

**NOTICE OF SPECIAL JOINT
MEETING OF THE IEUA
BOARD OF DIRECTORS AND
THE REGIONAL POLICY
COMMITTEE**

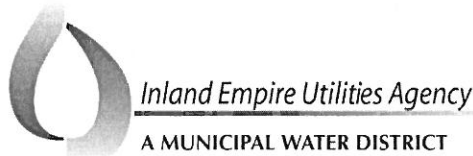
**OF THE
BOARD OF DIRECTORS
OF THE**



AND THE REGIONAL POLICY COMMITTEE

**WILL BE HELD ON
WEDNESDAY, APRIL 1, 2015
10:00 A.M.**

**AT THE OFFICE OF THE AGENCY
6075 KIMBALL AVENUE, BUILDING A,
CHINO, CA 91761**



AGENDA

SPECIAL JOINT MEETING OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS AND THE REGIONAL POLICY COMMITTEE

WEDNESDAY, APRIL 1, 2015
10:00 A.M.

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

CALL TO ORDER OF THE JOINT INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS AND REGIONAL POLICY COMMITTEE MEETING

FLAG SALUTE

PUBLIC COMMENT

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

ADDITIONS TO THE AGENDA

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

1. RATE BUDGET WORKSHOP FOR FISCAL YEARS 2015/16 THROUGH 2019/20

2. ADJOURN

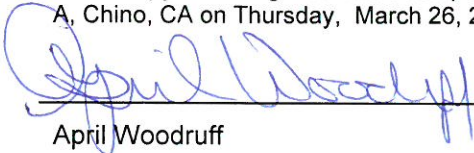
*A Municipal Water District

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

Proofed by: _____

Declaration of Posting


I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, March 26, 2015.




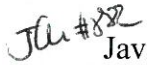
April Woodruff

Date: April 1, 2015

To: The Honorable Board of Directors/Regional Policy Committee

From: *for* P. Joseph Grindstaff
General Manager 

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

 #82
Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: Rate Budget Workshop for Fiscal Years 2015/16 – 2019/20

RECOMMENDATION

This is an informational item for the Board of Directors and Regional Policy Committee members to review.

BACKGROUND

The focus of this joint meeting of the Inland Empire Utilities Agency (IEUA) Board of Directors (Board) and the Regional Policy Committee (Regional Committee) is to continue the review and discussion of the proposed rates and fees for fiscal years (FYs) 2015/16-2019/20 for the IEUA's Regional Wastewater and Recycled Water programs. Also included in the review is the proposed re-structuring of the potable water rates accounted for in the IEUA's Water Resources (WW) fund. A brief description of each of the funds and respective major revenues (under current rates and structures) and expenses is included in the Appendix.

At the joint meeting held on February 4, 2015, members of the IEUA Board and the Regional Committee discussed the early adoption of the regional wastewater equivalent dwelling unit (EDU) volumetric rate, as requested by the City of Fontana, to ensure that they met the San Bernardino County Tax Assessors' timeline to submit the rates for inclusion in next year's property tax roll. In order to meet this request, the EDU volumetric rate was adopted by the IEUA Board on March 18, 2015, for FYs 2015/16-2019/20 as reported on Table A1 in the Appendix.

IEUA Business Goals

In October 2013, the IEUA Board approved the IEUA Business Goals integrating the Agency-wide policies and level of service commitments to better communicate the IEUA's commitment to provide reliable, cost effective, and high-quality service to our customers. The proposed rates and fees are consistent with the IEUA Business Goals and the Strategic Plan for FYs 2014/15-2018/19, adopted by the IEUA Board in October 2013 and May 2014, respectively. The proposed rates and fees are also based on the FYs 2016-2025 Ten-Year Capital Improvement Plan (TYCIP) adopted by the IEUA Board on March 18, 2015, as recommended by the Regional Technical and Policy Committees (Regional Committees) on February 26 and March 5, 2015 respectively. A summary of the IEUA Business Goals is provided on Table A2 in the Appendix.

Integrated in the proposed budget and the adopted TYCIP are the Agency's long-term planning documents, amongst them the IEUA Strategic Plan for FYs 2014/15-2018/19, updated Wastewater Facilities Master Plan (WWFMP) and Recycled Water Program Strategy.

Key Objectives

Consistent with the IEUA Business Goals and the IEUA Strategic Plan, some of the key objectives of the proposed rates and fees include:

- **Fully recover costs** - adoption of multi-year rates that achieve full cost of service;
- **Be equitable** – ensure rates and fees maintain a clear nexus between what a customer pays and the benefit received;
- **Ensure regional water reliability and sustainability** - continue development of regional water supplies;
- **Make growth pay for growth** - increase the regional wastewater connection fee and establish a new “One-Water” connection fee to support future expansion and improvement of the regional wastewater and water systems;
- **Eliminate property tax subsidies for operations and maintenance** – use of property tax receipts to support regional capital investments in water reliability and sustainability;
- **Provide fiscal stability**- maintain rates and fees that ensure uninterrupted service during times of revenue uncertainty;
- **Be legally compliant** – ensure rates and fees are reasonable as mandated by Proposition 26.

“Growth Pays for Growth”

Improvement in the economy is beginning to revitalize new development across IEUA's service area. Member agencies forecasts indicate 45,279 new EDU connections over the next 10 years, of which nearly 60 percent is anticipated to occur in the IEUA's southern service area. As a regional provider of wastewater and water services, it is IEUA's responsibility to ensure the regional wastewater and regional water systems capacity is expanded in a timely and cost effective manner to support future growth.

In preparation of the anticipated growth, IEUA updated its WWFMP. The WWFMP update included a comprehensive assessment of existing treatment capacity, flow projections, loading factors, and flow diversion alternatives to maximize beneficial use of recycled water. Some of the major regional wastewater capital projects identified in the updated WWFMP are listed on Figure 1:

Figure 1: Major Wastewater Projects

Description	FYs 15/20	FYs 20/25	FYs 25/30	FYs 30/35	Total Projected Cost (\$Millions)
RP-1 Liquid Treatment Expansion					\$83
RP-1 Solids Treatment Expansion					\$25
RP-2 Decommissioning					\$30
RP-4 Tertiary Expansion					\$25
RP-5 Liquid Treatment Expansion					\$125
RP-5 Solids Treatment Facility					\$136
Other Wastewater					\$405
	\$282M				\$829M

In order to secure the financial resources needed for the timely execution of these major wastewater projects to support future growth, Carollo Engineers, Inc. (Carollo) was commissioned to conduct a rate analysis of IEUA’s regional wastewater connection fee.

Regional Wastewater Connection Fee

Currently, IEUA collects a connection fee of \$5,107 per EDU for new connections into the regional wastewater system. The regional wastewater connections fee was implemented in 1979 (Regional Sewage Service Contract, as amended in October 1994). The rate study determined an increase to the existing connection fee was needed to adequately support future expansion and improvement of IEUA’s regional wastewater system. The 2015 Wastewater Connection Fee Draft (February 24, 2015) report by Carollo explains the basis and methodology for the proposed adjustment to the regional wastewater connection fee.

A key component of the fee calculation is the projected number of future users over the next 20 years. The higher the number of future users: the lower the connection fee. To lessen the impact to the development community, IEUA opted to use the higher end count of projected future users, or 96,814 for the next 20 years, (more than double the member agencies projections of

45,279 over the next 10 years). This conservative approach resulted in an estimated increase of \$1,498 from \$5,107 to \$6,605 per new EDU connection. Table 1 shows the proposed regional wastewater connection fee for FYs 2015/16-2019/20 based on the 2015 Wastewater Connection Fee Draft (February 24, 2015) report:

Table 1: Regional Wastewater Proposed Connection Fee

	14/15	15/16	16/17	17/18	18/19	19/20
Effective Date	7/01/15	1/01/16	7/01/16	7/01/17	7/01/18	7/01/19
	\$5,107	\$5,260	\$6,605	\$6,800	\$7,210	\$7,425

Completion of the review process is anticipated in April, 2015 and a final report and final connection fee in early May, 2015. IEUA staff is working with the Building Industry Association – Baldy View Chapter (BIA) and member agencies to establish the criteria for implementation of the revised regional wastewater connection fee to lessen the impact to new development projects already underway.

New “One-Water” Connection Fee

The proposed “One-Water” connection fee will support future expansion of IEUA’s regional water system, which is comprised of potable water, recycled water, and groundwater recharge. Persistent drought conditions and limited imported water supplies from the State Water Project make it essential for the region to secure and develop more reliable and sustainable local water supplies. Future economic development is dependent on having a reliable and sustainable water supply that can meet the needs of future growth throughout the region. Included in IEUA’s long term planning documents is the expansion of regional recycled water distribution system and groundwater recharge facilities, as well as continual development of local water supplies.

Revenue generated from the proposed new “One-Water” connection fee will be used to support capital investment projects in the Recycled Water, Recharge Water, and Water Resources programs. Based on the adopted FYs 2016-2025 TYCIP, approximately 94 percent of the new “One-Water” connection fee supports capital investment to enhance and expand the regional recycled water distribution system and groundwater recharge facilities. The remaining six percent is allocated to the WW fund to support development of regional water supplies and water resources capital projects, including a small portion of the Agency’s committed contribution to support regional resiliency projects submitted by member agencies.

The proposed “One-water” connection fee is estimated to be \$1,388 per meter equivalent units (MEU), as reported on Table 2 and in the 2015 Water Connection Fee Update Draft Report (February 24, 2015):

Table 2: Proposed “One-Water” Connection Fee

	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
“One-Water” Connection Fee	\$1,388	\$1,430	\$1,475	\$1,515	\$1,560
Effective Date	10/1/15	7/01/16	7/01/17	7/01/18	7/01/19

Other alternatives to the “One-Water” connection fee, recommended by member agencies, is the allocation of growth’s share of future capital investment (proposed to be funded by the “One-Water” connection fee) based on the existing wastewater EDUs, or existing MEUs. Growth’s share of capital costs is projected to be \$7.8 million in FY 2015/16 and approximately \$130 million (escalated costs) over the next 20 years. Table A4 in the Appendix shows the proportionate share of these capital costs by member agency based on an EDU (Option 1) and MEU (Option 2) allocation basis.

Premised on the principle that “growth pays for growth”, staff’s recommendation is the implementation of a new “One-Water” connection fee to support future expansion and investment of the regional water system.

Connection Fee Review and Update

IEUA has facilitated numerous workshops with member agencies and stakeholders, including BIA to review the rate analysis and the basis for the proposed adjustment to the regional wastewater connection fee and the proposed new “One-Water” connection. As requested by BIA, IEUA is working with their consultant (David Taussig & Associates) on a peer review of the basis and methodology for both connection fees. Any findings from the BIA peer review will be integrated in the final reports and proposed fees. Data related to the BIA peer review will be shared with member agencies and stakeholders.

Additionally, IEUA commits to review the connection fees periodically (at a minimum of every 5 years) and adjust the fees as needed to align with actual and updated growth projections. This periodic review will ensure that connection fees are set to adequately fund future expansion of the regional wastewater and regional water systems in a timely and cost effective manner to meet future growth.

Recycled Water Program Rates

The recycled water rates support the costs associated with the operations and maintenance of IEUA’s regional recycled water distribution system, operating and maintenance costs for the groundwater recharge basins not reimbursed by Chino Basin Watermaster, including IEUA’s pro rata share for basins recharged with recycled water, and debt service costs related to the financing of capital improvement projects. Costs are currently supported by volumetric (commodity) based rates for direct and recharged groundwater recycled water deliveries. Other key funding sources for the Recycled Water (WC) program are the Local Projects Program

(LPP) rebate from Metropolitan Water District of Southern California (MWD) and an allocation of property tax receipts. The MWD LPP rebate is set to expire in June 2017.

The rate study conducted by Carollo recommends future restructuring of the recycled water rates to better support fixed and variable costs. A similar recommendation for a fixed and variable component was requested by member agencies. Proposed rate components under this approach were presented to at the Cost of Service Workshop held on March 25, 2015. Following is a summary of the options discussed:

- **Option 1:** 100% of current debt service supported by a fixed charge

Option 1	FY 15/16
Fixed, \$/MEU/month	\$35.81
Variable, \$/AF	
Direct	\$179
GWR	\$239

- **Option 2:** 50% current debt service supported by a fixed charge

Option 2	FY 15/16
Fixed, \$/MEU/month	\$17.91
Variable, \$/AF	
Direct	\$264
GWR	\$324

A listing of MEUs by member agency is provided in Table A4 in the Appendix. No consensus was reached on either of the options. However, staff was asked to change the fixed portion of the cost allocation from MEUs to EDUs for further review.

Continuation of the five percent allocation of property taxes to support existing debt service costs is also included in the program’s funding plan. Continuing the property tax subsidy will lessen the impact of the LPP rebate scheduled to terminate in June 2017. The property tax subsidy is planned to continue until recycled water sales reach deliveries of 50,000 acre feet per year (AFY) currently estimated in 2025.

The proposed recycled water rates for FYs 2015/16 through 2019/20 on Table 3 are based on the current volumetric structure. As requested by the Board, the proposed rates achieve cost of

service over three years, and do not exceed 70 percent of the projected MWD Untreated Tier 1 rate. The 70 percent threshold established by the Board maintains the recycled rates at an affordable level and a good value for the region. Table 3 provides a summary of the proposed recycled water rates for FYs 2015/16 through 2019/20.

Table 3: Recycled Water Program Proposed Multi-Year Rates

	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Direct Delivery/AF	\$290	\$350	\$410	\$470	\$480	\$490
Groundwater Recharge/AF	\$335	\$410	\$470	\$530	\$540	\$550
Effective Date		10/1/15	7/01/16	7/01/17	7/01/18	7/01/19

An overview of how the proposed rates compare to program cost of service and MWD 70 percent threshold is provided in Figure A1 in the Appendix.

Water Resources Program Rates

The WW fund records costs associated with providing regional water resources and water use efficiency programs. These programs include management and distribution of imported water supplies, development, and implementation of regional water use efficiency initiatives, water resource planning, and support for regional water supply programs including recycled water, groundwater recharge, and storm water management. These costs are currently supported by two rates: a \$15 per acre foot (AF) surcharge imposed on imported potable water deliveries, and a \$2.11 monthly meter charge on potable water connections. The AF surcharge recovers a portion of the WW fund operating costs (\$11 per AF) and regional conservation program (\$4 per AF). A major portion of the monthly meter charge, approximately 80 percent, recovers the readiness to serve (RTS) pass through charges from MWD.

These rates were also evaluated as part of the rate study analysis conducted by Carollo. A key objective of the rate study is to determine the most appropriate funding source(s) and rate structure needed to achieve revenue stability, a closer nexus between how costs are incurred and how costs are recovered, enhancement of regional conservation and water use efficiency measures, and a more equitable allocation amongst ratepayers.

RTS Recovery Rate

Currently IEUA collects the RTS charges through the monthly meter charge; an account based or fixed basis. However, MWD assesses the pass-through RTS charge based on a ten-year rolling average (TYRA) of water use; a commodity based or variable basis. The use of a volumetric based rate will more equitably distribute the RTS costs amongst member agencies by better aligning how the costs are incurred and how the costs are recovered.

Staff’s recommendation is an RTS recovery rate that mimics the MWD billing methodology,

which is based on a TYRA of water use. In addition to providing greater stability for both the Agency and member agencies, use of a commodity based rate will more effectively promote water conservation. At the March 10, 2015, cost of service workshop, member agencies recommended a phased implementation over the next five FYs. The following options were presented and discussed at the Cost of Service Workshop held on March 25, 2015:

- Option 1 – Use of a three-year phase-in approach to smooth the transition to allocations based on a TYRA consumption over three years.
- Option 2 – Allocates the RTS charge to each agency based on TYRA and annual usage of imported water. It provides a transition to allocations based solely on TYRA over five years by adjusting the allocation weighting of TYRA and annual usage in each year.
- Option 3 – Allocates RTS charges based on rolling averages that are phased from six to ten years, beginning in FY 2015/16.
- Option 4 – Allocates RTS charges based solely on MEUs, beginning in FY 2015/16.

At this time, staff’s recommendation is to implement an RTS recovery rate consistent with MWD’s TYRA billing methodology. The FY 2015/16 rate is estimated to be approximately \$67 per AF as shown on Table 4. Future rates will be based on full recovery of MWD RTS pass-through charges.

Table 4: Proposed Water Resources Rates

	FY 14/15	Proposed FY 15/16
RTS, \$/AF	**	\$67

However, the proposed rate may change if the member agencies reach consensus on one of the alternative methodologies (Options 1 – 4) summarized above.

Monthly Meter Charge/MEU Rate

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

A key recommendation of the study is the restructuring of the monthly meter charge rate from account based (total number of customer accounts) to MEUs and use the revenue generated to support the water resource program costs, a portion of which were previously supported by the AF surcharge rate. The use of the MEU rate to support a primarily “fixed” program cost will provide more stable funding for the management of water resource initiatives, including the Agency’s regional conservation and water use efficiency programs. Table 5 shows the proposed MEU rate over the next five FYs;

Table 5: Proposed Potable Water Rate (MEU)

	Current	Proposed				
	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Meter Charge, \$/Account	\$2.105	-				
MEU Charge, \$/MEU	-	\$1.150	\$1.250	\$1.350	\$1.400	\$1.450

Member agencies also requested a phased implementation option on the MEU rate to lessen the impact of the proposed MEU rate. Implementation of a lower MEU rate initially (\$1.00 per MEU) will result in higher rate increases for the following two years of \$0.15 per year, versus the proposed \$.05 annual increase. The lower revenues under this option will also require an additional inter-fund loan of \$2 million from the Administrative Services (GG) fund to support the program operating costs and fund reserves. The additional loan will increase the WW fund indebtedness to the GG fund to \$6 million.

The proposed MEU rate does not provide funding for the regional resiliency projects submitted by member agencies over the next ten years to improve water quality, develop local water supplies, and support water reliability in the region. A portion (18 percent) of the Agency’s five percent funding commitment is included in the proposed “One-Water” connection fee. These regional resiliency projects will be defined and fully vetted as part of development and implementation the Agency’s Integrated Resources Plan (IRP) and Water Use Efficiency Plan (WUEP) scheduled for completion this fall.

Also excluded from the proposed MEU rate is any future purchase of replenishment water during “wet” years for use during “dry” years. Any future purchases of replenishment are assumed to be funded by proceeds from the resale of the water.

Timeline

Review and adoption of the proposed multi-year rates is summarized on Table 6:

Table 6: Timeline for Adoption of Proposed Rates

Action	IEUA Finance Committee	IEUA Board	Joint Meeting IEUA Board/Regional Policy Committee	Regional Technical Committee	Regional Policy Committee
Joint IEUA Board/Regional Policy Committee Rate Budget Workshop		2/4/15		2/26/15	2/4/15
Joint IEUA Board/Regional Policy Committee Rate Budget Workshop			4/1/15		
Project Review Workshop				3/31/15	
Cost of Service Rate Workshop (if needed)				4/14/15	
Recommendation to approve proposed multi-year rates				4/30/15	5/7/15
Approval of multi-year rates	5/13/15	5/18/15			

To ensure that the member agencies meet their Prop 218 obligation, the IEUA Board will defer the effective date for the FY 2015/16 rates from July 1, 2015 to October 1, 2015, including the regional wastewater EDU volumetric rate adopted on March 18, 2015. The only exception is the regional wastewater connection fee which will be phased-in as requested by the development community to lessen the impact to projects already underway. The revised wastewater connection fee will be effective on January 1, 2016. IEUA staff will continue to work with BIA and its member agencies to establish the criteria to “grandfather” development projects under the existing rate (adjusted for inflation).

Closing

The Agency is committed to adopt rates and fees that fully recover the cost of providing the services and sustain a high-quality level of service, (funding and appropriation commitment under the Fiscal Responsibility Business goal). The rates proposed for the five-year period support this commitment. Member agencies and other stakeholders have been actively engaged in reviewing and evaluating the proposed changes to existing rate structures and the implementation of a new “One Water” connection fee to appropriately support future investment

in regional water reliability and sustainability. Providing reliable and sustainable water supplies is essential to ensuring the region continues to prosper from future economic development

Additionally, the proposed rates and rate restructuring provide a closer nexus between how costs are incurred and how costs are recovered, as well as achieve greater fiscal stability for both the member agencies and IEUA. Adoption of the proposed multi-year rates will better position IEUA to more effectively prepare for the anticipated growth and increased demands in the future.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

APPENDIX

Fund Description and Major Revenues and Major Expenses

Regional Wastewater Capital Improvement (RC) Fund

Records the revenues and expenses associated with the acquisition, construction, expansion, improvement and financing of the Agency’s regional wastewater system, including: water recycling plants, interceptors, energy generation and solids handling facilities.

Major Revenues	Major Expenses
EDU Connection Fees	Capital Construction
Property Taxes (IDC taxes, 65%)	Debt Service Payments
Debt/Grant Proceeds	Inter-fund transfers to support capital and debt costs

Recycled Water (WC) Fund

Records the revenues and expenses associated with the distribution system of recycled water supplied from the Agency’s recycling plants.

Major Revenues	Major Expenses
Recycled Water Sales (Direct & Recharge)	Program Support
Property Tax Allocation (5%)	GWR recharge costs not funded by Chino Basin Watermaster (CBWM)
MWD LPP Rebate (expires June 2017)	Pumping Costs (Utilities)
Reimbursements for lateral & retrofit installations	Debt Service Payments (existing debt)
SRF Loans/Grants	Capital Construction

Water Resources (WW) Fund

- Administration of regional water resource activities
- Regional water conservation and water use efficiency programs
- Management and distribution of imported water
- Development of regional water use efficiency initiatives
- Regional water resource planning
- Support for regional water supply programs

Major Revenues (current)	Major Expenses
<ul style="list-style-type: none"> ▪ AF Surcharge on Imported Water Deliveries 	<ul style="list-style-type: none"> ▪ Program Support
<ul style="list-style-type: none"> ▪ Meter Charge 	<ul style="list-style-type: none"> ▪ Regional Conservation/Resiliency Program
<ul style="list-style-type: none"> ▪ Reimbursable Program 	<ul style="list-style-type: none"> ▪ MWD Readiness to Serve (RTS) Pass Through Charges
<ul style="list-style-type: none"> ▪ Grants/Rebates 	

Table A1: Adopted Regional Wastewater EDU Volumetric Rate

Program	Rate Description	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Regional Wastewater	EDU Volumetric Rate	\$14.39	\$15.89	\$17.14	\$18.39	\$19.59	\$20.00
	Effective Date		10/1/15	7/01/16	7/01/17	7/01/18	7/01/19

Table A2: IEUA Business Goals and Key Objectives

Fiscal Responsibility	Water Reliability	Wastewater Management	Environmental Stewardship	Business Practices	Workplace Environment
<ul style="list-style-type: none"> ▪ Funding & Appropriation ▪ Budget Planning ▪ Reserves ▪ Credit Worthiness 	<ul style="list-style-type: none"> ▪ Water Use Efficiency & Education ▪ New Water Supplies ▪ Recycled Water ▪ Groundwater Recharge 	<ul style="list-style-type: none"> ▪ Capacity ▪ On-Time ▪ Construction ▪ Biosolids Management ▪ Energy Management 	<ul style="list-style-type: none"> ▪ Regulatory Compliance ▪ Good Neighbor Policy ▪ Response & Complaint Mitigation ▪ Environmental Stewardship 	<ul style="list-style-type: none"> ▪ Efficiency & Effectiveness ▪ Customer Service ▪ Regional & Community Relations ▪ Policy Leadership 	<ul style="list-style-type: none"> ▪ Mission, Vision & Values ▪ Employer of Choice ▪ Training ▪ Staff Safety

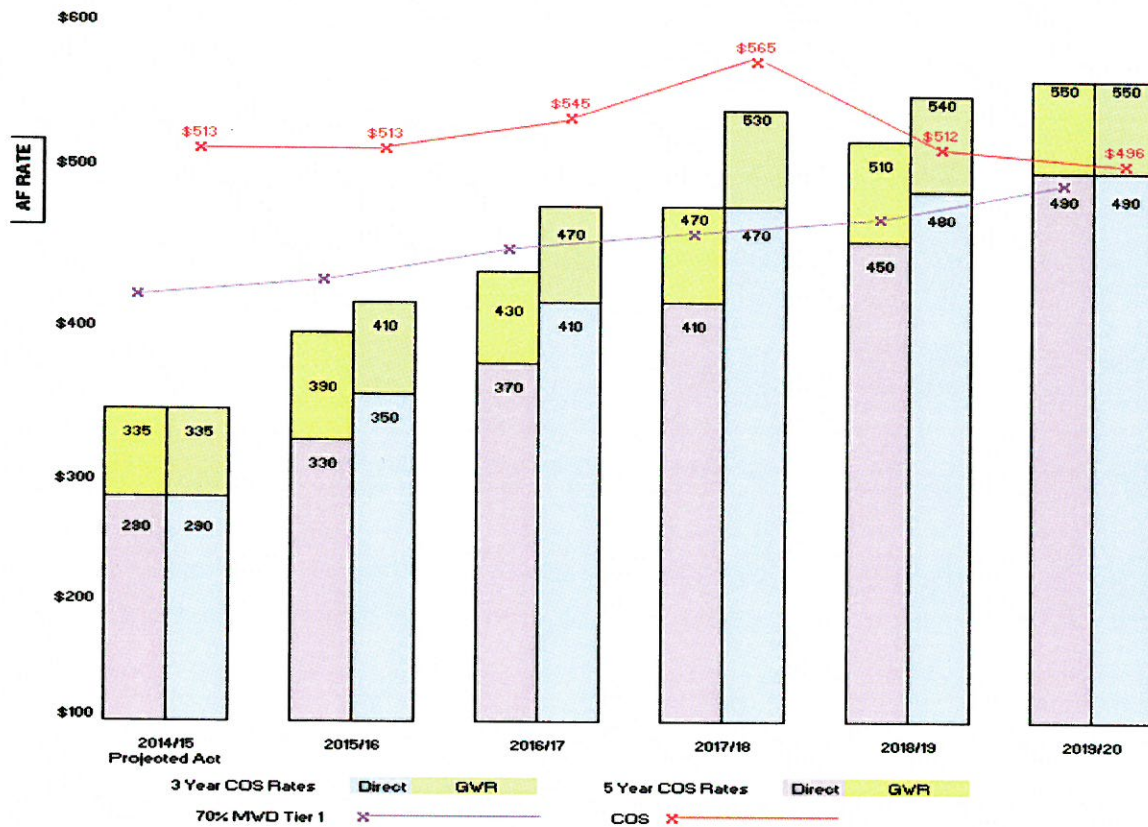
Table A3: Meter Equivalent Units (MEUs) by Member Agency

Agency	Accounts	MEUs
Chino	241	4,345.5
Chino Hills	142	1,411.5
CVWD	117	1,637.0
FWC	0	0.0
MVWD	24	238.5
Ontario	254	4,576.5
Upland	34	494.0
Total W/O Recharge	812	12,703.5
Recharge	10	1,272.5
Total	822	13,976.0

Table A4: Allocation of Growth's Share of Future Regional Water Capital Costs

	Option 1 Existing Wastewater EDU's	Option 2 Existing Water MEUs (potable & recycled)
Chino	11%	10%
Chino Hills	9%	13%
CVWD	25%	25%
Fontana	19%	-
FWC	-	20%
Montclair	5%	-
MVWD	-	5%
Ontario	21%	19%
Upland	10%	8%
Total	100%	100%

Figure A1: Cost of Service and Proposed Recycled Water Rates



Connection Fees & Rates Workshop



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

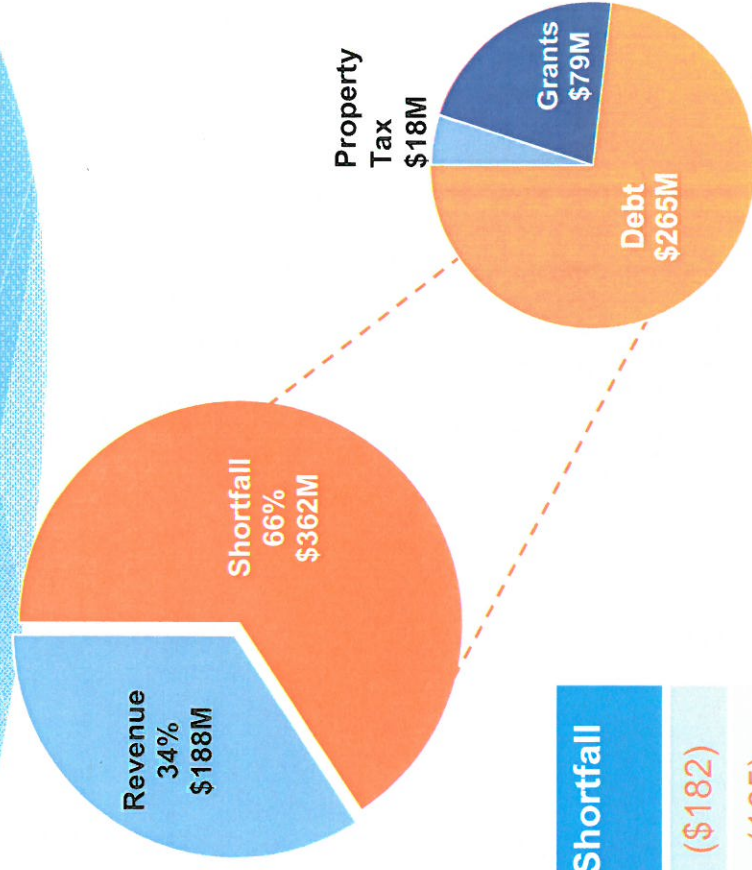
April 1, 2015

Why are New Rates Needed?

- * **Fully recover costs** of providing the service.
- * **Be equitable** by maintaining a clear nexus between what a customer pays and the benefit/demand of services received.
- * Ensure regional water **reliability and sustainability**.
- * Make **growth pay for growth**.
- * **Eliminate property tax subsidies** for operation and maintenance costs.
- * **Provide fiscal stability** to ensure uninterrupted service during times of revenue uncertainty.
- * **Be legally compliant**.

Regional Capital Investments (2004-2014)

- * Wastewater connection fee
- * Recycled water rate
- * “One-Water” connection fee
- * Potable water rates



Regional Program (\$Millions)	Funding	Costs	Shortfall
Wastewater	\$140	(\$322)	(\$182)
Recycled Water	16	(181)	(165)
Water Resources	32	(47)	(15)
Total	\$188	(\$550)	(\$362)

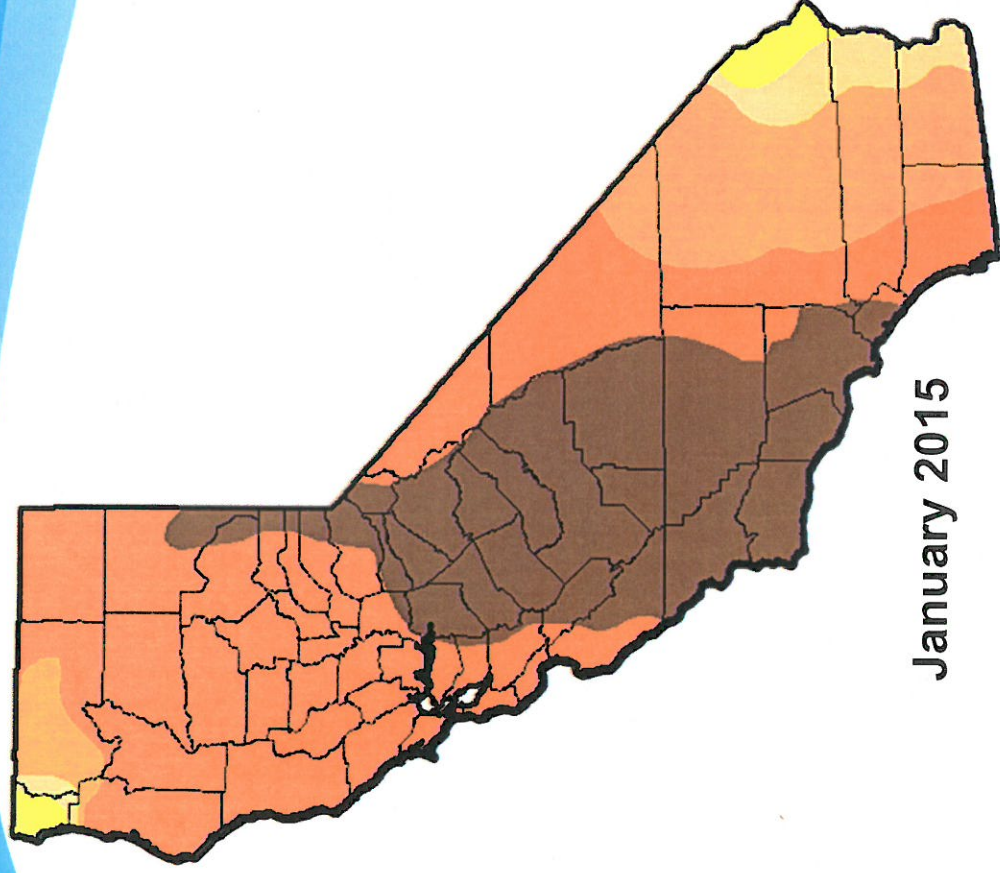
Wastewater Connection Fee

- * Recover full costs
- * Growth pays for growth
- * Phased implementation
- * Multi-year rates

	14/15	15/16	16/17 - 19/20
Effective Date		7/01/15	01/01/16
		July 1 st	
\$ per EDU	\$5,107	\$5,260*	\$6,605
		3% Annual Increase	

**\$5,260 / EDU applicable to projects in the process of obtaining permits by January 1, 2016 with payments completed by June 30, 2016.*

Regional Water Program



January 2015

Regional water supply provided by IEUA:

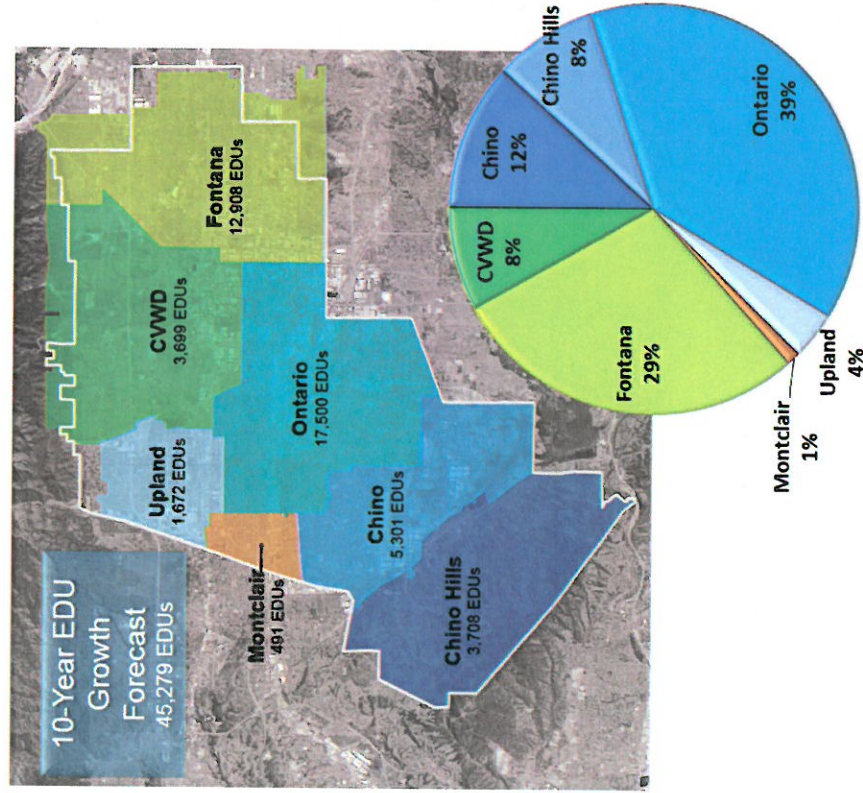
- * 25% imported water
- * 18% recycled water
- * 104,000 AF saved through conservation since 2000

Recycled Water Rates

- * Recover full costs
 - * Property tax will continue to subsidize rates until sales reach cost of service, estimated to be 50,000 AFY.
- * Recycled water rate is not to exceed 70% of MWD Tier 1 untreated potable water rate.
- * Multi-year rates

	14/15	15/16	16/17	17/18	18/19	19/20
Direct, \$/AF	\$290	\$350	\$410	\$470	\$480	\$490
GWR, \$/AF	\$335	\$410	\$470	\$530	\$540	\$550

Meeting Member Agency Projected Water Demands



Expansion of Recycled Water Facilities: \$221M (20 years)

- * Benefit of 20,000 – 40,000 AFY
- * Significant Member Agency savings
- * Growth related projects: \$81M

Expansion of Regional Water Resources Program: \$54M (20 years)

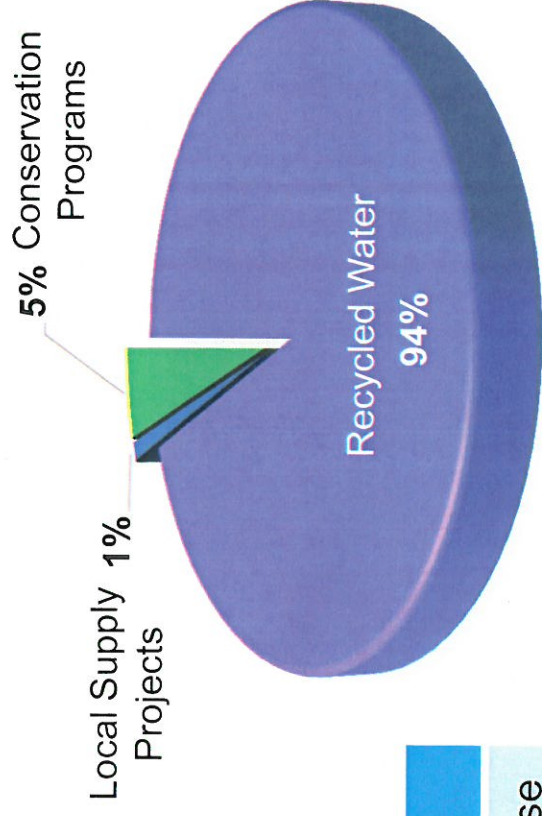
- * Regional resilience and water conservation
- * Growth related projects: \$10M

Total Growth Related Projects: \$91M

“One-Water” Connection Fee

- * Recover full costs
- * Growth pays for growth
- * Regional resilience and reliability
- * Multi-year rates

“One-Water” Fee Allocation



	14/15	15/16	16/17 - 19/20
\$/MEU	None	\$1,388	3% Annual Increase

Potential Impact of NOT Implementing the “One-Water” Connection Fee

Estimated
shortfall
of \$99M
over the
next 20
years.

Regional water projects will be delayed.

Inability to access ~ 20,000 – 40,000 AFY of
Regional Recycled Water.

New growth would be impacted by the uncertainty
of water supply reliability.

Unsustainable reliance on debt and subsidies.

Local agencies would carry the burden of enhancing
water supplies to meet regional demands.

Potable Water Rates

- * Recover full costs
- * Equitable allocation of costs
- * Revenue stability
- * Multi-year rates

- Various scenarios are currently under evaluation by Member Agencies.
- Member Agency recommendations will be received on March 25, 2015.
- IEUA will provide recommendations based on the feedback received from Member Agencies.

Timeline

- ✓ November 18th: Cost of Service Rate Workshop
- ✓ December 11th: Cost of Service Rate Workshop
- ✓ January 13th: Cost of Service Rate Workshop
- ✓ January 28th: Joint Technical Committee & Water Manager Meeting
- ✓ January 29th: Regional Technical Committee
- ✓ February 4th: Joint IEUA/Policy Meeting
- ✓ March 10th: Cost of Service Rate Workshop
- March 25th: Cost of Service Rate Workshop
- April 1st: Joint IEUA Board & Policy Workshop
- April 14th: Rate Workshop (if needed)
- April 30th: Regional Technical Committee, *Action Item*
- May 7th: Regional Policy Committee, *Action Item*
- May 13th: IEUA Committees
- May 20th: IEUA Board, *Action Item*

Discussion

Consistent with the Agency's business goal of Fiscal Responsibility by adopting rates that fully meet cost of service for key Agency programs.

2015 Wastewater Connection Fee Information Sheet

Inland Empire Utilities Agency (IEUA) is a regional wastewater treatment agency and wholesale distributor of imported water and recycled water. Through its member agencies, IEUA is responsible for serving approximately 830,000 people over 242 square miles in western San Bernardino County. IEUA is committed to investing in the region's water supply for today and tomorrow through fiscal responsibility, efficient business practices, prudent water supply management and environmental stewardship.

What is it?

- A one-time fee to support new connections to the regional wastewater system.

What does it cover?

- Regional wastewater construction projects.
- It does not cover costs to operate and maintain (O&M) the regional wastewater system.

What is the benefit?

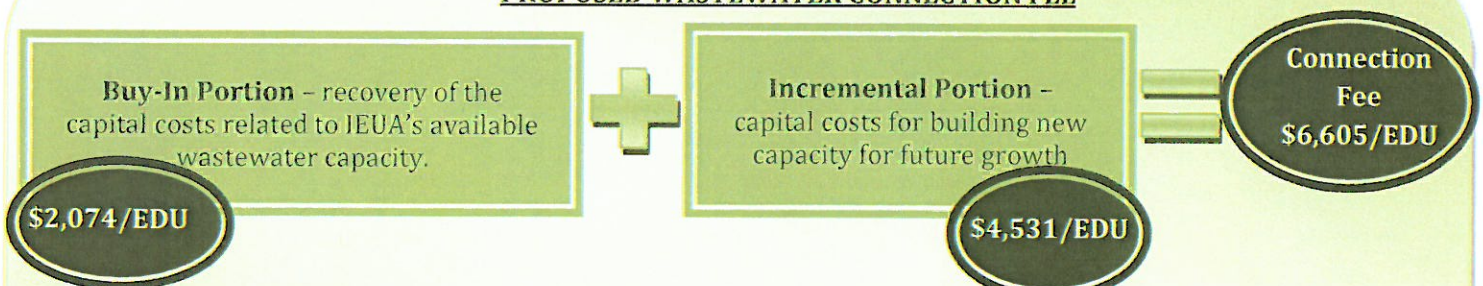
- Ensures timely construction of regional wastewater facilities to support future growth and economic development in the region.

WHY DOES THE WASTEWATER CONNECTION FEE NEED TO BE MODIFIED?

- Connection fees have not fully paid for capital expenditures for more than a decade.
 - **\$134M deficit** has been subsidized by debt financing and property taxes over the last 10 years.
- With growth increasing, population is expected to reach **1.2 million within the next 20 years**.
 - **\$437M** in capital investments will be needed to expand regional wastewater treatment facilities to support growth.
- IEUA has a responsibility to ensure the regional wastewater system is financially sound.
 - *By not raising the fee, the regional wastewater system may see **another deficit of \$150M over the next 20 years**.*
- **Proposition 26** mandates costs should be reasonable and appropriately allocated to payers based on the benefit received.
 - *Comprehensive rate study established proposed fee based on projected capital investments needed to meet expected growth of approximately 96,461 new EDU connections over the next 20 years.*

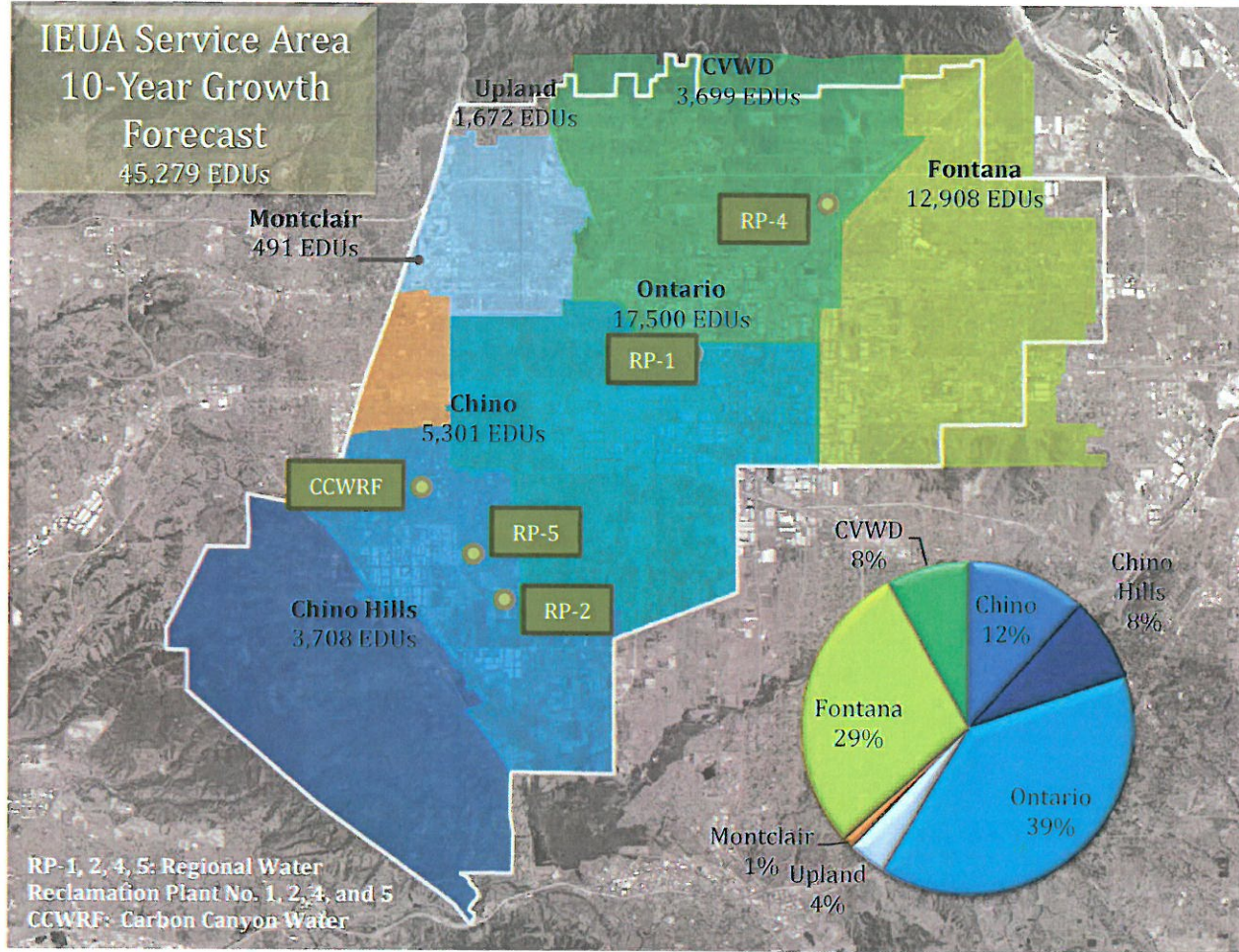
EDU - an equivalent dwelling unit is the measure of a customer's impact on the wastewater system as a ratio to the impact of a typical single family residence.

PROPOSED WASTEWATER CONNECTION FEE



Existing available capacity	\$128M	Growth related costs	\$437M
Reserves asset	\$25M	20 year EDU	96,461
Construction Work in Progress	\$53M	Rate: $\$437M \div 96,461 \text{ EDU}$	\$4,531
Property Tax credit	(\$6M)		
Pays for available capacity for growth	\$200M		
Rate: $\\$200M \div 96,461 \text{ EDU}$	\$2,074		

2015 Wastewater Connection Fee Information Sheet



Major Regional Wastewater projects needed to support growth over the next 20 years:

Description	15/20	20/25	25/30	30/35	Total Cost (\$M)
RP-1 Liquid Treatment Expansion					\$83
RP-1 Solids Treatment Expansion					\$25
RP-2 Decommissioning					\$30
RP-4 Tertiary Expansion					\$25
RP-5 Liquid Treatment Expansion					\$125
RP-5 Solids Treatment Facility					\$136
Other Wastewater					\$405
	\$282M				
				\$829M	

Growth Allocation (53%): \$437M

WASTEWATER	EXISTING	PROPOSED CONNECTION FEE					
	FY	2014/15	2015/16	16/17	17/18	18/19	19/20
Connection Fee, \$/EDU		5,107	6,605	6,805	7,005	7,215	7,435

FYs 16/17-19/20 rates based on 3% increase. Actual increases will be based on Engineering Construction Cost Report (EN CCR)

2015 Wastewater EDU Volumetric Information Sheet



Inland Empire Utilities Agency (IEUA) is a regional wastewater treatment agency and wholesale distributor of imported water and recycled water. Through its member agencies, IEUA is responsible for serving approximately 830,000 people over 242 square miles in western San Bernardino County. IEUA is committed to investing in our water supply for today and tomorrow through fiscal responsibility, efficient business practices, water supply management and environmental stewardship.

What is it?

- Monthly sewage charge on all connection to the regional wastewater system. This is in addition to the local sewage rate charged by the retail service provider.

What does it cover?

- Costs to operate and maintain the regional wastewater system facilities and infrastructure, including debt.
- It does not cover expansion of existing system or construction of new facilities.

What is the benefit?

- Regional collection, treatment and disposal of wastewater, including the production of high quality recycled water and premium soil amendments.

WHY DOES THE EDU MONTHLY VOLUMETRIC RATE NEED TO BE INCREASED?

- **Current rate does not fully recover costs** to collect, treat and dispose of municipal wastewater, or essential rehabilitation and replacement (R&R) costs needed to maintain the regional wastewater system.
 - *A \$10 million deficit is estimated in fiscal year 14/15.*
- How has the deficit been covered to date and why is this not sustainable?
 - *Property taxes have historically been used to subsidize the EDU rate which helped to keep the rate low and avoided necessary increases.*
 - *A more prudent use of property taxes is funding of capital investments to expand and improve the regional wastewater and regional water systems.*
- As a regional wastewater provider, IEUA has a responsibility to ensure no interruption in essential services resulting from an unexpected reduction in revenue streams.
- **With growth increasing**, population is expected to reach **1.2 million within 20 years**.
- *Nearly \$130 million of capital investment is planned over the next 10 years, including the relocation, rehabilitation and expansion of several regional wastewater facilities.*
- *\$50 million in delayed R&R projects due to the economic downturn need to be implemented.*

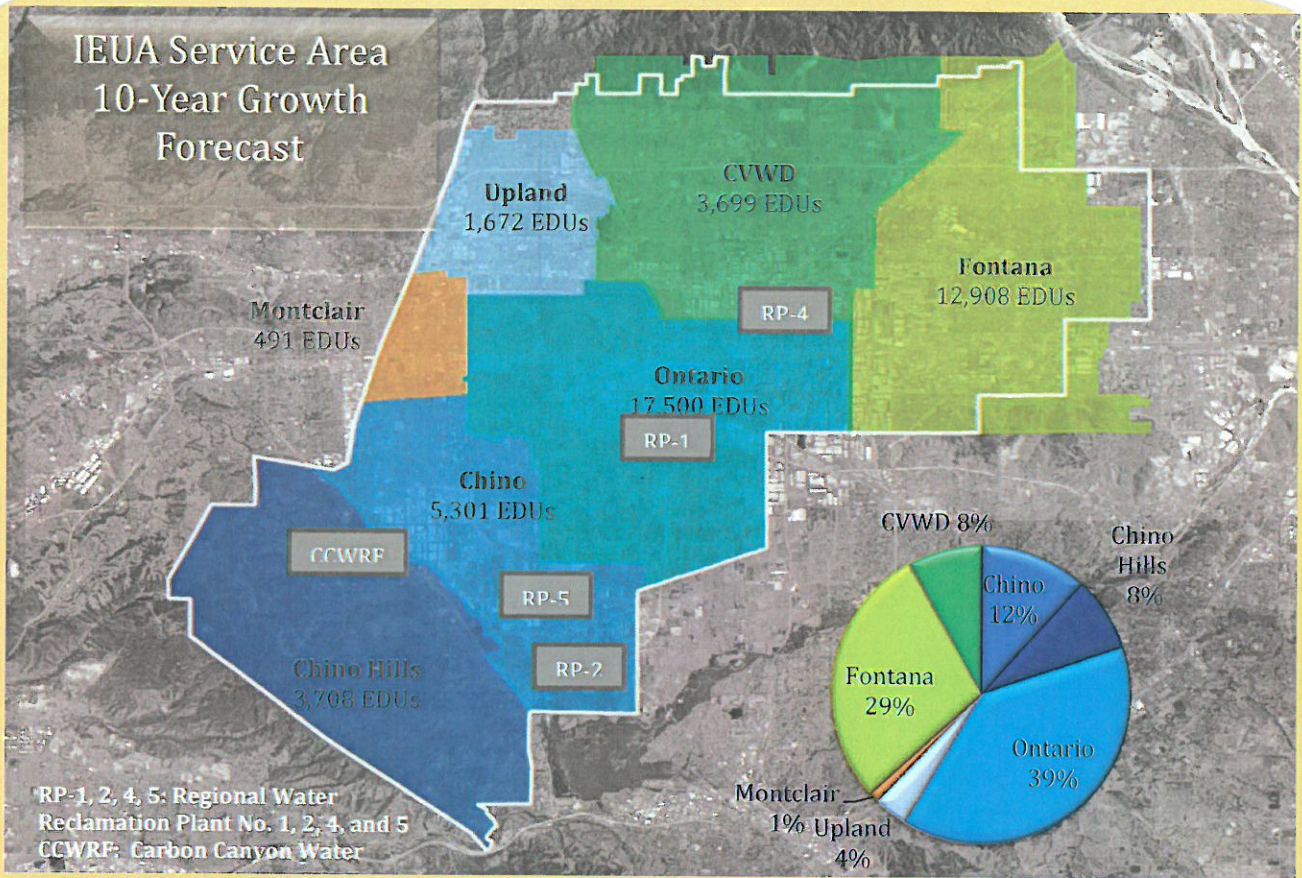
PROPOSED EDU VOLUMETRIC RATE

WASTEWATER Fiscal Year	EXISTING 14/15	PROPOSED EDU VOLUMETRIC RATES				
		15/16	16/17	17/18	18/19	19/20
EDU Volumetric, \$/EDU	\$14.39	\$15.89	\$17.14	\$18.39	\$19.59	\$20.00

EDU – an equivalent dwelling unit is the measure of a customer's impact on the wastewater system as a ratio to the impact of a typical single family residence.

2015 Wastewater EDU Volumetric Information Sheet

IEUA Service Area 10-Year Growth Forecast

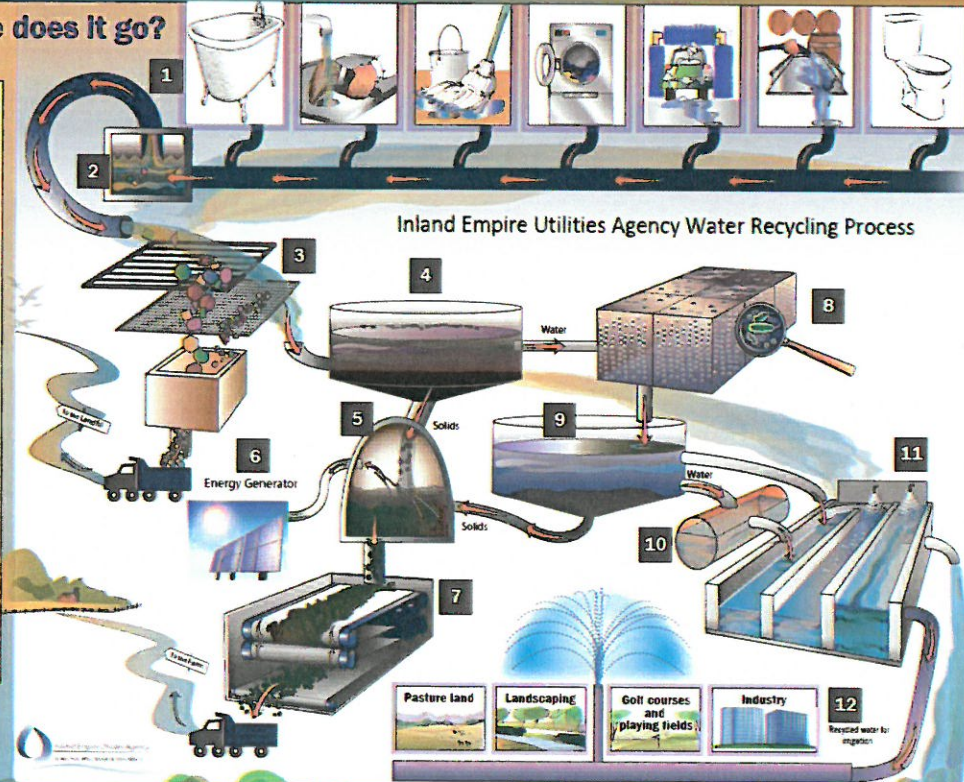


Wastewater from many sources disappears down our drains.

Where does it go?

Where did it go before?

- into the Santa Ana River without being treated!
- Unsafe water
- Kills fish
- 1990 Residents vote to create our special district
- Now clean water and a healthy community



How it works:

See the back side of this poster for more information on each of these steps.

- 1 Sewer Collection System
- 2 Lift Stations
- 3 Screening/Grit Removal
- 4 Primary Clarifier
- 5 Digester
- 6 Energy Generator
- 7 Solids Dewatering
- 8 Aeration Basin
- 9 Secondary Clarifier
- 10 Tertiary Filter
- 11 Disinfection
- 12 Recycled Water for Irrigation

2015 Recycled Water Rate Information Sheet



Inland Empire Utilities Agency (IEUA) is a regional wastewater treatment agency and wholesale distributor of imported water and recycled water. Through its member agencies, IEUA is responsible for serving approximately 830,000 people over 242 square miles in western San Bernardino County. IEUA is committed to investing in the region's water supply for today and tomorrow through fiscal responsibility, efficient business practices, prudent water supply management and environmental stewardship.

What is it?

- A volumetric (acre-foot, AF) rate for purchase of recycled water.

What does it cover?

- Operations of the Agency recycled water facilities, rehabilitation and replacement costs.

What is the benefit?

- Reliable water supply for the region.

RECYCLED WATER RATE

- Historically **debt and inter-fund loans** have been used to support system operations and capital.
 - With the proposed fiscal year 15/16 recycled water rate of \$350/AF and without a "One Water" connection fee the Recycled Water Program will:
 - Operate at a **deficit of approximately \$ 900,000** for Operation & Maintenance (O&M).
 - Have a capital projects **deficit of approximately \$19M**.
- With growth increasing, population is expected to reach **1.2 million within the next 20 years**.
 - **Additional water supplies will be needed** - recycled water is the most cost effective way to meet the supply needs and provide supply resiliency
 - Future recycled water investment of \$221M from fiscal year 2015/16 to 2034/35 will result in an additional beneficial use of **20,000 to 40,000 AF/year**
 - Past recycled water investment of \$181M from fiscal year 2004/05 to 2013/14 has resulted in increased beneficial use of **33,000 AF/year**

PROPOSED RECYCLED WATER RATE

Recycled Water Direct Use Revenue - should cover O & M and rehabilitation & replacement capital

\$12.3 M

Direct Use O&M Expenses:	\$17.1M
Recharge O&M Expenses:	\$1.5M
Total O&M Expenses:	\$18.6M
Direct Use Revenue:	\$12.3M
Recharge Revenue:	\$0.7M
Offset Revenue:	\$4.7M
Total Revenues:	\$17.7M
O&M Deficit:	\$0.9M

Total Annual Demand - direct recycled water

35,150 AF

Direct Use Demand:	23,700 Acre-Feet
Recharge Use Demand:	11,450 Acre-Feet
Total Demand:	35.150 Acre-Feet

Direct Use* RW Rate \$350/ AF

* Recharge Revenue ÷ Recharge Demand = Recharge Surcharge
 \$0.7M ÷ 11,450 Acre-Feet = \$60

RECYCLED WATER	EXISTING						PROPOSED RATE - \$/ACRE-FOOT						
	FY	14/15	15/16	16/17	17/18	18/19	19/20	14/15	15/16	16/17	17/18	18/19	19/20
Direct Use Rate		290	350	410	470	480	490						
Recharge Surcharge		45	60	60	60	60	60						

2015 Recycled Water Rate Information Sheet

Recycled Water Capital Projects February, 2015

Legend Key

Pipeline Status

- Design
- Bid
- Construction
- Operating

Pump Station Status

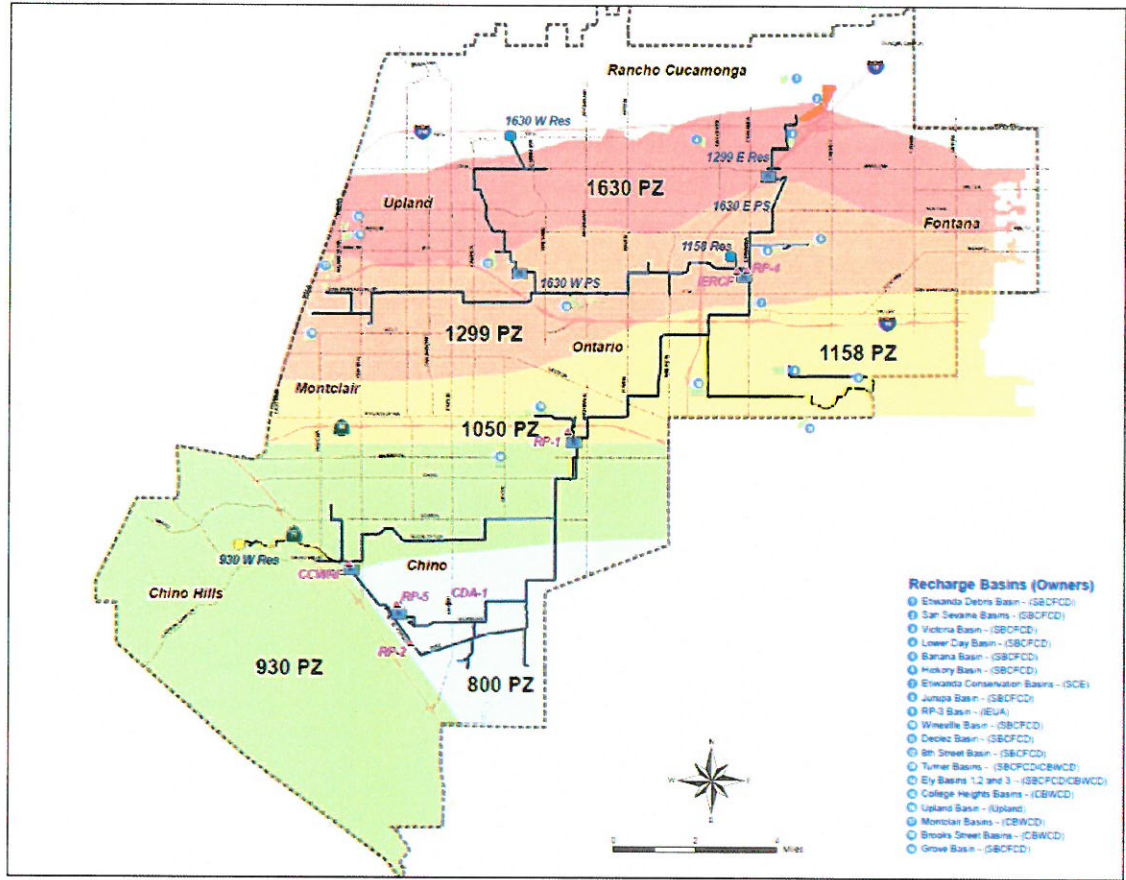
- Design
- Bid
- Construction
- Operating

Reservoirs Status

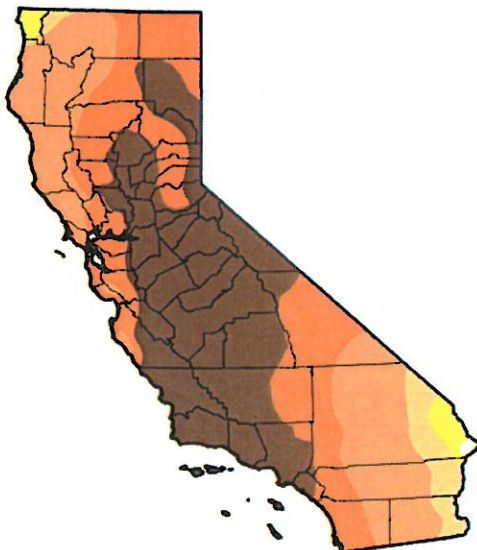
- Design
- Bid
- Construction
- Operating

Recharge Improvement Status

- Design
- Bid
- Construction
- Operating



U.S. Drought Monitor California



INVESTMENTS IN RELIABLE LONG TERM WATER SUPPLY

Expansion of Recycled Water Facilities:
\$221M (20 years)

- **Benefit of 20,000 – 40,000 AF per year.**

Benefit of past 10 year regional investments:

- **Increased beneficial reuse of regional recycled water by 35,000 AF per year.**
- **Expanded regional groundwater recharge system capacity to 17,000 AF per year (19 recharge basins).**
- **Resulted in avoided purchase cost of more costly and less reliable imported potable water estimated at over \$30 million per year.**

AF – one acre foot is equivalent to 325,900 gallons of water, enough to meet the needs of two average families for one year.

2015 "One Water" Connection Fee Information Sheet

The Inland Empire Utilities Agency (IEUA) is a regional wastewater treatment agency and wholesale distributor of imported water and recycled water. Through its member agencies, IEUA serves approximately 830,000 people over 242 square miles in western San Bernardino County. IEUA is committed to investing in our water supply for today and tomorrow through fiscal responsibility, efficient business practices, water supply management and environmental stewardship.

What is it?

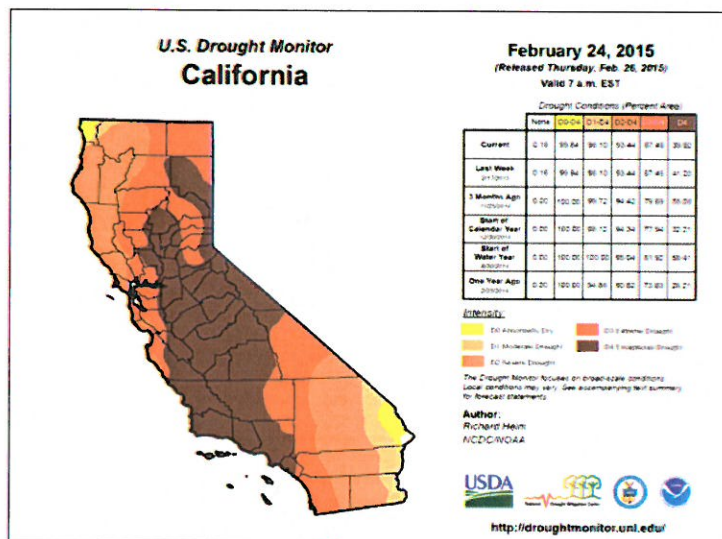
- A one-time fee on new connections to the imported potable water system.

What does it cover?

- Costs for available recycled water capacity and new construction.
- Capital investment in regional resiliency and water conservation projects.

What is the benefit?

- Ensures regional water reliability and sustainability to meet current and future needs.



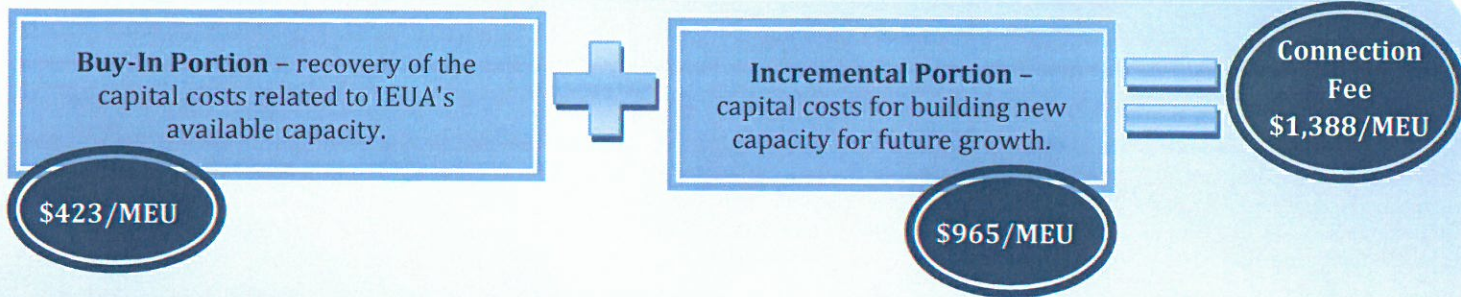
*Climate change is one of the definitive problems facing us today. In order to adapt our water infrastructure to the changing climate of increased drought and uncertain imported water supplies, we need to focus on regional supply reliability. Over the past 15 years, our region has expanded regional water supplies and reduced reliance on additional imported water supply to meet the needs of our growing population. Moving forward, it is important to **continue to manage the water portfolio regionally** to increase sustainable water supplies and water conservation savings that are also affordable, reliable and drought resilient.*

"ONE WATER" CONNECTION FEE

- Connection fees are not currently in place to pay for investments in the regional water system.
 - **\$180 million deficit** has been subsidized by debt financing and property taxes over the past 10 years.
- With growth increasing, population is expected to reach **1.2 million within the next 20 years**.
 - **\$91 million** in expanded and new water infrastructure is needed to support **recycled water, regional resiliency and water conservation projects**.
- IEUA has a responsibility to ensure that the regional water system is financially sound.
 - **Without the new fee, \$91 million of regional water reliability projects needed to meet growth will be unfunded.**
- **Proposition 26** mandates costs should be reasonable and appropriately allocated to payers based on the benefit received.
 - *A comprehensive rate study established the proposed fee based on projected capital investments needed to meet expected growth of approximately 93,856 new MEUs over the next 20 years.*

MEU = Meter Equivalent Unit, a measure of water consumption compared to typical single family residence.

2015 "One Water" Connection Fee Information Sheet

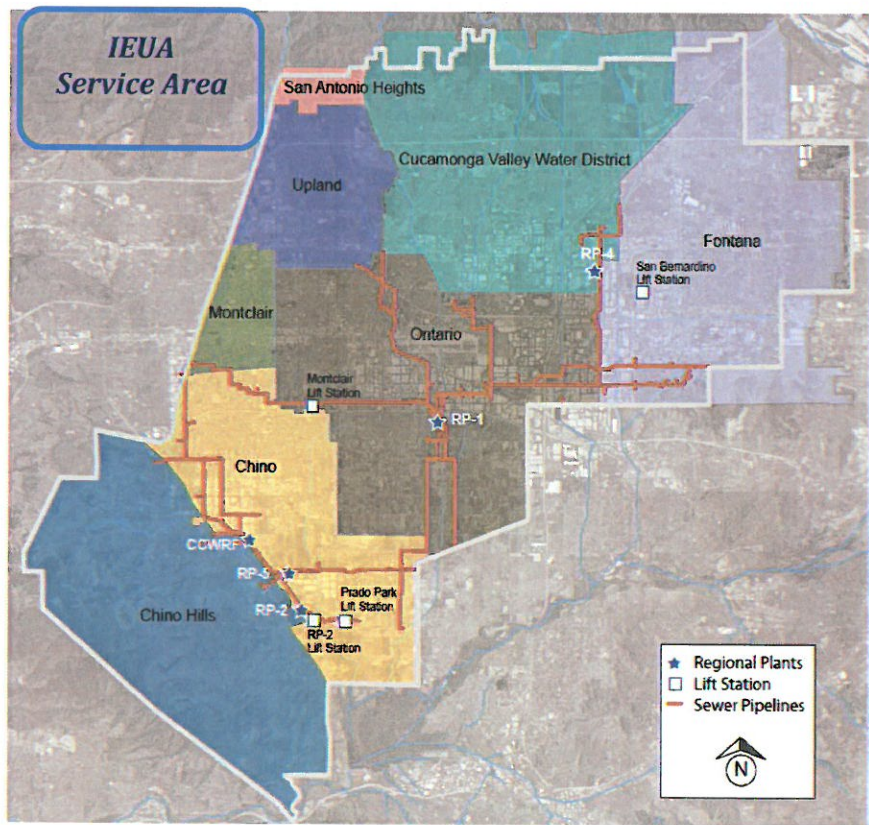


Existing available capacity	\$37.5M
Reserves	\$5.0M
Construction work in progress	\$4.5M
Grants & outside funding	(\$7.4M)
Available capacity for growth	\$39.6M
Rate: \$39.6M ÷ 93,856 MEU	\$423

Growth related costs	\$91M
20 year MEU	93,856
Rate: \$91M ÷ 93,856	\$965

Fiscal Year	EXISTING	PROPOSED ONE WATER CONNECTION FEE				
	14/15	15/16	16/17	17/18	18/19	19/20
Connection Fee, \$/MEU	None	1,388	1,430	1,475	1,520	1,565

FYs 16/17-19/20 rates based on 3% increase. Actual increases will be based on Engineering Construction Cost Report (EN CCR).



Benefit of Regional Water Investments:

Over the last 10 years:

- Increased beneficial reuse of regional recycled water by 35,000 acre feet per year (AFY)
- Expanded regional groundwater recharge system capacity to 17,000 AFY (19 recharge basins)
- Regional water resource programs to promote water use efficiency and conservation has saved over 100,000 AFY
- Avoided over \$30 million per year imported water purchases.

AF – one acre foot is equivalent to 325,900 gallons of water, enough to meet the needs of two average families for one year. per year (AFY)

2015 Potable Water Rate Information Sheet

Inland Empire Utilities Agency (IEUA) is a regional wastewater treatment agency and wholesale distributor of imported water and recycled water. Through its Member Agencies, IEUA is responsible for serving approximately 830,000 people over 242 square miles in western San Bernardino County. IEUA is committed to investing in our water supply for today and tomorrow through fiscal responsibility, efficient business practices, water supply management and environmental stewardship.

What are the water rates?

- **Meter Equivalent Unit (MEU)** charge - a monthly fixed cost on potable water assessed using a meter equivalent unit (based on the average water use of a single family residence).
- **MWD Readiness to Serve (RTS)** charge - pass through of MWD stand by charges based on 10 year AF purchases

What does it cover?

- MEU covers program support potable water and regional conservation program Operation and Maintenance (O&M) costs.
- RTS covers MWD pass through readiness to serve costs.
- MEU/RTS do not cover capital costs

What is the benefit?

- MEU develops regional water supplies and ensures water reliability.
- RTS supports emergency service and operational flexibility of imported water.

Why are the rates being changed?

- Rates have not fully paid for program support for potable O&M and regional conservation programs over the last 10 years.
 - **\$15M deficit** has been subsidized by inter-fund loans.
- RTS charges were **not fully recovered** from the Agencies that incurred the expenses.
- With growth increasing, population is expected to reach **1.2 million within the next 20 years.**
 - New additional water supplies are needed to support growth, address drought, and uncertain water imports.
- **Proposition 26** mandates costs should be reasonable and appropriately allocated to payers based on the benefit received.
 - **Comprehensive rate study** proposed new MEU rate and modified RTS recovery rate to more equitably allocate costs

PROPOSED WATER RATES

IEUA Direct Costs: These costs will be bundled and included in the base rate as a fixed cost by the local purveyor.

\$1.15/MEU

Pass through Costs: These costs will be bundled and included as a variable rate by the local water purveyor

\$67.15/AF

Monthly Fixed Costs		MWD RTS Pass Through Costs	
Annual Operation & Maintenance MEUs in service area	\$5.48M 401,826	Annual RTS Expense	\$3.8M
Annual cost/MEU	\$13.64	10-Year Average Purchase (AF)	57,785
Monthly cost/MEU	\$1.15	Growth Related cost	\$67.15/AF

2015 Potable Water Rate Information Sheet

Wholesale Water Rate	EXISTING	PROPOSED Monthly Rates (\$/month) (Fixed Cost)				
	2014/15	2015/16	16/17	17/18	18/19	19/20
Average Household, 1 MEU (3/4" meter)	\$2.105	\$1.150	\$1.185	\$1.220	\$1.257	\$1.294
Larger Households, 2.5 MEU (1" meter)	\$2.105	\$2.875	\$2.963	\$3.050	\$3.143	\$3.235
Large Industrial, 150 MEU (10" meter)	\$2.105	\$172.50	\$177.75	\$183.00	\$188.55	\$194.10

Regional Water Supply Portfolio

