly give notice to the Client if the Advisor shall have been found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit

in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission ("SEC") or any other agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.

26. **INDEPENDENT CONTRACTOR:** The Advisor, its employees, officers and representatives shall not be deemed to be employees, agents (except as to the purchase or sale of securities described in Section 4), partners, servants, and/or joint ventures of the Client by virtue of this Contract any actions or services rendered under this Contract.
27. **BOOKS:** The Advisor shall maintain records of all transactions in the Managed Funds. The Advisor shall provide the Client with a monthly statement showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received, and the value of assets held on the last business day of the month. The statement shall be in the format and manner that is mutually agreed upon by the Advisor and the Client.
28. **THE ADVISOR'S BROCHURE AND BROCHURE SUPPLEMENT:** The Advisor warrants that it has delivered to the Client prior to the execution of this Contract the Advisor's current SEC Form ADV, Part 2A (brochure) and Part 2B (brochure supplement). The Client acknowledges receipt of such brochure and brochure supplement prior to the execution of this Agreement.
29. **NOTICE TO PROCEED:** No services shall be performed or provided under this Contract unless and until this document has been properly signed by all responsible parties and a Notice to Proceed order has been issued to the Advisor.
30. **AUTHORITY TO EXECUTE CONTRACT:** The Signatories, below, each represents, warrants, and covenants that they have the full authority and right to enter into this Contract on behalf of the separate entities shown below.
31. **DELIVERY OF DOCUMENTS:** The Parties to this Contract and the individuals named to facilitate the realization of its intent, with the execution of the Contract, authorize the delivery of documents via facsimile, via email, and via portable document format (PDF) and covenant contract to be bound by such electronic versions.

The parties hereto have caused the Contract to be entered as of the day and year written above.

**INLAND EMPIRE UTILITIES AGENCY:**  
*\*A MUNICIPAL WATER DISTRICT*

**PFM Asset Management LLC.:**

\_\_\_\_\_  
Halla Razak (Date)  
General Manager

*Sarah Meacham 12/4/2017*  
\_\_\_\_\_  
Sarah Meacham (Date)  
Managing Director

# Attachment 4

# Investment Policy





*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT

**FY 2017/18**

**INVESTMENT POLICY**

6075 Kimball Avenue  
Chino, CA 91708  
Phone: (909) 993-1600

Website: [www.ieua.org](http://www.ieua.org)

# INLAND EMPIRE UTILITIES AGENCY

## FY 2017/18 INVESTMENT POLICY

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**INLAND EMPIRE UTILITIES AGENCY**

**FY 2017/18 INVESTMENT POLICY**

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## INLAND EMPIRE UTILITIES AGENCY INVESTMENT POLICY

### 1.0 POLICY

WHEREAS; The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code (CGC) § 53600.6 and 53630.1 (CGC §53600.6 and §53630.1));

WHEREAS; the legislative body of a local agency may invest surplus monies, not required for the immediate necessities of the local agency, in accordance with the provisions of CGC §5922 and CGC §53601 et seq.; and

WHEREAS; the Chief Financial Officer/Assistant General Manager (CFO/AGM) or the General Manager (GM) of the Inland Empire Utilities Agency (IEUA) shall annually, or whenever there are recommended changes, whichever occurs first, prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting (CGC §53646[a]).

NOW, THEREFORE, BE IT RESOLVED that the policy of IEUA is to invest funds in a manner which will provide: (i) the maximum security; (ii) the funds necessary to meet the daily cash flow demands of the IEUA; and (iii) the highest investment return while conforming to all statutes governing the investment of IEUA funds within the constraints of this Investment Policy.

### 2.0 SCOPE

This Investment Policy applies to all surplus monies of IEUA, as defined below.

*Surplus Monies* are defined, for the purpose of this Investment Policy, as all funds of the IEUA except:

- Monies held in Deferred Compensation Accounts
- Monies held in Capital Capacity Reimbursement Accounts

#### *Pooling of funds*

Except for cash in certain restricted and special funds, IEUA will consolidate cash and reserve balances from all funds to maximize investments earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### 3.0 PRUDENCE

The standard of prudence to be used by designated investment signatories shall be the "prudent investor" standard (CGC §53600.3) and shall be applied in the context of managing an overall portfolio. Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of IEUA, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Designated investment signatories, acting in accordance with written procedures, this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### 4.0 OBJECTIVES

As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds; the primary objectives, in priority order, of the investment activities shall be:

- A. *Safety*: Safety of principal is the foremost objective of the investment program. Investments made by IEUA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.
- B. *Liquidity*: The investment portfolio will remain sufficiently liquid to enable IEUA to meet all operating requirements which might be reasonably anticipated.
- C. *Return on Investments (Yield)*: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low- risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
  - 1. A security with declining credit may be sold to minimize loss of principal.
  - 2. A security swap would improve quality, yield, or target duration in the portfolio.
  - 3. Liquidity needs of the portfolio that requires the security to be sold.

## 5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from CGC §53600, et seq. Management's responsibility for the investment program is hereby delegated for a one-year period by the legislative body, to the Chief Financial Officer/Assistant General Manager (CFO/AGM) or the General Manager (GM) who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked by the Board of Directors. The CFO/AGM or the GM shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons/positions responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this investment policy and the procedures established by the CFO/AGM or the GM and Administration. The CFO/AGM or GM shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

The GM and/or CFO/AGM may engage the services of one or more external investment advisor to assist in the management of the Agency's investment portfolio in a manner consistent with this policy and the Agency's investment objectives. Such external advisors may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such investment advisors must be registered under the Investment Advisers Act of 1940.

## 6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the placement of investments shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

## 7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The CFO/AGM or the GM shall maintain a list of approved and authorized financial institutions and brokers/dealers, selected on the basis of credit-worthiness, financial strength, experience, and capitalization.

In selecting the *financial institutions* for the deposit or investment of IEUA funds, the CFO/AGM or the GM's consideration shall include the depository's latest equity/asset ratio data and continue to monitor the financial institutions' credit characteristics and financial history throughout the period during which IEUA funds are deposited or invested.

The minimum qualifications for Agency approved depository/financial institutions include: (i) that they must be at least three (3) years old; have total assets in excess of ten (\$10) billion dollars; a core capital/asset ratio of 5 percent or better; or (ii) have total assets in excess of five hundred million dollars (\$500,000,000); and a core capital/asset ratio of 6 percent or better.

For the services of *banks, savings banks, and savings and loan associations*, depository agreements shall be prepared by the CFO/AGM or the GM and authorized representatives of the respective financial institutions for consideration and execution by the Board of Directors.

For *broker/dealer* services utilized to invest in government securities and other investments, the CFO/AGM or the GM is designated to select only brokers/dealers who are licensed and in good standing with the California Department of Securities (CDS), the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or other applicable self-regulatory organizations. A periodic review of authorized brokers/dealers is essential to serve the IEUA's investment needs.

In order to improve quality services, expertise, and credit worthiness, the CFO/AGM or the GM may, on a selective basis, revise the approved list of brokers/dealers to update qualified brokers/dealers under the requirements of this Investment Policy.

The CFO/AGM or the GM shall maintain a list of approved brokers/dealers and submit the list to the Board of Directors as part of the periodic Investment Policy review process, or more frequently as requested by the Board.

Financial institutions/depositories, brokers/dealers and external investment managers, who do investment-related business with IEUA shall sign a Certificate of Understanding (see Attachment "A"). The Certification of Understanding states that the entity:

- A. Has read and is familiar with the IEUA's Investment Policy as well as applicable Federal and State law;
- B. Agrees to notify IEUA in writing of any potential conflicts of interest;
- C. Meets the requirements as outlined in this Policy;
- D. Agrees to make every reasonable effort to protect the assets of IEUA from loss.

Annually, banks, savings bank, savings and loans associations, and authorized brokers/dealers will be requested to update information about their financial institutions. The required information will be supplied by responses to the attached questionnaires (see Attachment "B" for broker/dealers and Attachment "C" for banks and savings and loans), and provide IEUA with copies of published financial statements.

## 8.0 AUTHORIZED AND SUITABLE INVESTMENTS

IEUA's investments are governed by Government Code. Within the investments permitted by the Government Code, IEUA seeks to further restrict eligible investments to the investments listed below. In the event an apparent discrepancy is found between this Investment policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the date an investment is purchased. Credit ratings, as shown, specify the minimum credit rating category required at the point of purchase



- A. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- B. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- C. U.S. Instrumentalities (Supranational). United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Purchases are limited to securities that are rated in a rating category of "AA" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO). A maximum of ten percent of the portfolio may be invested in United States Instrumentalities.
- D. State Municipal Securities – Registered treasury notes or bonds issued by any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a state or by a department, board, agency, or authority of any of the 50 states. Securities eligible for investment under this paragraph shall be rated in a rating category of "A" or its equivalent or better by a NRSRO. Short-term municipal securities eligible for investment shall be rated at or above the following credit agencies investment grade ratings; Sp-1 by Standard & Poor's, F-1 by Fitch, and MIG-1 by Moody's. These ratings for short term municipal securities signify the issuer's strong capacity to pay principal and interest. Not more than 10 percent of IEUA's funds shall be invested in state and local municipal securities.
- E. California Local Agency Municipal Securities – Bonds, notes, warrants or other evidence of indebtedness of a local agency or municipality located within the State of California, including debt securities issued by the IEUA. Securities eligible for investment under this paragraph shall be rated in a rating category of "A" or its equivalent or better by a NRSRO.
- F. Bank deposits, including demand deposit accounts, savings account, and market rate accounts, time deposits, and certificates of deposit in financial institutions located in California. Bank deposits are required to be collateralized as specified under Government Code § 53630 et. seq. Agreements allowing for the waiver of the collateral requirement for that amount of deposit covered by the Federal Deposit Insurance Corporation may be implemented provided the remainder of the deposit is secured by collateral as required by the Government Code.

- G.** Negotiable Certificates of Deposit. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. A minimum Industry Standard Definition (IDC) rating of 165 (Excellent) is required. All purchases shall not exceed the FDIC Insured Limit. The current FDIC Negotiable CD insured limit is \$250,000 (principal and interest). A maximum of 30 percent of the portfolio may be invested in this category Negotiable Certificates of Deposit. The maximum investment maturity will be restricted to five years.
- H.** Placement Service Deposits (PSD). Funds may be placed with a private sector entity that assists in the placement of deposit with eligible financial institutions located in the United States (CGC § 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each PSD shall at all times be insured by federal deposit insurance. The maximum portfolio exposure to Placement Service Deposits is limited to 30 percent. The maximum investment maturity will be restricted to five years.
- I.** Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):
- (1) The entity meets the following criteria:
    - (a) Is organized and operating in the United States as a general corporation;
    - (b) Has total assets in excess of five hundred million dollars (\$500,000,000);
    - (c) Has debt other than commercial paper, if any, that is rated in rating category of "A" or its equivalent or better by a NRSRO.
  - (2) The entity meets the following criteria:
    - (a) Is organized within the United States as a special purpose corporation, trust, or limited liability company;
    - (b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond;
    - (c) Has commercial paper that is rated in a rating category of "A-1" or better, or the equivalent, by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a

city and county may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.

- J.** Local Agency Investment Fund (LAIF) investment pool is a voluntary program created by statute as an investment alternative for California's local governments and special districts and is under the administration of the State Governor of California. All securities purchased by LAIF are under the authority of Government Code § 16429 and 16480.4. As part of the Pooled Money Investment Account (PMIA), LAIF has oversight by the Pooled Money Investment Board (PMIB), and an in-house Investment Committee. LAIF also has oversight by the Local Agency Investment Advisory Board and is audited by the Bureau of State Audits on an annual basis.

Investment in California LAIF cannot exceed the maximum deposit per agency limit as set by the Local Agency Investment Fund.

- K.** Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of CGC § 53601(p).

Whenever the IEUA has any funds invested in a LGIP, the CFO/AGM or the GM shall maintain on file a copy of the pools' current information statement to be reviewed on a periodic basis. Investment in LGIPs cannot exceed the maximum deposit limit as set by each LGIP.

- L.** Money Market Funds - Investing solely in U.S. treasury securities and U.S. Government Agency securities, and repurchase agreements relating to the above obligations. To be eligible, these Money Market Funds must have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. (B) Retained an investment advisor with not less than five years' experience and registered or exempt from registration with the SEC, with assets under management in excess of five hundred million dollars (\$500,000,000). No more than 20 percent of the portfolio may be invested in Money Market Funds and with no more than 10 percent invested in any one money market mutual fund.

- M.** Repurchase Agreements - IEUA may invest in repurchase agreements with banks and dealers with which IEUA has entered into a master repurchase agreement which specifies terms and conditions of repurchase agreements.

- 1) Transactions shall be limited to the primary dealers and banking institutions rated in a rating category of "A" or its equivalent or better by a NRSRO, or with a financially stable banking institution which the Agency has substantial banking relationship. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the CFO/AGM or GM and will not be allowed to fall below 102 percent of the value of the repurchase agreement plus the value of collateral in excess of the value of the repurchase agreement.

In order to conform with the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States.

- 2) Not more than 40 percent of the portfolio may be invested in repurchase agreements and a security interest satisfactory to IEUA shall always be maintained in the securities subject to a repurchase agreement.

**N. Medium Term Notes (MTN):** MTNs defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases in this category shall not exceed 10 percent of the portfolio and must be rated in a rating category of "A" or its equivalent, or better by a NRSRO.

**Ineligible Investments:** Investments not described herein, including but not limited to, reverse repurchase agreements and common stocks are prohibited from use in this portfolio. This Investment Policy further specifically disallows investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

## 9.0 AUTHORIZED INVESTMENTS FOR BOND FUNDS

Bond funds shall be invested in the securities permitted pursuant to Board approved bond documents. If the bond documents are silent as to the permitted investments, bond funds will be invested in the securities permitted by this policy. Notwithstanding the other provisions of this Investment Policy, the dollar portfolio, percentage, and term limitations listed elsewhere in the Investment Policy do not apply to bond funds. In addition to the securities listed in Section 8.0 above, bond funds may be invested in a structured investment product if approved by the CFO/AGM or GM.

## 10.0 SAFEKEEPING AND CUSTODY

As required by CGC §53601 all security transactions entered into by IEUA shall be conducted on Deliver versus Payment basis. Delivery versus Payment or DVP basis means all securities purchased or acquired shall be delivered to IEUA by book entry, physical delivery, or third party custodial agreement. Investments in the state pool, local government investment pools, or money market funds are undeliverable, and therefore, not subject to the delivery or third party safe keeping requirements.



## 11.0 DIVERSIFICATION

The Board of Directors recognize that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to minimize these risks. Investment signatories are expected to display prudence in the selection and/or approval of securities, as a way to minimize the risks present in the investment portfolio. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. Further, financial institutions which hold funds, deposited as investments, shall be subject to an investment limitation.

The Board of Directors acknowledges that from time to time certain situations may arise during which strict adherence to an inflexible investment policy may be overly restrictive. On a case by case basis, the Board of Directors may consider any pertinent information of such situations and may, by minute action, modify or waive, within the constraints of CGC

§53601 et seq., any of the provisions and/or restrictions of this Investment Policy.

The CFO/AGM or the GM shall periodically establish diversification guidelines, within the context of this policy, and strategies to control any risks of default, market price changes, and illiquidity.

## 12.0 TRADING OF SECURITIES

A trade is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. The purchase and sale transaction and the sale transaction must each be recorded separately and any losses or gains on the sale must be recorded.

The CFO/AGM or the GM may obtain competitive bids from at least two brokers or financial institutions on all purchases based on investment analysis recommended by staff in reference to the investment policy guidelines. Competitive bids can be also obtained by other communication channels when necessary.

## 13.0 MAXIMUM MATURITIES

Where no maturity limit is stated for an investment under Section 8.0, no investment shall be made in any security that at the time of the investment, has a term remaining to maturity in excess of five years unless the Board of Directors has granted express authority to make that investment either specifically or as part of a previous investment program no less than three (3) months prior to the investment. Any investment currently held at the time the investment policy is adopted which does not meet the new policy guidelines will be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation such funds shall be reinvested only as provided in the most current policy.

#### 14.0 PORTFOLIO DURATION LIMITATION

The weighted average duration of the entire portfolio shall not exceed three (3) years.

#### 15.0 MONITORING CREDIT RATINGS

The CFO/AGM or the GM shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Board of Directors in writing within 24 hours of knowledge of the event. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this policy, the CFO/AGM or the GM shall also make a written recommendation to the Board as to whether this security should be held or sold prior to maturity.

#### 16.0 REPORTING

The CFO/AGM or the GM shall submit to each member of the Board of Directors a monthly investment report. This report will include the elements of the quarterly report as recommended by CGC §53646, to include:

- a. Type of investment
- b. Name of institution
- c. Date of maturity
- d. Amount of deposit or cost of the security and the par value
- e. Current market value of all securities
- f. Rate of interest/earnings (yield)
- g. A monthly list of transactions

CGC §53646(b)(2),(3) recommends that the investment report must include a statement that (i) all investment actions executed since the last investment report have been made in full compliance with the Investment Policy or a Board of Directors' minute action (waiver) and, that (ii) IEUA will meet its expenditure obligations for the next six months. The CFO/AGM or the GM shall maintain a complete and timely record of all investment transactions in support of the above statement.

#### 17.0 INTERNAL CONTROLS

The CFO/AGM or the GM is responsible for establishing and maintaining a control structure designed to ensure that the assets of the IEUA are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation and benefits require estimates and judgments by management.

An annual independent review, or as needed to address recommended changes, by an external auditor to assure compliance with policies and procedures will be performed as part of the

IEUA's annual audit.

## 18.0 PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. In order to determine whether market yields are being achieved, the CFO/AGM or the GM shall identify comparable benchmarks to the portfolio investment duration, (e.g. 90-day US Treasury Bill, 6-month US Treasury Bill, average LAIF yield rate). This comparative analysis is included in investment report presented to the Board of Directors on a monthly basis.

## 19.0 POLICY REVIEW

This investment policy shall be reviewed regularly to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return and its relevance to current law and financial and economic trends. The Board shall be responsible for maintaining guidance over this investment policy to ensure that IEUA can adapt readily to changing market conditions, and approve any modification to the investment policy prior to implementation.

## 20.0 STATE LAW

The legislated authority of the IEUA's investments is covered in Section 53601, 53607, 53635, 53638, 53646, 53652, and 53653 of the Government Code. It is the policy of the IEUA to comply with the State laws governing its investments.

## 21.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the Board of Directors of IEUA\*. Moreover, the Policy shall be reviewed whenever there are recommended changes or annually, whichever occurs first, and modifications must be approved by the Board of Directors.

### ADOPTED AND APPROVED:

**Name:** Steven J. Elie  
**Title:** President, Board of Directors  
**Date:** April 19, 2017

*\* A Municipal Water District*



## APPENDIX 1: GLOSSARY OF CASH MANAGEMENT TERMS

### **ASK PRICE:**

The price at which securities are offered for sale; also known as offering price.

### **BASIS POINT:**

One hundredth of one percent (i.e. 0.01 percent).

### **BOND PROCEEDS:**

The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

### **BOOK VALUE:**

The value at which a debt security is shown on the holder's balance sheet. Book value is often acquisition cost plus/minus amortization and accretion, which may differ significantly from the security's current value in the market.

### **BROKER:**

A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

### **CALLABLE BOND:**

A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

### **CALTRUST:**

A Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents.

### **CERTIFICATE OF DEPOSIT (CD):**

A time deposit with a specific maturity evidenced by a certificate.

### **CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS):**

A private CD placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

### **COLLATERAL:**

Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

### **COMMERCIAL PAPER:**

A short-term, unsecured, promissory note with a fixed maturity of no more than 270 days. By statute, these issues are exempt from registration with the U.S. Securities and Exchange Commission.

### **CREDIT RISK:**

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security and a loss will result.

### **CUSTODIAN:**

A bank or other financial institution that keeps custody of stock certificates and other assets.

### **DEALER:**

A dealer, as opposed to a broker, acts as a principal in all transaction, buying and selling for his own risk and account or inventory.

### **DELIVERY OF SECURITIES:**

There are two methods of delivery of securities; *Delivery versus Payment* and *Delivery versus Receipt*. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of signed receipt for the securities.

**DIVERSIFICATION:**

Dividing investment funds among a variety of securities offering independent returns.

**DURATION:**

A measure of the timing of the cash flows to be received from a given-fixed income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**FACE VALUE:**

The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

**FAIR VALUE:**

The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):**

A federal agency that insures bank deposits.

**FEDERAL FARM CREDIT BANK (FFCB):**

Government-sponsored institution that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. Government guarantees.

**FEDERAL FUNDS RATE:**

The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL HOME LOAN BANKS (FHLB):**

The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Bank vis-à-vis member

commercial banks. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U.S. Government.

**FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac):**

Established in 1970 to help maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. Government guarantees.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae):**

FNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a Federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA securities do not carry direct U.S. Government guarantees.

**FEDERAL RESERVE SYSTEM:**

The central bank of the U.S. which consists of seven member Board of Governors, 12 regional banks, and about 5,700 commercial banks that are members.

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):**

The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. All told, FINRA oversees nearly 4,750 brokerage firms, about 167,000 branch offices and approximately 634,000 registered securities representatives.

**INTEREST ONLY STRIPS:**

The interest portion of a Treasury note or bond that has been stripped of its principal component through the commercial book-entry system.

**INTEREST RATE RISK:**

The risk of gain or loss in market values of securities due to changes in interest-rate levels.

For example, rising interest rates will cause the market value of portfolio securities to decline.

**INVERSE FLOATER:**

Fixed income instrument whose coupon or interest rate is periodically reset according to a short term rate index such as LIBOR, or prime rate. Unlike the traditional floating rate instrument, however, the inverse floater's rate is set equal to a fixed rate minus the short-term rate index.

**INVESTMENT POLICY:**

A clear and concise statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

**INVESTMENT PORTFOLIO:**

A collection of securities held by a bank, individual, institution, or government agency for investment purposes.

**LIQUIDITY:**

An asset that can be converted easily and rapidly into cash with minimum risk on principal.

**LOCAL AGENCY INVESTMENT FUND (LAIF):**

An investment pool managed by the California State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

**MARKET TO MARKET:**

Current market price of a security.

**MARKET RISK:**

Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

**MARKET VALUE:**

The price at which a security is currently being sold in the market. See FAIR VALUE.

**MASTER REPURCHASE AGREEMENT:**

A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:**

The date that the principal or stated value of a debt instrument becomes due and payable.

**MEDIUM-TERM NOTES (MTNs):**

Corporate notes, having any or all of the features of corporate bonds and ranging in maturity from nine months out to thirty years. The difference between corporate bonds and MTNs is that corporate bonds are underwritten.

**MODIFIERS:**

Credit rating agencies use modifiers to denote major rating categories. Moody's append modifiers 1, 2, and 3 to each generic rating. The modifier 1 indicates that the obligation ranks in the higher end; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Standard & Poor's append modifiers with (+) or minus (-) sign to show relative standing within the major rating categories.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO):**

A rating organization designated by the SEC as being nationally recognized, such as Moody's Investor Service, Inc. (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

### **NEGOTIABLE CERTIFICATES OF DEPOSIT:**

Time deposits issued by Federal Deposit Insurance Corporation (FDIC) insured banks and are underwritten by the Financial Industry

Regulatory Authority (FINRA) registered Broker/Dealers. Also known as “DTC Eligible CDs” or “Brokered Deposits”, this type of deposit is offered to investors by issuing institutions looking to raise liquidity and funding through the wholesale and institutional markets.

### **OPEN MARKET OPERATIONS:**

Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the Federal Open Market Committee, (FOMC), in order to influence the volume of money and credit in the economy. Purchases inject reserves into the banking system and stimulate growth of money and credit. Sales have the opposite effect. Open market operations are the Federal Reserve’s most important and most flexible monetary policy tool.

### **PAR VALUE:**

The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in increments of \$1,000 per bond.

### **PORTFOLIO:**

The collection of securities held by an individual or institution.

### **PRIMARY DEALER:**

A group of government securities dealers who submit daily reports of market activity and Positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker/dealers, banks and a few unregulated firms.

### **PRINCIPAL:**

The face or par value of a debt instrument or the amount of capital invested in a given security.

### **PRUDENT PERSON RULE:**

An investment standard: The way a prudent person of discretion and intelligence would be expected to manage the investment program in seeking a reasonable income and preservation of capital.

### **RANGE BONDS:**

Bonds that accrue interest during a particular Interest Period at a fixed or variable rate if a specified index is within a specified range during a designated period of time or at a particular point in time. A Range Bond may not bear interest if the specified index is outside the specified range.

### **RATE OF RETURN:**

- 1) The yield which can be attained on a security based on its purchase price or its current market price.
- 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

### **REPURCHASE AGREEMENT (RP OR REPO):**

A holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Agency) with an agreement to repurchase them at a fixed date. The security “buyer” (e.g. the Agency) in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate the “buyer” for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

### **REVERSE REPURCHASE AGREEMENT (REVERSE REPO):**

A counter party (e.g. investment dealer) buys the securities from the holder of securities (e.g. the Agency) with an agreement to sell them back at a fixed date. The counter party in effect lends the seller (e.g. the Agency) money for the period of the agreement with terms of the agreement structured to compensate buyer.



**SAFEKEEPING:**

A service banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or, if called, on the call date.

**SECURITIES:**

Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness of equity.

**SECURITIES AND EXCHANGE COMMISSION (SEC):**

Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**SECONDARY MARKET:**

A market for the repurchase and resale of outstanding issues following the initial distribution.

**SPREAD:**

The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

**SUPRANATIONALS:**

International organizations whereby member states transcend national boundaries or interests to share in the decision making process and vote on issues pertaining to the wider grouping.

**SWAP:**

An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount.

**TREASURY BILLS:**

A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills

are issued to mature in three months, Six months, or one year.

**TREASURY BONDS:**

Long-term U. S. Treasury securities.

**TREASURY NOTES:**

Intermediate-term coupon-bearing U.S. Treasury securities having initial maturities from one year to ten years.

**UNDERWRITER:**

A dealer that purchased a new issue of municipal securities for resale.

**U.S. TREASURY OBLIGATIONS:**

Debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

**WEIGHTED AVERAGE MATURITY (WAM):**

The average maturity of all the securities that comprise a portfolio, typically expressed in days of years.

**YIELD:**

The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security.

**YIELD CURVE:**

Yield calculations of various maturities of instruments of the same quality at a given time to observe spread differences.

**ZERO-INTEREST BOND**

A bond on which interest is not payable until maturity (or early redemption), but compounds periodically to accumulate to a state maturity amount. Zero-interest bonds are typically issued at a discount and repaid at par upon maturity.

**CERTIFICATION OF UNDERSTANDING**

I hereby certify that I have personally read Inland Empire Utilities Agency’s (IEUA) Investment Policy and the California Government Code pertaining to the investments of the IEUA.

I will disclose to the IEUA any potential risks or conflicts with the Investment Policy that might arise out of business transactions between my firm and the IEUA.

I will undertake reasonable efforts to prevent imprudent transactions involving funds of the IEUA and will endeavor to keep familiar with the IEUA’s investment objectives and constraints, as they exist from time to time.

I will only offer investments for the IEUA’s consideration that are in conformity to the IEUA’s Investment Policy.

I attest to the accuracy of the responses to the IEUA’s questionnaire.

NOTE: Completion of the attached questionnaire is only part of Inland Empire Utilities Agency’s certification process and DOES NOT guarantee that the our financial institution will be guaranteed any portion of the investment business with Inland Empire Utilities Agency.

FIRM NAME \_\_\_\_\_

PRINTED NAME: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

DATE \_\_\_\_\_

INLAND EMPIRE UTILITIES AGENCY  
OFFICE OF THE CHIEF FINANCIAL OFFICER/AGM OR GENERAL MANAGER  
BROKERS/DEALERS QUESTIONNAIRE AND CERTIFICATION

Please fill out form and return to Inland Empire Utilities Agency

1. Name of Firm \_\_\_\_\_
2. Address \_\_\_\_\_  

(Local)
(National Headquarters)

---
3. Telephone No. \_\_\_\_\_
4. Primary Representatives:

Name _____ Telephone _____ Years in institutional sales _____ Years with firm _____	Manager/Partner-In-Charge: Name _____ Telephone _____ Years in institutional sales _____ Years with firm _____
--	--
5. Are you a Primary Dealer in U.S. Government Securities?     Yes     No
6. Are you a Regional Dealer in U.S. Government Securities?     Yes     No
7. Are you a Broker instead of a Dealer?  
i.e., You DO NOT own positions of Securities?     Yes     No
8. What is the net capitalization of your firm? \_\_\_\_\_
9. What is the date of your fiscal year-end? \_\_\_\_\_
10. Is your firm owned by a holding company? If so, what is its name and net capitalization?  
\_\_\_\_\_  
\_\_\_\_\_
11. Please provide your wiring and delivery instructions. \_\_\_\_\_  
\_\_\_\_\_
12. Which of the following instruments are offered regularly by your local desk?  
 T- Bills     Treasury Notes/Bonds     Discount Notes     NCD's  
 Agencies (specify) \_\_\_\_\_

13. Which of the above does your firm specialize in marketing?

\_\_\_\_\_

14. Please identify your most directly comparable Local Agency Clients in our geographical area:

Entity	Contact Person	Telephone	Client Since
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

15. What reports, transactions, confirmations and paper trail would we receive?

\_\_\_\_\_

16. Please include samples of research reports or market information that your firm regularly provides to local agency clients.

17. What precautions are taken by your Firm to protect the interest of the public when dealing with government agencies as investors? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

18. Have you or your Firm been censured or punished by a regulatory State or Federal agency for improper or fraudulent activities, related to the sale of securities?  Yes  No

19. If yes, explain. \_\_\_\_\_

20. Attach certified documentation of your capital adequacy and financial solvency. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end. (Copy of a Published Financial Statement)

21. Attach proof of Financial Industry Regulatory Authority (FINRA) certification.

22. Attach proof of California Department of Securities Registration.

23. Attach proof of Securities and Exchange Commission registration.

24. Attach proof of adequate insurance coverage.

25. Are you listed under GFOA Yield Advantage?  Yes  No



INLAND EMPIRE UTILITIES AGENCY  
OFFICE OF THE CHIEF FINANCIAL OFFICER/AGM OR GENERAL MANAGER  
BANK QUESTIONNAIRE AND CERTIFICATION

Please fill out form and return to Inland Empire Utilities Agency

- 1. Name of Firm \_\_\_\_\_
- 2. Address \_\_\_\_\_  

(Local)
(National Headquarters)

---



---
- 3. Telephone No. \_\_\_\_\_
- 4. Primary Representatives:

Name _____ Title _____ Telephone _____	Manager/Partner-In-Charge: Name _____ Title _____ Telephone _____
--	--
- 5. What are the total assets of the Bank/Savings and Loan? \_\_\_\_\_
- 6. What is the current net worth ratio? \_\_\_\_\_
- 7. What is the net worth ratio for the previous years? \_\_\_\_\_
- 8. What are your required capital ratios? \_\_\_\_\_
  - A. Tangible capital ratios? \_\_\_\_\_
  - B. Core capital ratio? \_\_\_\_\_
  - C. Risk-based capital ratio? \_\_\_\_\_
- 9. What is the date of your fiscal year-end? \_\_\_\_\_
  - A. Has there been a year during the past three years in which the Bank/Savings and loan did not make a profit? \_\_\_\_\_
- 10. Have you read the California Government Code §53630 through §53686 pertaining to all of the State's requirements governing the deposit of monies by local agencies?  
 Yes  No
- 11. Amounts above the FDIC insurance coverage must be collateralized with Government Securities. Where is the collateral for time deposits of the Bank/Savings and Loan held?  


---

12. Has there been a period during the past five years when time deposits of the Bank/Savings and Loan have not been fully collateralized? If yes, explain  
\_\_\_\_\_
13. What is the education level of the primary contact(s)? \_\_\_\_\_
14. How many years of related experience does the primary contact(s) have?  
\_\_\_\_\_
15. What other banking services would you be interested in providing Inland Empire Utilities Agency? \_\_\_\_\_
16. What transaction documents and reports would we receive? \_\_\_\_\_  
\_\_\_\_\_
17. What information would you provide to our Chief Financial Officer/AGM or General Manager? \_\_\_\_\_
18. Describe the precautions taken by your Bank/Savings and Loan to protect the interest of the public when dealing with government agencies as depositors of investors.  
\_\_\_\_\_  
\_\_\_\_\_
19. Please provide your Contract of Deposit of Monies pre-signed and sealed by your institution, as well as any signature cards that you may require.
20. Please provide your wiring instructions. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
21. Please provide your Bank/Savings and Loan most current audited financial statements. (Copy of Published Financial Statement).
22. Please attach biographical information for your representative.

**INLAND EMPIRE UTILITIES AGENCY  
OFFICE OF THE CHIEF FINANCIAL OFFICER/AGM OR GENERAL MANAGER**

Authorized Brokers/Dealers

The following brokers/dealers are authorized to provide investment services to the IEUA, in accordance with the IEUA's Investment Policy:

1. BOK Financial Asset Management, Inc.
2. Higgins Capital Management
3. Ladenburg Thalmann & Co., Inc.
4. Multi-Bank Securities, Inc.
5. Oppenheimer & Co. Inc.
6. UBS Financial Services Inc.
7. Wedbush Morgan Securities, Inc.

# Attachment 5

## Reserve Policy



INLAND EMPIRE UTILITIES AGENCY  
RESERVE POLICY  
May 2016

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**INLAND EMPIRE UTILITIES AGENCY**  
**RESERVE POLICY**  
May 2016

**Policy Statement**

The Inland Empire Utilities Agency (Agency or IEUA) has historically maintained fund reserves to ensure sufficient funding is available to meet its operating, capital and debt service obligations, comply with legally mandated requirements, and have the ability to respond to unforeseen events. As a regional provider of essential public services and with an extensive investment in public infrastructure, operating facilities, other related assets; the Agency must establish and maintain a prudent level of reserves to meet its commitment to deliver reliable and high quality essential services to its customers. In addition, by maintaining prudent reserves the Agency has the necessary financial flexibility to effectively respond to economic, environmental and regulatory changes, protect its customers against reducing service levels or raising rates and fees because of temporary revenue shortfalls or unforeseen one-time expenditures, and support the Agency's Business Goals.

**Purpose of Policy**

The policy directives outlined in this document are intended to ensure fund reserves support the Agency's Business Goals adopted by the Board in October 2013, in particular its commitment to *"preserve fund reserves that sustain the Agency's long term fiscal health, high quality credit rating and ensure its ability to effectively address economic variability"*.

The Agency is committed to ensure its customers benefit from reliable, sustainable and high quality water supplies and cost-effective wastewater collection, treatment, and reuse services. Given the direct impact these essential services have to public health and the overall quality of life, very few options exist, if any, for service reduction levels in the event of revenue shortfalls or other funding deficiencies. In recognition of these realities, and consistent with best practices, the Agency has prudently established reserves to ensure delivery of these essential services.

The IEUA Board of Directors (Board) may designate specific reserves and set minimum and target balances to support the various funds (programs) that account for its water, wastewater treatment, recycled water and other activities. Establishing and maintaining adequate reserves for the various programs minimizes the risk of significant fluctuation in rates and charges due to changes, such as a shortfall in revenues or unanticipated expenses.

As an issuer of revenue bonds and recipient of low interest loans, the Agency is committed to its contractual obligation to pay debt service and other financial obligations as imposed by bond covenants and loan agreements. In addition, adequate reserves directly affect the Agency's credit rating and access to more favorable interest rate debt markets resulting in lower borrowing costs. Sustainment of high quality credit rating will ensure the Agency's ability to finance construction, expansion, and improvement of facilities and infrastructure to meet higher service demands from future growth. The Agency is committed to improving its long term credit to AAA and maintaining a debt coverage ratio that supports such rating. (Business Goal: Fiscal Responsibility).

INLAND EMPIRE UTILITIES AGENCY  
RESERVE POLICY  
May 2016

**Roles and Responsibilities**

The Reserve Policy shall be adopted by the Board of Directors and reviewed annually during the budget review process to ensure appropriate use of reserve funds and modification of targeted reserve balances for the various funds (programs). The Agency's Chief Financial Officer/Assistant General Manager (CFO/AGM) shall serve as the designated administrator of the Reserve Policy and shall be responsible for the day-to-day implementation and management.

**Types of Reserves**

Reserve balances shall be maintained in amounts sufficient to meet appropriate reserve targets, as established by the Board, in cash and/or cash equivalents, and permitted investments as prescribed in the Agency's Investment Policy. The Agency classifies reserves into three major categories as follows:

- **Restricted reserves** – Funds maintained based on externally-imposed restrictions from federal and state regulatory requirements, or legal restrictions imposed by third parties, (example, bondholders) through bond indentures or other contractual agreements (example: Regional Sewage Service Contract).
- **Designated reserves** – Board imposed restrictions on funds for Agency specific purposes such as mitigating risk from the Agency's self-insurance programs and financing replacement and rehabilitation (R&R) of Agency assets. These funds are not legally restricted. In the event of emergency, the Board has the discretion to reassign the spending from the reserve.
- **Unrestricted reserves** – The internal policy of the Agency requires maintenance of adequate undesignated (unrestricted) reserves to finance requirements such as investment in capital and operational efficiencies, payment of unfunded accrued liabilities for retirement benefits, and refunding of high interest debt obligations. Funds in these reserves are available for spending with no legal, regulatory, or Board imposed restrictions.

For each of the reserves, the Agency has identified a purpose, appropriate target levels, funding sources, conditions under which they are to be used and replenished, and review dates for determining continued need. Any reserves in excess of the cumulative target amounts will be considered undesignated funds which can be used for any lawful purpose at the discretion of the Board of Directors.

INLAND EMPIRE UTILITIES AGENCY  
RESERVE POLICY  
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**RESERVED (RESTRICTED) FUND BALANCES**

**Operating Contingency Reserve**

Purpose: The Agency is committed to providing wastewater collection, treatment, disposal, optimizing beneficial use of recycled water and biosolids, and regional conservation and water use programs. The Agency strives to provide and maintain a rate structure that is affordable, stable and fully covers the fund (program) cost of service. However, unforeseen shortfalls in revenues or increases or operating costs require that the Agency periodically adjust rates and charges to achieve full cost of service recovery. This reserve is intended to minimize rate fluctuations as a result of unfavorable economic conditions or other factors beyond the control of the Agency that may result in reduced revenues or increased costs.

The Agency shall maintain an operating contingency reserve equal to a minimum of four (4) months, as mandated by legal requirements, and a target of six (6) months of total operating expenses as identified in the adopted budget for the current fiscal year. This level of reserve will provide customers and outside parties assurance that the Agency can operate for at least four months despite a significant shortfall in revenues or unplanned increase in expenses. The target level minimizes the risk of significant rate fluctuations as a result of unforeseen events.

Usage Requirements: This reserve can only be drawn upon if the Agency's operating revenues are not sufficient to pay operating expenses. Draws from these reserves shall be replenished within twelve months after use.

Target Level: The target level for Operating Contingency Reserve levels shall be maintained at a minimum of four (4) months, as mandated by legal requirements, and a target of six (6) months of the fund (program) adopted operating expenses for the current fiscal year.

Funding Source: Operating Contingency Reserve will be funded from net system revenues, (total operating revenues less total operating expenses).

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's operations and maintenance (O&M) and capital budget.

**Debt Service Reserves**

Purpose: As required by bond covenants and loan agreements, debt service reserves are maintained to support payment of principal and interest on outstanding obligations.

Usage Requirements: Debt service reserves will only be used to pay debt service costs when pledged net revenues (as defined in the relevant debt instruments) are insufficient to meet the principal and interest payments.



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Target Level: The target is equal to the highest annual debt service cost in the ensuing five (5) years. The minimum target will be funded to meet reserve requirements.

Funding Source: Includes one or combination of system revenues, property tax receipts, and/or restricted debt service accounts established as part of the original debt issuance.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

**Water Connection Reserves**

Purpose: Water Connection reserves are restricted accounts established by the Agency to hold new water connection fees collected in the Agency's service area, in accordance with the ordinance on Water Connection Fees, Class of Water Service and Regulating the Sale and Delivery of Water within the Inland Empire Utilities Agency Service Area Water Ordinance (Water Ordinance).

Usage Requirements: Pursuant to the Water Ordinance, funds in this reserve are restricted to support capital acquisition, construction, equipment and process improvement costs, and related financing for the Agency's water and recycled water systems. The Agency collects the water connection fees and finances capital projects, as needed in the Water Resources (WW) Fund and Recycled Water (WC) Fund, to support the planned Capital Improvement Plan (CIP).

Target Balance: No set target is defined. Water Connection reserve balance will depend on the level of new development and the Agency's funding requirements to support the planned CIP in the WW and WC funds.

Funding Source: New water connections fees collected by the Agency for connection to the Agency's recycled water and water systems.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

**DESIGNATED FUND BALANCES**

**Capital Construction Reserves**

Purpose: Capital construction reserve funds are used to finance capital investments such as construction, improvement or expansion of facilities and infrastructure, as well as acquisition of major equipment and technology. The services provided by the Agency are critical to the health and welfare of the citizens within the Agency's service area. The Agency is committed to ensure that systems are managed and constructed so that 90% of capacity is never exceeded (Business Goal; Wastewater Management Capacity). The reserve will include the Capital Capacity

**INLAND EMPIRE UTILITIES AGENCY**  
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Reimbursement Accounts (CCRA) which was established by each of the Agency's "contracting member agencies" to hold new EDU connections fees collected in their respective service area, in accordance with the Regional Sewage Service Contract (Regional Contract).

Usage Requirements: Accessed, as needed, to fund capital investments based on the Agency's TYCIP and other long term planning documents including but not limited to: the Asset Management Plan, Integrated Resources Plan, Recycled Water Plan, Wastewater Facilities Master Plan, and Energy Plan.

Pursuant to the Regional Contract, CCRA funds, included in this reserve, are restricted to support capital acquisition, construction, equipment and process improvement costs, and related financing for the Agency's regional wastewater system. The Agency draws, or "calls", CCRA funds from member agencies as needed to support capital expenditures in the Regional Wastewater Capital Improvement (RC) fund, if and when, capital construction reserves held by the Agency are not sufficient.

Target Balance: The maximum target level will be reviewed annually and each program fund can apply one of the following options to calculate the target reserve in reference to the program fund's CIP costs and funding support (e.g. bond or loan proceeds):

- a) Maximum target level is equal to ten year average of CIP times three (3) fiscal year, or
- b) Maximum target level is equal to ten year average of pay-go times three (3) fiscal years, as identified in the TYCIP. Pay-go for capital construction is CIP costs net of bond or loan proceeds.

The minimum target level is equal to ten year average of CIP costs.

Funding Source: Combination of system revenues generated from rates and user charges, property tax receipts, debt proceeds issued to finance specific capital investments, and new EDU connections fees collected by each contracting member agency for connection to the Agency's regional wastewater system.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

**Replacement and Rehabilitation (R&R) Reserves**

Purpose: Maintaining assets in an operating condition to meet the Agency's level of service commitment to provide reliable and high quality services requires timely and adequate investment in replacement and rehabilitation (R&R) of Agency assets. R&R is defined as an expense which will extend, as opposed to maintain, an asset's useful life. The basis for R&R requirements will be end of useful life and condition assessments conducted by Engineering,

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Maintenance and Operations and reported in Asset Management Report updated every 3 to 5 years. The Agency's ultimate goal is finance planned R&R requirements with user rates and charges. This goal is consistent with the Regional Sewage Service Contract which requires the volumetric EDU rate to fully support operating, administration and R&R costs for the regional wastewater program.

Usage Requirements: As needed to finance unplanned R&R requirements, including R&R requirements identified in the Agency's asset management report but scheduled in subsequent fiscal years.

Target Balance: The maximum target level will be reviewed annually and can apply one of the following options to calculate the target reserve in reference to the program fund's R&R costs and funding support (e.g. bond or loan proceeds):

- a) Maximum target level is equal to ten year average of R&R costs times three (3) fiscal year, or
- b) Maximum target level is equal to ten year average of R&R pay-go times three (3) fiscal years, as identified in the TYCIP. Pay-go is R&R costs net of bond or loan proceeds.

The minimum target will be the total ten year average R&R costs.

Funding Source: System revenues generated from rates and user charges, net of operating costs and debt service costs.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

#### **Self-Insurance Program Reserve**

Purpose: An exposure/liability reserve shall be maintained for costs not covered by the Agency's insurance policies, such as claim costs within the Agency's deductibles, self-insurance retentions, and/or costs associated with disasters, and other events that are not reimbursable from insurance. The reserve shall also provide funding to mitigate various catastrophic and other events that may or may not be covered by insurance. These events may include, but are not limited to; legal settlements, terrorist attacks, natural disasters, such as earthquakes, and severe weather storms.

Additionally, the Agency has elected to self-insure for potential workers' compensation claims. With a workforce of nearly 300, the Agency's exposure to work-related injuries increases.

Usage Requirements: Accessed as needed for non-recoverable expenses associated with claims against the Agency. In the event of a claim in excess of policy limitations and available operating funds, the reserve will be used to satisfy that claim. In the event of a workers'

INLAND EMPIRE UTILITIES AGENCY  
RESERVE POLICY  
May 2016

compensation claim(s) in excess of policy limitations and available operating funds, the reserve will be used to satisfy the claim and/or to pay legal expenses defending the claim

Target Level: The target level will be set at \$6 million, including \$1,000,000 maximum exposure per occurrence for workers compensation claim.

Funding Source: Property tax receipts allocated to the Administrative Services (GG) fund and inter-fund transfers from other funds, as needed.

Review Date: Fund balance to be analyzed by Risk Management every two years to determine an appropriate funding level.

**Water Resources Capital Reserve**

Purpose: This reserve will support investment in regional water resources projects and supplemental water purchases for purposes of increasing water use efficiency, water quality, water reliability and water sustainability in the Chino Basin (Business Goal: Water Reliability). Projects include but is not limited to; regional water storage, related infrastructure and investments.

Usage Requirements: Finance regional water resource management projects identified in the Agency's long term planning documents, such as; Integrated Resources Plan (IRP), Urban Water Management Plan (UWMP), and Water Use Efficiency Business Plan (WUEBP)

Target Level: A minimum target level of \$10 million and a target level of \$30 million.

Funding Source: Combination of water connection fees, property tax receipts, net proceeds from the sale of supplemental water, and inter-fund loans, as needed.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's O&M and capital budget.

**Sinking Fund Reserve**

Purpose: Sinking fund reserves are the systematic accumulation of funds set aside for a specified time frame for the specific purpose of funding major capital projects that cannot be funded by rates/fees or issuance of new debt. These funds are restricted to support the anticipated costs related to the planned rehabilitation of Regional Plant No. 1, future decommissioning of Regional Plant No. 2, or prepayment of debt. Reserves can be used for the design, capital acquisition, construction, equipment and process improvement costs and debt defeasance.

Usage Requirements: This reserve can only be drawn upon for the designated purpose for which it was established, unless otherwise approved by the Board of Directors.



**INLAND EMPIRE UTILITIES AGENCY**  
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Target Level: The maximum target balance in the Sinking Fund Reserves shall be determined based on the designated capital needs as approved by Agency's Board of Directors.

Funding Source: Sinking Fund Reserve will be funded by property tax receipts and if needed, rates and charges.

Review Timeline: Fund balances and target level will be reviewed by staff and the Board as part of the preparation and approval of the Agency's operations and maintenance (O&M) and capital budget.

### **UNDESIGNATED FUND BALANCES**

#### **Employee Retirement Benefit Reserve**

Purpose: The Agency provides postemployment pension and medical benefits to eligible employees who retire from the Agency. For pension benefits, the Agency contributes to a defined benefit pension plan under the California Pension Employees' Retirement System (CalPERS). CalPERS is also the provider of retiree medical coverage benefits, which is referred to as other post-employment benefits (OPEB).

Like most public Agencies, the Agency is facing growing unfunded accrued liabilities (UALs) for postretirement benefits. A key objective of the Agency is to develop a funding strategy to fully fund UALs over an appropriate period of time in order to safeguard retiree benefits and the Agency's financial health.

Usage Requirements: To mitigate the impact of annual increase of the annual contribution amounts in excess of the budgeted amount

Target Level: This minimum target amount will be set at \$6 million and increased annually up to the target level. The target level will be adjusted based on the total Annual Required Contribution (ARC) amount budgeted in the subsequent fiscal year.

Funding Source: Combination of property tax receipts and indirect allocation of employment costs across all Agency funds (programs) from the Administrative Services (GG) fund.

Review Timeline: Reserves will be adjusted in conjunction with the annual actuarial valuation updates for pension and biennially for OPEB

# Attachment 6

## PFM Quarterly Reports

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*Market Update*

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## SUMMARY

- Despite mixed economic data, and political and policy difficulties in the U.S., market conditions were characterized by investor optimism amid very low volatility. Bond yields were relatively well behaved during the quarter, credit spreads narrowed further, and equity markets moved higher still.
- For the second time this year, the Federal Open Market Committee (FOMC) raised the federal funds rate by 0.25%, setting a new target range of 1.00% to 1.25% for the overnight benchmark rate. The FOMC's latest economic forecasts and "dot plot" were largely unchanged. The Federal Reserve (the Fed) is still forecasting one more rate hike this year, although market-implied probabilities show only about a 50% chance of a hike in the second half of the year.
- Perhaps just as important, the Fed announced plans to gradually reduce the size of its balance sheet by decreasing its reinvestment of principal payments on existing holdings. The reduction will be \$10 billion per month, initially, and will increase in steps of \$10 billion per month at three-month intervals until it reaches \$50 billion per month. The specific timetable is likely to be announced later this year.
- U.S. equity markets had another strong quarter. In the past three months, all three major U.S. indices hit new all-time highs. The S&P 500 Index (S&P 500) returned 3.1% and is up 9.3% for the first half of the year. The Health Care and Industrial sectors were the strongest performers during the quarter.

## ECONOMIC SNAPSHOT

- U.S. economic data released in June was below expectations. While business investment accelerated, it was partly offset by weak consumer spending and a slowdown in government spending and inventories. On the positive side, the labor market remained strong, consumer confidence remained high, business surveys were optimistic, and the housing market returned to near pre-crisis levels. Second quarter gross domestic product (GDP) growth is expected to show a rebound from the weak 1.4% growth rate of the first quarter.
- The labor market remained strong in the second quarter as the U.S. economy added 581,000 net new jobs, the most since the third quarter of 2016. The unemployment rate declined to a 16-year low, ending the quarter at 4.4%, but the labor force participation rate remained suppressed. At the same time, wage growth remained tepid as average hourly earnings rose only 2.5% year-over-year (YoY) in June. The lack of wage pressures—a key driver of inflation—seems to indicate further slack remains in the labor market despite strong job gains.

## INTEREST RATES

- Short-term (three years and under) yields ended the second quarter higher, reflecting the Fed's June rate hike, while medium- to long-term yields declined amid subdued inflation expectations and fading prospects for near-term stimulus from tax reform or infrastructure spending.
- The two-year Treasury note yield ended the quarter 13 basis points (bps) (0.13%) higher at 1.38%, while the 10-year Treasury yield fell 8 bps (0.08%) to 2.30%. The result was a notably flatter yield curve, which reduced the incentive to invest in longer maturities.
- In the money market space, shorter-term Treasury yields continued to rise, reflecting the Fed's June rate hike, but beyond 6-month maturities, yields flattened out. Yield spreads on commercial paper (CP) and certificates of deposit (CD) relative to U.S. Treasuries continued to narrow from their exceptionally wide levels of late 2016 and early 2017. CP/CD spreads now offer only modest incremental yield, similar to long-standing averages, and are considered fair value.

## SECTOR PERFORMANCE

- U.S. Treasury indices posted positive returns in the second quarter. Returns for shorter indices were generated mostly by income, offset by modest price depreciation as yields on shorter maturities increased. Returns on longer Treasury indices were quite strong, benefitting from both income return and price appreciation from falling long-term rates and a flattening yield curve.
- Federal agency yield spreads tightened during the quarter as demand continued to outpace supply. The sector modestly outperformed comparable-duration Treasuries for the fourth quarter in a row.
- Corporate yield spreads tightened further during the quarter, reaching their narrowest levels since 2014 as they reached for yield globally. The sector generated strong outperformance relative to comparable-maturity Treasuries, its seventh straight quarter of outperformance.
- Shorter-duration mortgage-backed securities (MBS) outperformed Treasuries, but longer-duration structures could not keep pace. MBS remains at risk from the expected reduction in the Fed's balance sheet holdings later this year.
- For the second quarter in a row, asset-backed securities (ABS) posted strong outperformance versus Treasuries. Spreads across nearly all credit sectors tightened, including ABS.



## QUARTERLY MARKET SUMMARY

### Economic Snapshot

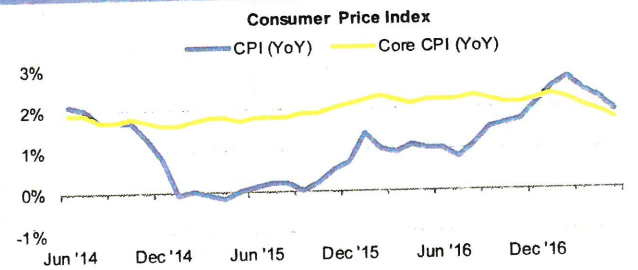
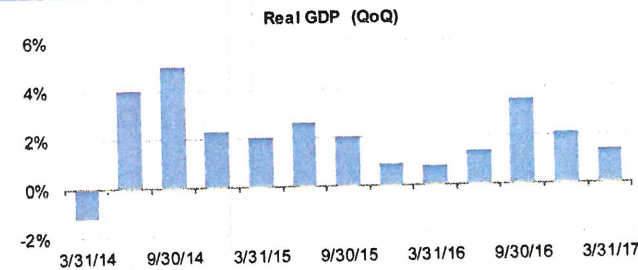
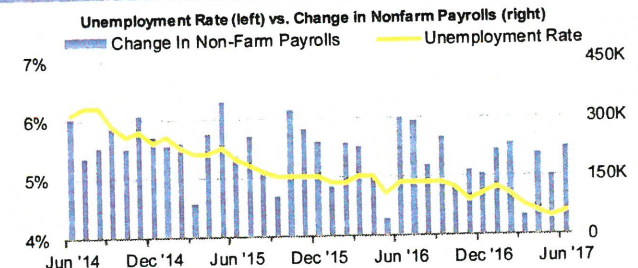
Labor Market		Latest	Mar '17	Jun '16
Unemployment Rate	Jun'17	4.4%	4.5%	4.9%
Change In Non-Farm Payrolls	Jun'17	222,000	50,000	297,000
Average Hourly Earnings (YoY)	Jun'17	2.5%	2.6%	2.6%
Personal Income (YoY)	May'17	3.5%	3.9%	3.4%
Initial Jobless Claims (week)	7/1/17	248,000	235,000	267,000

Growth		Latest	Mar '17	Jun '16
Real GDP (QoQ SAAR)	2017Q1	1.4%	1.4% <sup>1</sup>	1.4% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2017Q1	1.1%	1.1% <sup>1</sup>	4.3% <sup>2</sup>
Retail Sales (YoY)	May'17	3.8%	4.8%	3.0%
ISM Manufacturing Survey (month)	Jun'17	57.8	57.2	52.8
Existing Home Sales SAAR (month)	May'17	5.62 mil.	5.70 mil.	5.48 mil.

Inflation / Prices		Latest	Mar '17	Jun '16
Personal Consumption Expenditures (YoY)	May'17	1.4%	1.8%	0.9%
Consumer Price Index (YoY)	May'17	1.9%	2.4%	1.0%
Consumer Price Index Core (YoY)	May'17	1.7%	2.0%	2.2%
Crude Oil Futures (WTI, per barrel)	Jun 30	\$46.04	\$50.60	\$48.33
Gold Futures (oz.)	Jun 30	\$1,242	\$1,247	\$1,321



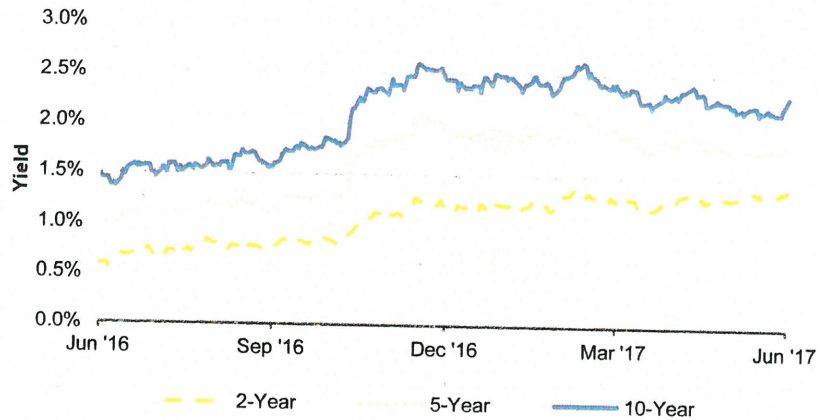
1. Data as of First Quarter 2017.

2. Data as of Second Quarter 2016.

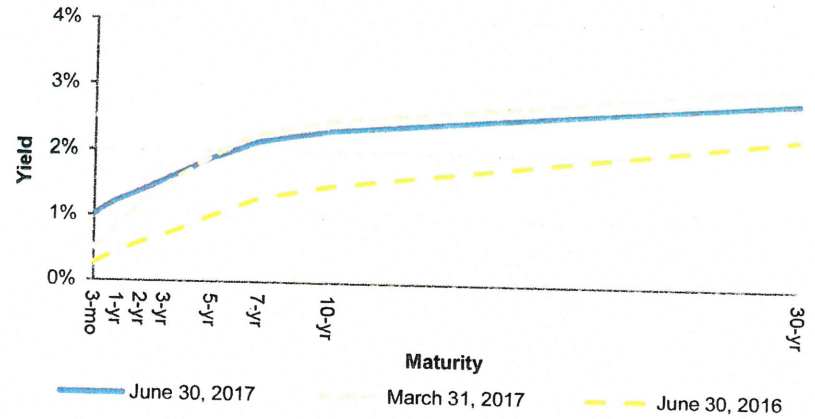
Note: YoY = year-over-year, QoQ = quarter over quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.  
Source: Bloomberg.

Interest Rate Overview

U.S. Treasury Note Yields



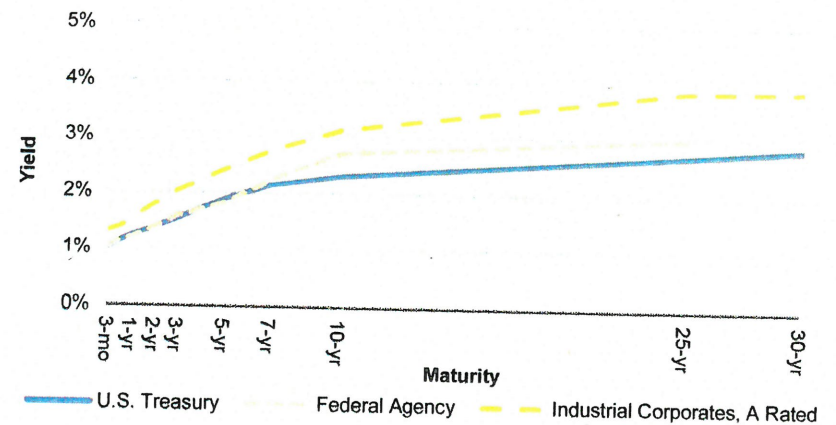
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Jun '17	Mar '17	Change over Quarter	Jun '16	Change over Year
3-month	1.01%	0.75%	0.26%	0.26%	0.75%
1-year	1.23%	1.02%	0.21%	0.44%	0.79%
2-year	1.38%	1.26%	0.12%	0.58%	0.80%
5-year	1.89%	1.92%	(0.03%)	1.00%	0.89%
10-year	2.31%	2.39%	(0.08%)	1.47%	0.84%
30-year	2.84%	3.01%	(0.17%)	2.29%	0.55%

Yield Curves as of 6/30/17



Source: Bloomberg.



QUARTERLY MARKET SUMMARY

**BofA Merrill Lynch Index Returns**

June 30, 2017	As of 6/30/17		Returns for Periods ended 6/30/17		
	Duration	Yield	3-month	1-year	3-years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.89	1.40%	0.17%	(0.11%)	0.69%
Federal Agency	1.78	1.48%	0.25%	0.25%	0.83%
U.S. Corporates, A-AAA rated	1.95	1.95%	0.55%	1.04%	1.43%
Agency MBS (0 to 3 years)	2.25	1.88%	0.60%	0.35%	1.15%
Taxable Municipals	1.74	2.34%	0.34%	1.20%	1.77%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.69	1.54%	0.38%	(0.53%)	1.08%
Federal Agency	2.24	1.58%	0.37%	0.06%	1.10%
U.S. Corporates, A-AAA rated	2.80	2.16%	0.84%	0.99%	1.91%
Agency MBS (0 to 5 years)	3.33	2.32%	0.66%	0.04%	1.65%
Taxable Municipals	2.65	2.41%	0.56%	0.88%	2.27%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	6.36	1.91%	1.22%	(2.45%)	2.20%
Federal Agency	3.99	1.87%	0.88%	(0.35%)	1.88%
U.S. Corporates, A-AAA rated	7.16	2.91%	2.21%	0.98%	3.49%
Agency MBS (0 to 30 years)	4.69	2.76%	0.90%	(0.03%)	2.15%
Taxable Municipals	4.18	2.86%	0.94%	(0.16%)	2.74%

Returns for periods greater than one year are annualized.

Source: BofA Merrill Lynch Indices.

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**ACTION  
ITEM**

**2F**

**Date:** December 20, 2017

**To:** The Honorable Board of Directors

**From:**  Halla Razak, General Manager

**Committee:** Audit

12/11/17

Finance & Administration

12/13/17

**Executive Contact:** Christina Valencia, Executive Manager of Finance & Administration/AGM

**Subject:** IEUA Fiscal Year (FY) 2016/17 Audited Comprehensive Annual Financial Report (CAFR)

**Executive Summary:**

The Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2017 was prepared in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and audited by the Lance, Soll & Lunghard, LLP (LSL), the Agency independent audit firm. Based on their audit and testwork results, LSL found the financial statements presented fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information as of June 30, 2017, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). LSL issued an unmodified opinion.

The Agency's statement of net position of \$586 million as of June 30, 2017 reflects an increase of \$55 million from the prior fiscal year. The increase is primarily due to a higher number of new wastewater and water connection fees, higher operating revenues from the multi-year rate and fee adjustments adopted by the Board in 2015 to achieve cost of service for the Agency's major programs, and higher grant proceeds. Attached is the audited CAFR, in substantially final form, with a detailed explanation of significant revenues and expenses.

**Staff's Recommendation:**

It is recommended that the Board of Directors:

1. Approve the Inland Empire Utilities Agency Comprehensive Annual Financial Report for fiscal year ended June 30, 2017; and
2. Direct staff to distribute the report as appropriate, to the various federal, state, and local agencies, financial institutions, bond rating agencies, and other interested parties.

**Budget Impact** Budgeted (Y/N): N Amendment (Y/N): N Amount for Requested Approval:

Account/Project Name:

Not Applicable

**Fiscal Impact** (explain if not budgeted):

There is no impact on the Agency's FY 2017/18 Budget as a result of this item, since related audit service fees are budgeted in the Administrative Services Fund under Professional Services.

**Prior Board Action:**

On December 21, 2016, the Board of Directors approved the Agency's Comprehensive Annual Financial Report for FY 2015/16 reviewed by the Audit Committee & Finance and Administration Committee on December 14, 2016.

On March 16, 2016, the Board approved Contract No. 4600002079 with Lance, Soll & Lunghard LLP for financial auditing and single audit services, for three fiscal years, with the option to extend two additional fiscal years, beginning in FY 2015/16.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The IEUA FY 2016/17 Comprehensive Annual Financial Report is consistent with the Agency's Business Goal of Fiscal Responsibility in providing transparent communication of the Fiscal Year activity and the net position of the different programs of the Agency.

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**Attachments:**

Attachment 1 - Background

Exhibit A - FY 2016/17 Comprehensive Annual Financial Report in Substantive Completed Form - click to download (hard copy available upon request)

Exhibit B - PowerPoint

Exhibit C - Financial Audit Results

# Background

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Subject: IEUA Fiscal Year 2016/17 Audited Comprehensive Annual Financial Report

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The Agency's Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2017 was prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America, as set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Agency. To the best of staff's knowledge, the data presented is accurate in all material respects, and reported in a manner designed to fairly present the financial position and results of operations for the various Agency funds and account groups. Disclosures are included within the CAFR to enable the reader to gain an understanding of the Agency's financial activities. Exhibit A is a copy of the Agency CAFR in substantially final form.

## FY 2016/17 Financial Highlights

The Agency's statement of net position for fiscal year (FY) ended June 30, 2017, reflects \$586 million, an increase of \$55 million compared to the prior fiscal year. The gain is primarily due to higher operating revenues from the multi-year rate adjustments adopted by the Board of Directors through FY 2019/20 necessary to establish rates and charges that fully recover the cost of service, as well as the increase in the non-operating revenues from a higher number of new connections to the regional wastewater and the regional water systems.

### *Advance Refunding of 2008A Bonds*

The Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A (2008A bonds) were issued in January 2008 for a par amount of \$125 million, at a fixed annual interest rate of 5% and a final maturity date of November 1, 2038. The 2008A Bonds were callable for the first time in November 2017. To leverage historically low municipal interest rates and optimize use of available cash reserves, an advance refunding was executed in February 2017. The refunding resulted in total present value savings of around \$36 million over the life of the bonds and net of the \$50 million payment.

As a part of the audit testing, Lance, Soll and Lunghard, LLP (LSL) found a discrepancy in the recording of the \$5.5 million cash held by the Agency's custodial bank in an irrevocable escrow account established to support interest payments for the 2008A bonds due through November 1, 2017. Given the infrequent nature and complexity of these type of transactions, LSL advised management it is not uncommon to find such errors in the related entries. Management is committed to accurate financial reporting and has implemented review procedures as recommended by LSL, including expanded review of pertinent journal entries and guidance requested from external auditors, to ensure accurate recording and compliance with accounting standards.



### *Increase in the Wastewater and Water Connection Fees*

Connection fees to the regional water and wastewater systems, were significantly higher than the prior fiscal year. Wastewater connections fees were \$30.5 million, with 5,189 new units compared to 4,176 units and \$24.9 million in the prior fiscal year. Water connection fees, which took effect on January 1, 2016, were \$5.4 million compared to just \$997,010 in FY 2015/16.

### *Imported Water Pass-Through Sales and Purchases*

Imported water deliveries for FY 2016/17 were 47,848-acre feet (AF) compared to 31,714 AF reported in FY 2015/16, an increase of 16,134 AF. Following unprecedented water conservation and plentiful winter rain and snow, in May 2016 MWD lifted the Water Supply Allocation restrictions and penalty rates put in place in response to the unprecedented drought and response to the Governor's Executive Order calling for statewide mandatory water reductions to reduce water usage across the State by 25% from 2013 levels. Governor Brown ended the drought state of emergency in April 2017. Higher imported water deliveries was also partly due to the purchase of 6,000 AF of replenishment water for groundwater recharge. No replenishment water was purchased in the prior fiscal year. Overall imported water purchases are still 63% below purchases in FY 2013/14.

### *Continued Funding of Employee Retirement Liabilities*

Funding of the other post-employment benefits (OPEB) and pension unfunded liabilities continued in FY 2016/17; \$2.0 million and \$4.5 million, respectively. Since the inception of the funding plan, cumulative contributions of \$11.0 million for OPEB and \$13.5 million for pension have been made through fiscal year ended June 30, 2017. As of June 30, 2017, the most recent actuarial valuation date, the OPEB plan is 71% funded with an unfunded actuarial accrued liability of \$4.9 million. The net pension liability measured as of June 30, 2016 using an annual actuarial valuation as of June 30, 2015 was 76.8% funded at \$39.2 million.

### *Construction Project Work in Progress (WIP)*

The number of open projects under the category of Work in Progress (WIP) increased by 21% in FY 2016/17 compared to FY 2015/16. WIP was also higher mainly due to the ongoing construction of the Water Laboratory project slated for completion in fall of 2018, higher execution of capital replacement and rehabilitation (R&R) projects and the beginning of the design phase for the RP-5 Solids and Liquids Expansion and RP-1 Capacity Recovery projects.

### External Auditors' Independent Audit

The Agency's independent audit firm, Lance, Soll & Lunghard, LLP (LSL) performed the annual financial audit. LSL issued an unmodified ("clean") opinion over the financial statements for the Fiscal Year ended June 30, 2017, indicating that the financial statements are presented fairly and in accordance with GAAP and free of material misstatements. LSL found no material deficiency in internal controls over financial reporting.

LSL also completed the Single Audit Report for all billing activity for FY 2016/17 to be processed by the Federal Clearing House by March 2018. Federal Expenditures of \$11.8 million were

comprised of Title XVI Water Reclamation and Reuse of \$11.1 million, and \$.7 million from the Water State Revolving Fund. No findings in the Single Audit were noted by LSL.

Fiscal Year 2016/17 is the second audit completed by LSL in accordance to the contract approved by the Board of Directors on March 16, 2016 for three fiscal years, with the option for an additional two fiscal years, beginning in FY 2015/16. The agreement covers the audit of the Inland Empire Utilities Agency (Agency) financial statements, review of the annual appropriations limit calculation, and audit of the Agency's federal awards in accordance with Office of Management and Budget (Single Audit).

#### Internal Audit Department Review

Internal Audit staff performed an additional quality control check/review of the draft financial statements with emphasis on; overall mathematical accuracy, validation of the MD&A, notes, and statistical sections, including continued disclosure compliance as required by bond covenants, to the financial statements or to other supporting information.

Internal Audit staff's review did not include tests of transactions, or tests of the reliability of the totals and amounts included in the various categories, accounts, funds, statements, etc. Staff relies on the work of the external auditors to test the reliability of the financial information reported. Staff's review is only one of an additional quality control to ensure a professional presentation, consistent with prior years.

#### Government Financial Officers Association (GFOA) CAFR Award

For the past eighteen years, the Agency has applied for and received the GFOA CAFR Award for excellence in financial reporting. The deadline to submit the FY 2015/16 CAFR is December 31, 2017.

*The IEUA FY 2016/17 Comprehensive Annual Financial Report is consistent with the Agency's Business Goal of Fiscal Responsibility in providing transparent communication of the Fiscal Year activity and the net position of the different programs of the Agency.*



# **Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017**



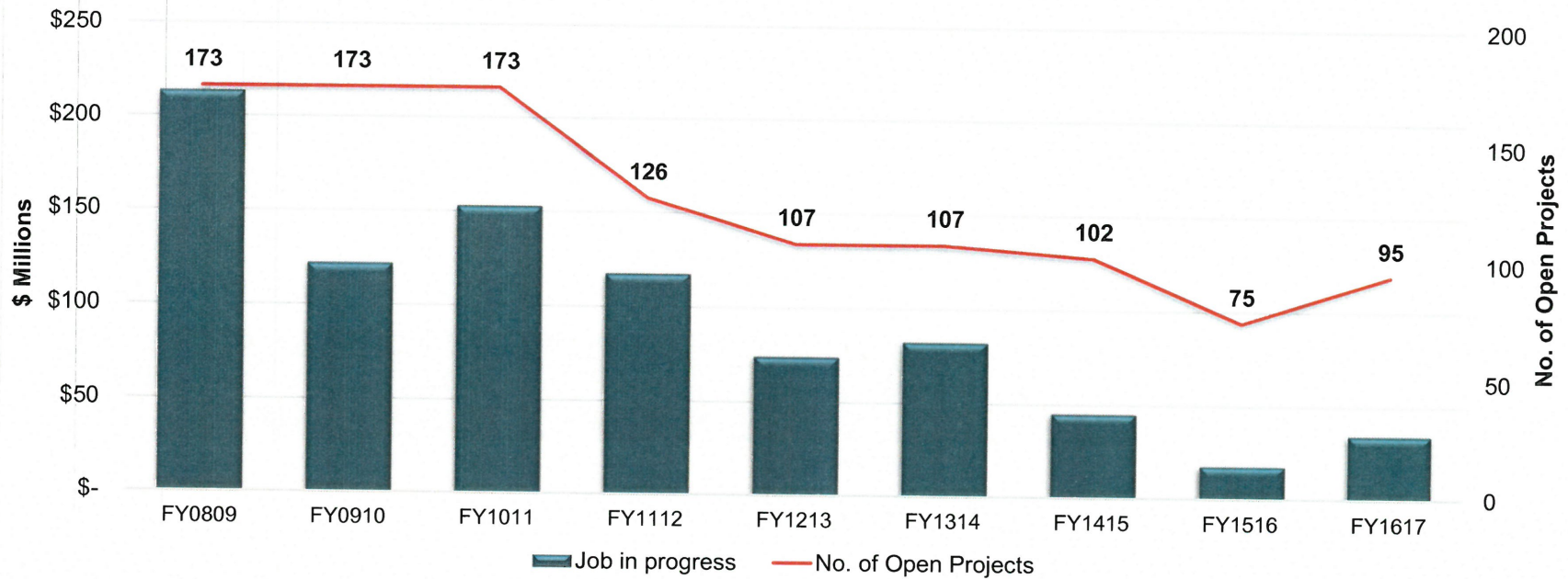
## FY 2016/17 Highlights

- **2008A Bond Advance Refunding: \$36 million savings**
- **Water Connection fees: \$5.4 million.**
- **Wastewater Connection fees: \$30.5 million**
- **Imported water deliveries: 47,848 AF**
- **Continued funding of employee retirement liabilities: \$6.5 million in fiscal year, \$24.5 million from inception.**
- **External Auditors unmodified (“clean”) opinion**



# FY 2016/17 Highlights

- 21% increase in number of open projects



# Change in Operating and Non-Operating Activities

\$ in millions

Description	FY 2015/16	FY 2016/17	Change	
			Amount	%
Operating Revenues	\$ 100.00	\$ 120.00	\$ 20.00	20.0
Operating Expenses	\$ (131.00)	\$ (146.00)	\$ (15.00)	11.5
<b>Net Operating Activities</b>	<b>\$ (31.00)</b>	<b>\$ (26.00)</b>	<b>\$ 5.00</b>	<b>(16.1)</b>
Non-Operating Revenues	\$ 93.00	\$ 102.00	\$ 9.00	9.7
Non-Operating Expenses	\$ (25.00)	\$ (21.00)	\$ 4.00	(16.0)
<b>Net Non-Operating Activities</b>	<b>\$ 68.00</b>	<b>\$ 81.00</b>	<b>\$ 13.00</b>	<b>19.1</b>
<b>Total Increase (Decrease) in Net Position</b>	<b>\$ 37.00</b>	<b>\$ 55.00</b>	<b>\$ 18.00</b>	<b>48.6</b>
Beginning Net Position	\$ 493.00	\$ 531.00		
<b>Ending Net Position</b>	<b>\$ 531.00</b>	<b>\$ 586.00</b>	<b>\$ 55.00</b>	<b>10.4</b>

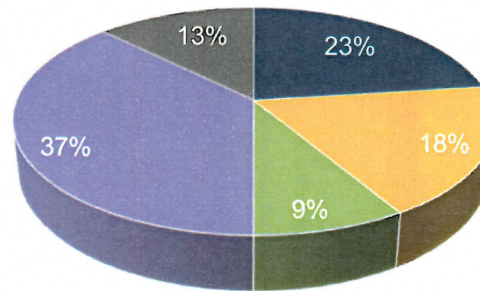
The \$ values are presented in millions and have been rounded



# FY 2016/17 Ending Cash Position

- **\$3.7 million decrease from prior fiscal year**
  - Refinance of the 2008A bond
  - Higher connection fees

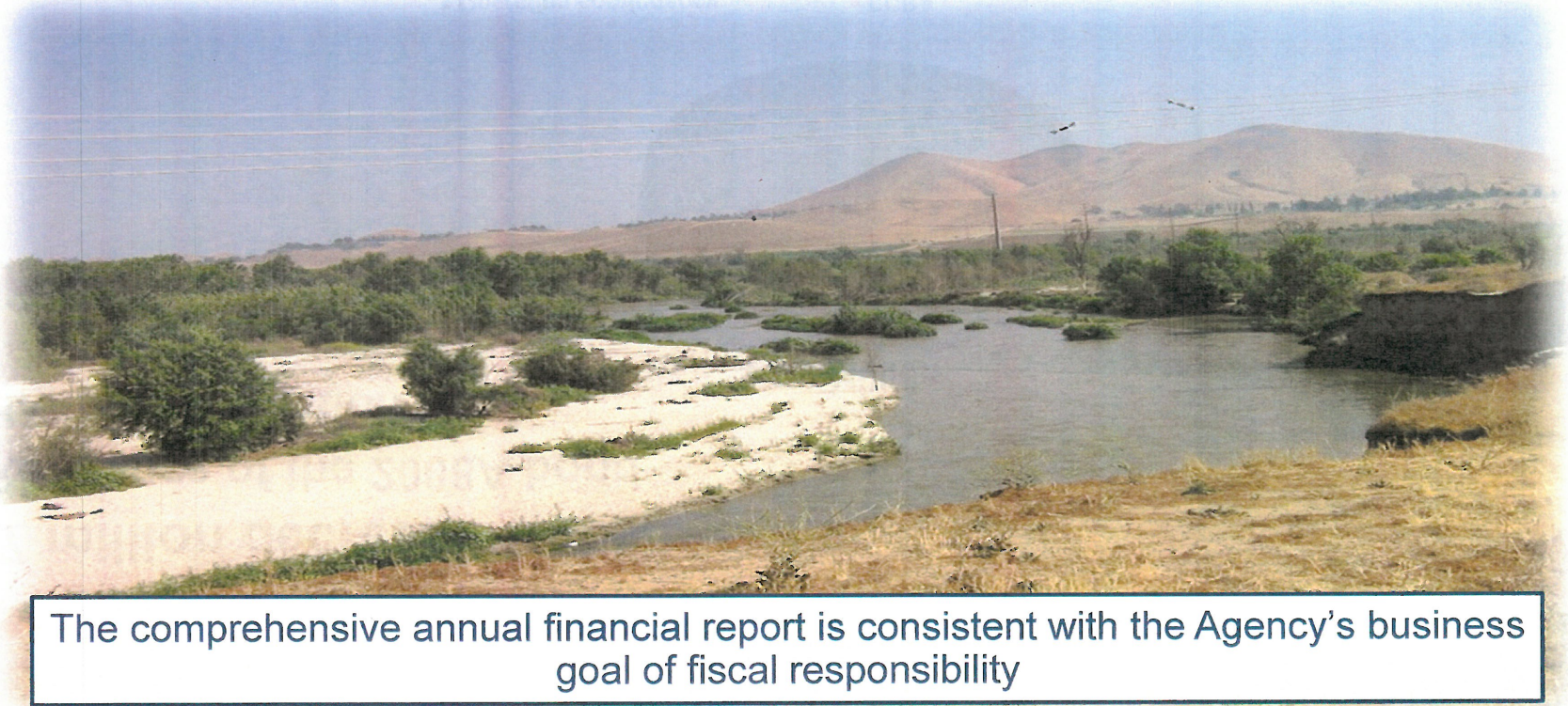
**\$172 Million**



- Operating contingency
- Insurance and retirement
- Debt service & redemption
- CCRA
- Capital expansion & replacement

CCRA: Capital Capacity Reimbursement Account held by Member Agencies

# Questions







# INLAND EMPIRE UTILITIES AGENCY FISCAL YEAR ENDED JUNE 30, 2017 FINANCIAL AUDIT RESULTS



*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT

Focused  
on YOU





## HIGHLIGHTS FROM LAST MEETING

- Met last with auditors June 12, 2017
- Discussed our planning and audit approach
- Met individually with some members
- Audit fieldwork planned to begin September 18, 2017
- One month earlier than prior year



## FY 2017 Audit Communication Results

### Financial Audit

- Opinion Letter
- Report on Internal Control and Other Matters
- Audit Communication Letter (SAS 114 – **conclusion**)

### Single Audit

- Schedule of Expenditures of Federal Awards
- Report on Internal Control over Compliance





## Opinion Letter

- Unmodified Opinion
  - Based on our audit of significant transactions, our understanding of the Agency's policies and procedures, and our testwork results, we have issued an Opinion that the financials statements are free of material misstatements at June 30, 2017.





## Report on Internal Control over Financial Reporting and on Compliance and Other Matters

- In planning and performing the audit, we consider the Agency's Internal Controls over Financial Reporting specific to giving an opinion of the Financial Statements, but this is not the purpose of the audit.
- No opinion is expressed on the internal controls
- During our course of audit procedures weaknesses may come to our attention and communicated to Management and to you in this letter.



## Other Matters Noted

- Large adjustments made during the audit is required to be disclosed as part of the results of our audit.
- Not considered a material weakness or significant deficiency since this is considered a one time occurrence due to the infrequency in nature and complexity of the transaction.
- Large adjustment related to the Advance refunding of the 2008A Revenue Bond, required a decrease to cash with fiscal agent of \$5.5 million during our audit.





· CPAs AND ADVISORS



## Audit Communication Letter (SAS 114 – conclusion)

- Significant Audit Findings
  - Accounting Practices
    - Significant and Appropriate Estimates: OPEB and Pension Liabilities
  - No Difficulties Encountered in Performing the Audit
  - Corrected and Uncorrected Misstatements
    - Bond defeasance corrected
  - No Disagreements with Management to disclose
  - Management Representation includes a letter to the auditors regarding their acceptance of responsibilities and disclosures of no known errors or fraudulent activities to communicate to auditors



## Audit Communication Letter (SAS 114 – conclusion)

- Other items
  - As of result of moving up the audit dates, several journal entries were received during and after our audit fieldwork, which increases the audit risk. We recommended re-evaluating the dates and year-end process.
- FUTURE YEAR – New Accounting Pronouncements
  - OPEB Liability and Plan Funding Reporting – GASB 75
  - Possibly change from your OPEB Net Asset to an OPEB Net Liability
  - Changing the actuarial valuation on OPEB to mirror Pension and required to recognize the full liability.





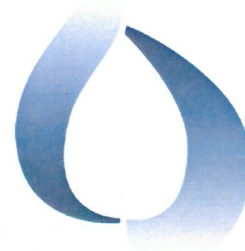
## Single Audit

- Federal Expenditures of \$11.8 million.
  - Title XVI Water Reclamation and Reuse \$11.1 million
  - Water State Revolving Fund .7 million
- No findings noted



Thank you

- Contact information:
  - [Deborah.harper@lslcpas.com](mailto:Deborah.harper@lslcpas.com)
  - 714-672-0022
- Any Questions



*Inland Empire Utilities Agency*


A MUNICIPAL WATER DISTRICT

**INFORMATION  
ITEM**

**3A**

**Date:** December 20, 2017

**To:** The Honorable Board of Directors

**From:**  for Halia Razak, General Manager

**Committee:** Finance & Administration

12/13/17

**Executive Contact:** Christina Valencia, Executive Manager of Finance & Administration/AGM

**Subject:** Fiscal Year 2017/18 First Quarter Budget Variance, Performance Goal Updates, and Budget Transfers

---

**Executive Summary:**

The Budget Variance report presents the Agency's financial performance through the first quarter ended September 30, 2017, and various analyses provided in the attachments.

The Agency's total revenues and other funding sources were \$50.7 million, or 22.7% of the amended budget of \$223.6 million. Lack of property tax receipts which commence in November of each fiscal year primarily account for the slightly unfavorable variance in revenues and other funding sources.

The Agency's total expenses and uses of funds were \$53.7 million, or 21.8% of the amended budget of \$246.2 million. Timing of capital project execution and certain professional service primarily accounts for the slightly positive variance.

The net change of the Agency's total revenues and other funding sources over the total expenses and other uses of funds for the first quarter is a deficit of \$3.0 million.

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**Staff's Recommendation:**

The Fiscal Year (FY) 2017/18 First Quarter Budget Variance, Performance Goals Updates, and Budget Transfers is an informational item for the Board of Directors to receive and file.

---

**Budget Impact** Budgeted (Y/N): N Amendment (Y/N): N Amount for Requested Approval:

Account/Project Name:

*Fiscal Impact (explain if not budgeted):*

The net change in total expenses over total revenues in the amount of \$3.0 million resulted in a total estimated fund balance of \$178.1 million for the quarter ended September 30, 2017.

Full account coding (internal AP purposes only):

- - -  
- - -

Project No.:



**Prior Board Action:**

None.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

The quarterly budget variance report is consistent with the Agency's Business Goal of Fiscal Responsibility to demonstrate the Agency appropriately funded operational, maintenance, and capital costs.

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**Attachments:**

Attachment 1 - Background

Exhibit A - Q1 Budget Variance Summary Report: provides a comparison of actual revenues and expenses against the FY 2017/18 amended budget including a discussion of major categories with significant variances.

Exhibit A - Detail: detail items on revenue and expense categories.

Exhibit B - Business Goals and Objectives Report by Department: progress status of Division and Department Goals and Objectives as established in the FY 2017/18 adopted budget.

Exhibit C-1 - Summary of Annual Budget Transfers in the first quarter.

Exhibit C-2 - Summary of the GM Contingency account activity.

Exhibit D - Total Project Budget transfers for capital and O&M projects in the first quarter.

Exhibit E - Financial overview of individual Agency's funds for FY 2017/18.

Attachment 2 - PowerPoint

## Background

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Subject: Fiscal Year 2017/18 First Quarter Budget Variance, Performance Goals Updates, and Budget Transfers

---

The Budget Variance report presents the Agency's financial performance through the end of first quarter ending September 30, 2017, includes the following highlights:

### **TOTAL REVENUES AND OTHER FUNDING SOURCES**

Overall, the Agency received total revenues and other funding sources for the first quarter of FY 2017/18 of \$50.7 million, or 22.7% of the amended budget (Exhibit A detail). The following section highlights key variances:

- **User Charges** – Total user charges were \$18.7 million or 24.0% of the amended budget. The category includes equivalent dwelling unit (EDU) volumetric charges of \$15.7 million, \$2.5 million of non-reclaimable wastewater fees paid by industrial and commercial users, and \$0.4 million of water related charges.
- **Property Taxes** – There were no property tax receipts in the first quarter. This is in line with past fiscal years as property tax receipts commence in November. The amended budget of \$46.0 million is expected from November 2017 through June 2018.
- **MWD Imported Water Sales** – Total MWD pass-through imported water revenue was \$14.9 million or 43.5% of amended budget. A total of 28,914 Acre Feet (AF) of pass through water was delivered compared to 50,000 AF budgeted for the fiscal year. Typically, water sales are high in dry months from July through September. Last year 37% of actual water sales of 42,096 AF occurred in the first quarter.
- **Connection Fees** – Total connection fee receipts of \$6.5 million, or 28.1% of the amended budget, included \$4.7 million for new EDU connections, and \$1.8 million for new water connections. There were 746 new EDU connections in the first quarter, compared to the adopted budget of 3,000 for the fiscal year. The budget will be amended to 4,000 EDU connections based on updated member agency forecasts. The 558 new water connections recorded in the first quarter account for 43% of the \$4.2 million water connection fee budget for FY 2017/18.
- **Other Revenues** – Total other revenues were \$0.9 million, or 34.8% of the \$2.5 million amended budget. Total other revenues include \$0.2 million from lease, and \$0.6 million in project reimbursements. The project reimbursement receipts are 36.6% of the amended budget.

### **TOTAL EXPENSES AND USES OF FUNDS**

The Agency's total expenses and uses of funds through the end of the first quarter were \$53.7 million, or 21.8% of the amended budget. The amended budget includes \$14.0 million of

encumbrances and commitments carried forward from FY 2016/17 comprised of \$2.0 million for O&M expenses, \$6.9 million for special projects (non-capital), and \$5.1 million for capital projects.

Key expense variance highlights are:

- **Employment Expenses** – Employment expenses were \$11.2 million or 24.6% of the amended budget of \$45.5 million, net of \$6.2 million allocation to project labor. The category amended budget of \$45.4 million includes \$7 million for the Agency's other post-employment benefits (OPEB) and unfunded accrued liability (UAL) retirement accounts, of which 25 percent, or \$1.75 million of expense has been accrued to the first quarter. Recruitment of key positions as part of the Agency's succession planning effort will continue in the future quarters.
- **Professional Fees & Services** – Total expenses were \$1.2 million, or 9.2% of the amended budget. The positive variance can be attributed to the timing of contracts and services that are anticipated to be executed in the future quarters.
- **Debt Service** – Debt service in the first quarter totaled \$7.9 million or 35.6% of the amended budget. Actual expenses include \$4.2 million paid towards the principal of the 2010A Revenue bonds, \$2.2 million for other bond and loan principal payments, and \$1.5 million for interest and financial administration fees.
- **O&M (Non-capital) Projects** – O&M and reimbursable project costs were \$3.8 million or 15.8% of the amended budget. The favorable variance is mainly due to lower spending for Santa Ana River Conservation & Conjunction Use Program (SARCCUP) and other water related projects. The category expenses include \$2.5 million of pass through grant proceeds that were remitted to the Chino Basin Desalter Authority.
- **Capital Projects** – Total capital project expenditures through the end of first quarter were \$6.3 million or 8.7% when compared to the amended budget of \$71.9 million. The amended budget includes encumbrances of \$5.1 million of budget carried forward from FY 2016/17. Capital project costs and budget related to the regional wastewater program were \$5.5 million, or 10.6% of \$51.8 million budget. Recycled water capital projects accounted for \$0.4 million of expenses, or 3.2% of \$12.9 million budget.

A detailed explanation of significant revenue and expenses are included in the attached Exhibit A.

## FUND BALANCES AND RESERVES

The net decrease of \$3.0 million in total fund balance in the first quarter resulted in an unaudited ending fund balance of \$178.1 million.

Table 1 provides an overview of the fiscal year budget variance in revenue, expense, and fund balance.

**Table 1: Fiscal Year Revenues, Expenses, and Fund Balance (\$Millions)**

<b>Operating</b>	<b>FY 2017/18 Amended Budget</b>	<b>Quarter Ended 9/30/17</b>	<b>Actual % of Amended Budget</b>
Operating Revenue	\$138.6	\$40.2	29.0%
Operating Expense	\$151.9	\$39.3	25.9%
<b>Operating Net Increase/(Decrease)</b>	<b>(\$13.3)</b>	<b>\$0.9</b>	
<b>Non- Operating</b>			
Non-Operating Revenue	\$85.0	\$10.5	12.3%
Non-Operating Expense	\$94.3	\$14.4	15.3%
<b>Non-Operating Net Increase/(Decrease)</b>	<b>(\$9.3)</b>	<b>(\$3.9)</b>	
Total Sources of Funds	\$223.6	\$50.7	22.7%
Total Uses of Funds	\$246.2	\$53.7	21.8%
<b>Total Net Increase/(Decrease)</b>	<b>(\$22.6)</b>	<b>(\$3.0)</b>	
Beginning Fund Balance	\$181.1	\$181.1	
<b>Ending Fund Balance</b>	<b>\$158.6</b>	<b>\$178.1</b>	

## GOALS AND OBJECTIVES

Exhibit B provides information on division and related department goals and objectives and the status of each through the end of the first quarter. The goals and objective indicators are used to track the volume and complexity of work by type and to track the effort invested to accomplish that work. Staff use the performance indicators to track productivity and to justify current resource allocations, re-allocation and requests for additional staff.

## BUDGET TRANSFERS AND AMENDMENTS

O&M budget transfers for this quarter accounted for \$356 thousand as detailed in Exhibit C-1.

The *General Manager (GM) Contingency Account* adopted budget of \$300,000 was in the Administrative Services Fund. At the end of the first quarter, \$1,880 was utilized to support the unexpected but necessary expenses as listed in Exhibit C-2.

*Capital and O&M projects* total project budget transfers accounted for approximately \$340,000 as listed in Exhibit D.



The budget variance analysis report is consistent with the Agency's business goal of Fiscal Responsibility: to demonstrate the Agency appropriately funded operational, maintenance, and capital costs.

**IMPACT ON BUDGET**

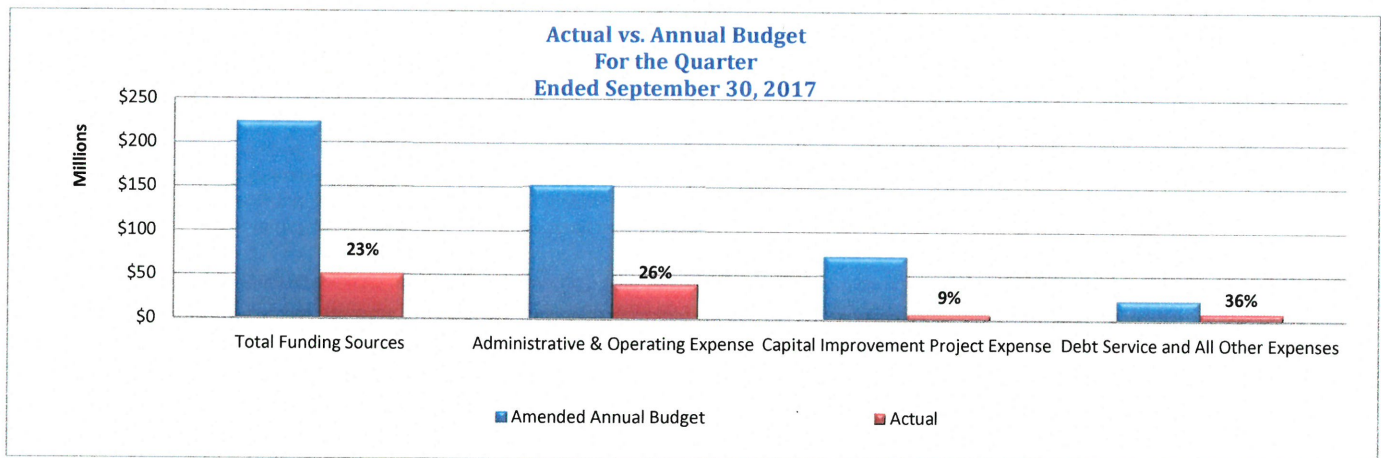
The net change in total expenses over total revenues in the amount of \$3.0 million resulted in a total estimated fund balance of \$178.1 million for the first quarter ended September 30, 2017.

I. Actual vs. Budget Summary:

Quarter Ended September 30, 2017

% of the Year  
Elapsed: 25%

	Adopted Annual Budget	Amended Annual Budget	Actual	Amended vs. Actual	% of Amended Budget
Operating Revenues	\$138,657,646	\$138,657,646	\$40,199,749	(\$98,457,897)	29.0%
Non-Operating (Other Sources of Fund)	84,970,077	84,970,077	10,477,775	(74,492,302)	12.3%
<b>TOTAL FUNDING SOURCES</b>	<b>223,627,723</b>	<b>223,627,723</b>	<b>50,677,524</b>	<b>(172,950,199)</b>	<b>22.7%</b>
Administrative & Operating Expense	(143,803,515)	(151,861,545)	(39,287,618)	112,573,927	25.9%
Capital Improvement Project Expense	(69,150,198)	(71,855,243)	(6,274,817)	65,580,426	8.7%
Debt Service and All Other Expenses	(23,681,051)	(22,455,617)	(8,154,272)	14,301,345	36.3%
<b>TOTAL USES OF FUNDS</b>	<b>(236,634,764)</b>	<b>(246,172,405)</b>	<b>(53,716,707)</b>	<b>192,455,698</b>	<b>21.8%</b>
Surplus/(Deficit)	(\$13,007,041)	(\$22,544,682)	(\$3,039,183)	\$19,505,499	



2. Actual Revenue vs. Budget:

Quarter Ended September 30, 2017					% of the Year Elapsed: 25%
	Adopted Annual Budget	Amended Annual Budget	Actual	Amended vs. Actual	% of Amended Budget
<b>Operating Revenues:</b>					
User Charges	\$77,755,499	\$77,755,499	\$18,664,536	(\$59,090,963)	24.0%
Recycled Water Sales	17,245,000	17,245,000	4,818,255	(12,426,745)	27.9%
MWD Water Sales	34,167,480	34,167,480	14,870,581	(19,296,899)	43.5%
Property Tax - O&M	1,972,200	1,972,200	0	(1,972,200)	0.0%
Cost Reimbursement	6,355,334	6,355,334	1,829,296	(4,526,038)	28.8%
Interest	1,162,133	1,162,133	17,081	(1,145,052)	1.5%
<b>OPERATING REVENUES</b>	<b>138,657,646</b>	<b>138,657,646</b>	<b>40,199,749</b>	<b>(98,457,897)</b>	<b>29.0%</b>
<b>Non-Operating Revenues:</b>					
Property Tax - Debt, Capital, Reserves	\$44,073,800	\$44,073,800	\$0	(\$44,073,800)	0.0%
Connection Fees	23,095,710	23,095,709	6,493,328	(16,602,381)	28.1%
Grants & Loans	15,284,858	15,284,858	3,107,960	(12,176,898)	20.3%
Other Revenue	2,515,709	2,515,710	876,487	(1,639,223)	34.8%
<b>NON-OPERATING REVENUES</b>	<b>84,970,077</b>	<b>84,970,077</b>	<b>10,477,775</b>	<b>(74,492,302)</b>	<b>12.3%</b>
<b>Total Revenues</b>	<b>\$223,627,723</b>	<b>\$223,627,723</b>	<b>\$50,677,524</b>	<b>(\$172,950,199)</b>	<b>22.7%</b>

- User Charges, 24%** User charges were \$18.7 million, or 24.0% of the amended budget. The category includes equivalent dwelling unit (EDU) volumetric charges of \$15.7 million, \$2.5 million non-reclaimable wastewater fees paid by industrial and commercial users connected to the brine line system, and \$0.4 million of monthly meter charges (Meter Equivalent Unit - MEU) imposed on all potable water connections, Readiness-to-Serve Ten Year Rolling Average (RTS TYRA) charges to meet our Readiness-to-Serve obligation from Metropolitan Water District (MWD), and water use efficiency program receipts.
- Property Tax/ AdValorem, 0%** General ad-valorem property tax receipts from the San Bernardino County Tax Assessor will commence in November 2017 as collection on the first installment from property owners will be due on November 1st to the County. Payment of incremental pass through taxes are due from the County in January and June.
- Recycled Water Sales, 27.9%** Recycled water direct sales were \$3.8 million for 8,249 acre feet (AF) and groundwater recharge sales were \$1.0 million for 1,884 AF, for a combined total of \$4.8 million. Recycled water sales through the first quarter show a slight decline from previous year's first quarter delivery of 11,495 AF of recycled and recharge water comined deliveries. Total deliveries of 35,500 AF f (22,000 AF Direct and 13,500 AF Recharge) are budgeted for the current fiscal year. Sales demand for direct use and groundwater recharge varies depending on weather patterns, water use conservation efforts, reuse supply, and basin availability.
- Interest Income, 1.5%** Interest Income is \$0.2 million or 1.5% of the annual budget. The Agency's yield on its portfolio is anticipated to increase after the appointment of an investment advisor.
- MWD Water Sales, 43.5%** Total Metropolitan Water District (MWD) pass-through imported water revenue was \$14.9 million or 43.5% of amended budget. A total of 28,914 AF of pass through water was delivered compared to 50,000 AF budgeted for FY 2017/18 exceeding last year's first quarter deliveries of 15,382 AF.
- Connection Fees, 28.1%** Total connection fees were \$6.5 million, or 28.1% of the amended budget. This category includes \$4.7 million for 746 new EDU connections compared to the 3,000 budgeted for the fiscal year. This category also includes water connection fees implemented in FY 2015/16. A total of \$1.8 million for 558 new water (MEU) connections or 43% of the \$4.2 million budget. Water connection fees are a one-time fees paid directly to the Agency for any new or upsized water meter connection to the Agency's regional water distribution system.
- Grants and Loans, 20.3%** Grant and loan receipts were \$3.1 million, or 20.3% of the amended budget. Included is \$2.5 million of grant receipts pass-through to the Chino Basin Desalter Authority for the South Archibald Trichlorethylene (TCE) Plume Cleanup project and \$0.6 million of State Revolving Fund (SRF) loan for the regional water quality laboratory. Additional loan proceeds related to the Recharge Water and Regional Wastewater Operations and Maintenance programs are anticipated in the remainder of the fiscal year.
- Cost Reimbursements JPA, 28.8%** Total cost reimbursements were \$1.8 million, or 28.8% of the amended budget. Category actuals include reimbursements of \$0.9 million from the Inland Empire Regional Composting Authority (IERCA) and \$0.4 million from Chino Basin Desalter Authority (CDA) for the Agency's operation & maintenance of the IERCA Composter and CDA Desalter facilities. Also included is \$0.5 million from Chino Basin Watermaster (CBWM) for operations & maintenance costs related to the groundwater recharge basins, net of the Agency's pro-rata share for the recycled water recharge costs. Total cost reimbursement budget of \$6.4 million includes: \$3.8 million from IERCA, \$1.5 million from CDA, and \$1.1 million from CBWM.
- Other Revenues, 34.8%** Total other revenues were \$0.9 million, or 34.8% of the \$2.5 million amended budget. Total other revenues include \$0.2 million from lease revenue, and \$0.6 million in project reimbursements. Project reimbursement receipts are approximately 36.6% of the amended budget.

3. Actual Operating and Capital Expense vs. Budget:



Quarter Ended September 30, 2017

% of the Year  
Elapsed: 25%

	Adopted Annual Budget	Amended Annual Budget	Actual	Amended vs. Actual	% of Amended Budget
<b>Operating Expenses:</b>					
Employment	\$45,456,563	\$45,456,563	\$11,164,796	\$34,291,767	24.6%
Admin & Operating	98,346,952	106,404,982	28,122,822	\$78,282,160	26.4%
<b>OPERATING EXPENSES</b>	<b>\$143,803,515</b>	<b>\$151,861,545</b>	<b>\$39,287,618</b>	<b>\$112,573,927</b>	<b>25.9%</b>
<b>Non-Operating Expenses:</b>					
Capital	69,150,198	71,855,243	6,274,817	\$65,580,426	8.7%
Debt Service and All Other Expenses	23,681,051	22,455,617	8,154,272	\$14,301,345	36.3%
<b>NON-OPERATING EXPENSES</b>	<b>\$92,831,249</b>	<b>\$94,310,860</b>	<b>\$14,429,089</b>	<b>\$79,881,771</b>	<b>15.3%</b>
<b>Total Expenses</b>	<b>\$236,634,764</b>	<b>\$246,172,405</b>	<b>\$53,716,707</b>	<b>\$192,455,698</b>	<b>21.8%</b>

Employment Expenses net of allocation to projects

**Employment, 24.6%**

Employment expenses were \$11.2 million or 24.6% of the amended budget. Succession planning hiring is expected to ramp up in the remainder of the fiscal year which should bring employment expenses in line with the budget at the end of the fourth quarter. The category budget also includes \$7.0 million paid toward the agency employee retirement unfunded liabilities.

Administrative & Operating Expenses

**Office and Administrative, 15.7%**

The favorable variance was in part due to the inclusion of \$298,120 GM contingency budget which represents 12% of the overall category budget. Also contributing to the positive variance are lower advertising and department training expense. A portion of the department training budget is reserved for specific conferences and events that will occur in the future quarters of the fiscal year.

**Professional Fees & Services, 9.2%**

Total expenses were \$1.2 million, or 9.2% of the amended budget. The positive variance can be attributed to the timing of contracts and services that are anticipated in future quarters, such as Utiliquist Dig Alert Consultant and Dig Alert Notifications.

**Materials & Supplies/Leases/Contribution, 17.8%**

Expenses through the end of first quarter were \$0.7 million or 17.8% of the budget. The category includes spending of \$0.68 million for materials and supplies, and \$0.01 million for leases and rental related expenses. The favorable variance was primarily due to staff's effort to monitor operational equipment usage to ensure maximum use from supplies. As a result, operations-related repairs required fewer corrective tasks than were budgeted.

**Biosolids Recycling, 21.5%**

Biosolids expenses were \$1.0 million or 21.5% of the budget. Year to date total tonnage shipped to IERCA was 14,625 tons at an IERCA rate of \$56 per ton. Total tonnage hauled from IEUA was 13,370 tons at a blended rate of \$5.80 per ton.

**Chemicals, 18.8%**

Chemical expenses were \$0.9 million, or 18.8% of budget. The majority of the category spending, \$0.4 million or 32% of budget, was for Sodium Hypochlorite which cost \$0.59 per gallon. High spending on Sodium Hypochlorite was offset by low usage of Sodium Bisulfite. This chemical was not in demand during the first quarter because it was peak recharge water season so discharging of regional wastewater decreased.



**Operating Fees, 22.4%**

Spending in this category was \$2.7 million, or 22.4% of the amended budget. Non-reclaimable wastewater system related operating fees of \$2.0 million account for the majority of the category expenses. The category also includes \$0.7 million of expenses for readiness-to-serve obligation collected by MWD, budgeted at \$3.0 million.

**MWD Water Purchases, 46.7%**

Total MWD pass-through imported water purchases were \$14.9 million for 28,914 AF or 46.7% of 50,000 AF budgeted for the fiscal year. Demand for water typically declines in the winter months, so the unfavorable variance in this category is expected to decrease in the next two quarters.

**Utilities, 25.7%**

Total category expenses were \$2.5 million of the \$9.8 million amended budget. The slight unfavorable variance is due to higher than budgeted electricity expenses offset by low solar power and disposal service expenses. Electricity expense is higher than anticipated at RP-5 since the REEP has been offline since August 2017.

**O&M and Reimbursable Projects, 15.7% and 18.1%**

The combined O&M and reimbursable project costs were \$3.8 million or 15.8% of their combined amended budget. The amended budget includes \$6.9 million of encumbrances carried forward from FY 2016/17. The favorable variance is mainly due to lower spending for Santa Ana River Conservation & Conjunction Use Program (SARCCUP) and other water efficiency and planning document projects related to the Water Resources fund, and maintenance and repair projects such as Agency-Wide Aeration Panel Replacement. The category expenses include \$2.5 million of pass through grant proceeds that were remitted to the Chino Basin Desalter Authority (CDA).

**Financial Expenses****Financial Expense, 35.6%**

Total financial expenses were \$7.9 million through the end of the first quarter. Actual costs included \$4.2 million paid towards the principal of the 2010A bonds. Other bond and loan principal payments were \$2.2 million, and the remaining \$1.5 million was for interest and financial administration fees.

**Other Expenses****Other Expenses, 73.4%**

Total other expenses were \$302 thousand or 73.4% compared to budget through the end of the first quarter. Other expenses includes annual contributions-in-aid to the Santa Ana Watershed Project Authority.

**Capital Expenses****Capital Costs, 8.7%**

Total capital project expenditures through the end of first quarter were \$6.3 million or 8.7% when compared to the amended budget of \$71.9 million. The amended budget includes encumbrances of \$5.1 million of budget carried forward from FY 2016/17. Capital project costs and budget related to the regional wastewater program through the first quarter were \$5.5 million, or 10.6% of the \$51.8 million program budget. Recycled water capital projects accounted for \$0.4 million, or 3.2% of \$12.9 million budget. The execution of multiple recycled water projects was delayed due to delayed notification of the Proposition 1 State Revolving Fund (SRF) loan award. The schedule of these projects will be revised.

Summary of major capital and special project expenses and status as of September 30, 2017			
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Capital Projects		Amended FY 2017/18	YTD Expenditure	Budgeted Amount Remaining
EN15008	<b>Water Quality Laboratory</b> The scope of the project is the construction of a new, state of the art, 17,000 sq. laboratory and expansion of the existing central plant to supply chilled water for the laboratory air conditioning and heating system. The project is funded in part by State Revolving Fund (SRF) loan proceeds. Currently, the project is in the construction phase and is progressing according to schedule and is projected to be completed near the end of 2018.	11,300,000	1,738,818	9,561,182
EN14019	<b>RP-1 Headworks Gate Replacement</b> This project includes the full replacement of the 17 existing headworks gates at RP-1 with new stainless steel gates. These gates were deemed significantly deficient during a full condition assessment conducted in July of 2009. The project is currently in the construction phase.	5,200,256	106,124	5,094,132
EN13001	<b>San Sevaine Basin Improvements</b> As part of the 2013 Amendment to the 2010 Recharge Master Plan Update (RMPU), this project will evaluate, design, and construct basin improvements needed to maximize infiltration and recharge capture at the San Sevaine basins. The final recommendation from the preliminary development report proposes to implement, a new storm water/recycled water pump station in Basin 5, directly tie it into all existing RW pipeline, place new pipelines and headwalls in Basins 1, 2 and 3, and install monitoring wells and lysimeters. The proposed improvements will add 642 AF per year of storm water and 4,100 AF per year of recycled water for groundwater recharge. This project is currently in construction.	4,320,000	21,799	4,298,201
EN17110	<b>RP-4 Process Improvements</b> This project involves improvements to different processes and operational functional flexibility at RP-4. The project is currently in pre-design and is performing on time in relation to the project's schedule.	2,962,350	124,148	2,838,202

O&M & Reimbursable Projects		Amended FY 2017/18	YTD Expenditure	Budgeted Amount Remaining
PA17006	<b>Agency-Wide Aeration Panel Replacements</b> The project scope involves the replacement of aeration panels at RP-1, RP-4, RP-5, and CCWRF. The aeration panel replacement will improve oxygen transfer efficiency and operational effectiveness of the wastewater treatment process.	4,048,511	155,937	3,892,574
EN16021	<b>TCE Plume Cleanup</b> In June 2015, IEUA entered into an agreement with the Chino Basin Desalter Authority (CDA) to fund a project designed to remediate the South Archibald Plume. Currently the project faces issues concerning property acquisition that have caused delays in the project's timeline. Mitigation of these delays will be attempted during the design and/or construction phases of the project. The project's budget was amended in the second quarter by \$2.5 million to account for a pass-thru grant remitted to CDA of the same dollar amount.	1,350,000	2,475,357	(1,125,357)
WR16024	<b>SARCCUP</b> The Santa Ana River Conservation & Conjunctive Use Program is known as SARCCUP. It was created with various other water agencies to utilize funds from SAWPA Prop 84 grants to develop a watershed-scale conjunctive use program. A Decision Support Model to help understand facility needs and operating costs is in the final stages and modeling efforts are currently evaluating alternative projects for consideration.	3,138,398	1,298	3,137,100

**INLAND EMPIRE UTILITIES AGENCY**  
**Fiscal Year 2017/18**  
**CONSOLIDATED BUDGET VARIANCE ANALYSIS REPORT**  
**Quarter Ended September 30, 2017**

	Adopted FY 2017/18 Annual Budget	Amended FY 2017/18 Annual Budget	YTD Actual	YTD Variance	YTD % Budget Used
<b><u>OPERATING REVENUES</u></b>					
User Charges	\$77,755,499	\$77,755,499	\$18,664,536	(\$59,090,963)	24.0%
Recycled Water	17,245,000	17,245,000	4,818,255	(12,426,745)	27.9%
MWD Water Sales	34,167,480	34,167,480	14,870,581	(19,296,899)	43.5%
Property Tax - O&M	1,972,200	1,972,200	-	(1,972,200)	0.0%
Cost Reimbursement from JPA	6,355,334	6,355,334	1,829,296	(4,526,038)	28.8%
Interest Revenue	1,162,133	1,162,133	17,081	(1,145,052)	1.5%
<b>TOTAL OPERATING REVENUES</b>	<b>\$138,657,646</b>	<b>\$138,657,646</b>	<b>\$40,199,749</b>	<b>(\$98,457,897)</b>	<b>29.0%</b>
<b><u>NON-OPERATING REVENUES</u></b>					
Property Tax	\$44,073,800	\$44,073,800	\$0	(\$44,073,800)	0.0%
Connection Fees	23,095,710	23,095,709	6,493,328	(16,602,381)	28.1%
Grants	5,970,459	5,970,459	2,510,967	(3,459,492)	42.1%
SRF Loan Proceeds	9,314,399	9,314,399	596,993	(8,717,406)	6.4%
Project Reimbursements	1,637,073	1,607,074	588,397	(1,018,677)	36.6%
Other Revenue	878,636	908,636	288,090	(620,546)	31.7%
<b>TOTAL NON OPERATING REVENUES</b>	<b>\$84,970,077</b>	<b>\$84,970,077</b>	<b>\$10,477,775</b>	<b>(\$74,492,302)</b>	<b>12.3%</b>
<b>TOTAL REVENUES</b>	<b>\$223,627,723</b>	<b>\$223,627,723</b>	<b>\$50,677,524</b>	<b>(\$172,950,199)</b>	<b>22.7%</b>
<b><u>ADMINISTRATIVE and OPERATING EXPENSES</u></b>					
<b>EMPLOYMENT EXPENSES</b>					
Wages	\$24,670,593	\$24,670,593	\$7,310,294	\$17,360,299	29.6%
Benefits	20,785,970	20,785,970	3,854,502	16,931,468	18.5%
<b>TOTAL EMPLOYMENT EXPENSES</b>	<b>\$45,456,563</b>	<b>\$45,456,563</b>	<b>\$11,164,796</b>	<b>\$34,291,767</b>	<b>24.6%</b>
<b>ADMINISTRATIVE EXPENSES</b>					
Office & Administrative	\$1,577,192	\$2,388,733	\$375,802	\$2,012,931	15.7%
Insurance Expenses	850,000	845,752	210,500	635,252	24.9%
Professional Fees & Services	11,233,702	12,705,599	1,174,135	11,531,464	9.2%
O&M Projects	15,932,563	22,935,183	3,605,306	19,329,877	15.7%
Reimbursable Projects	775,000	969,058	175,473	793,585	18.1%
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$30,368,457</b>	<b>\$39,844,325</b>	<b>\$5,541,216</b>	<b>\$34,303,109</b>	<b>13.9%</b>



**INLAND EMPIRE UTILITIES AGENCY**  
**Fiscal Year 2017/18**  
**CONSOLIDATED BUDGET VARIANCE ANALYSIS REPORT**  
**Quarter Ended September 30, 2017**

	Adopted FY 2017/18 Annual Budget	Amended FY 2017/18 Annual Budget	YTD Actual	YTD Variance	YTD % Budget Used
<b>OPERATING EXPENSES</b>					
Material & Supplies/Leases	\$3,224,862	\$3,875,427	\$688,171	\$3,187,256	17.8%
Biosolids Recycling	4,359,942	4,442,798	956,145	3,486,653	21.5%
Chemicals	4,549,446	4,657,195	877,154	3,780,041	18.8%
MWD Water Purchases	34,167,480	31,856,220	14,870,581	16,985,639	46.7%
Operating Fees/RTS Fees/Exp. Alloc.	11,908,272	11,894,780	2,666,059	9,228,721	22.4%
Utilities	9,768,493	9,834,237	2,523,496	7,310,741	25.7%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$67,978,495</b>	<b>\$66,560,657</b>	<b>\$22,581,606</b>	<b>\$43,979,051</b>	<b>33.9%</b>
<b>TOTAL ADMINISTRATIVE and OPERATING EXPENSES</b>	<b>\$143,803,515</b>	<b>\$151,861,545</b>	<b>\$39,287,618</b>	<b>\$112,573,927</b>	<b>25.9%</b>
<b><u>NON-OPERATING EXPENSES</u></b>					
<b>CAPITAL OUTLAY</b>	<b>\$69,150,198</b>	<b>\$71,855,243</b>	<b>\$6,274,817</b>	<b>\$65,580,426</b>	<b>8.7%</b>
<b>FINANCIAL EXPENSES</b>					
Principal, Interest and Financial Expenditures	22,043,492	22,043,492	7,851,830	14,191,662	35.6%
<b>OTHER NON OPERATING EXPENSES</b>	<b>1,637,559</b>	<b>412,125</b>	<b>302,442</b>	<b>109,683</b>	<b>73.4%</b>
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$92,831,249</b>	<b>\$94,310,860</b>	<b>\$14,429,089</b>	<b>\$79,881,771</b>	<b>15.3%</b>
<b>TOTAL EXPENSES</b>	<b>\$236,634,764</b>	<b>\$246,172,405</b>	<b>\$53,716,707</b>	<b>\$192,455,698</b>	<b>21.8%</b>
<b>REVENUES IN EXCESS/ (UNDER) EXPENSES</b>	<b>(\$13,007,041)</b>	<b>(\$22,544,682)</b>	<b>(\$3,039,183)</b>	<b>\$19,505,499</b>	
<b>FUND BALANCE SUMMARY</b>					
Beginning Balance, July 01	\$156,653,284	181,121,852	\$181,121,852	\$0	
Surplus/ (Deficit)	(13,007,041)	(22,544,682)	(3,039,183)	19,505,499	
<b>ENDING BALANCE, June 30</b>	<b>\$143,646,243</b>	<b>\$158,577,170</b>	<b>\$178,082,669</b>	<b>\$19,505,499</b>	



# Business Goals & Objectives Report By Department

FY 2017/18 – 1<sup>st</sup> Quarter

Department: ALL

Report Month: July, August, September; Year: 2017

Exhibit B

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Agency Management</b>														
313	FY 2017/18	Monthly	Agency Management	B	Ensure staff is fully trained on administrative functions and policies included in Administrative Code	In the process of developing the Administrative Handbook and Board of Director Bylaws	Administrative Code will be completed by December 2017	Monthly meetings are held to review/revise the policies. Six to eight policies are reviewed monthly	April Woodruff	November	2017	On Schedule		The IEUA handbook is scheduled for the 12/06/17 Board workshop and is 100% complete
314	FY 2017/18	Monthly	Agency Management	C	Provide support for positions that would enable the implementation of the Agency's goals.	Develop a standard operating procedure handbook for the Executive Management Department.	To be completed by June 2018	Complete 3 - 4 SOPs per month	April Woodruff	November	2017	On Schedule		Several SOPs were created. This is anticipated to be 45% complete.
315	FY 2017/18	Monthly	Agency Management	C	Provide support for positions that would enable the implementation of the Agency's goals.	Update and maintain Board Secretary Handbook	To be completed by June 2018	Monthly handbook review	April Woodruff	November	2017	On Schedule		Several SOPs were created. This is anticipated to be 75% complete.
317	FY 2017/18	Monthly	Agency Management	E	Continue the process of collaborative negotiations in support of reaching mutually agreeable terms for the new Regional Contract.	Renegotiate the Regional Contract set to expire in 2023	Member agencies and the Technical Committee are working towards a development plan. TAC meetings are held monthly.	Track Technical Committee meeting minutes for status updates throughout fiscal year.	April Woodruff	November	2017	On Schedule		The Technical Committee contracted with a facilitator for the Regional Contract negotiations. The facilitator has met with most of the member agencies and completed phase 1. The results of their assessment interviews will be provided prior to the end of 2017.
<b>Business Information Services</b>														
318	FY 2017/18	Quarterly	Agency Management	A	Continue commitment to sustainable cost containment for operating and capital costs.	Maintain SAP professional services expenses within annual budget amount	To continue throughout fiscal year	Monitoring department budget with budget variance report	Kanes Pantayatiwong	September	2017	On Schedule		Support cost in this quarter was \$5,440, which is less than the quarterly average budget of \$22,700.
320	FY 2017/18	Quarterly	Agency Management	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments	Optimize grant administration through process improvements and/or SAP enhancements and provide recommendation report	Deliver recommendation report by August 15, 2017	Reduction in grant processing time (will require baseline) report to be developed based on the number of tasks required	Kanes Pantayatiwong	September	2017	On Schedule		Completed the high-level grant administration assessment with the consultant. Met with executives to provide the assessment results and recommendations.
321	FY 2017/18	Quarterly	Agency Management	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments	Implement approved changes to grants administration process improvements and/or SAP enhancements	Complete by December 1, 2017	Reduction of grant processing time (will require baseline) to be implemented based on report findings	Kanes Pantayatiwong	September	2017	On Schedule		Minor updates to SAP Grant Management module were made and training provided to users. New grants were entered into the system.
322	FY 2017/18	Quarterly	Agency Management	A	Integrate projects identified in the long range financial planning documents, such as the Asset Management Plan, Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, into the operating and capital budgets.	Complete Master Plan by FY 2018	GIS Master Plan to be completed by June 30, 2018	Monitor progress then obtain final GIS Master Plan report through consultant	Kanes Pantayatiwong	September	2017	On Schedule		Draft of GIS Master Plan RFP began in this quarter. The plan was to publish the RFP, complete the evaluation and present the final recommended vendor for the assessment in Q2.
323	FY 2017/18	Quarterly	Agency Management	A	Integrate projects identified in the long range financial planning documents, such as the Asset Management Plan, Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, into the operating and capital budgets.	Complete a needs assessment for enhancing ESS/MSS with additional functionality by FY 2018	ESS/MSS Enhancements to be completed by June 30, 2018	Manager will meet with staff quarterly to obtain status updates until needs assessment is finalized.	Kanes Pantayatiwong	September	2017	On Schedule		A series of meetings held with HR, Accounting and key users to solicit for root causes of delayed timesheet submittal and approval, as well as ideas and requests for improvements to the overall timesheet entry and approval processes.

11/15/2017

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Business Information Services (continued):</b>														
324	FY 2017/18	Quarterly	Agency Management	A	Integrate projects identified in the long range financial planning documents, such as the Asset Management Plan, Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, into the operating and capital budgets.	Provide support to Operations and Maintenance division on the 8-phase improvement project.	Quarterly until completion.	The Maintenance Project Plan	Kanes Pantayatiwong	September	2017	On Schedule		Provided assistance with the RFP draft, pre-bid meeting and proposal evaluation. Served as a member of the project steering committee.
325	FY 2017/18	Quarterly	Agency Management	A	Expand dashboard development to enhance financial reporting	Promote business data-driven decision making in all business areas	Quarterly	Deploy one to two new dashboards or significantly enhance one to two existing dashboards quarterly	Kanes Pantayatiwong	September	2017	On Schedule		Completed the delayed timesheet dashboard to help monitor the Agency's progress with timesheet approval. In process of developing the General Manager dashboard. In process of developing the database design for extracting labor data for reports and dashboards.
326	FY 2017/18	Quarterly	Agency Management	B	Draft a new consolidated Personnel Rules and Regulations for the Agency across all bargaining units, streamlining individual Unit MOUs by December 2017.	Provide SAP test environment by 4/1/2018 to validate the technical feasibility of any proposed MOU changes in preparation for and during the negotiation	1/1/2018 – Complete review of existing rules and configurations. 4/1/2018 – SAP test environment ready for testing proposed changes	By January 2018 complete review of existing rules and configurations. By April of 2018 provide an SAP test environment to HR.	Kanes Pantayatiwong	September	2017	On Schedule		Worked with ISS to determine the best options for hosting the SAP test systems needed for the MOU negotiation. Solution included a procurement of a hardware, which is planned to be purchased in Q2.
328	FY 2017/18	Quarterly	Agency Management	B	Uphold a strong internal control environment by conducting independent objective internal and external audits of Agency's business practices.	Establish SOPs for key business functions within the department by end of FY2018	Quarterly - Report to be provided by 10/1/17 on SOPs to complete, Complete all recommended SOPs by 6/30/18	Complete 1/3 of proposed SOPs quarterly in Q2, Q3, and Q4	Kanes Pantayatiwong	September	2017	On Schedule		Completed several key business processes procedures: benefits reconciliation process, HR-to-payroll processes and IERCF billing automation process.
329	FY 2017/18	Quarterly	Agency Management	B	Uphold a strong internal control environment by conducting independent objective internal and external audits of Agency's business practices.	Assess and implement, if deemed necessary, the testing automation system to address the testing needs for SAP changes by end of FY2018	Provide assessment report and, if needed, complete implementation of testing automation system by 6/30/2018	Reduction in testing cycle time and/or increase in test cases	Kanes Pantayatiwong	September	2017	On Schedule		Engaged with two potential vendors with solutions for automating SAP testing as a preparation for the MOU negotiation.
332	FY 2017/18	Quarterly	Agency Management	C	Evaluate cutting-edge, innovative projects to ensure the implementation will benefit customers, water supplies and environmental stewardship.	Document Change Request Management (ChaRM) to include justifications, key objectives, targeted improvements and obtain key stakeholders' approval for all projects requiring more than 80 hours of work by BIS staff	Quarterly	Schedule meetings with requestors to confirm document change needs. Significant enhancements will be monitored on Sharepoint.	Kanes Pantayatiwong	September	2017	On Schedule		SAP Grant Management module will undergo a significant change to support the new functional requirements. A project charter is being developed and scheduled to be completed in Q2.
248	FY 2015/16	Quarterly	Agency Management	A	Continue commitment to cost containment for operating and capital costs.	Maintain cost of external SAP support to be within contracted amounts for all vendors	Meet the set KPI	Actuals <= quarterly average of the contracted amounts	Kanes Pantayatiwong	September	2017	On Schedule		Support cost in this quarter was \$5,440, which is less than the quarterly average budget of \$22,700.
<b>Engineering</b>														
465	FY 2017/18	Monthly	Engineering, Planning and Science	B	Develop and implement a plan to mentor and prepare the next generation of the IEUA team.	Enhance communication and development during a monthly mentoring meeting with Senior and Junior staff.	Ongoing	Conduct mentoring meetings at least 10 times per year.	Shaun Stone	November	2017	On Schedule		Staff conducted two Mentoring Sessions in July; "Estimating Training" and "Design Guidelines".
467	FY 2017/18	Monthly	Engineering, Planning and Science	C	Conduct lessons learned sessions to evaluate key program implementation.	Review and evaluate all projects for best practices that can be applied to future	Ongoing	At a minimum of 10 times per year	Shaun Stone	November	2017	On Schedule		Staff conducted two Lessons Learned in July; "What I have learned as a new member of the Eng. Dept" and

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Engineering (continued):</b>														
469	FY 2017/18	Semi-Annual	Engineering, Planning and Science	E	Develop a monitoring and assessment program to support the implementation of the Asset Management Plan.	Complete Asset Management Plan by November 2019.	Ongoing	Submit progress updates every six months, planned completion by November 2019.	Shaun Stone	November	2017	On Schedule		There is nothing to report at this time, since the goal is to submit a progress update every six months.
471	FY 2017/18	Monthly	Engineering, Planning and Science	E	Implement projects in a timely and cost-effective manner.	Provide high quality project management	Ongoing	Capital spending within Fiscal Year Budget = 90%, Actual expenditures as a percentage of forecasted expenditures = 90%, Project costs within 110% of the Total Project Budget established in the Project Charter = 90%	Shaun Stone	November	2017	On Schedule		Capital spending within Fiscal Year Budget = 83%. Actual expenditures as a percentage of forecasted expenditures = 73%, Project costs within 110% of the Total Project Budget established in the Project Charter = 2 of 3 projects, 67%
473	FY 2017/18	Monthly	Engineering, Planning and Science	E	Implement energy efficient projects and efficiencies into existing facilities and equipment.	Staff are actively reviewing projects for Southern California Edison (SCE) savings programs.	Ongoing over two years	All applicable projects will be sent to SCE for incentives.	Shaun Stone	November	2017	On Schedule		In September, staff attended a meeting with SCE and The Energy Networked "Introduction of SCE's Energy Efficiency Programs". The meeting went over the types of rebates available and how to apply for rebates. As a result of that meeting, staff is continually looking for opportunities.
<b>External Affairs</b>														
439	FY 2017/18	Quarterly	External Affairs and Policy Development	B	Ensure staff upholds their role in achieving the Agency's Mission, Vision, and Values.	Provide staff with opportunities for technical and professional training classes.	Obtain Gold Standard in Laserfiche Management Certified Computer Professional (CCP) by December 2017. Attend ARMA International training by October 2017. Attend Laserfiche Conference by February 2018.	Measure the percentage of Records Management staff trained in Records and Information Management disciplines.	Linda Johnson	November	2017	Behind Schedule		Records Management has had a turnover in 2 FTE staff both of which were obtaining the CCP Certification from Laserfiche. This G&O will be reassigned when FTE staff is replaced for the Laserfiche Administration.
441	FY 2017/18	Quarterly	External Affairs and Policy Development	B	Ensure staff upholds their role in achieving the Agency's Mission, Vision, and Values.	Conduct Agency training on department processes that in support of managing electronic records	Staff to train Agency employees on Laserfiche software for Phases 2-3 by June 30, 2018	Measure the percentage of agency staff trained in records management best practices and management of electronic records.	Linda Johnson	November	2017	On Schedule		The Laserfiche Implementation Team continues the migration of records from the LibertyNet legacy system into the Laserfiche system. Records Management trained 201 Agency-wide employees on the implementation of the Laserfiche Search and Retrieve platform. Laserfiche is on currently on schedule to complete Phases 2-3 by June 30, 2018. Records Management has trained 8 new hire employees in records management procedures and best practices; 17 employees attended records management open house, 16 department records management liaisons attended records management SmartWeb Storetrieve System Training for offsite storage of records.

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>External Affairs (continued):</b>														
443	FY 2017/18	Quarterly	External Affairs and Policy Development	C	Conduct lessons learned sessions to evaluate key program implementation.	Hold department lessons learned meetings to evaluate and improve the effectiveness and efficiency of Agency events and educational programs	Ongoing	Hold 3 per year on major programs/events.	Kathryn Besser	November	2017	On Schedule		Following the Agency's Summer Picnic, External Affairs staff evaluated the success of the picnic and assessed any areas that could be improved. Staff evaluated how changes were received by attendees, such as the location being moved to headquarters. Staff has also continued to review and conduct lessons learned from park tours experiences including staffing, curriculum, and outreach methods and materials.
445	FY 2017/18	Monthly	External Affairs and Policy Development	C	Translate complex water/environmental regulations and the IEUA role in protecting regional programs, economy and environment for the general public and elected officials.	Continue to work with community groups and the regional technical and policy committees to relay information and updates on the complex issues that impacting the region.	Ongoing	Attend monthly Regional Policy and Technical Committee meetings. Attend and present 1 community event per quarter.	Kathryn Besser	November	2017	On Schedule		The Executive Manager of External Affairs and Policy Development/AGM has attended each Regional Policy and Technical committees this quarter. In efforts to build and maintain relationships with the communities of our Member Agencies the Executive Manager of External Affairs and Policy Development/AGM has also attended city hall/Board meetings and given presentations on current topics. This includes the city of Montclair and Monte Vista Water District in September. Staff held a second tour for Assemblymember Eloise Reyes in July. Staff continues to reach out to elected officials in efforts to build and maintain crucial relationships. In August, staff sent out tour invite letters to all Federal State elected officials within the service area. In response to these letters, tours have been scheduled for future dates within FY 17/18.
447	FY 2017/18	Quarterly	External Affairs and Policy Development	C	Provide support for positions that would enable the implementation of the Agency's goals.	Continue to cultivate strong working relationships with elected officials and governmental agencies to help ensure IEUA continues to be a regional leader in water, wastewater and renewable energy issues.	Ongoing	Invite elected officials to Agency events and hold a minimum of 3 VIP tours per year.	Kathryn Besser	November	2017	On Schedule		Staff continues to reach out to elected officials in efforts to build and maintain crucial relationships. In August, staff sent out tour invite letters to all Federal State elected officials within the service area. In response to these letters, tours have been scheduled for future dates within FY 17/18.
451	FY 2017/18	Monthly	External Affairs and Policy Development	E	Develop and analyze processes related to salinity management.	Continue to audit big box stores' inventory of water softeners and continue to work with planning staff to pass ordinances in remaining cities.	Ongoing	Audit 36 stores per year and present findings at city council meetings.	Kathryn Besser	November	2017	On Schedule		Audits and finding presentations will be completed in future quarters of FY 17/18.
455	FY 2017/18	Monthly	External Affairs and Policy Development	F	Conduct educational and outreach programs and activities related to the Agency's key areas of business.	Continue to grow and advance the Agency's educational and outreach programs including increasing the number of students participating in the Water Discovery Program, Water is Life Poster Contest, and Garden in Every School® Program. Continue to expand the Agency's social media presence to increase outreach to community members in the region.	Ongoing	Increase outreach to schools within the region. Increase IEUA's posts on social media to continue to increase the Agency's social media following - post 2-3 times per week	Kathryn Besser	November	2017	On Schedule		On average, the External Affairs department has posted 36 times a month, approximately 7 to 9 posts per week on both Facebook and Twitter accounts. Staff has continued to increase IEUA's social media following and works to create new media content to bring awareness to current water matters.



Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Finance and Accounting</b>														
386	FY 2017/18	Semi-Annual	Finance and Administration	A	Monitor the Agency's cost of service for key Agency programs to ensure rate efficiency related to Non-Reclaimable Wastewater (NRW) System, Regional Wastewater, Recycled Water, Water Resources, Groundwater Recharge, and Organics Management.	Adopt rates that fully meet the cost of service for key Agency programs to ensure rate efficiency related to Non-Reclaimable Wastewater (NRW) System, Regional Wastewater, Recycled Water, Water Resources.	Ongoing	Adopt rates that meet cost of service.	Javier Chagoyen-Laz	November	2017	On Schedule		Staff monitors each fund's revenue, expenditures, and reserve balances. For example, increase the new connection units forecast for next 10 year, based on updated projection from Planning Department and member agencies.
388	FY 2017/18	Semi-Annual	Finance and Administration	A	Continue commitment to sustainable cost containment for operating and capital costs.	Monitoring cost containment for operating and capital costs through budget variance analysis for operating and capital costs.	Ongoing	Verify via analysis and reporting that operating and capital expenditures are on track with annual program fund budgets and adjust if necessary to meet program needs.	Javier Chagoyen-Laz	November	2017	On Schedule		Revenue and expenditures items are monitoring through the budget variance reporting. Departments provide explanation and justification according to the budget variance reporting requirements.
390	FY 2017/18	Semi-Annual	Finance and Administration	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments.	Monitor the receipt of property taxes, optimize grants and other funding sources to support Agency and regional investments.	Ongoing	Review via analysis and reporting that operating and capital revenues are on track with annual program fund budgets.	Javier Chagoyen-Laz	November	2017	On Schedule		Monitoring the Agency's revenue and funding source; property tax, connection fees, recycled water sales, and grants, as well as operations and maintenance expenses, debt service, and capital spending.
396	FY 2017/18	Semi-Annual	Finance and Administration	A	Integrate projects identified in the long range financial planning documents, such as the Asset Management Plan, Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, into the operating and capital budgets.	Update Long Range Plan of Finance (LRPF) and Ten-Year Capital Improvements Plan (TYCIP).	LRPF December 2017	Present to the Board by June 2018.	Javier Chagoyen-Laz	November	2017	On Schedule		Working with Planning and Engineering department; review and discussion on the FY 2017/18 TYCIP, projected funding and debt financing, in preparation of the FY 2018/19 TYCIP update.
398	FY 2017/18	Monthly	Finance and Administration	A	Optimize the Agency's investment of surplus funds in accordance with the Agency's investment policy.	Monitor Agency's cash flow and invest surplus funds in accordance with the Agency's investment policy.	Ongoing	Review cash flow bi-weekly.	Javier Chagoyen-Laz	November	2017	On Schedule		Biweekly review of the Agency's cash flow.
400	FY 2017/18	Semi-Annual	Finance and Administration	A	Continue to monitor market opportunities to reduce cost of outstanding debt.	Monitor market opportunities for retirement, refunding, or restructuring of outstanding debt to reduce costs.	Ongoing	Verify with Agency's financial advisor at least two times a year.	Javier Chagoyen-Laz	November	2017	On Schedule		Continue to work with financial advisor in reviewing and updating the Agency's debt financing strategies that best fit to support the projected capital expenditures.
406	FY 2017/18	Monthly	Finance and Administration	A	Monitor the performance of deferred contribution programs.	Monitor and review monthly reports on deferred contribution.	Ongoing	Review performance monthly.	Javier Chagoyen-Laz	November	2017	On Schedule		Review and monitor performance monthly
408	FY 2017/18	Monthly	Finance and Administration	B	Promote a safer work environment by administering and monitoring required safety and regulatory trainings and increase field presence of Safety staff.	Complete assigned safety tailgate training as provided on the department tracker by the Safety department.	Ongoing	Complete 21 safety tailgates annually and provide safety tailgate sign in sheets to the Safety department to keep safety tailgate tracker updated.	Javier Chagoyen-Laz	November	2017	On Schedule		Staff attends required safety and compliance related training regularly.
104	FY 2017/18	Quarterly	Finance and Administration	A	Reinstate the Agency's long term credit rating to AAA and maintain a debt coverage ratio to support such rating by FY 2017/18	Continue to monitor the Agency's debt coverage ratio and credit rating metrics to ensure the Agency is on track to improving its long term	July-2018	Completed by June 2018	Javier Chagoyen -	November	2017	On Schedule	No	Continue to monitor the Agency credit rating and collaborate with financial advisor in developing financing strategies for supporting the Agency's ten year capital improvement plan (TYCIP).

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Grants Administration</b>														
459	FY 2017/18	Monthly	External Affairs and Policy Development	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments.	Recommend and pursue potential grant opportunities that align with the Agency mission and financial goals.	Ongoing	Provide update on grant opportunities to Executive Management via the monthly General Manager's board report.	Kathryn Besser	November	2017	On Schedule		Update was provided via the monthly General Manager's board report in July, August, and September.
461	FY 2017/18	Quarterly	External Affairs and Policy Development	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments.	Collaborate with the member agencies, JPA's and regional leaders on projects that can be partially funded by grant or SRF loan programs.	Ongoing	Attend regular meetings and participate in conference calls with member agencies and JPA partners to discuss grant and loan opportunities.	Kathryn Besser	November	2017	On Schedule		Conference calls and coordination emails occurred with staff from CVWD, MVWD, City of Montclair, and City of Upland, regarding potential applications for their agencies. Coordination continued with JCSD/Webb on the Joint IEUA-JCSD WRCRWA Intertie project. The Grants Officer has attended most Board and Committee meetings internally, and the "Grants Department Semi-Annual Update" was presented at the September/October Technical and Policy Committee meetings, which include representatives from each of our member agencies.
463	FY 2017/18	Quarterly	External Affairs and Policy Development	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments.	Manage congressional grant authorizations for water desalination projects in the Chino Basin.	Ongoing	Work in conjunction with the Chino Basin Desalter Authority to fulfill applications for funding and manage grants received.	Kathryn Besser	November	2017	On Schedule		Regarding the SWRCB/Division of Drinking Water Proposition 50 grant award of \$53.8 million, the final invoice of \$13.8 million was submitted in September 2017 to close-out the project. A final funding project inspection by SWRCB will be scheduled soon.
<b>Human Resources</b>														
410	FY 2017/18	Quarterly	Finance and Administration	B	Ensure staff upholds their role in achieving the Agency's Mission, Vision, and Values.	Promote a positive work environment that holds managers, supervisors and employees accountable for creating and maintaining respectful and positive work relationships.	Ongoing	Number of onsite visits, lunch and learns and other educational sessions held.	Sharmeen Bhojani	September	2017	On Schedule		The employee engagement survey was completed in August 2017 with an 81% participation rate. Harassment Training for all employees is scheduled for December 4th.
412	FY 2017/18	Quarterly	Finance and Administration	B	Ensure staff upholds their role in achieving the Agency's Mission, Vision, and Values.	Develop creative communication methods and continue education of employee benefits to increase knowledge of benefits programs and services.	Ongoing	Number of onsite visits, lunch and learns and other educational sessions held.	Sharmeen Bhojani	September	2017	On Schedule		ICMA 457 on site visit (8/2/17), Lincoln 457 on site visit (8/2/17), CalPERS 457 on site visit (9/7/17); Benefits Fair. An Open House was held on 9/27/17 in lieu of a benefits fair due to construction in the event center. It was an all day event. Employees stopped by throughout the day, eighty (80+) people stopped by the HQA lunch room to learn about Agency benefits and ask about open enrollment, thirty-six (36) employees stopped by for a flu shot. Twenty-four (24) employees stopped by the Sadie Training Room to get one on one information regarding retirement, ask questions about CalPERS, Social Security and Agency specific information such as health benefits after retirement.

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Human Resources (continued):</b>														
414	FY 2017/18	Annual	Finance and Administration	B	Develop and implement a plan to mentor and prepare the next generation of the IEUA team.	Prepare Retirement Risk Assessment to identify employee retirement forecasting and timelines. Identify critical Agency positions. Use vacant position pool to mentor and increase knowledge transfer for critical positions	July 2017 and annually thereafter	Percent of internal advancements and promotions per FY and report to Executive Management as applicable.	Sharmeen Bhojani	September	2017	On Schedule		This quarter, 2 employees were promoted and a total of 14 employees advanced to a higher level via reclassification (2 Operators, 6 E&I Technicians, 6 mechanics)
416	FY 2017/18	Semi-Annual	Finance and Administration	B	Conduct a feedback study to measure employee satisfaction in areas including benefits, work life balance, training, job satisfaction, etc. in 2017 and every two years thereafter.	Identify strengths and areas of improvement and develop action plans from 2017 survey results. Design, conduct, analyze employee engagement survey in 2019.	December 2017	Percent change in employee engagement index in comparison to 2017 survey	Sharmeen Bhojani	September	2017	On Schedule		Decision Wise will be onsite on 11/29 & 11/30th to present the results to employees. Consultants will help prioritize critical themes and help develop an action plan and milestones for the Agency over the next year. Employee feedback is invaluable and will be used as the basis for ongoing discussion. On 11/30, all employees will be invited to participate in a focus group, give additional feedback, and suggest improvements. Draft MOUs for all units were completed in August, 2017.
418	FY 2017/18	Monthly	Finance and Administration	B	Draft a new consolidated Personnel Rules and Regulations for the Agency across all bargaining units, streamlining individual Unit MOUs by December 2017.	Analyze and identify MOU items requiring revisions or streamlining. Create draft MOUs and Personnel Rules.	Identify revisions by July 2017. Create drafts by October 2017	Number of MOU drafts created	Sharmeen Bhojani	September	2017	On Schedule		
419	FY 2017/18	Monthly	Finance and Administration	B	Review and update the employee recognition program by December 2017.	Promote a culture that recognizes employees for job related accomplishments.	December 2017	Updated Policy A-75	Sharmeen Bhojani	September	2017	On Schedule		Policy A-75 was reviewed during July and September as part of the Agency wide administrative policy handbook review. The changes are pending executive manager review and implementation. 3 labor management meetings held during this quarter (1 with all units and 2 with the General unit).
420	FY 2017/18	Quarterly	Finance and Administration	B	Promote positive labor relations by conducting routine informal labor/management meetings with unit representatives.	Hold quarterly Labor Management meetings to address concerns and issues on an ongoing basis	Ongoing	Number of grievances filed and number of grievances resolved informally.	Sharmeen Bhojani	September	2017	On Schedule		1 grievance was filed during this quarter and was resolved/closed.
422	FY 2017/18	Quarterly	Finance and Administration	B	Promote positive labor relations by conducting routine informal labor/management meetings with unit representatives.	Promote and sustain open communication with all levels of staff to effectively resolve work related issues in harmonious manner.	Ongoing	Number of grievances filed and number of grievances resolved informally.	Sharmeen Bhojani	September	2017	On Schedule		
427	FY 2017/18	Quarterly	Finance and Administration	B	Prepare a plan and timeline to meet the standards of the Cal Star Award program from OSHA.	Work with Departments to further implement Cal/OSHA required programs outlined on the Cal-VPP Action Log, ensuring an inclusive, supportive, safer work environment.	Ongoing	Monitor 'Action Log' progress by updating the VPP committee and management as appropriate.	Sharmeen Bhojani	September	2017	On Schedule		A Cal-Star action log is available on Agency portal. Meetings have taken place to update VPP committee. Plans continue to make progress toward a safe environment.
429	FY 2017/18	Quarterly	Finance and Administration	B	Annually review and revise the Workplace Injury Illness Prevention Program to prevent work related injuries/illness and reduce loss of time worked.	Include the Injury Illness Prevention Program as a standing item on the Safety & Health Committee (SHC) Agenda ensuring bimonthly review by members. Integrate additional SHC member safety participation in various areas to promote fewer work related injuries.	Bi-Monthly/Annual	Review SHC participation periodically ensuring all members are provided the opportunity to contribute.	Sharmeen Bhojani	September	2017	On Schedule		The IIPP review will be added to the December safety committee agenda. Safety committee members have participated in the annual safety facility inspections.

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b><u>Human Resources (continued):</u></b>														
431	FY 2017/18	Monthly	Finance and Administration	B	Promote a safer work environment by administering and monitoring required safety and regulatory trainings and increase field presence of Safety staff.	Expand employee/management reporting options for incidents, near miss and safety observations. Conduct independent field reviews on staff's knowledge of Safety topics, continuing to provide compulsory and supplemental trainings as requested.	Ongoing	Review reports as submitted providing feedback and follow up. Monitor staff knowledge level of applicable Safety topics.	Sharmeen Bhojani	September	2017	On Schedule		An online near miss/safety observations reporting system is available to all Agency employees on the portal. Safety completed training for departments on the submittal process and added training to new hire orientation. Safety has received submissions with corrective action and follow up with employee.
433	FY 2017/18	Monthly	Finance and Administration	B	Ensure staff is fully trained on administrative functions and policies included in the Administrative Code.	Identify policies which are most relevant to employees. Create a training plan, schedule and conduct training for all staff.	June 2018	Number of training participants	Sharmeen Bhojani	September	2017	On Schedule		Completed phase 2 of 3 of Agency policy draft revisions. Once all revisions have been completed and approved, training plan will be developed for Agency staff.
<b><u>Integrated Systems Services</u></b>														
335	FY 2017/18	Annual	Agency Management	B	Develop and implement a plan to mentor and prepare the next generation of the IEUA team.	Conduct "Team Training" sessions for Process Automation and Control (SCADA) staff. A minimum of 8 sessions will be held during the year to improve staff knowledge	Annual by fiscal year end	Two training sessions per quarter monitored by sign-in sheets	David Malm	November	2017	On Schedule		Team training conducted on July 27th and September 28th.
339	FY 2017/18	Annual	Agency Management	C	Annually update Emergency Response and Operational Plans for all facilities.	Annually update the technology disaster recovery plans, contingency plans, and cyber security incident response plans	Annual completed by calendar year end	Update plans annually based on test results. Test results and plans will be presented to management for tracking purposes.	David Malm	November	2017	On Schedule		Conducted disaster recovery test in lab on July 26th
<b><u>Internal Audit</u></b>														
341	FY 2017/18	Quarterly	Agency Management	A	Continue commitment to sustainable cost containment for operating and capital costs.	Promote a strong control environment by conducting independent and objective audits of Agency operations where the focus and audit scope includes identifying areas and providing recommendations for cost containment, effectiveness and efficiency in operations and opportunities to improve and areas of cost containment and make the Agency's processes and programs more efficient.	Report to the Audit Committee on completed audit projects Quarterly: March, June, September, and December	Completed audit projects and feedback from the Audit Committee and audited business units.	David Malm	November	2017	On Schedule		Completed audit projects for Q1 and Ongoing. IA, through the Annual Audit Plan has proposed projects for this goal. During this reporting period, IA presented the reports for the Water Conservation Audit, the Contracts and Procurement Follow Up and the Payroll Follow Up, all of which provided recommendations.



Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Internal Audit (continued):</b>														
343	FY 2017/18	Quarterly	Agency Management	B	Ensure staff upholds their role in achieving the Agency's Mission, Vision, and Values.	Promote a strong control environment by conducting independent, objective audits of Agency operations where the focus and the audit scope includes evaluating that Agency processes and systems comply with the Agency's Mission, Vision, Values, best practice operations, processes and programs, Agency policies and procedures, as well as senior management input, as the criteria against which to measure performance and results of the audited business areas.	Report to the Audit Committee on completed audit projects Quarterly: March, June, September, and December	Internal Audits are to provide an independent and objective opinion, and feedback or recommendations for improvement and measure on how closely the criteria (Agency policies, procedures, including Mission, Vision and Values) are met, followed or understood. Provide recommendations to the appropriate personnel where to address gaps identified.	Teresa Velarde	November	2017	On Schedule		Completed audit projects for Q1 and other projects are Ongoing. IA, through the Annual Audit Plan has proposed projects for this goal. During this reporting period, IA presented the reports for the Water Conservation Audit, the Contracts and Procurement Follow Up and the Payroll Follow Up. Currently, IA is working on the PCard audit, the SCE Follow Up review and the Payroll Survey review and the CAFR quality control review, all of which provided recommendations.
349	FY 2017/18	Quarterly	Agency Management	B	Uphold a strong internal control environment by conducting independent objective internal and external audits of Agency's business practices.	Promote a strong control environment by conducting independent objective internal and external audits of Agency operations where the focus and scope includes identifying areas and providing recommendations for strong internal controls, effectiveness and efficiency in operations, improving customer service at all levels, ensuring safeguarding of Agency Assets, identifying ways to be effective and efficient.	Report to the Audit Committee on completed audit projects Quarterly: March, June, September, and December	Completed audit projects and feedback from the Audit Committee and audited business units.	Teresa Velarde	November	2017	On Schedule		Completed audit projects for Q1 and other projects are Ongoing. IA, through the Annual Audit Plan has proposed projects for this goal. During this reporting period, IA presented the reports for the Water Conservation Audit, the Contracts and Procurement Follow Up and the Payroll Follow Up and other miscellaneous audit projects. Currently, IA is working on the PCard audit, the SCE Follow Up review and the Payroll Survey review and the CAFR quality control review, all of which provided recommendations. IA provides updates to the Audit Committee and plans projects according to the risk assessment and other priorities of management and the Board.

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Internal Audit (continued):</b>														
353	FY 2017/18	Quarterly	Agency Management	B	Ensure staff is fully trained on administrative functions and policies included in the Administrative Code.	Maintain knowledgeable, skilled and experienced audit staff and promote continuous professional development and professional certifications and higher education, as recommended and required under the auditing standards and the IAD Charter to ensure continuous IAD improvement and to stay abreast of developing trends as well as training and knowledge of the Internal Audit Departments Standard Operating Procedures, ensure those procedures as well as the IAD Charter is updated annually, hold staff accountable for understanding their responsibilities under the SOPs, the Charters, Agency Policies and Directives and other policy documents.	Training provided continuously and ongoing, reported quarterly to the Audit Committee.	Completed Training, demonstration of application of the policies	Teresa Velarde	November	2017	On Schedule		Completed. IA staff members follow the Institute of Internal Auditors (IIA) guidance and professional standards and Ethics Code. IA staff are also held responsible for following the Board approved IA Charter, all Agency policies, department operating procedures and requirements. IA staff attend regular training to continue to develop and promote professional knowledge and skills as required under all policies and guidance named above.
355	FY 2017/18	Quarterly	Agency Management	C	Leverage private/public partnership opportunities.	Establish, maintain and strengthen audit-related private/public partnership opportunities to have network ties and associates where audit-related topics can be shared, discussed, and evaluated with the goal of continuous internal audit processes improvement.	Report quarterly to the Audit Committee and the Board. March, June, September and December.	Resourcefulness of networks.	Teresa Velarde	November	2017	On Schedule		Completed. IA staff as uphold a professional demeanor at all times with all levels of staff. IA staff are required to maintain professional relationships and networks within and outside the organization and leverage the professional relationships, skills and knowledge to improve the service provided to the Agency.

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Internal Audit (continued):</b>														
359	FY 2017/18	Quarterly	Agency Management	C	Provide support for positions that would enable the implementation of the Agency's goals.	Promote support for the achievement of Agency goals, objectives, mission and values through audit areas where the goal and scope of the reviews are to measure the performance of a program, a process, or a service or compare results to goals and identify areas for improvement, make recommendations to improve efficiencies. Conduct independent objective audits of Agency operations where the focus and the audit scope would be to identify opportunities for improvement and provide support for positions, processes, developments and initiatives at any level of the Agency, that would enable the implementation and support of the Agency goals and the achievement of those goals.	Report quarterly to the Audit Committee and the Board. March, June, September and December.	Completed audit projects and feedback/comments from Agency management and or the Audit Committee and the Board.	Teresa Velarde	November	2017	On Schedule		Complete and on-going. IA staff through the reporting relationship to Management and the Board and through the effective implementation of the Board-approved Charter and Annual Audit Plan and through the professionalism displayed IA staff accomplish this goal. IA follow a strict Code of Ethics and professional standards set by the IIA. It is important for auditors to remain neutral and professional at all times.
<b>Laboratory</b>														
537	FY 2017/18	Annual	Engineering, Planning and Science	B	Ensure staff upholds their role in achieving the Agency's Mission, Vision, and Values.	Ensure all activities align and are consistent with the Agency's Objectives	Ongoing	Laboratory policies and procedures updated as needed.	Nel Groenveld	November	2017	On Schedule		On going, some Lab Technical SOPs have been updated to reflect new EPA regulations, others are in revision now Laboratory Internal QC Audit scheduled for May 2018
540	FY 2017/18	Annual	Engineering, Planning and Science	B	Uphold a strong internal control environment by conducting independent objective internal and external audits of Agency's business practices.	Conduct annual internal audits of Laboratory practices to meet Environmental Laboratory Accreditation Program (ELAP) requirements	Annual July 31	Meet 100% of criteria	Nel Groenveld	November	2017	On Schedule		
543	FY 2017/18	Annual	Engineering, Planning and Science	B	Prepare a plan and timeline to meet the standards of the Cal Star Award program from OSHA.	Update Laboratory Chemical Hygiene Plan (CHP)	Annual - June 30	CHP reviewed and updated to incorporate program award requirements	Nel Groenveld	November	2017	On Schedule		Lab CHP updates to be completed in June 2018
545	FY 2017/18	Monthly	Engineering, Planning and Science	B	Promote a safer work environment by administering and monitoring required safety and regulatory trainings and increase field presence of Safety staff.	Conduct all bi-weekly training per Agency policies	Bi-Weekly	All Laboratory staff to attend all required meetings, at month end review of tailgate sign-in sheets	Nel Groenveld	November	2017	On Schedule		To be completed Dec. 2018
547	FY 2017/18	Quarterly	Engineering, Planning and Science	C	Evaluate cutting-edge, innovative projects to ensure the implementation will benefit customers, water supplies and environmental stewardship.	Support Engineering during construction phase of Water Quality Laboratory	Ongoing, expected completion August 2018	Respond to CM RFIs in timely manner, causing no delays in construction	Nel Groenveld	November	2017	On Schedule		Attend weekly Water Quality Lab construction meetings.
548	FY 2017/18	Monthly	Engineering, Planning and Science	C	Evaluate cutting-edge, innovative projects to ensure the implementation will benefit customers, water supplies and environmental stewardship.	Minimal disruption to Laboratory customers during transition from old Laboratory at RP-1 to Water Quality Laboratory located at HQ	August 2018	During month of move from old lab sample turnaround times are met 90% of the time.	Nel Groenveld	November	2017	On Schedule		Not applicable until FY 18/19

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Laboratory</b>														
549	FY 2017/18	Monthly	Engineering, Planning and Science	C	Evaluate cutting-edge, innovative projects to ensure the implementation will benefit customers, water supplies and environmental stewardship.	Evaluate new technologies in water analyses, implementing after completion of Water Quality Laboratory	Ongoing	Document implementation with reports	Nel Groenveld	November	2017	On Schedule		Not applicable until FY 18/19
551	FY 2017/18	Quarterly	Engineering, Planning and Science	D	Meet basin plan requirements and objectives in support of the recycled water program.	Meet sample turnaround times in support of recycled water program requirements	Ongoing	100% acceptable TATs	Nel Groenveld	November	2017	On Schedule		Ongoing, met schedule for 1Q
553	FY 2017/18	Monthly	Engineering, Planning and Science	E	Monitor treatment plant performance to meet regulatory requirements.	Meet sample turnaround times in support of Operations process control and NPDES permit requirements.	Ongoing	1 day for "Process Control" samples 10 days after end of month for NPDES compliance samples	Nel Groenveld	November	2017	On Schedule		Ongoing, met timelines for 1Q
555	FY 2017/18	Quarterly	Engineering, Planning and Science	E	Develop a plan to continue maximizing recycled water use by meeting Basin Plan and regulatory water quality requirements such as TOC and, TIN objectives.	Support analyses requests for Basin Plan water quality requirements.	Quarterly	100% acceptable TATs	Nel Groenveld	November	2017	On Schedule		Ongoing, met schedule for Q1
557	FY 2017/18	Semi-Annual	Engineering, Planning and Science	E	Proactively track and manage constituents of emerging concerns.	Purchase and install LCMSMS instrument to begin analysis of emerging constituents in Water Quality Laboratory	Ongoing, Expected completion in FY 2018/19	Laboratory SOP completed, and complete Initial Demonstration of Capability (IDC)	Nel Groenveld	November	2017	On Schedule		Not applicable in Q1
559	FY 2017/18	Monthly	Engineering, Planning and Science	E	Operate effective pre-treatment programs to minimize treatment plant upsets.	Support analyses requests for pre-treatment program	Ongoing	100% acceptable TATs	Nel Groenveld	November	2017	On Schedule		Ongoing, currently meeting
561	FY 2017/18	Annual	Engineering, Planning and Science	F	Comply with all regulatory requirements.	Maintain ELAP certification by meeting Performance Evaluation sample requirements, and Laboratory SOP and Quality Assurance Manual documentation updates.	Ongoing	ELAP certificates renewed	Nel Groenveld	November	2017	On Schedule		Current ELAP certificate is active to Oct. 2018, all PE samples were acceptable to maintain certification
563	FY 2017/18	Quarterly	Engineering, Planning and Science	F	Comply with all regulatory requirements.	Meet analysis method QC and holding time requirements	Ongoing	>99% acceptable QC	Nel Groenveld	November	2017	On Schedule		Ongoing, QA/QC requirements are met at >99%
565	FY 2017/18	Quarterly	Engineering, Planning and Science	F	Comply with all regulatory requirements.	Begin process of updating Laboratory to new ELAP regulations which will be implemented over the next 6 years	FY 2018/19	IEUA Lab analysis SOP format meeting new ELAP requirements finalized by July 2018, all analysis SOPs updated with new format by July 2023	Nel Groenveld	November	2017	On Schedule		Lab SOPs are being updated on schedule to be completed by July 2018
<b>Operations</b>														
512	FY 2017/18	Quarterly	Operations & Maintenance	A	Continue commitment to sustainable cost containment for operating and capital costs.	Work within fiscal year budget.	Quarterly	Work within FY 2017/18 and FY 2018/19 Operations budget. Review and report quarterly via the budget variance report.	Randy Lee	September	2017	On Schedule		Monitor budget variance during bi-weekly Operations Division Manager meetings and complete quarterly Budget Variance reports for Finance.



Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Operations (continued):</b>														
514	FY 2017/18	Quarterly	Operations & Maintenance	B	Ensure staff upholds their role in achieving the Agency's Mission, Vision, and Values.	Clearly communicate the Agency's Mission, Vision, & Values to staff and align their goals accordingly.	Ongoing	Communication with staff through all hands meetings and various staff meetings, and during annual appraisals.	Randy Lee	November	2017	On Schedule		Held All Hands Meeting on 11/1/17. Met with direct reports to review their annual appraisals. Continue to have bi-weekly meetings and 1-on-1 meetings with staff. In addition, the O&M Departments meet daily for Yesterday-Today-Tomorrow (YTT) to discuss scheduling and operational requirements.
516	FY 2017/18	Quarterly	Operations & Maintenance	B	Develop and implement a plan to mentor and prepare the next generation of the IEUA team.	Develop pilot mentoring program with the Human Resources department, continue with the Trades Intern Program, continue to hire prior to FTE retirements to provide smooth transition.	Complete by June 30, 2018	Develop a Trades Intern program update spread sheet and replacement intern/volunteer positions will be filled within three months. Fully Initiate pilot program by the end of FY 2017/18.	Chander Letulle	September	2017	On Schedule		Initial meetings with the GU to discuss the program have gone well. Anticipate gaining GU support and launching the program in early 2018.
517	FY 2017/18	Quarterly	Operations & Maintenance	D	Meet basin plan requirements and objectives in support of the recycled water program.	Ground water recharge (GWR) compliance with water quality and recharge standards.	Quarterly and Ongoing	Meet Chino Basin Desalter Authority (CDA) assigned production goals.	Chander Letulle	September	2017	On Schedule		Chino I Desalter has met all of the production goals set by CDA.
519	FY 2017/18	Quarterly	Operations & Maintenance	D	Maintain water quality to meet customer needs, optimize recycled water use and minimize service interruptions and complaints (fruit labels, debris, etc.).	GWR to meet NPDES/RW Title 22 permit requirements for Reservoir management. Maintain equipment (uptime) by performing predictive and preventative maintenance.	Ongoing	Meeting 100% permit compliance	Andy Campbell	November	2017	On Schedule		No RW GWR compliance issues occurred the quarter.
521	FY 2017/18	Quarterly	Operations & Maintenance	D	Maximize the recharge of all sources of water.	GWR - ensure optimization of transmission and capture systems. Update the 2005 GWR Operations Plan and maintain optimal basin maintenance. Appropriately prioritize deliveries of storm, recycled, and imported water.	Ongoing	GWR Operations Plan to be completed December 2017.	Andy Campbell	November	2017	On Schedule		Draft of updated ops plan submitted to CBWM. Dry Year Yield goals met at approx. 7,000 AF per month with maintaining RW GWR flows.
525	FY 2017/18	Quarterly	Operations & Maintenance	E	Monitor treatment plant performance to meet regulatory requirements.	100% Permit compliance	Ongoing	Meeting 100% Permit compliance.	Chander Letulle/Rick	September	2017	On Schedule		South Exceedances: 7/6 CCWRF Coliform Exceedance (>240 MPN) 7/31 CCWRF Chlorodibromomethane (avg monthly) 7/31 CCWRF Dichlorobromomethane (avg monthly) 8/19 RP-5 Coliform Exceedance (>240 MPN) North Exceedance: RP-1 Flare average heat input exceeded 85 out of 92 days.
527	FY 2017/18	Quarterly	Operations & Maintenance	E	Develop a plan to continue maximizing recycled water use while meeting Basin Plan and regulatory water quality requirements such as TOC and TIN objectives.	GWR - Continue basin sampling for water quality.	Ongoing	Quarterly GWR water quality sampling.	Andy Campbell	November	2017	On Schedule		Compliance sampling of wells, lysimeters, basins, and pipelines were completed as planned.

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Operations (continued):</b>														
535	FY 2017/18	Quarterly	Operations & Maintenance	F	Comply with all regulatory requirements.	Comply with all Agency regulatory requirements.	Ongoing	Meet 100% compliance throughout the fiscal year.	Chander Letulle/Rick	September	2017	On Schedule		South Exceedances: 7/6 CCWRF Coliform Exceedance (>240 MPN) 7/31 CCWRF Chlorodibromomethane (avg monthly) 7/31 CCWRF Dichlorobromomethane (avg monthly) 8/19 RP-5 Coliform Exceedance (>240 MPN) North Exceedance: RP-1 Flare average heat input exceeded 85 out of 92 days.
<b>Planning and Environmental Compliance</b>														
475	FY 2017/18	Quarterly	Engineering, Planning and Science	A	Integrate projects identified in the long range financial planning documents, such as the Asset Management Plan, Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, into the operating and capital budgets.	Integrate projects identified in the various planning documents into the TYCIP.	Ongoing	The TYCIP detailed report is prepared every other year. Planning for the FY2018/19 report will commence in the fall of 2017.	Sylvie Lee	November	2017	On Schedule		Project kick-off was fall 2017 and is currently underway
477	FY 2017/18	Quarterly	Engineering, Planning and Science	A	Complete rate study for wastewater EDU allocation.	Redefine the sewage factors currently used to determine the equivalent dwelling unit (EDU) as defined in Exhibit J of the Regional Contract.	June 2018	Revised Exhibit J Formula	Sylvie Lee	November	2017	On Schedule		Project is currently ongoing and is expected to be complete pending input and discussion from Technical Committee via a series of workshops. Anticipated completion date is June 2018.
480	FY 2017/18	Monthly	Engineering, Planning and Science	B	Promote a safer work environment by administering and monitoring required safety and regulatory trainings and increase field presence of Safety staff.	Conduct all monthly training required to meet Agency policies.	Monthly	100% employee completion	Sylvie Lee	November	2017	On Schedule		Continue monthly safety and regulatory trainings.
496	FY 2017/18	Quarterly	Engineering, Planning and Science	D	Develop plans for regional low-impact development.	Collaborate with local agencies to identify and implement Low-Impact Development (LID) methods and practices	Complete by June 2018	Adoption of local Ordinances and Resolutions incorporating LID methods.	Sylvie Lee	November	2017	On Schedule		Collaborations are underway with local agencies in conjunction with San Bernardino County Regional Stormwater Management Plan, which includes LID Projects

**Inland Empire Utilities Agency  
Inter-Departmental / Division Transfers FY 2017/18  
Budget Transfer**

Fund	Date	O&M Transfer From	Category	Amt Transfer Out	O&M Transfer To	Category	Amount Transfer In	Description	QTR
10200	8/9/17	520930	Prof Svcs-Pub In	\$75,600	520980	Prof Svcs - Other	\$75,600	Transfer to cover four multi-year legislative consulting contracts that were previously budgeted in 112100.	1
10200	8/14/17	519010	GM Contingency	\$180	513010	Meeting Expenses	\$180	Transfer to cover Agency's share of SAWPA's new director's reception costs	1
10200	8/29/17	519010	GM Contingency	\$1,700	521410	Computer System Maintenance	\$1,700	Transfer to cover sales tax associated with Oracle Primavera annual maintenance fee.	1
10200	8/28/17	512010	Office Supplies - General	\$3,000	512610	Equipment - Office	\$3,000	Transfer to cover the purchase of spare and maintenance items to ensure the back-up generation control system functions correctly.	1
10600	8/9/17	521080	Other Contract Svcs	\$124,000	520980	Prof Svcs - Other	\$124,000	Transfer to cover four multi-year legislative consulting contracts that were previously budgeted in 112100.	1
10700	8/9/17	515030	Contributions/Publ	\$50,000	520980	Prof Svcs - Other	\$50,000	Transfer to cover four multi-year legislative consulting contracts that were previously budgeted in 112100.	1
10800	8/9/17	521080	Other Contract Svcs	\$5,000	520980	Prof Svcs - Other	\$5,000	Transfer to cover four multi-year legislative consulting contracts that were previously budgeted in 112100.	1
10900	8/9/17	521080	Other Contract Svcs	\$97,000	520980	Prof Svcs - Other	\$97,000	Transfer to cover four multi-year legislative consulting contracts that were previously budgeted in 112100.	1
			<b>Total O&amp;M Transfers Out</b>	<b>\$356,480</b>		<b>Total O&amp;M Transfers In</b>	<b>\$356,480</b>		

Fund	Date	Project	Project Description	Amt Transfer Out	Project	Project Description	Amt Transfer In	Justification	QTR
10900	9/26/17	EN16024	RP-1 Mixed Liquor Return Pumps	\$763,309	0	RC Reserves	\$763,309	Reduction of EN16024 annual budget to match remaining total project budget available	1
			<b>Total Project Transfers Out</b>	<b>\$763,309</b>		<b>Total Project Transfers In</b>	<b>\$763,309</b>		

**Inland Empire Utilities Agency  
FY 2017/18 GM Contingency Account Activity**

Exhibit C-2

<u>Date</u>	<u>Description</u>		<u>Account/Project No.</u>	<u>Requestor</u>	<u>GM Contingency Budget</u>	<u>Transfers</u>	<u>Balance</u>
7/1/2017	FY 2017/18 Adopted Budget	GG Fund	10200-112100-100000-519010		\$300,000		\$300,000
8/15/2017	Transfer to cover IEUA's portion of new SAWPA director's reception costs	GG Fund	10500-112100-160000-513010	P. Joseph Grindstaff		\$180	\$299,820
8/29/2017	Transfer to cover sales tax associated with Oracle Primavera annual maintenance fee	GG Fund	10900-118100-500000-521410	K. Pantayatiwong		\$1,700	\$298,120
<b>GG Fund GM Contingency</b>					<b>\$300,000</b>	<b>\$1,880</b>	<b>\$298,120</b>
<b>GM CONTINGENCY GRAND TOTAL</b>					<b>\$300,000</b>	<b>\$1,880</b>	<b>\$298,120</b>

cc: Joe Grindstaff, Christina Valencia



**Inland Empire Utilities Agency**  
**Changes in Total Project Budgets: Inter-Departmental/Division Transfers FY 2017/18**

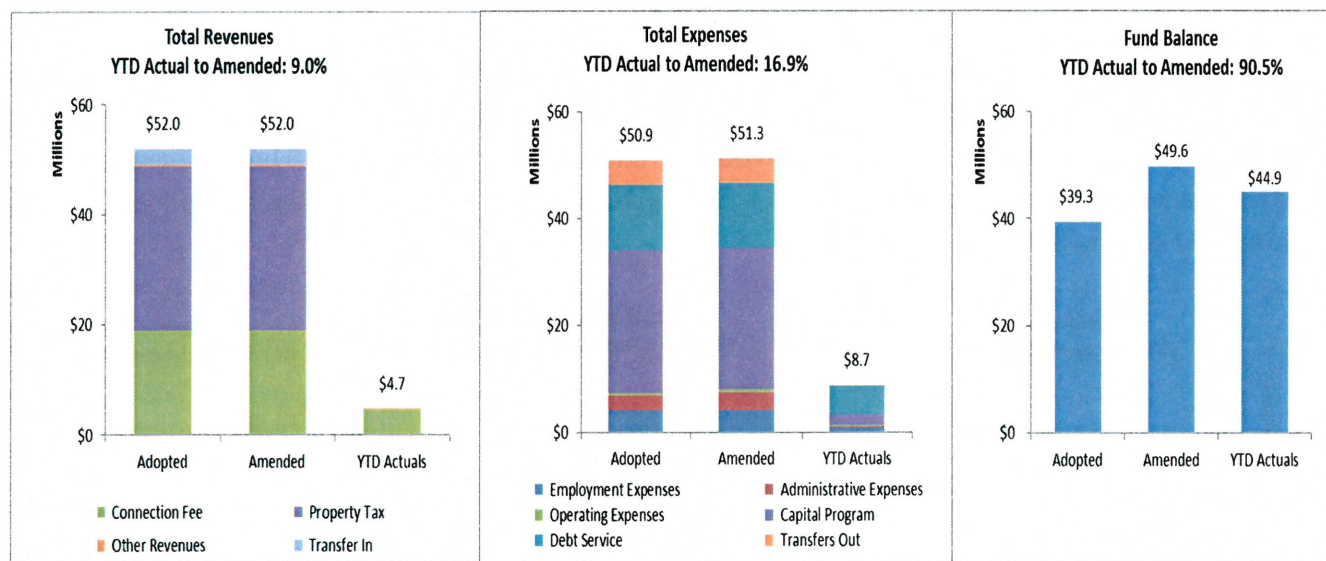
**Exhibit D**

Fund	Capital or Spec Proj?	Transfer Date	Total Proj Budget Change (Y/N)?	Annual Proj Budget Change (Y/N)?	New Proj? (Y/N)?	Project Number	Project Title	Adopted Total Project (TP) Budget	Prior TP Changes in Current FY	Current Total Project Budget	Amt. of Transfer In / (Out)	New TP Budget	Annual Project Budget	Annual Proj. Budget Change	New Annual Project Budget	Project Transferred To/(From)	Justification				
10900	Capital	9/13/17	Yes	Yes	No	EN14019	RP-1 Headworks Primary and Secondary Upgrades	\$10,440,000	\$0	\$10,440,000	(\$90,000)	\$10,350,000	\$5,290,256	(\$90,000)	\$5,200,256	EN17063	Transfer from EN14019 to increase the budget of EN17063 for which the internal estimate prepared for the catwalk extension was lower than the bids received.				
						EN17063	RP-4 Anoxic Splitter Box Gates	\$60,000	\$0	\$60,000	\$90,000	\$150,000	\$18,000	\$90,000	\$108,000	(EN14019)					
<b>Subtotal Regional Capital (RC):</b>								<b>\$10,500,000</b>		<b>\$10,500,000</b>		<b>\$10,500,000</b>	<b>\$5,308,256</b>		<b>\$5,308,256</b>						
								<b>Capital Total Project Budget</b>		<b>Capital Total Project Budget</b>		<b>Total Annual Capital Budget</b>									
								<b>Adopted</b>		<b>Amended</b>		<b>Adopted</b>		<b>Amended</b>							
								<b>\$10,500,000</b>		<b>\$10,500,000</b>		<b>\$5,308,256</b>		<b>\$5,308,256</b>							
10600	O&M Proj	8/22/17	Yes	Yes	No	EN16035	WC Planning Documents	\$2,771,926	\$0	\$2,771,926	(\$250,000)	\$2,521,926	\$512,706	(\$250,000)	\$262,706	PL18002	Funds will be used to develop an amendment to the current Basin Plan for the Chino Groundwater Basin. This will include support for updating the Recycled Water Discharge and Reuse Permit, Groundwater Recharge Permit, and Maximum Benefit Salinity Mgmt Plan.				
						PL18002	Basin Plan Amendment	\$300,000	\$0	\$300,000	\$250,000	\$550,000	\$250,000	\$250,000	\$500,000	(EN16035)					
<b>Subtotal Recycled Water (WC):</b>								<b>\$3,071,926</b>		<b>\$3,071,926</b>		<b>\$3,071,926</b>	<b>\$762,706</b>		<b>\$762,706</b>						
								<b>O&amp;M Total Project Budget</b>		<b>O&amp;M Total Project Budget</b>		<b>Total Annual O&amp;M Project Budget</b>									
								<b>Adopted</b>		<b>Amended</b>		<b>Adopted</b>		<b>Amended</b>							
								<b>\$3,071,926</b>		<b>\$3,071,926</b>		<b>\$762,706</b>		<b>\$762,706</b>							
											<b>Total Capital and O&amp;M Project Transfers:</b>	<b>\$340,000</b>									
											<b>Total Project Budget Change - Capital:</b>	<b>\$0</b>									
											<b>Total Project Budget Change - O&amp;M Proj:</b>	<b>\$0</b>									
											<b>Total Project Budget - Net Change:</b>	<b>\$0</b>									

**Financial Overview of Agency's Programs  
 FY 2017/18 quarter ended September 30, 2017  
 Total Revenues, Expenses, and Fund Balance  
 (Unaudited)**

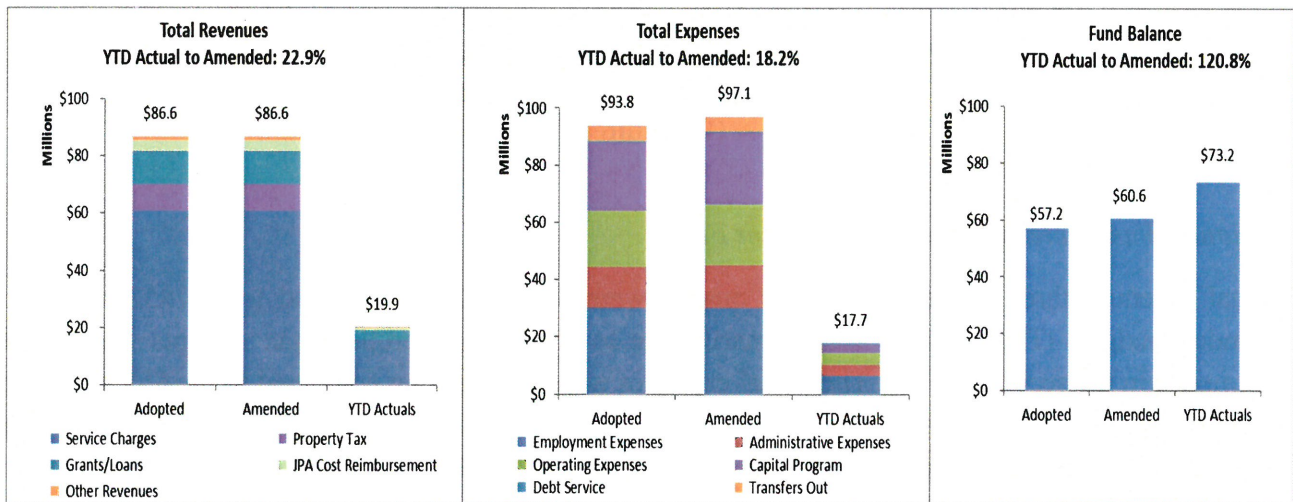
***Regional Wastewater Capital Improvement Fund***

Actual revenues through the end of first quarter were \$4.7 million compared to the \$52.0 million amended budget. The variance was primarily due to schedule of property tax receipts which will commence in the second quarter. The actual expenses were \$8.7 million compared to the \$51.3 million amended budget. The positive variance in expenses was mainly due to a delay in capital project execution due to changes in project schedules. The aggregate change of \$4.7 million is reflected in the unaudited ending fund balance.



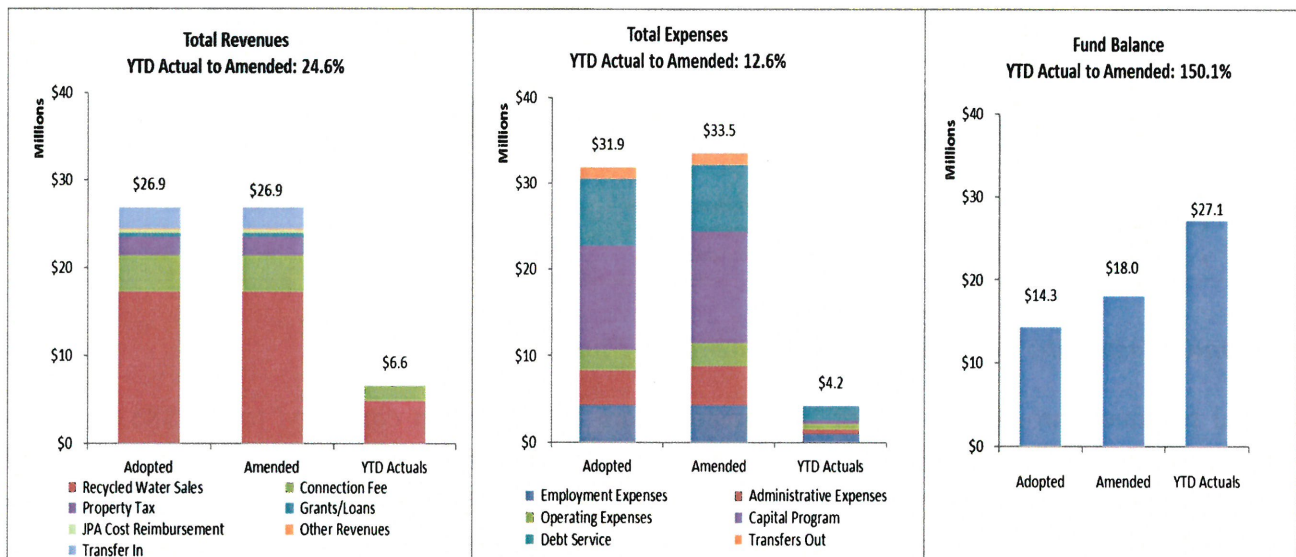
***Regional Wastewater Operations and Maintenance Fund***

Actual revenues through the end of first quarter were \$19.9 million compared to the \$86.6 million amended budget. The slight negative variance in revenue was again due to the anticipation of property tax receipts in the second quarter. The actual expenses were \$17.7 million compared to the \$97.1 million amended budget. The favorable variance in expenses was due to the timing of execution of capital replacement and rehabilitation projects. The aggregate change of \$12.6 million is reflected in the unaudited fund balance.



**Recycled Water Fund**

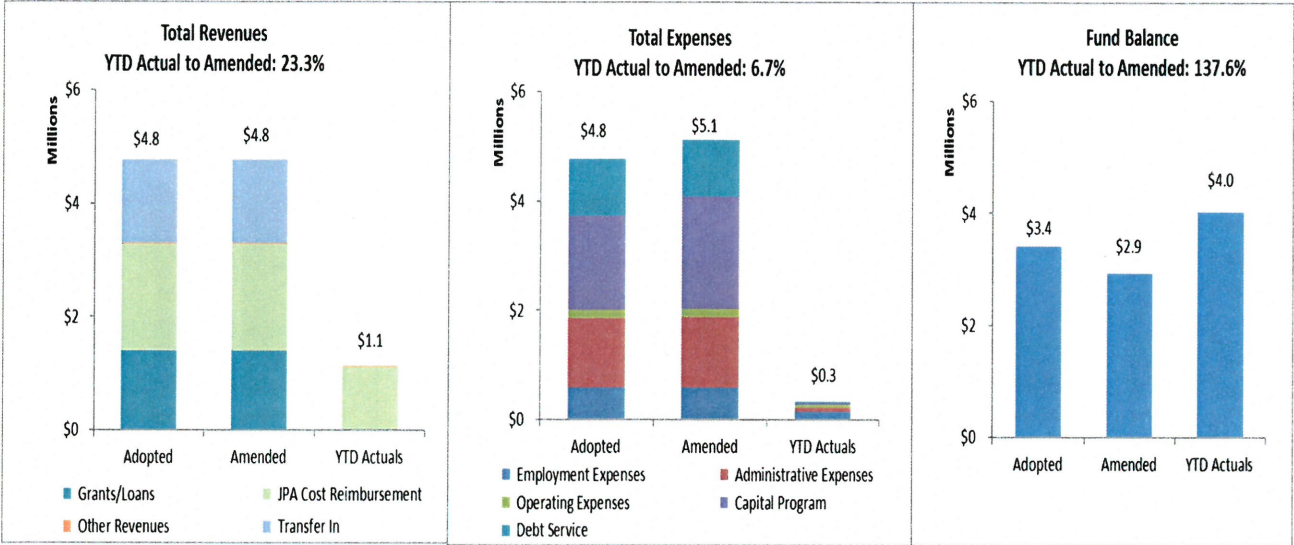
Actual revenues through the end of first quarter were \$6.6 million compared to the \$26.9 million amended budget. The actual expenses were \$4.2 million compared to the \$33.5 million amended budget. The decrease in expenses was primarily due to the timing of execution of both Operations and Maintenance (O&M) and capital projects. The aggregate change of \$9.0 million is reflected in the unaudited fund balance.



**Recharge Water Fund**

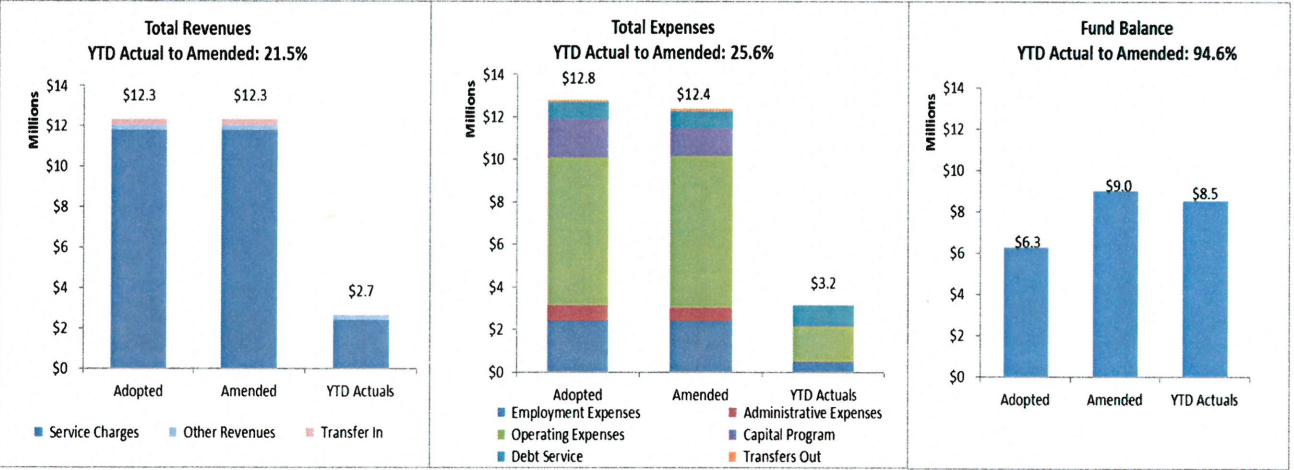
Actual revenues through the end of first quarter were \$1.1 million compared to the \$4.8 million amended budget. The decrease in revenues was mainly due to delay in anticipated State Revolving Fund (SRF) loan receipts. The actual expenses were \$0.3 million compared to the \$5.1 million amended budget. The decrease in expenses was mainly due to low operational spending & delays in capital project execution. The aggregate change of \$1.1 million is reflected in the unaudited fund balance.





**Non-Reclaimable Wastewater Fund**

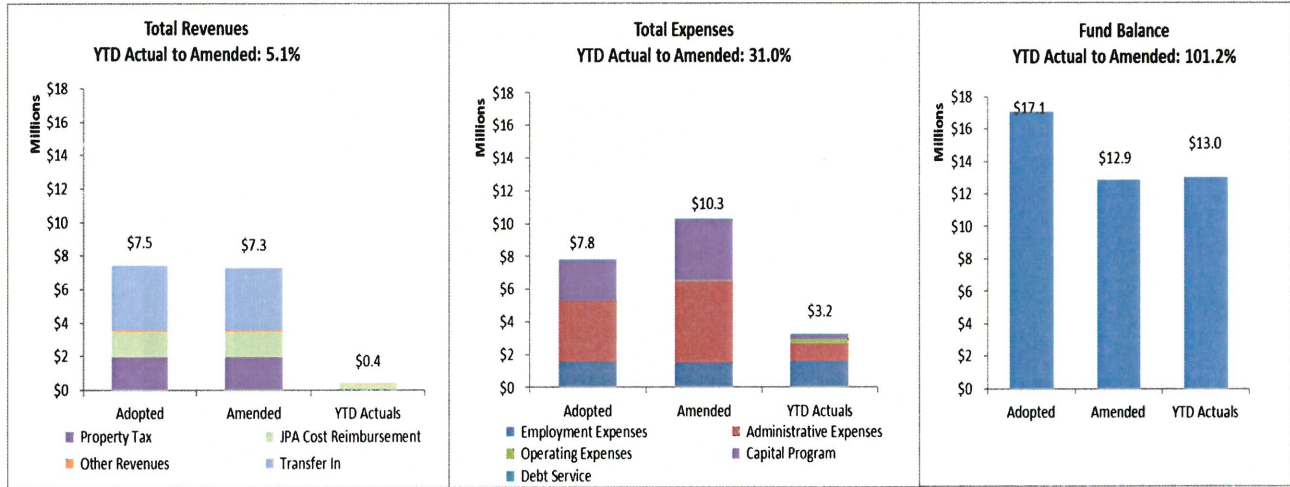
Actual revenues through the end of first quarter were \$2.7 million compared to the \$12.3 million amended budget. The variance was due to low service charge revenue, of which excess use imbalance receipts are charged to the customers at fiscal year-end. The actual expenses were \$3.2 million compared to \$12.4 million amended budget. Expense variance is on track for the quarter at 25.6%. The aggregate change of \$0.5 million is reflected in the unaudited fund balance.



**Administrative Services Fund**

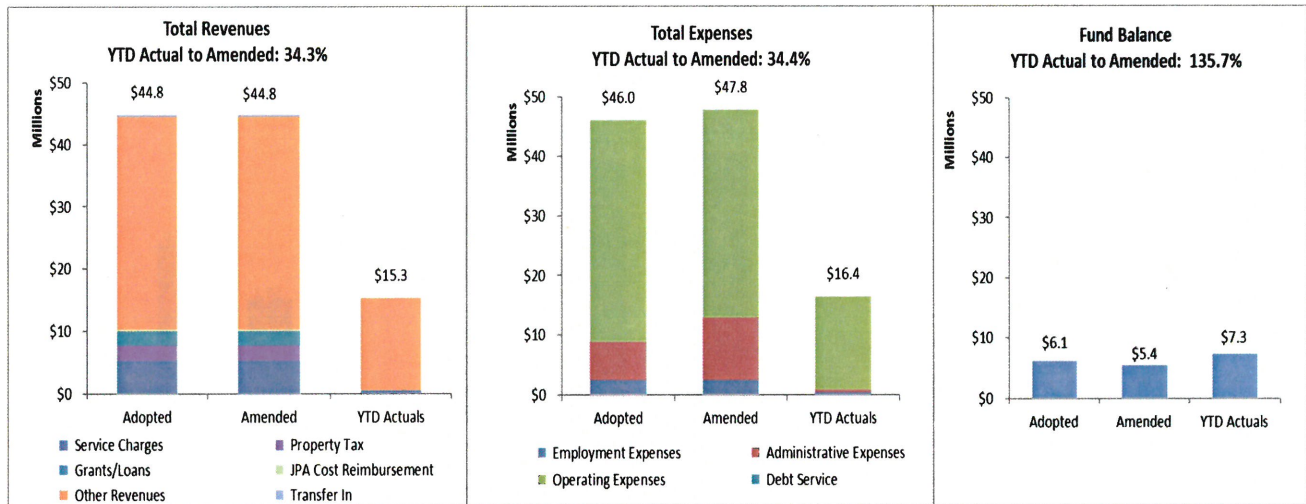
Actual revenues through the end of first quarter were \$0.4 million compared to the \$7.3 million amended budget. The decrease in revenues was mainly due to property tax receipts anticipated to commence in November. The actual expenses were \$3.2 million compared to the \$10.2 million amended budget. The aggregate change of \$0.1 million is reflected in the unaudited fund balance.





**Water Resources Fund**

Actual revenues through the end of first quarter were \$15.3 million compared to the \$44.8 million amended budget. The actual expenses were \$16.4 million compared to the \$47.8 million amended budget. The variance in the revenues and expenses is due to higher than anticipated MWD water purchases and related sales. The aggregate change of \$1.9 million is reflected in the unaudited fund balance.



# FY 2017/18 Budget Variance Report 1<sup>st</sup> Quarter Ended September 30, 2017

Board Meeting





# FY 2017/18 Q1 Consolidated Fund Balance

Consolidated	FY 2017/18 Amended Budget	First Quarter Ended 9/30/2017	Actual % of Amended Budget
Total Sources of Funds	\$223.6	\$50.7	22.7%
Total Uses of Funds	\$246.2	\$53.7	21.8%
<b>Total Net Increase/(Decrease)</b>	<b>(\$22.5)</b>	<b>(\$3.0)</b>	
Beginning Fund Balance	\$181.1	\$181.1	
<b>Ending Fund Balance</b>	<b>\$158.6</b>	<b>\$178.1</b>	

# Sources of Funds Variance Highlights

## YTD\* Actual vs. Amended Budget

### On Track

- Wastewater/Water Connection Fees \$6.5M, 28.1%, vs. \$23.1M amended budget
  - 746 new EDU connections vs. 3,000 budgeted
  - 558 new water connections vs. 2,730 budgeted
- Recycled Water Sales \$4.8M, 27.9%, vs. \$17.2M amended budget
  - 8,249 Acre Feet (AF) direct sales & 1,884 AF recharge sales vs. 11,495 AF budgeted
- User Charges \$18.7M, 24.0%, vs. \$77.8M amended budget
  - \$15.7M volumetric EDU charges vs. \$60.5M budgeted

### Behind

- Property Tax, \$0M, vs. \$44.1M amended budget
  - Receipts occur from November through June of each fiscal year

\*YTD – Fiscal Year to Date



# Uses of Funds Variance Highlights

## YTD\* Actual vs. Amended Budget

### Behind

- Capital Projects \$6.3M, 8.7%, vs. \$71.9M amended budget
  - Delayed project execution primarily due to changes in project schedules
- Professional Fees & Services \$1.2M, 9.2%, vs. \$12.7M amended budget
  - Delays or deferral of contract materials & service execution

### On Track or Above

- Financial Expenses \$7.9M, 35.6%, vs. \$22.0M amended budget
  - Includes \$4.2M principal payment for 2010A bond
- Employment Expenses \$11.2M, 24.6% vs. \$45.5M amended budget
  - Vacancy factor of 7.2% in Q1 to be offset by succession planning hiring in future quarters

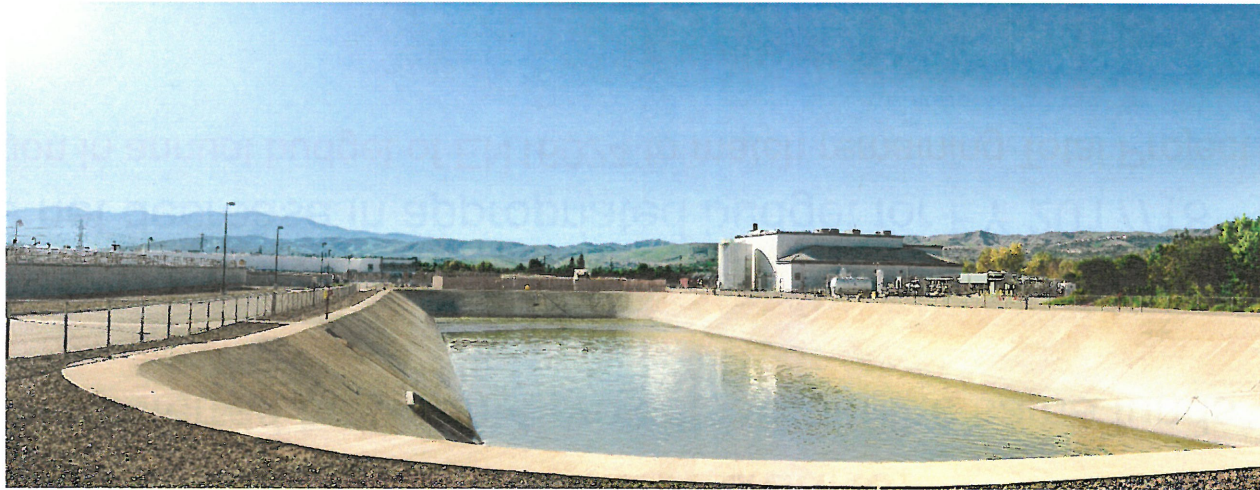
# Project Budget Updates

- Total Project Budget Change in First Quarter
  - \$340,000 transferred between 4 projects within the same funds\*
    - \$90,000 transferred between capital projects
    - \$250,000 transferred between O&M projects
  - \$763,309 net decrease in appropriated budget for FY 2017/18
    - Reduction in annual budget of EN16024 to match remaining Total Project Budget

\*Transfer details provided in Exhibit D



# Questions



The Budget Variance Analysis report is consistent with the Agency's business goal of fiscal responsibility

**INFORMATION  
ITEM**


**3B**



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**Date:** December 20, 2017

**To:** The Honorable Board of Directors

**From:**  Halla Razak, General Manager

**Committee:** Finance & Administration

12/13/17

**Executive Contact:** Christina Valencia, Executive Manager of Finance & Administration/AGM

**Subject:** Treasurer's Report of Financial Affairs

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**Executive Summary:**

The Treasurer's Report of Financial Affairs for the month ended October 31, 2017 is submitted in a format consistent with the State requirement.

For the month of October 2017, total cash, investments, and restricted deposits of \$178,384,209 reflects an increase of \$2,078,896 compared to the total of \$176,305,313 reported in September 2017. The increase is primarily due to an increase in total restricted deposits in the form of connection fees held by member agencies on behalf of the Agency, from \$33.5 million reported last month to \$36.4 million. A transfer of \$4.5 million from unrestricted to restricted for the 2017A Bond principal payment due on November 1, 2017 caused the average days of cash on hand for the month ended October 31, 2017 to decrease from 268 days to 246 days. Not included in the days of cash on hand calculation are the connection fees mentioned above.

The Agency's investment portfolio rate in October 2017 was 1.203%, an increase of 0.02% compared to the September yield of 1.183% due to raising yields in the Local Agency Investment Fund (LAIF) account from 1.110% in September to 1.143% in October and the CalTrust investment accounts from 1.295% to 1.315%.

---

**Staff's Recommendation:**

The Treasurer's Financial Affairs Report for the month ended October 31, 2017 is an informational item for the Board of Director's review.

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**Budget Impact** Budgeted (Y/N): N Amendment (Y/N): N Amount for Requested Approval:

Account/Project Name:

*Fiscal Impact (explain if not budgeted):*

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

**Prior Board Action:**

On November 15, 2017, the Board of Directors approved the Treasurer's Financial Affairs Report for the month ended September 30, 2017.

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**Environmental Determination:**

Not Applicable

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**Business Goal:**

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.

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**Attachments:**

- Attachment 1 - Background
- Attachment 2 - Powerpoint
- Attachment 3 - October 2017 Financial Affairs Report

## Background

Subject: Treasurer's Financial Affairs Report

The Treasurer's Report of Financial Affairs for the month ended October 31, 2017 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. 2017-4-1) with one noted exception. As of October 31, 2017, the medium-term note portfolio was 10.4% which exceeds the 10% allowable threshold established under the Agency's Investment Policy.

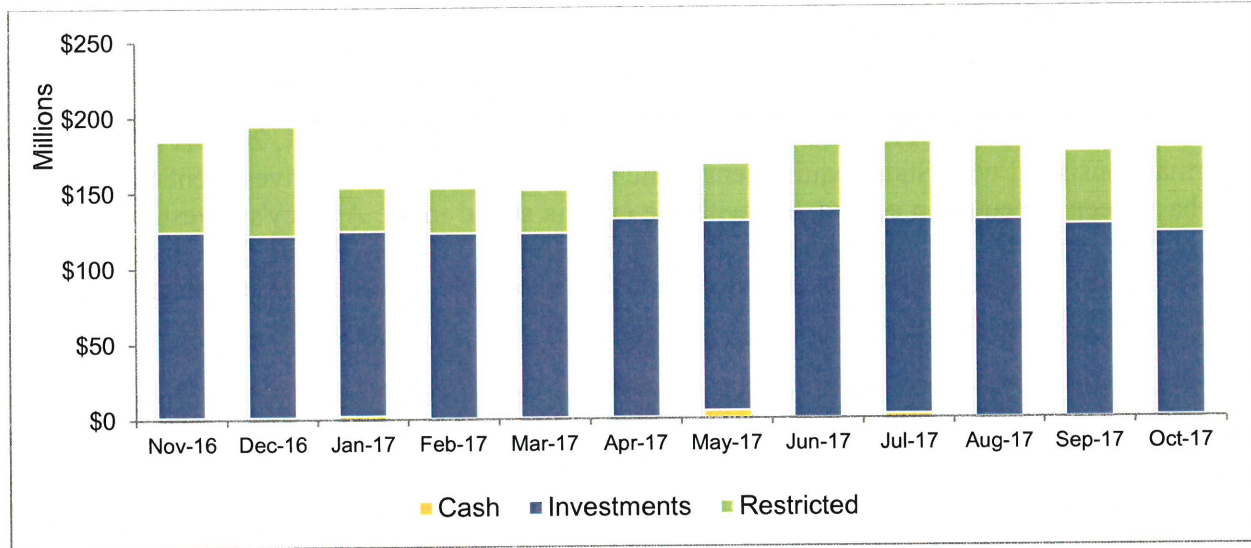
The medium-term notes portfolio exceeded the 10% threshold defined in the Investment Policy but below the 30% threshold established under the California Government Code (CGC). This exception was initially reported in May 2017 on the March Financial Affairs Report, a recommendation was made to approve the medium-term investments and to allow for those investments to be held until maturity.

**Table 1: Agency Portfolio**

Authorized Investments	Allowable Threshold (\$ million or %)	Investment Value as of October 31, 2017 (\$ million)				Average Yield	Portfolio % (Unrestricted)
		Under 1 Year	1-3 Years	Over 3 Years	Total		
LAIF	\$65	\$32.3			\$32.3	1.14%	26.6%
CalTrust	n/a	\$15.2	\$6.0		\$21.2	1.32%	17.5%
CAMP	n/a	\$18.2			\$18.2	1.17%	15.0%
Citizens Business Bank – Sweep	40%	\$11.4			\$11.4	0.70%	9.4%
Brokered CD's	30%	\$1.7	\$0.7		\$2.4	1.50%	2.0%
Medium Term Notes	10%	\$4.5	\$8.1		\$12.6	1.34%	<b>10.4%</b>
Municipal Bonds	10%		\$1.0		\$1.0	1.75%	0.8%
US Treasury Notes	n/a		\$2.0		\$2.0	1.35%	1.6%
US Gov't Securities	n/a		\$20.3		\$20.3	1.33%	16.7%
<b>Total</b>		<b>\$83.3</b>	<b>\$38.1</b>	<b>\$0.0</b>	<b>\$121.4</b>	<b>1.203%</b>	<b>100%</b>

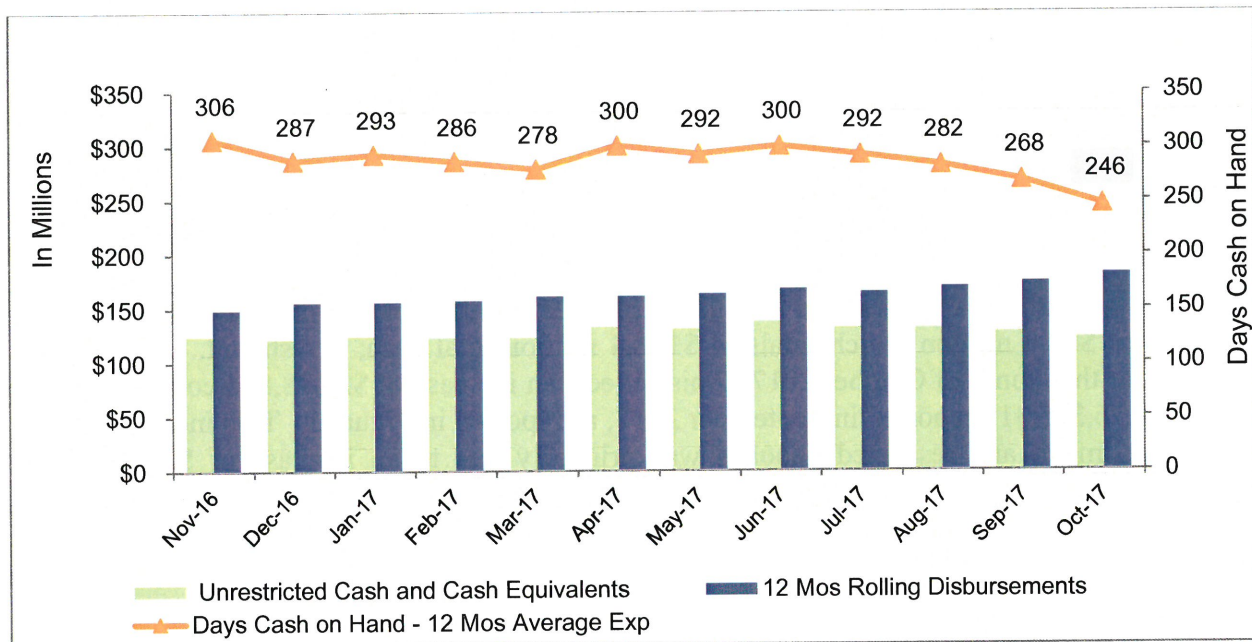
The Agency portfolio shown above in Table 1 of \$121.4 million does not include the restricted accounts of \$57.0 million which totals to \$178.4 million total cash, investment, and restricted deposits for the month of October 2017. This reflects an increase of \$2,078,896 compared to the total of \$176,305,313 reported in September 2017, as reported in Figure 1. This increase in total cash, investment, and restricted deposits was primarily due to an increase of \$2,887,581 in connection fees held by member agencies on behalf of the Agency.

**Figure 1: Cash, Investments, and Restricted Deposits**



Average days 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. Connection fees held by member agencies are not included in the calculation of days cash on hand. Average days cash on hand decreased from 268 days at the end of September to 246 days at the end of October as shown in Figure 2. This drop was due to the transfer of cash from an unrestricted account to the restricted debt service accounts for the principal payment of the 2017A Bonds.

**Figure 2: Days Cash on Hand – 12 Month Rolling Average**





# Treasurer's Report of Financial Affairs for October 31, 2017



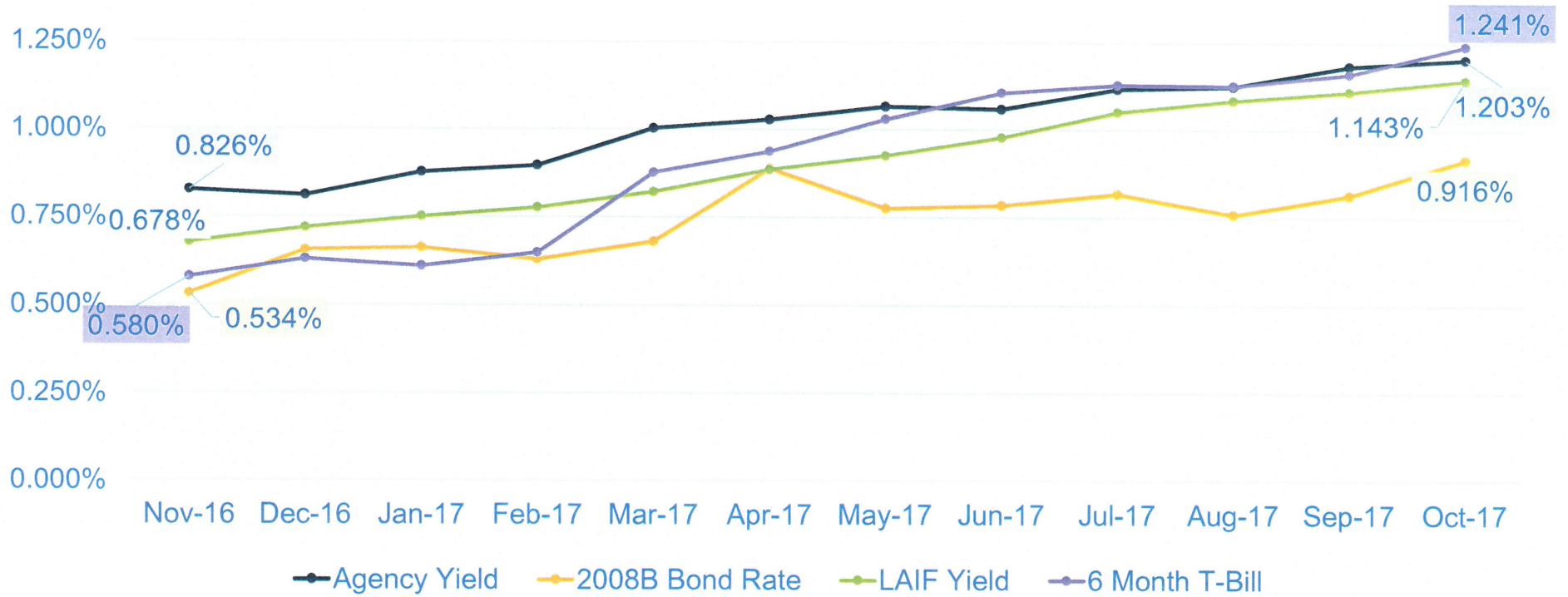


# Agency Liquidity

- Decrease in total portfolio mainly due to withdrawal of funds from the Local Agency Investment Fund (LAIF) to pay for the \$4.6M principal payment of the 2017A Bonds
- Decrease in average cash on hand is due to the movement of cash from unrestricted to restricted funds available

Liquidity			
Description	October (\$ million)	September (\$ million)	Increase (Decrease) (\$ million)
Total Cash, Investments, and Restricted Deposits	\$178.4	\$176.3	\$2.1
Total Investment Portfolio	\$121.4	\$127.5	(\$6.1)
Investment Portfolio Yield	1.203%	1.183%	0.020%
Weighted Average Duration (years)	0.82	0.81	0.1
Average Cash on Hand (days)	246	268	(22)

# Month End Portfolio Yield Composition





# Questions



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



## TREASURER'S REPORT OF FINANCIAL AFFAIRS

For the Month Ended October 31, 2017



All investment transactions have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2017-4-1) adopted by the Inland Empire Utilities Agency's Board of Directors during its regular meeting held on April 19, 2017.

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  
October 31, 2017

	<u>October</u>	<u>September</u>
<b><u>Cash, Bank Deposits, and Bank Investment Accounts</u></b>	<u>\$903,166</u>	<u>\$300,724</u>
<b><u>Investments</u></b>		
Citizens Business Bank (CBB) Repurchase (Sweep)	\$11,439,294	\$11,713,869
Local Agency Investment Fund (LAIF)	32,268,927	37,176,305
CalTrust	21,222,865	21,210,264
California Asset Management Program (CAMP)	18,239,537	18,221,459
Certificates of Deposit	2,421,000	2,421,000
Municipal Bonds	997,705	997,596
Medium Term Notes	12,585,489	13,588,189
U.S. Treasury Notes	1,992,955	1,992,576
U.S. Government Sponsored Entities	20,234,976	20,234,313
<b>Total Investments</b>	<u>\$121,402,748</u>	<u>\$127,555,571</u>
<b>Total Cash and Investments Available to the Agency</b>	<u>\$122,305,914</u>	<u>\$127,856,295</u>
<b><u>Restricted Deposits</u></b>		
Debt Service Accounts	\$7,141,702	\$2,559,709
CCRA Deposits Held by Member Agencies	36,401,533	33,513,952
OPEB (CERBT) Account	12,044,921	11,962,541
Escrow Deposits	490,139	412,816
<b>Total Restricted Deposits</b>	<u>\$56,078,295</u>	<u>\$48,449,018</u>
<b>Total Cash, Investments, and Restricted Deposits</b>	<u><u>\$178,384,209</u></u>	<u><u>\$176,305,313</u></u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Cash and Investment Summary**

Month Ended  
October 31, 2017

**Cash, Bank Deposits, and Bank Investment Accounts**

CBB Demand Account (Negative offset by CBB Sweep Balance)	\$764,971
CBB Workers' Compensation Account	25,698
Subtotal Demand Deposits	\$790,669
<b>Other Cash and Bank Accounts</b>	
Petty Cash	\$2,250
Subtotal Other Cash	\$2,250
<b>US Bank Pre-Investment Money Market Account</b>	\$110,247
<i>Total Cash and Bank Accounts</i>	\$903,166

**Investments**

**CBB Repurchase (Sweep) Investments**

FNMA	\$11,439,294
Subtotal CBB Repurchase (Sweep)	\$11,439,294

**Local Agency Investment Fund (LAIF)**

LAIF Fund	\$32,268,927
Subtotal Local Agency Investment Fund	\$32,268,927

**CalTrust**

Short Term	\$15,223,958
Medium Term - Restricted	5,998,907
Subtotal CalTrust	\$21,222,865

**California Asset Management Program (CAMP)**

Pool	\$18,239,537
Subtotal CAMP	\$18,239,537

# INLAND EMPIRE UTILITIES AGENCY

## Cash and Investment Summary

Month Ended  
October 31, 2017

### Investments Continued

#### **Brokered Certificates of Deposit**

Brokered Certificates of Deposit	\$2,421,000
Subtotal Brokered Certificates of Deposit	<u>\$2,421,000</u>

#### **Municipal Bonds**

State and Local Municipal Bonds	\$997,705
Subtotal Municipal Bonds	<u>\$997,705</u>

#### **Medium Term Notes**

John Deere Capital Corp.	\$1,500,693
Toyota Motor Credit Corp.	999,811
JP Morgan Chase & Co.	2,010,529
Johnson & Johnson	2,060,242
Microsoft	1,003,663
Exxon Mobil	3,010,551
Wells Fargo Bank N.A.	2,000,000
Subtotal Medium Term Notes	<u>\$12,585,489</u>

#### **U.S. Treasury Notes**

Treasury Note	\$1,992,955
Subtotal U.S. Treasury Notes	<u>\$1,992,955</u>

#### **U.S. Government Sponsored Entities**

Fannie Mae Bank	\$3,749,695
Freddie Mac Bank	5,487,567
Federal Farm Credit Bank	7,999,166
Federal Home Loan Bank	2,998,548
Subtotal U.S. Government Sponsored Entities	<u>\$20,234,976</u>

#### ***Total Investments***

\$121,402,748



**INLAND EMPIRE UTILITIES AGENCY**  
**Cash and Investment Summary**

Month Ended  
October 31, 2017

**Restricted Deposits**

**Debt Service**

08B Debt Service Accounts	\$2,549,446
10A Debt Service Accounts	155
17A Debt Service Accounts	4,592,101
Subtotal Debt Service	\$7,141,702

**CCRA Deposits Held by Member Agencies**

City of Chino	\$5,598,746
Cucamonga Valley Water District	3,500,021
City of Fontana	5,777,272
City of Montclair	1,087,229
City of Ontario	12,369,379
City of Chino Hills	6,538,447
City of Upland	1,530,439
Subtotal CCRA Deposits Held by Member Agencies	\$36,401,533

**CalPERS**

OPEB (CERBT) Account	\$12,044,921
Subtotal CalPERS Accounts	\$12,044,921

**Escrow Deposits**

Kemp Brothers Construction	\$490,139
Subtotal Escrow Deposits	\$490,139

***Total Restricted Deposits***

\$56,078,295

***Total Cash, Investments, and Restricted Deposits as of October 31, 2017***

\$178,384,209

Total Cash, Investments, and Restricted Deposits as of 10/31/17

\$178,384,209

Less: Total Cash, Investments, and Restricted Deposits as of 09/30/17

176,305,313

***Total Monthly Increase (Decrease)***

\$2,078,896

# INLAND EMPIRE UTILITIES AGENCY

## Cash and Investment Summary

Month Ended  
October 31, 2017

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par	Cost Basis	Term	October	October	%	%	Maturity	Market
	S&P	Moody's	S&P	Moody's	Amount	Amount	(Days)	Amortization	Value	Coupon	Yield to Maturity	Date	Value
<b>Cash, Bank Deposits, and Bank Investment Accounts</b>													
<b>Citizens Business Bank (CBB)</b>													
Demand Account*					\$764,971	\$764,971	N/A	N/A	\$764,971		N/A	N/A	\$764,971
Payroll Checking					0	0	N/A	N/A	0		N/A	N/A	0
Workers' Compensation Account					25,698	25,698	N/A	N/A	25,698		N/A	N/A	25,698
Subtotal CBB Accounts					<u>\$790,669</u>	<u>\$790,669</u>			<u>\$790,669</u>				<u>\$790,669</u>
<b>US Bank (USB)</b>													
Federated Automated MMA					\$110,247	\$110,247	N/A	N/A	\$110,247		0.60%	N/A	\$110,247
Subtotal USB Account					<u>\$110,247</u>	<u>\$110,247</u>			<u>\$110,247</u>		0.60%		<u>\$110,247</u>
<b>Petty Cash</b>					<u>\$2,250</u>	<u>\$2,250</u>	N/A	N/A	<u>\$2,250</u>		N/A	N/A	<u>\$2,250</u>
<b>Total Cash, Bank Deposits and Bank Investment Accounts</b>					<u>\$903,166</u>	<u>\$903,166</u>			<u>\$903,166</u>				<u>\$903,166</u>
<i>*Negative demand checking balance is offset by the Daily Repurchase (Sweep) Account balance</i>													
<b>Investments</b>													
<b>CBB Daily Repurchase (Sweep) Accounts</b>													
FNMA					\$11,439,294	\$11,439,294			\$11,439,294		0.70%		\$11,439,294
Subtotal CBB Repurchase Accounts					<u>\$11,439,294</u>	<u>\$11,439,294</u>			<u>\$11,439,294</u>		0.70%		<u>\$11,439,294</u>
<b>LAIF Accounts</b>													
Non-Restricted Funds					\$32,268,927	\$32,268,927	N/A	N/A	\$32,268,927		1.143%	N/A	\$32,268,927
Subtotal LAIF Accounts					<u>\$32,268,927</u>	<u>\$32,268,927</u>			<u>\$32,268,927</u>		1.143%		<u>\$32,268,927</u>
<b>CALTRUST Accounts</b>													
Short-Term					\$15,223,958	\$15,223,958	N/A	N/A	\$15,223,958		1.23%	N/A	\$15,223,958
Medium-Term (Self Insurance Reserves)					5,998,907	5,998,907	N/A	N/A	5,998,907		1.53%	N/A	5,998,907
Subtotal CalTrust Accounts					<u>\$21,222,865</u>	<u>\$21,222,865</u>			<u>\$21,222,865</u>		1.315%		<u>\$21,222,865</u>
<b>CAMP Accounts</b>													
Short-Term					\$18,239,537	\$18,239,537	N/A	N/A	\$18,239,537		1.17%	N/A	\$18,239,537
Subtotal CAMP Accounts					<u>\$18,239,537</u>	<u>\$18,239,537</u>			<u>\$18,239,537</u>		1.17%		<u>\$18,239,537</u>

# INLAND EMPIRE UTILITIES AGENCY

## Cash and Investment Summary

Month Ended  
October 31, 2017

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	October	October	% Coupon	% Yield to Maturity	Maturity	Market
	S&P	Moody's	S&P	Moody's				Amortization	Value			Date	Value
<b>Investments (continued)</b>													
<b>Brokered Certificates of Deposit (CDs)</b>													
Sallie Mae Bank	N/A				\$248,000	\$248,000	743		\$248,000	1.15%	1.15%	11/06/17	\$248,007
Key Bank National Association	N/A				248,000	248,000	732		248,000	1.10%	1.10%	11/13/17	248,015
Capital One Bank	N/A				240,000	240,000	916		240,000	1.35%	1.35%	01/16/18	240,120
Goldman Sachs Bank USA	N/A				240,000	240,000	916		240,000	1.40%	1.40%	01/16/18	240,144
BMW Bank of North America	N/A				240,000	240,000	915		240,000	1.40%	1.40%	01/17/18	240,144
American Express Bank	N/A				240,000	240,000	1097		240,000	1.70%	1.70%	07/16/18	240,247
American Express Centurion	N/A				240,000	240,000	1097		240,000	1.70%	1.70%	07/16/18	240,247
Ally Bank	N/A				243,000	243,000	722		243,000	1.45%	1.45%	03/11/19	242,560
Wells Fargo Bank	N/A				242,000	242,000	729		242,000	1.55%	1.55%	03/15/19	241,879
Synchrony Bank	N/A				240,000	240,000	1827		240,000	2.25%	2.25%	10/02/20	242,018
Subtotal Brokered CDs					\$2,421,000	\$2,421,000		\$0	\$2,421,000		1.50%		\$2,423,381
<b>US Treasury Note</b>													
US Treasury Note					\$2,000,000	\$1,990,000	808	379	\$1,992,955	1.125%	1.35%	05/31/19	\$1,987,180
Subtotal US Treasuries					\$2,000,000	\$1,990,000		\$379	\$1,992,955		1.35%		\$1,987,180
<b>U.S. Government Sponsored Entities</b>													
Federal Home Loan Bank	AA+	Aaa			1,000,000	1,000,380	713	(16)	1,000,233	1.25%	1.23%	01/18/19	996,080
Federal Farm Credit Bank	AA+	Aaa			3,000,000	3,000,000	1,079		3,000,000	1.15%	1.15%	02/22/19	2,974,500
Freddie Mac Bond	AA+	Aaa			1,000,000	1,003,132	1,023	(95)	1,001,531	1.25%	1.14%	03/15/19	995,710
Federal Farm Credit	AA+	Aaa			1,500,000	1,499,411	720	25	1,499,587	1.40%	1.42%	03/27/19	1,496,355
Federal Farm Credit	AA+	Aaa			1,500,000	1,499,400	720	25	1,499,579	1.40%	1.42%	03/27/19	1,496,355
Federal Home Loan Bank	AA+	Aaa			2,000,000	1,997,600	801	92	1,998,315	1.375%	1.43%	05/24/19	1,993,280
Federal Farm Credit Bank	AA+	Aaa			2,000,000	2,000,000	1,460		2,000,000	1.52%	1.52%	06/24/19	1,996,300
Freddie Mac Bond	AA+	Aaa			1,500,000	1,500,000	1,080		1,500,000	1.15%	1.15%	07/26/19	1,484,580
Fannie Mae Step Bond	AA+	Aaa			1,500,000	1,500,000	1,080		1,500,000	1.00%	1.33%	07/26/19	1,488,330
Fannie Mae Bond	AA+	Aaa			900,000	899,460	1,153	14	899,695	1.25%	1.27%	08/23/19	889,173
Fannie Mae Bond	AA+	Aaa			1,350,000	1,350,000	1,157		1,350,000	1.25%	1.25%	08/26/19	1,340,267
Freddie Mac Bond	AA+	Aaa			3,000,000	2,972,928	1,359	618	2,986,036	1.25%	1.50%	10/02/19	2,977,950
Subtotal U.S. Gov't Sponsored Entities					\$20,250,000	\$20,222,311		\$663	\$20,234,976		1.33%		\$20,128,880

(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  
October 31, 2017

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par	Cost Basis	Term	October	October	% Coupon	% Yield to Maturity	Maturity	Market
	S&P	Moody's	S&P	Moody's	Amount	Amount	(Days)	Amortization	Value			Date	Value
<b>Municipal Bonds</b>													
San Diego Redevelopment Agency	AA	N/R			\$1,000,000	\$996,800	934	\$106	\$997,705	1.625%	1.75%	09/01/19	\$989,710
Subtotal State and Local Municipal Bonds					\$1,000,000	\$996,800		\$106	\$997,705		1.75%		\$989,710
<b>Medium Term Notes</b>													
Wells Fargo Bank	AA-	Aa2			1,500,000	1,502,565	301	(259)	1,500,693	1.65%	1.44%	01/22/18	1,500,510
Toyota Motor Credit Corp	AA-	Aa3			2,000,000	2,000,000	1,045		2,000,000	1.10%	1.10%	04/25/18	1,989,720
JP Morgan Chase & Co	A-	A3			1,000,000	999,000	1,037	30	999,811	1.625%	1.66%	05/15/18	999,670
Johnson & Johnson	AAA	Aaa			2,000,000	2,027,480	1,044	(816)	2,010,529	1.65%	1.16%	12/05/18	2,002,020
Microsoft	AAA	Aaa			2,050,000	2,076,691	1,045	(792)	2,060,242	1.625%	1.16%	12/06/18	2,050,144
Exxon Mobil	AA+	Aaa			1,000,000	1,005,750	763	(234)	1,003,663	1.708%	1.43%	03/01/19	1,000,880
Exxon Mobil	AA+	Aaa			1,500,000	1,506,285	712	(271)	1,504,371	1.819%	1.59%	03/15/19	1,503,720
Wells Fargo Bank	AA-	Aa2			1,500,000	1,511,655	1,061	(336)	1,506,180	1.75%	1.48%	05/24/19	1,496,805
Subtotal Medium Term Notes					\$12,550,000	\$12,629,426		(2,678)	\$12,585,489		1.34%		\$12,543,469
<b>Total Investments</b>					<b>\$121,391,623</b>	<b>\$121,430,160</b>			<b>\$121,402,748</b>				<b>\$121,243,243</b>
<i>(Source of Investment Market Value: US Bank)</i>													
<b>Restricted Deposits</b>													
<b>Debt Service and Arbitrage Accounts</b>													
08B Debt Service Accounts					\$2,549,446	\$2,549,446	N/A	N/A	\$2,549,446		0.50%		\$2,549,446
10A Debt Service Accounts					155	155	N/A	N/A	155		0.20%		155
17A Debt Service Accounts					4,592,101	4,592,101	N/A	N/A	4,592,101		0.20%		4,592,101
<b>Total Debt Service Accounts</b>					<b>\$7,141,702</b>	<b>\$7,141,702</b>			<b>\$7,141,702</b>		0.31%		<b>\$7,141,702</b>



# INLAND EMPIRE UTILITIES AGENCY

## Cash and Investment Summary

Month Ended  
October 31, 2017

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	October	October	% Coupon	% Yield to Maturity	Maturity	Market
	S&P	Moody's	S&P	Moody's				Amortization	Value			Date	Value
<b>CCRA Deposits Held by Member Agencies</b>													
City of Chino					\$5,598,746	\$5,598,746	N/A	N/A	\$5,598,746		N/A	N/A	\$5,598,746
City of Chino Hills					6,538,447	6,538,447	N/A	N/A	6,538,447		N/A	N/A	6,538,447
Cucamonga Valley Water District					3,500,021	3,500,021	N/A	N/A	3,500,021		N/A	N/A	3,500,021
City of Fontana					5,777,272	5,777,272	N/A	N/A	5,777,272		N/A	N/A	5,777,272
City of Montclair					1,087,229	1,087,229	N/A	N/A	1,087,229		N/A	N/A	1,087,229
City of Ontario					12,369,379	12,369,379	N/A	N/A	12,369,379		N/A	N/A	12,369,379
City of Upland					1,530,439	1,530,439	N/A	N/A	1,530,439		N/A	N/A	1,530,439
<i>Subtotal CCRA Deposits Held by Member Agencies</i>					\$36,401,533	\$36,401,533			\$36,401,533				\$36,401,533
<i>Reported total as of September 2017</i>													
<b>CalPERS Deposits</b>													
OPEB (CERBT) Account					\$11,000,000	\$11,000,000	N/A	N/A	\$12,044,921		N/A	N/A	\$12,044,921
Subtotal CalPERS Deposits					\$11,000,000	\$11,000,000			\$12,044,921				\$12,044,921
<i>As of September 30th, the 1 year net return is 4.30%</i>													
<b>Escrow Deposits</b>													
Kemp Brothers Construction Escrow					\$490,139	\$490,139	N/A	N/A	\$490,139		N/A	N/A	\$490,139
Subtotal Escrow Deposits					\$490,139	\$490,139			\$490,139				\$490,139
<b>Total Restricted Deposits</b>					<b>\$50,441,273</b>	<b>\$50,441,273</b>			<b>\$56,078,295</b>				<b>\$51,486,194</b>
<b>Total Cash, Investments, and Restricted Deposits as of October 31, 2017</b>					<b>\$172,736,062</b>	<b>\$172,774,599</b>			<b>\$178,384,209</b>				<b>\$173,632,603</b>

# INLAND EMPIRE UTILITIES AGENCY

## Cash and Investment Summary

Month Ended  
October 31, 2017

### October Purchases

No.	Date	Transaction	Investment Security	Type	Par Amount Purchased	Investment Yield
<i>None</i>						
<b>Total Purchases</b>					<u>\$ -</u>	

### October Investment Maturities, Calls & Sales

No.	Date	Transaction	Investment Security		Par Amount Matured/Sold	Investment Yield to Maturity
1	10/10/17	Matured	John Deere Capital Corp	MTN	\$ 1,000,000	1.110%
<b>Total Maturities, Calls &amp; Sales</b>					<u>\$ 1,000,000</u>	

# INLAND EMPIRE UTILITIES AGENCY

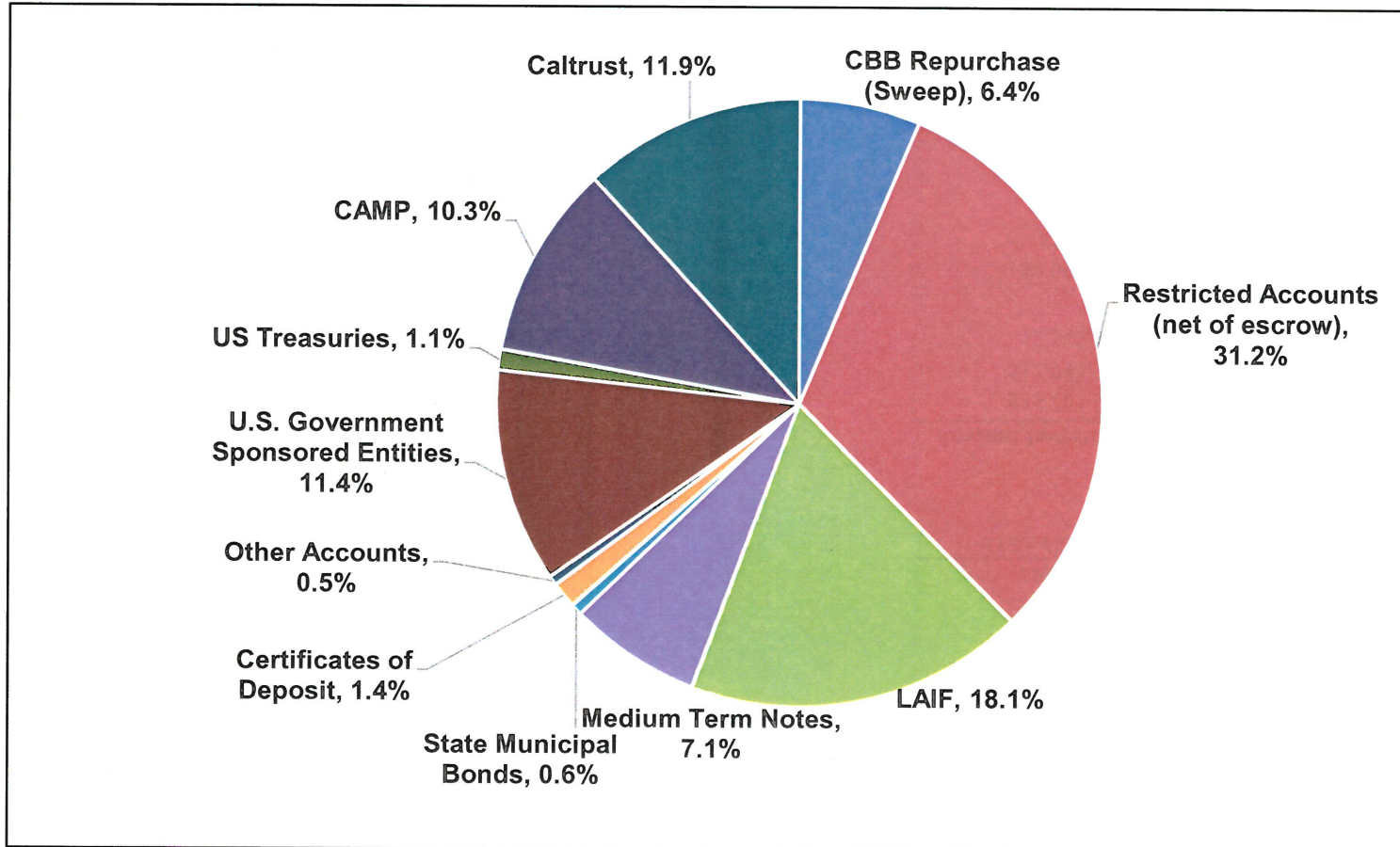
## Cash and Investment Summary

Month Ended  
October 31, 2017

<u>Directed Investment Category</u>	<u>Amount Invested</u>	<u>Yield</u>
CBB Repurchase (Sweep)	\$11,439,294	0.700%
LAIF	32,268,927	1.143%
CalTrust	21,222,865	1.315%
CAMP	18,239,537	1.170%
Brokered Certificates of Deposit	2,421,000	1.502%
Medium Term Notes	12,585,489	1.336%
Municipal Bonds	997,705	1.753%
US Treasury Notes	1,992,955	1.352%
U.S. Government Sponsored Entities	20,234,976	1.335%
<b>Total Investment Portfolio</b>	<b>\$121,402,748</b>	
<b>Investment Portfolio Rate of Return</b>		<b>1.203%</b>
<u>Restricted/Transitory/Other Accounts</u>	<u>Amount Invested</u>	<u>Yield</u>
CCRA Deposits Held by Member Agencies	\$36,401,533	N/A
CalPERS OPEB (CERBT) Account	\$12,044,921	N/A
US Bank - 2008B Debt Service Accounts	\$2,549,446	0.500%
US Bank - 2010A Debt Service Accounts	\$155	0.200%
US Bank - 2017A Debt Service Accounts	\$4,592,101	0.200%
US Bank - Pre-Investment Money Market Account	\$110,247	0.600%
Citizens Business Bank - Demand Account	\$764,971	N/A
Citizens Business Bank - Workers' Compensation Account	\$25,698	N/A
Other Accounts*	\$2,250	N/A
Escrow Account	\$490,139	N/A
<b>Total Restricted/Transitory/Other Accounts</b>	<b>\$56,981,461</b>	
<b>Average Yield of Other Accounts</b>		<b>0.849%</b>
<b>Total Agency Directed Deposits</b>	<b>\$178,384,209</b>	

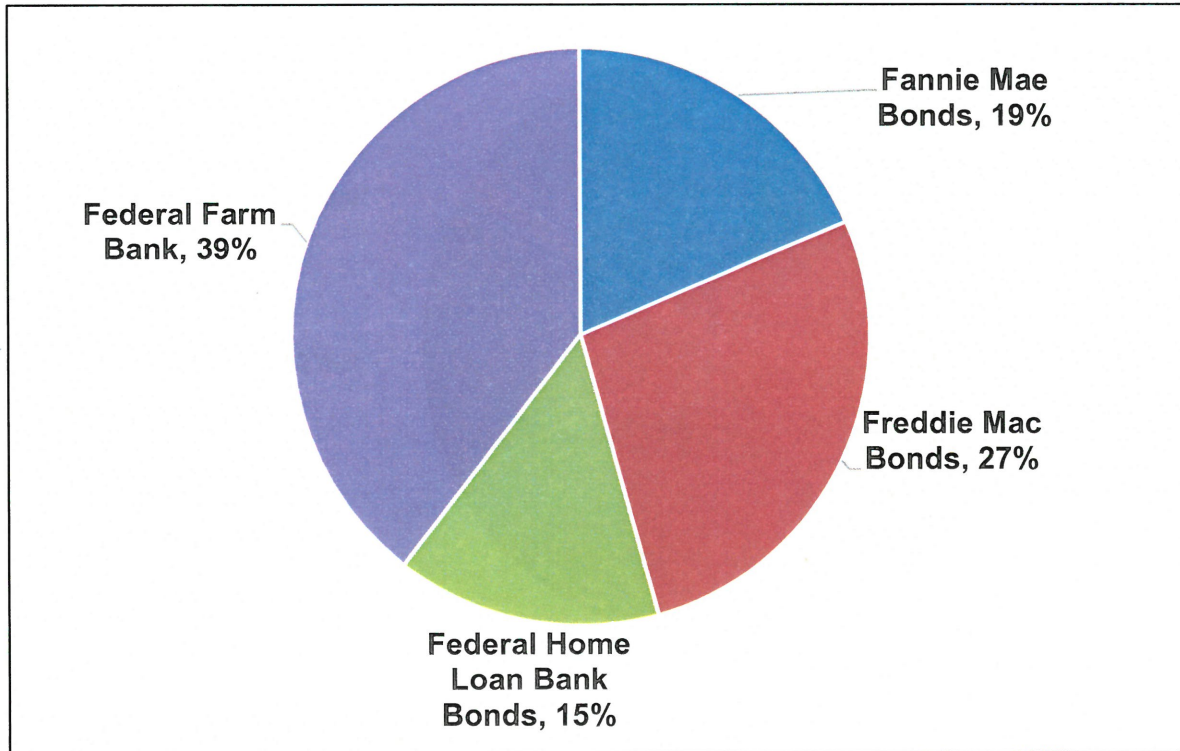
\*Petty Cash

**Inland Empire Utilities Agency**  
**Treasurer's Report of Financial Affairs**  
For the Month Ended October 31, 2017  
Agency Investment Portfolio (Net of Escrow Accounts)  
**\$177,894,070**

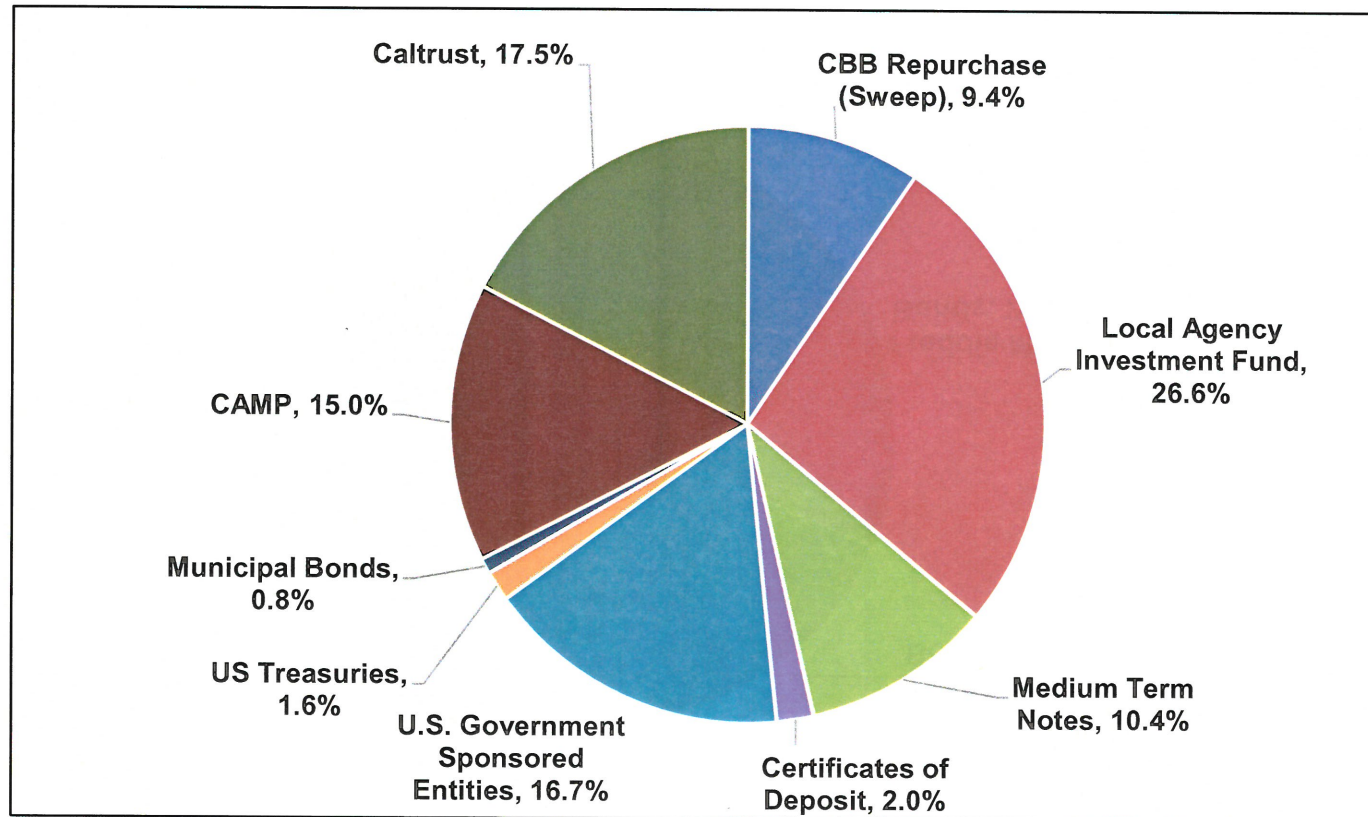




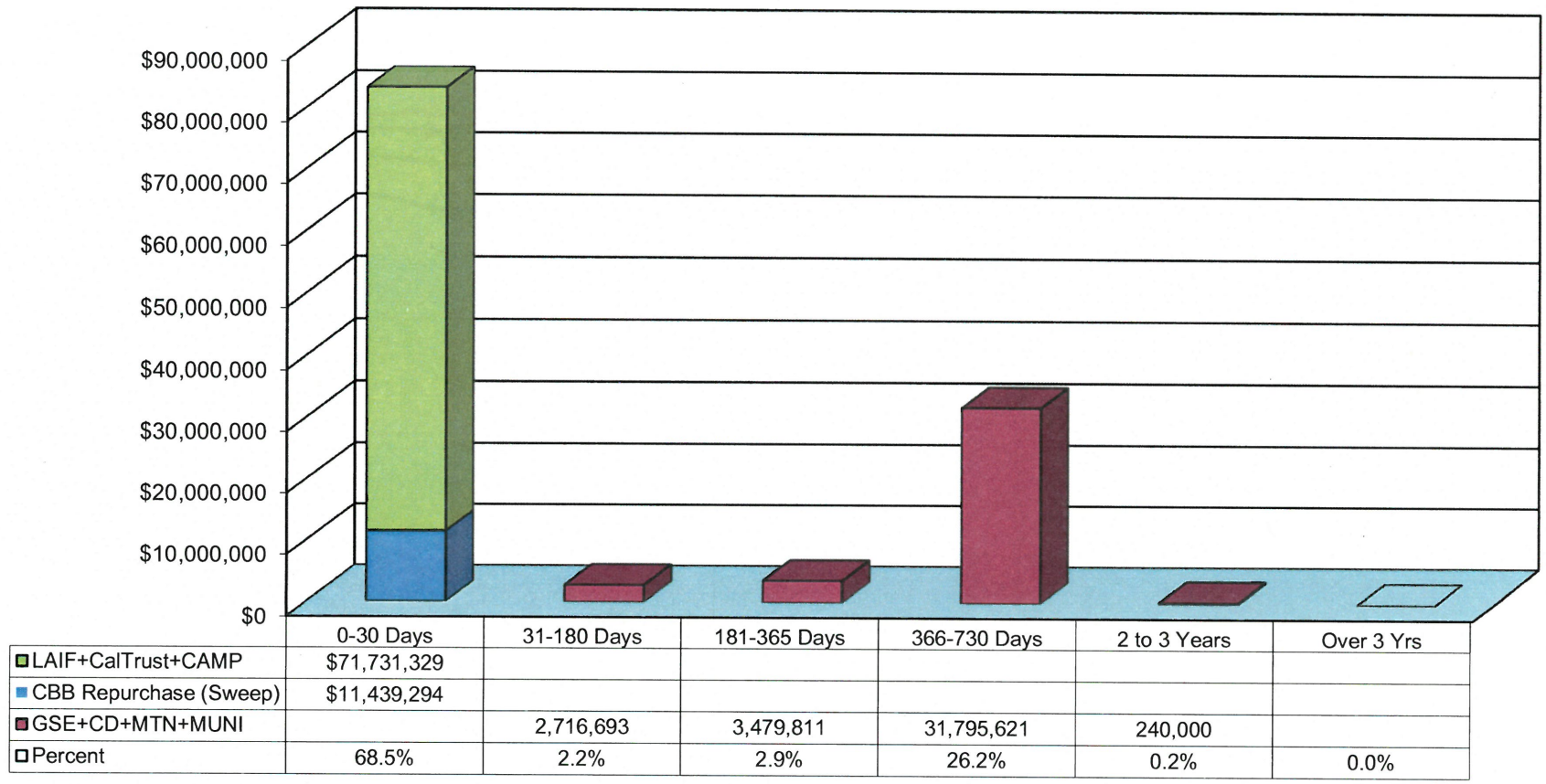
***Inland Empire Utilities Agency***  
**Treasurer's Report of Financial Affairs**  
For the Month Ended October 31, 2017  
U.S. Government Sponsored Entities Portfolio  
**\$20,234,976**



**Inland Empire Utilities Agency**  
**Treasurer's Report of Financial Affairs**  
For the Month Ended October 31, 2017  
Unrestricted Agency Investment Portfolio  
**\$121,402,748**



**Inland Empire Utilities Agency**  
**Treasurer's Report of Financial Affairs**  
For the Month Ended October 31, 2017  
**Agency Investment Portfolio Maturity Distribution (Unrestricted)**  
**\$121,402,748**



**Inland Empire Utilities Agency  
Treasurer's Report of Financial Affairs  
For the Month Ended October 31, 2017  
Agency Investment Portfolio Yield Comparison**

