

**NOTICE OF COMMISSION  
MEETING OF THE CHINO  
BASIN FINANCING  
AUTHORITY AND MEETING OF  
THE IEUA BOARD OF  
DIRECTORS**

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**A CHINO BASIN REGIONAL FINANCING  
AUTHORITY MEETING  
AND  
A BOARD OF DIRECTORS MEETING  
OF THE**



**WILL BE HELD ON  
WEDNESDAY, DECEMBER 16, 2015  
10:00 A.M.**

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



## **AGENDA**

### **COMMISSION MEETING OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY AND MEETING OF THE BOARD OF DIRECTORS**

**WEDNESDAY, DECEMBER 16, 2015  
10:00 A.M.**

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

#### **CALL TO ORDER** **OF THE CHINO BASIN REGIONAL FINANCING AUTHORITY**

#### **FLAG SALUTE**

#### **PUBLIC COMMENT**

Members of the public may address the Commission 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.

#### **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 can be the attention of the local agency subsequent to the agenda being posted.

### **1. ACTION ITEMS**

#### **A. MINUTES**

The Commission will be asked to approve the minutes of the November 18, 2015, Chino Basin Regional Financing Authority Commission meeting.

**B. ADOPTION OF RESOLUTION NO. 2015-7, AUTHORIZING A SUBSTITUTE CREDIT FACILITY FOR VARIABLE RATE DEMAND REVENUE REFUNDING BONDS**

It is recommended that the Commissioners adopt Resolution No. 2015-7, authorizing a substitute credit facility for Variable Rate Demand Revenue Refunding Bonds (Inland Empire Utilities Agency); Series 2008B (2008B Bonds) for a not-to-exceed amount of \$44,060,000, which approves:

- a. The Letter of Credit Reimbursement Agreement and related Fee Agreement, the Remarketing Agreement, the Restated and Amended Installment Purchase Agreement, and the Restated or Amended Indenture of Trust and execution of certain documents in substantive form;
- b. Preparation and distribution of the Supplement to the Official in substantive form; and
- c. Authorize the President, Vice President, Treasurer or the designee to execute such documents and authorize certain other matters in connection therewith, as required.

**C. CHINO BASIN REGIONAL FINANCING AUTHORITY FISCAL YEARS (FYs) 2012/13 THROUGH 2014/15 ANNUAL FINANCIAL STATEMENTS**

It is recommended that the Commissioners:

1. Approve the Annual Financial Statements of the Chino Basin Regional Financing Authority (Authority) for FYs ended June 30, 2013, 2014, and 2015; and
2. Direct staff to distribute the reports, as appropriate, to the various federal, state, and local agencies, financial institutions, and other interested parties.

**2. ADJOURN**

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**CALL TO ORDER**  
**OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS 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. NEW HIRE INTRODUCTIONS**

- Mr. Randy Lee, Manager of Operations re-hired on 12/07/15 (Ernest Yeboah)
- Mr. Jerry Burke, Deputy Manager of Engineering, hired on 12/14/15 (Shaun Stone)

### **2. CONSENT CALENDAR**

**NOTICE:** All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by the Board by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes unless any Board members, staff or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

#### **A. MINUTES**

The Board will be asked to approve the minutes from the November 4, 2015 Joint IEUA Board and Regional Policy Committee meeting.

#### **B. GENERAL DISBURSEMENTS REPORT**

It is recommended that the Board approve the total disbursements for the month of October 2015, in the amount of \$12,342,322.01.

#### **C. COURIER SERVICES CONTRACT AWARD**

It is recommended that the Committee/Board:

1. Approve the award of a five-year competitively-let contract to PacTrack of Fullerton, California, through December 31, 2020, for Agency-wide courier and laboratory sample delivery services; and
2. Authorize the Manager of Contracts and Facilities Services to execute the contract.

#### **D. UNARMED UNIFORMED SECURITY SERVICES CONTRACT**

It is recommended that the Committee/Board:

1. Approve the contract to Universal Protection Services (UPS), through December 31, 2020; for IEUA uniformed security services, for a not-to-exceed amount of \$858,000, for up to a five-year term; and
2. Authorize the Manager of Contracts and Facilities Services to execute the contract

**E. FY 2014/15 SINGLE AUDIT REPORT FOR FEDERAL GRANT PROGRAMS**

It is recommended that the Committee/Board:

1. Approve the Single Audit Report for FY 2014/15; and
2. Direct staff to distribute the report, as appropriate, to the State Controller's Office, the Federal Clearing House, and other interested parties.

**F. CONSTRUCTION CONTRACT AWARD FOR THE FIBER OPTIC PULL BOX UPGRADES**

It is recommended that the Committee/Board:

1. Approve the construction contract award for the Fiber Optic Pull Box Upgrades, Project No. EN15030.02, to J.F. Shea Construction, Inc. in the amount of \$248,500; and
2. Authorize the General Manager to execute the contract.

**G. ON-CALL CONSTRUCTION SURVEYING AND ENGINEERING RELATED SERVICES CONTRACT AMENDMENT**

It is recommended that the Committee/Board:

1. Approve a contract amendment with CASC Engineering and Consulting (CASC) for on-call surveying and engineering related services for a one-year contract extension through January 1, 2017, for an additional amount of \$250,000 to the original contract; and
2. Authorize the General Manager to execute the contract amendment.

**H. ENVIRONMENTAL SERVICES MASTER CONTRACT AMENDMENT**

It is recommended that the Committee/Board:

1. Approve contract amendment 4600001385-001, with Tom Dodson and Associates (TDA), for an on-call environmental services contract, for an additional amount of \$200,000; and
2. Authorize the General Manager, or in his absence, his designee to execute the contract amendment.

**3. ACTION ITEMS**

**A. IEUA FISCAL YEAR (FY) 2014/15 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

It is recommended that the Committee/Board:

1. Approve the CAFR for FY ended June 30, 2015; 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.

**B. AUTHORIZING THE SUBSTITUTION OF THE LETTER OF CREDIT (LOC) PROVIDER FOR THE 2008B VARIABLE RATE DEMAND BONDS**

It is recommended that the Committee/Board adopt Resolution No. 2015-12-1, authorizing the substitution of the LOC provider for the Variable Rate Demand Revenue Refunding Bonds (Inland Empire Utilities Agency), Series 2008B, for a not-to-exceed amount of \$44,060,000.

**C. CONTRACT AWARD FOR THE REGIONAL WATER RECYCLING PLANT NO. 1 (RP-1) LAWN CONVERSION IMPROVEMENT**

It is recommended that the Committee/Board:

1. Approve the landscape services contract for RP-1 Lawn Conversion Improvements, Project No. CP16007, to Conserve LandCare, Inc. for a not-to-exceed amount of \$319,200;
2. Approve a budget amendment to increase the Regional Wastewater Operations & Maintenance (RO) fund revenue and expenses in the amount of \$400,000; and
3. Authorize the General Manager, or in his absence, his designee to execute the contract.

**D. JANITORIAL MAINTENANCE SERVICES CONTRACT AWARD**

It is recommended that the Committee/Board:

1. Approve the award of a five-year competitively-let contract to Priority Building Services, LLC, for janitorial maintenance services for a total annual amount of \$166,593, effective January 3, 2016; and
2. Authorize the Manager of Contracts and Facilities Services to execute the contract.

**4. INFORMATION ITEMS**

**A. MWD UPDATE (ORAL)**

**RECEIVE AND FILE INFORMATION ITEMS**

**B. ENGINEERING AND CONSTRUCTION MANAGEMENT FY 2014/15 MONTHLY UPDATE (POWERPOINT)**

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

- D. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)
- E. LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN)
- F. LEGISLATIVE REPORT FROM WEST COAST ADVISORS (WRITTEN)
- G. LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES (WRITTEN)
- H. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN)
- I. FEDERAL LEGISLATIVE TRACKING MATRIX (WRITTEN)
- J. PARTICIPATION IN THE CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP) (WRITTEN)
- K. INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY FISCAL YEAR 2014/15 ANNUAL FINANCIAL REPORT (WRITTEN)
- L. FIRST QUARTER BUDGET VARIANCE REPORT FOR FISCAL YEAR 2015/16 (WRITTEN)
- M. UPDATES FOR THE AUDIT COMMITTEE AND THE INTERNAL AUDIT DEPARTMENT CHARTERS (WRITTEN)
- N. REGIONAL CONTRACT REVIEW FINAL REPORT (WRITTEN)
- O. INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR DECEMBER 2015 (WRITTEN)
- P. RP-1 & RP-5 PROJECT DESIGN REPORT REQUEST FOR PROPOSAL UPDATE (WRITTEN)

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

5. AGENCY REPRESENTATIVES' REPORTS

- A. SAWPA REPORT (WRITTEN)
- B. MWD REPORT (WRITTEN)
- C. REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT  
(December and January Meeting cancelled. Next meeting scheduled for February 4, 2016.)
- D. CHINO BASIN WATERMASTER REPORT (WRITTEN)

- 6. **GENERAL MANAGER'S REPORT (WRITTEN)**
- 7. **BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS**
- 8. **DIRECTORS' COMMENTS**

**A. CONFERENCE REPORTS**

This is the time and place for the Members of the Board to report on prescheduled Committee/District Representative Assignment meetings, which were held since the last regular Board meeting, and/or any other items of interest.

9. **CLOSED SESSION**

**A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**

- 1. Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010
- 2. Martin vs. IEUA, Case No. CIVRS 1000767
- 3. Mwembu vs. IEUA, Case No. CIVDS 1415762

**B. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR**

- 1. Supplemental Water Transfer/Purchase  
Negotiating Party: General Manager P. Joseph Grindstaff  
Under Negotiation: Price and Terms of Purchase

**C. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

- 1. One (1) Case

**D. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL MATTERS**

- 1. Various Positions – Compensation Study
- 2. Various Positions.

**E. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL MATTERS – PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

- 1. Manager of Internal Audit
- 2. Board Secretary/Office Manager

10. **ADJOURN**

\*A Municipal Water District



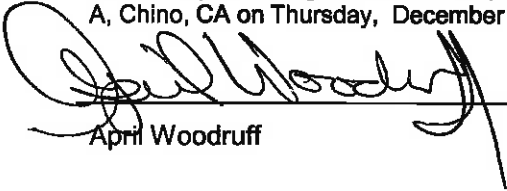
In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Proofed by: SR

### Declaration of Posting

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I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency\*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, December 10, 2015.

  
\_\_\_\_\_  
April Woodruff

**CONSENT  
CALENDAR  
ITEM**

**2H**

Date: December 16, 2015

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (12/9/15)

From: *to* P. Joseph Grindstaff  
General Manager *Chris Berch*

Submitted by: *to* Chris Berch  
Executive Manager of Engineering/Assistant General Manager *Sylvie Lee*

*to* Sylvie Lee  
Manager of Planning and Environmental Resources

Subject: Environmental Services Master Contract Amendment

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### **RECOMMENDATION**

It is recommended that the Board of Directors:

1. Approve contract amendment 4600001385-001 with Tom Dodson and Associates (TDA), for an on-call environmental services contract, for an additional amount of \$200,000; and
2. Authorize the General Manager, or in his absence, his designee to execute the contract amendment.

### **BACKGROUND**

On February 20, 2013, the Agency awarded an on-call environmental consulting service to TDA for a not-to-exceed amount of \$500,000. Services requested through this solicitation were to support all capital and ongoing operations and maintenance programs for a period of five years, with the possibility for two, one-year extensions.

At the end of the first quarter of FY 2015/16, the current Master Contract No. 4600001385 for TDA had an unspent balance of approximately \$90,000. Based on the Agency's current capital improvement projects, asset management needs, and anticipated grant opportunities, staff is recommending an amendment to the TDA contract for an additional amount of \$200,000. The additional amount will amend the original contract not-to-exceed amount to \$700,000. This is

anticipated to meet the Agency's environmental consulting service needs from TDA for the remaining of the contract term, through June 30, 2018.

TDA has delivered outstanding service to IEUA since 2000, providing various environmental permitting necessary for the capital improvements, Proposition 1 funding, grant applications, as well as field environment/habitat monitoring and reporting needed to comply with existing permit requirements.

In 2002, TDA prepared the Program Environmental Impact Report (PEIR) for the Wastewater Facilities Master Plan, Recycled Water Master Plan, and Organics Management Master Plan. In 2015, the IEUA Board of Directors awarded TDA a professional service contract for the development of a new PEIR to assess potential environmental impacts of proposed projects based on recently updated planning documents.

Task Orders will be issued as specific projects or permitting needs require. All expenditures will be appropriately charged to the corresponding project or operations & maintenance fund.

The proposed TDA master contract amendment is consistent with the Agency's business goal of *Environmental Stewardship* by ensuring that the Agency comply with all federal, state and local laws.

### **PRIOR BOARD ACTION**

On August 19, 2015, the IEUA Board of Directors approved a separate, stand-alone professional service contract for the preparation of a PEIR with TDA for a not-to-exceed fee of \$330,000.

On February 20, 2013, the IEUA Board of Directors approved an Environmental Services Consultant Contract with TDA for a not-to-exceed fee of \$500,000.

### **IMPACT ON BUDGET**

Task Orders as part of this Master Contract Amendment will be developed and charged to specific capital or operations and maintenance budgets.



**CONTRACT AMENDMENT NUMBER: 4600001385-001  
FOR PROVISION OF  
ON-CALL ENVIRONMENTAL CONSULTING SERVICES**

THIS CONTRACT AMENDMENT ONE (the "Amendment"), is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2015, 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 "Agency") and Tom Dodson and Associates, with offices located in San Bernardino, California (hereinafter referred to as "Consultant"), in order to establish mutually acceptable terms and conditions which shall hold for and govern all "Task Order" releases subsequently issued under this Master Services Contract. and shall revise the Contract as amended:

**REVISE SECTION 6., COMPENSATION AND CHANGES, TO ADD PARAGRAPH:**

In compensation for the additional work represented by this Contract Amendment, Agency shall pay Consultant a **NOT-TO-EXCEED** maximum total of **\$700,000.00** for all services provided. This represents a net increase of **\$200,000.00** to the Contract as per Agency's Board Letter dated December 16, 2015, attached hereto and made a part hereof as Exhibit A.

**ALL OTHER PROVISIONS OF THIS CONTRACT REMAIN UNCHANGED.**

WITNESSETH, that the parties hereto have mutually covenanted and agreed as per the above Amendment items, and in doing so have caused this document to become incorporated into the Contract documents.

INLAND EMPIRE UTILITIES AGENCY:

TOM DODSON AND ASSOCIATES:

\_\_\_\_\_  
P. Joseph Grindstaff  
General Manager

(Date)

*Tom Dodson*  
\_\_\_\_\_  
Tom Dodson  
President

*11/24/15*  
\_\_\_\_\_  
(Date)

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**ACTION  
ITEM**

**3A**

Date: December 16, 2015

To: The Honorable Board of Directors

Through: Audit Committee (12/9/15)  
Finance, Legal, and Administration Committee (12/9/15)

From: *to* P. Joseph Grindstaff *PG*  
General Manager

Submitted By: Christina Valencia *CV*  
Chief Financial Officer/Assistant General Manager

*JCh #882* Javier Chagoyen-Lazaro  
Manager of Finance and Accounting

Subject: IEUA Fiscal Year (FY) 2014/15 Comprehensive Annual Financial Report (CAFR)

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### RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve the CAFR for the FY ended June 30, 2015; 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.

### BACKGROUND

The CAFR of the Inland Empire Utilities Agency (Agency) for the FY ended June 30, 2015, was presented, in substantially final form to the Audit Committee's review. The CAFR was prepared in conformity with Accounting Principles generally accepted in the United States of America (GAAP), 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 will be accurate in all material respects, and reported in a manner designed to fairly present the financial position and results of operations for the various funds and account groups in the Agency. Disclosures are included within the CAFR to enable the reader to gain an understanding of the Agency's financial activities.

FY 2014/15 Financial Highlights

The Agency's statement of net position for FY ended June 30, 2015, reflects \$494.7 million, an increase of \$22.1 million compared to the prior FY. The gain is primarily due to higher operating revenues resulting from rate increases, a greater number of new connections to the regional wastewater system, higher property tax receipts, and lower operating expenses. The decrease in operating expenses is primarily due the implementation of GASB No. 68 Accounting and Financial Reporting for Pension an amendment GASB Statement No. 27.

*GASB 68 Implementation*

GASB 68 revises and establishes new financial reporting requirements for most state and local governments that provide their employees with pension benefits. GASB also issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB 68. Implementation of both statements is required in the June 30, 2015, financial statements.

One primary change is the requirement to report the net pension liability, defined as the difference between the total pension liability and the plan fiduciary net position. This information was previously disclosed as required supplementary information under the Notes to the Basic Financial Statement section in the CAFR. Under GASB 68, the net pension liability is provided by an actuarial calculation prepared, in the case of the Agency, by CalPERS. Due to the timing of the actuarial report, the net pension liability accounted for in the current FY represents the position as of June 30, 2014. Some of the factors that determine the net pension liability and future adjustments include the difference between projected and actual interest earnings, changes in actuarial assumptions, payments to retirees, and special contributions toward the unfunded liability. For IEUA, the net pension liability reported in FY 2013/14 of \$45.6 million decreases to \$36.7 million at the end of FY 2014/15. The reduction of \$8.9 million is primarily due to higher interest earnings in FY 2013/14 than the projected 7.5% discount rate.

Another key change is the effect on how pension expense is calculated and reported. Prior to GASB 68, pension expense was based on the required contributions paid each pay period calculated as a percentage of employee salaries, (i.e. "pensionable" payroll per pay period multiplied by the total CalPERS rate). Under GASB 68, pension expense is calculated in the actuarial report provided by CalPERS, taking into consideration, among other factors, interest earnings, employee and employer contributions, and payments to retirees.

Under GASB 68, employer contributions during the current FY need to be classified as deferred outflows. These contributions will be included in the actuarial report that calculates the net pension liability for FY 2014/15 which will be recorded in FY 2015/16. For FY 2014/15, contributions recorded as deferred outflows amount to \$8.4 million, \$3.9 from payroll contributions and \$4.5 million in contribution toward the unfunded liability.



Imported Water Pass-Through Sales and Purchases

Beginning in FY 2014/15 the reporting of the pass-through purchase and resale of imported water from Metropolitan Water District of Southern California (MWD) will be reinstated. Inclusion of these activities will provide a more complete account of the Agency's water related activities reported in the Water Resources (WW) fund. For FYs 2014/15 and 2013/14, sales revenue and operating costs in the WW fund will be increased by \$34.1 million and \$40.2 million, respectively.

External Auditors' Independent Audit

The Agency's independent audit firm, White Nelson Diehl Evans LLP (WNDE), performed the annual financial audit. WNDE issued an unqualified opinion over the financial statements for the Fiscal Year ended June 30, 2015, indicating that the financial statements are presented fairly and in accordance with GAAP.

WNDE found no *material deficiency* in internal controls over financial reporting. As defined in WNDE's Independent Auditor's 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, included in the Single Audit of Federally Assisted Grant Programs (Single Audit Report); "deficiency in internal control exists when the design of 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 agency's financial statements will not be prevented, or detected and corrected on a timely basis".

However, the Independent Auditor's Report on Internal Control Over Financial Reporting states there is "*significant deficiency*" in the Agency's internal control. The finding is related to the classification of project costs between capital and operations expense (finding 2015-001). "A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance."

As explained in WNDE's Single Audit Report (Finding 2015-001-Capital Assets) over the last five years, and pursuant to the external auditor's recommendation, staff has been diligently validating project costs as part of the closure process to ensure costs are appropriately charged to capital (for projects that result in specific capital assets) or operations and maintenance (where no capital assets are constructed). In the case of multi-year projects, some of the costs were incurred in prior FYs resulting in reclassification of prior year costs in the current FY. This effort, to a large extent, has resulted in a significant reduction in total jobs in progress (capital projects under construction). Between FYs 2010/11 through 2014/15, total jobs in process have been reduced by over 330 percent; from \$153 million reported at the end of FY 2011 to \$45 million as June 30, 2015. The Single Audit Report which includes the external auditor's finding and recommendation, as well as management's response can be found in Exhibit B.

### 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 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 fifteen years, the Agency has applied for and received the GFOA CAFR Award for excellence in financial reporting. The deadline to submit the FY 2014/15 CAFR is December 31, 2015.

The IEUA FY 2014/15 CAFR 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.

### PRIOR BOARD ACTION

On December 17, 2014, the Board of Directors approved the Agency's Comprehensive Annual Financial Report for FY 2013/14 reviewed by the Audit Committee & Finance and Administration Committee on December 10, 2014.

On March 16, 2011, the Board approved Contract No. 4600000883 for financial audit and Contract No. 4600000884 for single audit services, for three years with the option to extend two additional years (in single year increments); in June of 2013, the Agency exercised option to extend external financial auditing services and single audit services for one year through FY 2013/14, in June of 2014 the Agency again extended external financial auditing services and single audit services for one year through FY 2014/15 with the audit firm White Nelson Diehl Evans LLP.

### IMPACT ON BUDGET

There is no impact on the Agency's FY 2015/16 Budget as a result of this item, since related audit service fees are budgeted in the Administrative Services (GG) Fund under Professional Services.

#### Attachments:

Exhibit A – FY 2014/15 Basic Financial Statements and Notes to Basic Financial Statements (substantive form)

Exhibit B – WNDE's Single Audit Report of Federally Assisted Grant Programs (substantive form)

# Exhibit A

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Net Position**  
**June 30, 2015**

	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>ASSETS</b>		
Current assets		
Cash and investments (note 3)	\$ 50,543,386	\$ 890,023
Accounts receivable	9,924,678	21,761,530
Interest receivable	169,539	1,148
Taxes receivable	300,611	17,433
Other receivables	69,655	110,023
Inventory	0	0
Prepaid items	1,200	3,500
<b>Total current assets</b>	<b>61,009,069</b>	<b>22,783,657</b>
Restricted assets (note 3)		
Deposits held by governmental agencies	41,023,148	0
Assets held with trustee/fiscal agent	1,780,556	1,254,993
<b>Total restricted assets</b>	<b>42,803,704</b>	<b>1,254,993</b>
Noncurrent assets		
Capital assets (note 7)		
Land	14,047,045	0
Jobs in progress	13,977,033	28,372,402
Capital assets, net of accumulated depreciation	352,329,573	163,199,526
Intangible assets, net of accumulated amortization	5,432,679	745,436
<b>Total capital assets</b>	<b>385,786,330</b>	<b>192,317,364</b>
Other assets		
Long-term investments (note 11)	45,577,499	0
Long-term receivables (note 10)	2,634,337	1,180,243
Advances to other funds (note 14)	13,500,000	0
Prepaid bond insurance	423,863	140,151
Prepaid Interest -SRF loans	1,043,432	1,244,678
<b>Total other assets</b>	<b>63,179,131</b>	<b>2,565,072</b>
<b>Total noncurrent assets</b>	<b>448,965,461</b>	<b>194,882,436</b>
<b>Total assets</b>	<b>552,778,234</b>	<b>218,921,086</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	1,102,641	0
Deferred outflow related to net pension liability	6,209,683	775,759
<b>Total deferred outflows of resources</b>	<b>7,312,324</b>	<b>775,759</b>

*The accompanying notes are an integral part of the basic financial statements*

Water Resources	Non-Major	Totals 2015
\$ 5,998,121	\$ 28,880,156	\$ 86,311,686
5,414,083	13,680,761	50,781,052
4,238	512,858	687,783
0	28,115	346,159
0	43,663	223,341
0	1,660,129	1,660,129
0	121,317	126,017
<u>11,416,442</u>	<u>44,926,999</u>	<u>140,136,167</u>
0	0	41,023,148
0	931,626	3,967,175
<u>0</u>	<u>931,626</u>	<u>44,990,323</u>
0	20,829	14,067,874
211,275	2,650,428	45,211,138
19,928	69,514,190	585,063,217
24,829	6,036,495	12,239,439
<u>256,032</u>	<u>78,221,942</u>	<u>656,581,668</u>
0	0	45,577,499
0	0	3,814,580
0	19,308,104	32,808,104
0	34,156	598,170
0	0	2,288,110
<u>0</u>	<u>19,342,260</u>	<u>85,086,463</u>
<u>256,032</u>	<u>97,564,202</u>	<u>741,668,131</u>
<u>11,672,474</u>	<u>143,422,827</u>	<u>926,794,621</u>
0	0	1,102,641
281,261	1,087,999	8,354,702
<u>281,261</u>	<u>1,087,999</u>	<u>9,457,343</u>

(continued)

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Net Position (Continued from previous page)**  
**June 30, 2015**

	Enterprise Fund Types	
	Regional Wastewater	Recycled Water
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 3,575,639	\$ 3,014,354
Accrued liabilities	41,685	72,895
Compensated absences (note 1)	0	0
Retentions payable	149,878	787,258
Notes payable, due within one year (note 12)	1,896,195	3,962,026
Long-term debt, due within one year (note 12)	5,177,797	0
Interest payable	1,369,844	1,240,475
Retention deposits and escrows	95,146	0
Total current liabilities	12,308,184	9,077,008
Noncurrent liabilities		
Compensated absences (note 1)	0	0
Long-term debt, due in more than one year (note 12)	148,266,334	30,197,511
Notes payable, due in more than one year (note 12)	29,087,817	80,213,554
Advances from other funds (note 14)	0	28,500,000
Other noncurrent liabilities	0	267,184
Net pension liability (note 5)	27,283,277	3,408,427
Net OPEB liability (note 1d.)	0	0
Total noncurrent liabilities	204,637,428	142,586,676
Total liabilities	216,943,612	151,663,684
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to net pension liability	5,893,340	736,239
Total deferred inflows of resources	5,893,340	736,239
<b>NET POSITION</b>		
Net Investment in capital assets	202,229,783	77,944,273
Restricted for:		
Capital construction	41,023,148	0
SRF Loan debt service	1,447,479	5,162,397
Bond operating contingency requirement	16,022,083	0
Total restricted	58,492,710	5,162,397
Unrestricted	76,531,113	(15,809,748)
Total net position	\$ 337,253,606	\$ 67,296,922

The accompanying notes are an integral part of the basic financial statements

Water Resources		Non-Major	Totals 2015
\$	4,500,290	\$ 14,465,888	\$ 25,556,171
	513,208	3,096,707	3,724,495
	0	1,606,386	1,606,386
	27,520	0	964,656
	0	807,888	6,666,109
	0	632,203	5,810,000
	0	139,171	2,749,490
	0	72,324	167,470
	<u>5,041,018</u>	<u>20,820,567</u>	<u>47,244,777</u>
	0	2,732,734	2,732,734
	0	21,663,585	200,127,428
	0	3,133,583	112,434,954
	4,308,104	0	32,808,104
	0	0	267,184
	1,235,767	4,780,307	36,707,778
	0	1,291,524	1,291,524
	<u>5,543,871</u>	<u>33,601,731</u>	<u>386,369,706</u>
	<u>10,584,889</u>	<u>54,422,298</u>	<u>433,614,483</u>
	266,933	1,032,573	7,929,085
	<u>266,933</u>	<u>1,032,573</u>	<u>7,929,085</u>
	256,032	52,843,986	333,274,074
	0	0	41,023,148
	0	0	6,609,876
	0	3,425,731	19,447,814
	<u>0</u>	<u>3,425,731</u>	<u>67,080,838</u>
	<u>845,881</u>	<u>32,786,238</u>	<u>94,353,484</u>
\$	<u>1,101,913</u>	\$ <u>89,055,955</u>	\$ <u>494,708,396</u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2015**

	Enterprise Fund Types	
	Regional Wastewater	Recycled Water
<b>OPERATING REVENUES</b>		
Service charges	\$ 47,022,954	\$ 0
Water Sales	0	0
Recycled water sales	0	12,047,164
Total operating revenues	47,022,954	12,047,164
<b>OPERATING EXPENSES</b>		
Water Purchases	0	0
Wastewater collection	805,353	0
Wastewater treatment	19,001,130	0
Wastewater disposal	7,996,871	0
Operations and maintenance	0	3,262,561
Administration and general	20,262,896	4,115,498
Depreciation and amortization	23,154,752	6,990,988
Total operating expenses	71,221,002	14,369,047
Operating income (loss)	(24,198,048)	(2,321,883)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	288,683	132
Property tax revenue	35,554,077	2,063,827
Wastewater capital connection fees	15,073,882	0
Other nonoperating revenues	4,262,635	511,095
Interest on long-term debt	(6,368,586)	(2,744,069)
Other nonoperating expenses	(4,523,072)	(188,763)
Total nonoperating revenues (expenses)	44,287,619	(357,778)
Income (loss) before capital contributions and transfers	20,089,571	(2,679,661)
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>		
Transfers in (note 15)	1,273,557	0
Transfers out (note 15)	(1,373,285)	(2,048,687)
Capital grants	381,525	4,901,476
Change in net position	20,371,368	173,128
Total net position - beginning, as restated	316,882,238	67,123,794
Total net position - ending	\$ 337,253,606	\$ 67,296,922

*The accompanying notes are an integral part of the basic financial statements*



Water Resources	Non-Major	Totals 2015
\$ 5,690,362	\$ 11,242,300	\$ 63,955,616
34,146,923	0	34,146,923
0	0	12,047,164
<u>39,837,285</u>	<u>11,242,300</u>	<u>110,149,703</u>
34,146,923	0	34,146,923
0	7,283,522	8,088,875
0	0	19,001,130
0	0	7,996,871
1,130,704	0	4,393,265
4,863,772	4,183,815	33,425,981
5,367	3,961,923	34,113,030
<u>40,146,766</u>	<u>15,429,260</u>	<u>141,166,075</u>
<u>(309,481)</u>	<u>(4,186,960)</u>	<u>(31,016,372)</u>
11,732	135,653	436,200
1,500,000	1,828,099	40,946,003
0	0	15,073,882
137,947	2,631,612	7,543,289
0	(480,211)	(9,592,866)
<u>(995,857)</u>	<u>(1,472,681)</u>	<u>(7,180,373)</u>
<u>653,822</u>	<u>2,642,472</u>	<u>47,226,135</u>
344,341	(1,544,488)	16,209,763
0	2,185,745	3,459,302
0	(37,330)	(3,459,302)
564,641	69,922	5,917,564
<u>908,982</u>	<u>673,849</u>	<u>22,127,327</u>
<u>192,931</u>	<u>88,382,106</u>	<u>472,581,069</u>
<u>\$ 1,101,913</u>	<u>\$ 89,055,955</u>	<u>\$ 494,708,396</u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows**  
**For the Fiscal Year ended June 30, 2015**

	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 46,662,899	\$ 12,329,097
Cash received from interfund services provided	0	0
Cash payments to suppliers for goods and services	(16,326,917)	(2,237,842)
Cash payments to employees for services	(16,386,341)	(1,108,838)
Cash payments for interfund services used	(19,125,086)	(3,465,876)
Net cash provided by (used for) operating activities	(5,175,445)	5,516,541
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in	1,273,557	0
Transfers out	(1,373,285)	(2,048,687)
Contract reimbursement from others	4,262,635	511,096
Tax revenues	35,668,009	2,070,439
Collection of long-term receivable	141,226	110,023
Cash paid to others	(4,320,720)	(220,170)
Investment in IERCA	864,374	0
Advances from other funds	0	10,500,000
Advances to other funds	(10,500,000)	0
Net cash provided by (used for) noncapital financing activities	26,015,796	10,922,701
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(13,546,823)	(34,341,664)
Proceeds from State Revolving Funds	27,033	9,818,036
Connection fees on deposit held by members	15,073,882	0
Capital grants received	381,525	4,901,476
Principal paid on capital debt	(22,565,747)	0
Interest paid on capital debt	(5,450,392)	(2,353,730)
Payments on State Revolving Funds	(1,332,709)	(2,772,546)
Bond administration fees	(202,352)	(38,182)
Contractor deposits collected	0	0
Net cash provided by (used for) capital and related financing activities	(27,615,583)	(24,786,610)

*The accompanying notes are an integral part of the basic financial statements*

Water Resources	Non-Major	Totals 2015
\$ 44,341,459	\$ 7,754,663	\$ 111,088,118
0	25,642,003	25,642,003
(43,195,699)	(8,463,944)	(70,224,402)
(936,254)	(25,924,205)	(44,355,638)
(402,641)	(1,780,495)	(24,774,098)
(193,135)	(2,771,978)	(2,624,017)
0	2,185,745	3,459,302
0	(37,330)	(3,459,302)
137,947	2,449,130	7,360,808
1,500,000	1,838,764	41,077,212
0	0	251,249
(995,856)	(1,397,811)	(6,934,557)
0	0	864,374
4,308,104	0	14,808,104
0	(4,308,104)	(4,808,104)
4,950,195	730,394	42,619,086
(211,275)	(3,153,599)	(51,253,361)
0	(216,378)	9,628,691
0	0	15,073,882
564,641	69,922	5,917,564
0	(1,391,403)	(23,957,150)
0	(570,153)	(8,374,275)
0	0	(4,105,255)
0	(7,882)	(248,416)
0	(393)	(393)
353,366	(5,269,886)	(57,318,713)

(Continued)

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows (Continued from previous page)**  
**For the Fiscal Year ended June 30, 2015**

	Enterprise Funds	
	Regional Wastewater	Recycled Water
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	\$ 323,577	\$ 12,249
Purchase of investments	0	0
Net cash provided by (used for) investing activities	323,577	12,249
Net increase (decrease) in cash and cash equivalents	(6,451,655)	(8,335,119)
Cash and cash equivalents - beginning	99,798,745	10,480,134
Cash and cash equivalents - ending	\$ 93,347,090	\$ 2,145,015
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (24,198,048)	\$ (2,321,883)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and amortization	23,154,752	6,990,988
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	(309,552)	206,584
Other receivables	0	0
Short-term receivable	(50,503)	75,349
Inventory	0	0
Prepaid items	0	0
Increase (decrease) in		
Deferred outflow related to net pension liability	(3,434,675)	(429,085)
Accounts payable	316,300	1,092,089
Accrued liabilities	(56,916)	(33,023)
Net pension liability	(6,590,392)	(823,320)
Deferred inflow related to net pension liability	5,893,340	736,239
Other liabilities	0	79,323
Change in contractor deposits	100,249	(56,720)
Compensated absences	0	0
Net cash provided by (used for) operating activities	\$ (5,175,445)	\$ 5,516,541

Water Resources	Non-Major	Totals 2015
\$ 8,617 0	\$ 132,858 (61,472)	\$ 477,301 (61,472)
8,617	71,386	415,829
5,119,043	(7,240,084)	(16,907,815)
879,078	37,051,865	148,209,822
<u>\$ 5,998,121</u>	<u>\$ 29,811,781</u>	<u>\$ 131,302,007</u>
\$ (309,481)	\$ (4,186,959)	\$ (31,016,371)
5,367	3,961,923	34,113,030
4,478,806 0 25,368 0 0	(3,507,813) 28,503 (8,328) (43,841) (9,172)	868,025 28,503 41,886 (43,841) (9,172)
(155,570)	(601,789)	(4,621,119)
(4,201,369)	4,687,069	1,894,089
(32,204)	(200,619)	(322,762)
(298,505)	1,032,573	(6,679,644)
266,933	(1,154,703)	5,741,809
0	(3,063,798)	(2,984,475)
27,520	0	71,049
0	294,976	294,976
<u>\$ (193,135)</u>	<u>\$ (2,771,978)</u>	<u>\$ (2,624,017)</u>

**INLAND EMPIRE UTILITIES AGENCY**  
**Statement of Cash Flows - (Continued from previous page)**  
**For the Fiscal Year Ended June 30, 2015**

Enterprise Funds	
Regional Wastewater	Recycled Water

**RECONCILIATION OF CASH & CASH EQUIVALENTS  
TO THE STATEMENT OF NET ASSETS:**

Cash and short-term investments	\$ 50,543,386	\$ 890,023
Restricted assets	42,803,704	1,254,993
Cash & cash equivalents at end of year	<u>\$ 93,347,090</u>	<u>\$ 2,145,016</u>

*The accompanying notes are an integral part of the basic financial statements*

Water Resources	Non-Major	Totals 2015
\$ 5,998,121	\$ 28,880,155	\$ 88,311,685
0	931,626	44,990,323
<u>\$ 5,998,121</u>	<u>\$ 29,811,781</u>	<u>\$ 131,302,008</u>

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**INLAND EMPIRE UTILITIES AGENCY**  
**Index of Notes to the Basic Financial Statements**

June 30, 2014

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# NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *(1) Organization and Summary of Significant Accounting Policies:*

#### a. Description of the Reporting Entity

The Inland Empire Utilities Agency (hereafter referred to as the Agency), was authorized and established by the voters in an election held on June 6, 1950. The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board Statements. Agency is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the Agency appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden of the Agency. The Agency has accounted for the Chino Basin Regional Financing Authority (the Authority) as a "blended" component unit. Despite being legally separate, this entity is so intertwined with the Agency that it is, in substance, part of the Agency's operations. Accordingly, these basic financial statements present the Agency and its component unit, the Chino Basin Regional Financing Authority. The blended component unit has a June 30 year end.

The Authority was established on May 1, 1993 pursuant to California Government Code, Section 6500. The Authority was established to provide, through the issuance of debt, financing necessary for the construction of various public improvements. A separate fund is not maintained for the Authority as principal and interest payments on debt issued by the Authority is paid directly by the Agency. The payments are reported in the Regional Wastewater, Recycled Water, Non-reclaimable Wastewater, and Recharge Water Funds.

Subject to the limitation imposed by the Constitution of California, and pursuant to its charter, all powers of the Agency are vested in a five-member Board of Directors. Each Director serves a four-year term and is elected by and represents the voters of a specific geographic area within the Agency's boundaries, identified as a Division. As of June 30, 2015, the Agency's staff is led by the Board-appointed General Manager, Executive Manager of Policy Development/Assistant General Manager (AGM), Executive Manager of Operations/AGM, Executive Manager of Engineering/AGM, and the Chief Financial Officer/AGM. The Agency's staff consisted of 290 authorized positions, of which 289 were filled as of June 30, 2015. The Board also appointed legal counsel and independent auditors to serve as consultants to Agency staff.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as they relate to governmental units (Special Districts). The Agency applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

## **(1) Organization and Summary of Significant Accounting Policies (continued):**

### **b. Fund Financial Statements**

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, revenues and expenses, as appropriate. The Agency's resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Agency accounts for its activities in Enterprise Funds. These funds are included in the financial statements and have been grouped into fund types described as "Proprietary Fund Types."

For financial reporting purposes, the Agency has the following major funds: Regional Wastewater, Recycled Water, and Water Resources. These major funds are comprised of certain sub-funds within the Agency's accounting system. The composition of the major funds by sub-fund is indicated in the accompanying supplementary information schedules. (Refer to "Supplementary Schedules" section, and the "Individual Funds" section.) The composition of the non-major funds by sub-fund is indicated in the accompanying supplementary information schedules. (Refer to the "Individual Funds" section.)

### **c. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenues of the Agency's enterprise funds include: Service charges for the treatment of domestic wastewater flows based on Equivalent Dwelling Units (EDU's) connected to the Contracting Agencies local collection systems, user charges for the export of high-salinity and industrial wastewater generated within the Agency's service area and eventual discharge to the Pacific Ocean recorded in the Non-Reclaimable Wastewater (NRW) Fund, imported water acre foot surcharge for the agency's administrative and operational cost associated with the delivery of imported water supplies and water resource development and planning activities, water meter service charge to meet the agency's readiness-to-serve (RTS) obligation pass through from MWD and to help support a portion of the agency's ground water recharge program, and the sale of recycled water. The principal operating expenses include the costs associated with the primary and secondary treatment of domestic wastewater delivered to the regional sewage system, treatment and export costs of industrial waste delivered to the NRW North and South systems, biosolids recycling and direct and recharged deliveries of recycled water. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All Proprietary Funds are accounted for on a cost of services or "economic resources maintenance" measurement focus. This means that all assets, deferred outflows of resources and all liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Their reported fund equity (net total position) is segregated into net investment in capital assets, restricted net position, and unrestricted net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

## **(1) Organization and Summary of Significant Accounting Policies (continued):**

### **c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):**

#### **Enterprise Funds**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation and amortization) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges.

#### ***The Regional Wastewater Capital Improvement Fund***

The Regional Wastewater Capital Improvement (RC) Fund records the transactions for the acquisition, construction, and expansion of the Agency's municipal wastewater treatment plants, large sewer interceptors, and appurtenant facilities.

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

The Regional Wastewater Operations and Maintenance (RO) Fund accounts for the revenues and operating expenses associated with the primary, secondary, and tertiary treatment of domestic wastewater delivered by the contracting agencies to the Agency's interceptors and water recycling facilities. These costs are associated with the domestic wastewater delivered to the regional sewage system, which serves the residential, commercial, and industrial entities within the Agency's 242 square-mile service area. The tertiary process includes chlorination, and dechlorination, to remove excess chlorine residuals thus protecting the habitats in the receiving waters, as required by the Agency's National Pollution Discharge Elimination System (NPDES) permits.

#### ***Recycled Water Fund***

The Recycled Water (WC) Fund records the revenues and expenses associated with the operations and maintenance of the facilities used to distribute recycled water supplied from the Agency's water recycling plants. Additionally, the Recycled Water Fund records all of the costs associated with the construction and financing of recycled water capital projects. In response to the potential shortage and reduction of imported water supplies, the Agency adopted the Recycled Water Business Plan (RWBP) in December 2007. A key goal of the RWBP is to increase the demand for recycled water to 50,000 acre foot per year (AFY) with the expansion of the Regional Recycled Water Distribution System. This goal is anticipated to be reached by fiscal year 2024/25. Recycled water provides a cost effective and more reliable local water supply and is a key source to the Agency's goal of drought proofing its service area by 2030.

#### ***Water Resources Fund***

The Water Resources (WW) Fund records the transactions associated with providing water resources and water use efficiency programs within the Agency's service area. 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, groundwater recharge, and storm drain management.

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):**

**Basis of Accounting**

Basis of accounting refers to the timing when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The Agency prepares its financial statements on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

**Use of Estimates**

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

**Recognition of Revenues and Expenses**

The Agency records the Regional Wastewater Capital Connection Fees collected and held by contracting agencies, on behalf of the Agency, as revenue when the funds are received by each contracting agency. Fees held by the contracting agencies on behalf of the Agency are recorded as non-operating revenue and restricted assets.

Effective June 30, 2015, the Agency returned to recording the water deliveries to contracting agencies as gross revenue and corresponding imported water purchases from Metropolitan Water District of Southern California (MWD) as expenses instead of recognizing certain imported water sales and purchases as pass-through transactions. For these transactions, the Agency is merely a conduit or accommodator for the transactions between the MWD, and the contracting agencies. The Agency, other than its role as a member of the MWD, has no control over the pricing of the imported water delivered to the contracting agencies by MWD.

**Operating and Non-operating Revenues and Expenses**

Operating revenues relate to the direct revenues generated as a result of services performed or sale of commodities. Examples include sewage treatment and disposal service charges, sales of recycled water, and surcharges on the deliveries of imported domestic water. Non-operating revenues do not directly relate to the Agency's core operations, such as: 1) property tax receipts; 2) interest income; 3) regional capital connection fees; and 4) reimbursement for contract services provided to Chino Basin Desalter Authority (CDA) and Inland Empire Regional Composting Authority (IERCA).

## **(1) Organization and Summary of Significant Accounting Policies (continued):**

### **c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):**

#### **Operating and Non-operating Revenues and Expenses(continued):**

The Agency classifies the expense types based upon the goods and/or services directly related to the operations of the Agency in providing the core services and/or goods. Typical operating expenses include sewage treatment, biosolids disposal costs, and the cost of delivering recycled water. In contrast, non-operating expenses are not directly related to the Agency's core operations, such as costs related to administrative and operational support provided to CDA and IERCA, interest expense and the cost of financial services.

#### **Budgetary Policy and Control**

The Agency's Board approves each year's budget submitted by the Chief Financial Officer prior to the beginning of the new fiscal year. All amendments to the budget, or transfers of operating budget appropriations to or from reserve accounts, require Board approval. The Agency is not required to present budget comparisons, therefore budgetary data is not presented in the accompanying basic financial statements.

The Agency maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board. All appropriations lapse at year-end.

#### **New Accounting Pronouncements**

##### **Current Year Standards**

In fiscal year 2014-2015, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by \$41,841,117.

GASB Statement No. 69 - "*Government Combinations and Disposals of Government Operations*" was required to be implemented in the current fiscal year and did not impact the Agency.

## **(1) Organization and Summary of Significant Accounting Policies (continued):**

### **c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):**

#### **New Accounting Pronouncements**

##### **Pending Accounting Standards**

GASB has issued the following statements which may impact the City's financial reporting requirements in the future:

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 76 - "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", effective for periods beginning after June 15, 2015.

### **d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

#### **Cash and Investments**

Investments in short-term highly liquid debt instruments that have a remaining maturity at the time of purchase of one year or less, and nonparticipating interest earning investment contracts, are reported at amortized cost. All other investments are reported at fair value.

For the purpose of the Statement of Cash Flows at June 30, 2015, and in accordance with the Governmental Accounting Standards Board Statement Number 9, the Agency's cash and cash equivalents are considered to be petty cash, demand deposits and savings accounts that are readily available on demand. All short-term cash surpluses are maintained in a cash and investment pool, and allocated to each fund based on month-end cash and investment balances. For financial presentation purposes, cash is shown within cash, short-term investments, and restricted assets. Additionally, guidelines provided by GASB Statement No. 40 regarding risk disclosures on deposits and investments have been followed.

#### **Interest Income Allocation Method**

Interest income earned on pooled cash and investments is allocated quarterly to the funds, based on month-end cash and investment balances. Interest income from cash and investments in the deferred compensation plan and restricted accounts is credited directly to the related fund.

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued):**

**Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion of Interfund loans) or "advances to/from other funds" (the non-current portion of Interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes payable to the San Bernardino County Tax Assessor (The County) are annually attached as an enforceable lien on property as of January 1. Taxes are levied annually on July 1; and, are payable to the County in two installments on December 10 and April 10. The County bills and collects the property taxes and subsequently remits the amount due to the Agency in installments during the year. Annually in July, the County prepares a property tax year-end reconciliation and remits any unpaid taxes to the Agency generally within sixty days of the fiscal year end. Those taxes are accrued by the Agency and reflected as taxes receivable in the applicable Funds at fiscal year-end. The Agency does not collect property taxes in advance; therefore no deferred revenue is shown on the financial statements.

The County is permitted by State Law, (Article XIII A of the California Constitution, Proposition 13,) to levy taxes at 1% of full market value (at the time of purchase) and can increase the property's value no more than 2% per year. In accordance with an agreement with the County, the Agency receives \$0.0625 per hundred dollars levied.

Although the Agency extends credit to customers in the normal course of operations, uncollectible amounts are generally not significant. When an account is determined to be uncollectible, it is written off as a bad debt expense in the period so determined, following Board approval.

**Inventories and Prepays:**

The Agency uses the consumption method of accounting for inventories, and inventory is valued at the weighted average cost of items on hand. Inventories of operating supplies are maintained and accounted for in the Administrative Services (GG) Fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the fund financial statements.

(1) Organization and Summary of Significant Accounting Policies (continued):

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued):

Restricted Assets

Restricted assets represent deposits held in short-term investments with Trustee/Fiscal Agents.

Assets held with Trustee/Fiscal Agents include: (a) unspent bond proceeds available for capital construction payments; (b) proceeds from bonds which are restricted to making payments for debt service; (c) deposits held by contracting agencies for Regional Wastewater Capital Connection Fees collected on behalf of the Agency to fund regional capital construction expenditures, and (d) construction contract retentions which involve escrow agreements, and deposits held in lieu of retentions, both of which require funds to be separately set aside for retention.

Capital Assets

Property, plant and equipment are capitalized at cost. The cost of a capital investment includes purchase, rehabilitation or construction costs, Agency labor for engineering, construction management and administrative activities, capitalized interest, as well as ancillary expenses necessary to make productive use of the assets. Current capitalization thresholds are reflected in the following table.

Type of Expenditure	Total Cost	Estimated Life	Increase Estimated Life	Enhances Performance
Office Equipment	≥\$5,000	>1 Year	N/A	N/A
Computer Equipment	≥\$1,000	>1 Year	N/A	N/A
Other Equipment	≥\$5,000	>1 Year	N/A	N/A
Maintenance & Repair Expenditures	≥\$5,000	≥3 Years	-----	Yes
Single Year Capital Projects	≥\$5,000	≥3 Years	N/A	N/A
Multi-Year Capital Projects	≥\$15,000	≥1 Years	N/A	N/A

The Agency capitalizes interest on tax exempt debt issued to finance construction projects. The amount of interest capitalized is calculated after offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period.

During the year ended June 30, 2015, total interest of \$203,663 was capitalized on jobs in process related to the 2008A Revenue Bonds proceeds and is comprised of \$73,793 recorded in the Regional Wastewater Capital Improvement Fund, \$74,474 in the Recycled Water Fund and \$55,396 in the Regional Wastewater and Operations and Maintenance Fund.



**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued):**

**Capital Assets (continued):**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. Improvements are capitalized and depreciated, as applicable, over the remaining useful life of the related capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of capital assets has been provided on a straight-line basis. One-half year depreciation is recorded in the year of acquisition and disposal.

Estimated useful lives are:	Furniture, machinery and equipment	3 - 15 years
	Improvements	15 years
	Interceptors, buildings and plants	5 - 50 years
	Intangible Capacity Rights	50 years
	Computer Software	3 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has two items that qualify for reporting in this category. One is the deferred loss on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other is the deferred outflow of resources for pensions equal to employer contributions made in the current year for future years after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category. It is the deferred inflow for the net difference between projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over a five year period beginning with the current year.

**Pensions:**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued):**

**Compensated Absences**

The Agency records a liability for vacation, sick and compensatory leave earned but not used. Each employee earns vacation pay based on the length of employment. Upon termination, employees receive payment for accrued vacation pay.

Employees continuously employed by the Agency for at least five years receive partial payment, upon termination, of accrued sick leave hours. The payment percentage is based upon the number of years of service.

The accumulated vacation leave payable at July 1, 2014 was \$1,799,725 with additions and deletions during the year of \$566,048, and \$419,876 respectively, resulting in an ending June 30, 2015 balance of \$1,945,897. There was a net increase of \$146,172 over the previous fiscal year.

The sick and compensatory leave balance at July 1, 2014 was \$2,244,418 with additions and deletions during the year of \$1,551,301 and \$1,402,496 respectively, resulting in an ending June 30, 2015 balance of \$2,393,223. There was a net increase of \$148,805 over the previous fiscal year.

The compensated absences liability has been recorded in the Administrative Service Fund as a combined total of \$4,339,120. The current year liability is estimated to be \$1,606,386.

**Other Post - Employment Benefits**

In accordance with the Agency's Memorandum of Understanding (MOU), the Agency provides post-employment benefits to all retired employees through the California Public Employees' Retirement System (CalPERS) Public Employees Medical and Hospital Care Act (PEMHCA) health program.

The Agency contributes an additional monthly longevity benefit to each retiree minus the minimum PEMHCA contribution or \$122.00, whichever is greater, according to the chart below to each retiree who simultaneously retires from the Agency through CalPERS and who is a minimum age of fifty-five (55).

Hire Date	Retirement Date	Benefit Level	Minimum Years of Agency Service	Benefit
Before July 2, 1980	N/A	Employee and/or eligible dependent(s)	15	100% of applicable Kaiser Rate*
Before Jan. 1, 1992	N/A	Employee and/or eligible dependent(s)	20	50% of applicable Kaiser Rate*
N/A	After July 3, 2004	Employee only or surviving spouse	12	50% of applicable Kaiser Rate*

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued):**

**Other Post - Employment Benefits (continued):**

The longevity benefit is available to qualifying retirees whether they enroll in a CalPERS medical plan or not. The retiree will be reimbursed on a monthly basis for his/her retiree longevity benefit via direct deposit to the retiree's (or surviving spouse's) bank account, up to the maximum benefit provided. Retirees are responsible for any taxes that may be due on reimbursement of retiree longevity benefits.

In accordance with GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension (OPEB), public entities are required to accrue OPEB costs throughout the employee's working lifetime and record the actuarially calculated cost as a liability. The Agency contracted an independent pension consultant and actuaries to perform an actuarial valuation of the OPEB as of June 30, 2015. The report used the "Entry Age Normal" actuarial cost method and an attribution period that runs from the date of hire until the expected retirement date. Normal costs can be defined to be the present value of future benefits that are "earned" by employees for service rendered during the current year. The report used the level-percentage of pay method with which the Agency's unfunded actuarial accrued liability is being amortized over a 22 year closed period. Under the level-percentage of pay method, the amortization payment is scheduled to increase in future years based on wage inflation.

On June 4, 2014, the Agency entered into an agreement to prefund OPEB through CalPERS CERBT trust fund. As of June 30, 2015, the Agency has funded \$7,000,000 into the CERBT trust fund towards the OPEB obligation.

The following table presents the summary of the Actuarial Accrued Liability (AAL), Plan Assets and Annual Required Contribution for the Fiscal Year 2014/15.

<b>Valuation as on July 1, 2014</b>	<b>2014/15</b>
Annual Required Contribution (ARC)	\$937,681
Interest on Net OPEB Obligation	266,546
Adjustment to ARC	(266,025)
<b>Annual OPEB Costs</b>	<b>\$938,202</b>
IEUA Contribution	(4,002,000)
Percentage Contributed	426%
<b>Increase or Decrease in Net OPEB</b>	<b>(\$3,063,798)</b>
Net OPEB Obligation - Beginning of Year	4,355,322
Net OPEB Obligation - End of Year	1,294,524
Annual Covered Payroll	\$23,048,949

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued):**

**Other Post - Employment Benefits (continued):**

***Three-year trend information for OPEB***

<b>Fiscal Year Ending</b>	<b>Annual OPEB Costs</b>	<b>% of OPEB Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2013	\$1,424,675	31%	\$6,833,724
6/30/2014	\$1,516,123	262%	\$4,355,322
6/30/2015	\$ 938,202	426%	\$1,294,524

***Funded Status and Funding Progress***

As of June 30, 2015, the most recent actuarial valuation date, the plan was 48% funded. The actuarial accrued liability (AAL) for benefits was \$15,050,188 and the actuarial value of assets was \$6,992,580, resulting in unfunded actuarial accrued liabilities (UAAL) of \$8,087,608. The covered-employee payroll (annual total payroll of active employees covered by the plan) was \$23,048,949, and the ratio of the UAAL to the covered-employee payrolls was 35.09%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(1) Organization and Summary of Significant Accounting Policies (continued):

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued):

*Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan between the employer and the plan members and include the types of benefits provided at the time of each valuation, and the historical pattern of sharing of benefits costs between the employer and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Since retiree health benefits will be paid over the next 50 years or more, a projection of future benefits payments and liabilities requires the use of actuarial assumptions to reflect the estimate of what is likely to occur over the long-term.

The valuation process uses a mathematical model to project the number of retirees and dependents in each future year based on the retirees at the beginning of the year who are expected to survive until the end of the year, and the active employees expected to retire during the year. The expected benefits payable in future years are calculated based on the number of projected retirees and dependents and the anticipated future per capita costs. Actuarial assumptions used for the July 1, 2015 valuation were:

*Actuarial report makes use of the following assumptions:*

Discount Rate	–	6.12% per annum
Inflation Rate	–	2.75% per annum
Payroll Increases	–	3% per annum
Asset Return Rate	–	6.12% per year

Health Care Trend – based on recent rate increases, the projected trend for the actuarial valuation was developed, assuming an annual increase in CalPERS Kaiser rates, as follows:

<u>Year</u>	<u>PPO</u>	<u>HMO</u>
2017	7.0%	6.5%
2018	6.5%	6.0%
2019	6.0%	5.5%
2020	5.5%	5.0%
2021 and after	5.0%	5.0%

A separate audited post-employment benefit plan report is not available.

**(1) Organization and Summary of Significant Accounting Policies (continued):**

**d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued):**

**Other Post - Employment Benefits (continued):**

Discount Rate – a 6.12% discount was used to calculate the present value of future benefit payments.

Health Care Trend – based on recent rate increases, the projected trend was developed for the actuarial valuation, assuming an annual increase in CalPERS Kaiser rates, as follows:

<u>Year</u>	<u>PPG</u>	<u>HMO</u>
2017	7.0%	6.5%
2018	6.5%	6.0%
2019	6.0%	5.5%
2020	5.5%	5.0%
2021 and after	5.0%	5.0%

A separate audited post-employment benefit plan report is not available at this time.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Agency's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Long-Term Obligations**

In the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable fund statement of net position. Certain Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount.

**Prior Fiscal Year Data**

The information included in the accompanying financial statements for the prior fiscal year has been presented for comparison purposes only, and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

## II. STEWARDSHIP

### (2) Stewardship, Compliance & Accountability

#### Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration in the Agency's enterprise funds.

Encumbrances (e.g., purchase orders, contracts, other commitments) outstanding at year end are reported as unrestricted net position and do not constitute expenses or liabilities. Upon Board approval, these commitments are re-appropriated and honored during the subsequent fiscal year.

### III. DETAILED NOTES ON ALL FUNDS

#### (3) Cash and Investments

The Agency follows the practice of pooling cash and investments of all funds, except for restricted funds generally held by outside custodians and funds in its employees' deferred compensation plans, held in trust. Each fund's position in the pool is reported on the combined statement of net position as cash and investments.

Interest income earned on pooled cash and investments is allocated to those funds which are required by law, local ordinance, administrative action or agreements to receive interest. Such allocation is made quarterly, at a minimum, based on the weighted average cash balances in each fund receiving interest. Interest income from cash and investments which are restricted is credited directly to the related fund.

Cash and investments as of June 30, 2015 are classified in the accompanying financial statement as follows:

Statement of net position:	
Cash and investments	\$86,311,686
Cash and investments held by fiscal agent	44,990,323
<b>Total cash and investments</b>	<b>\$131,302,009</b>
Cash and investments as of June 30, 2015 consist of the following:	
Cash on hand (Petty Cash)	\$1,885
Deposits with financial institutions	4,273,979
Deposits held by other governmental agencies	41,023,148
Investments	86,002,997
<b>Total cash and investments</b>	<b>\$131,302,009</b>

#### Fair Value

The agency reports its investments at fair value in the balance sheet. All investment income, including changes in fair value of investments, is recognized as revenue in the operating statement.

#### Investments and Interest Receivable - Restricted

Restricted assets represent deposits held in short-term investments with Trustee/Fiscal Agents. Assets held with Trustee/Fiscal Agents include: (a) unspent bond proceeds available for capital construction payments; (b) proceeds from bonds which are restricted to making payments for debt service; (c) deposits held by contracting agencies for Regional Wastewater Capital Capacity Reimbursement Account (CCRA) fees collected on behalf of the Agency to fund regional wastewater capital construction expenditures, and (d) construction contract retentions which involve escrow agreements, and deposits held in lieu of retentions, both of which require funds to be separately set aside for retention. Construction contract retentions are included in Non-current assets within the Restricted Assets category on the Statement of Net Position.

The table below identifies the investment types that are authorized by the California Government Code Section 53601 and the Agency's investment policy (where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.



### (3) Cash and Investments (continued):

#### Investments Authorized by the California Government Code and the Agency's Investment Policy

The table does not address investment of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State Treasury Obligations	5 years	10%	None
Local Agency Obligations	5 years	None	None
Commercial Paper	270 days	20%	10%
Negotiable/Placement Certificates of Deposits	5 years	30%	None
Repurchase Agreements	90 days	40%	None
Medium-Term Notes	5 years	10%	None
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	None	None
Local Agency Investment Pools	N/A	\$20M/Acct	None
Bank Deposits	N/A	None	None

#### Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by the provisions of the Agency's debt agreements, rather than the general provision of the California Government Code or the Agency's Investment Policy.

The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address quality of risk, interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Minimum Rating</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None	None
U.S. Agency Securities	None	None	None	None
Money Market Funds	AA-m / Aa2	N/A	None	None
Certificates of Deposits	None	None	None	None
Investment Agreements	None	None	None	None
Commercial Paper	A-1 / Prime-1	270 days	None	None
Bankers Acceptances	A-1 / Prime-1	1 Year	None	None
Repurchase Agreements	A	30 days	None	None
Local Agency Investment Fund	None	N/A	None	None

### (3) Cash and Investments (continued):

#### Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Agency does not have any investments with fair values highly sensitive to interest rate fluctuations.

#### Investment Pool Oversight

##### Local Agency Investment Fund (LAIF)

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized basis.

##### Investment Trust of California (CalTRUST)

The Agency is a voluntary participant in the CalTRUST, a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. Seq. and 53635, et. Seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio. The balance available for withdrawal is based on the accounting records maintained by CalTRUST. For purposes of determining fair market value, securities are normally priced on a daily basis on specified days if banks are open for business and the New York Stock Exchange is open for trading. The value of securities is determined on the basis of the market value of such securities or, if market quotations are not readily available, at fair value, under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost, which the Board has determined to equal fair value.

#### Deposits

At June 30, 2015, the carrying amount of the Agency's deposits was \$4,273,979 and the bank balance was \$4,881,497. The \$607,518 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure public agencies deposits by pledging government securities with a value of 110% of a public agency's deposits. California law also allows financial institutions to secure entity's deposits by pledging first mortgage notes having a value of 150% of the Agency's total deposits. California law also allows financial institutions to secure Entity deposits by pledging first mortgage notes having a value of 150% of the District's total deposits. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking.

### (3) Cash and Investments (continued):

#### Deposits (continued):

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank of San Francisco, California, as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agency of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local government agency.

#### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency has no formal policy for managing risks.

Presented below is the minimum rating required by the Agency's investment policy, and the actual Moody's rating as of fiscal year ended June 30, 2015 for each investment type:

Investment Type		Minimum Legal Rating	Moody's Rating as of June 30, 2015			
			Aaa to Aa3	A1 to A3	Baa1 to Baa3	Unrated
Repurchase Agreement	\$28,898,737	N/A	\$0	\$0	\$0	\$28,898,737
U.S. Agency Securities	16,999,140	N/A	16,999,140	0	0	0
Medium Term Notes	4,001,690	A	1,000,190	3,001,500	0	0
State Municipal Bonds	1,011,420	A	1,011,420	0	0	0
LAIF	24,835,685	N/A	0	0	0	24,835,685
Cal Trust	3,539,402	N/A	0	0	0	3,539,402
CBB Certificate of Deposit	4,172,210	N/A	0	0	0	4,172,210
<i>Held by Bond Trustee:</i>						
Money Market Mutual Funds	2,544,713	N/A	0	0	0	2,544,713
<b>Total</b>	<b>\$86,002,997</b>		<b>\$19,010,750</b>	<b>\$3,001,500</b>	<b>\$0</b>	<b>\$63,990,747</b>

#### Concentration of Credit Risk

The Agency's investment policy contains several limitations on the amount that can be invested with any one issuer and type of investment as well as that stipulated by the California Government Code. Investments in any one issuer (excluding investment pools) that represents 5% or more of the total Agency's investments are as follows:

Issuer	Investment Type	Reported Amount	Percentage
Citizen Business Bank	Repurchase Agreement	\$28,898,737	33.6%
FHLMC	U.S. Agency Securities	6,990,710	8.13%

### (3) Cash and Investments (continued):

#### Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Agency will not be able to recover the value of investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by public agencies.

California law also allows financial institutions to secure Agency deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015, the Agency's deposits (bank balance) were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California law.

The investment in the repurchase agreement is uninsured with the collateral for the repurchase agreement held in the name of the bank and not in the name of the Agency.

For investments identified as held by bond trustee, the trustee selects the investments under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the Agency.

#### Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset, due to variability of the interest rate of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Agency's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Agency's investment policy states that purchases of investments will be restricted to securities with a final state maturity not to exceed five years. The Agency manages its exposure to interest rate risk is by purchasing a combination of short term and long term investments. Investment maturities are spread out evenly to provide the cash flow and liquidity needed for operations. The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk.

### (3) Cash and Investments (continued):

#### Interest Rate Risk (continued):

As of June 30, 2015, the Agency had the following investments and original maturities:

Investment Type	Remaining Maturity (in Months)				Fair Value
	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	
Repurchase Agreement	\$28,898,737	\$0	\$0	\$0	\$28,898,737
U.S Agency Securities	1,998,660	4,003,690	2,998,030	7,998,760	16,999,140
Medium Term Notes	3,003,020	0	998,670	0	4,001,690
State Municipal Bonds	1,011,420	0	0	0	1,011,420
State Investment Pool	24,835,685				24,835,685
Cal Trust	3,539,402	0	0	0	3,539,402
CBB Certificate of Deposit	4,172,210	0	0	0	4,172,210
Held by Bond Trustee:					
Money Market Mutual Fund	2,544,713	0	0	0	2,544,713
<b>Total</b>	<b>\$70,003,847</b>	<b>\$4,003,690</b>	<b>\$3,996,700</b>	<b>\$7,998,760</b>	<b>\$86,002,997</b>

### (4) Deferred Compensation

The Agency established a Deferred Compensation Plan for employees in December 1977. Under this plan, employees may choose to defer income until retirement or termination. All deferred wages are credited to the participating employee accounts. Internal Revenue Code Section 457 requires that plan assets be held in trust for the exclusive benefit of the participants and their beneficiaries. Investments in the Deferred Compensation Plan are held by a fiscal agent in investment options chosen by the participants. The Agency makes no contributions under this plan.

In fiscal year 1997/98, the Board of Directors adopted a resolution to establish another Deferred Compensation Plan that is a qualified plan under the IRC Section 401(a). Each participant is expected to contribute up to 10% of their employee's earnings up to a maximum of \$53,000 for 2015. All contributions are made with pre-tax income and are solely obtained from the employee's funds. An employee's election to participate in the plan is irrevocable and shall remain in force until the employee terminates employment. Under current IRS regulations once an employee elects to participate in the plan, he/she cannot change his/her contribution amount or withdraw from the plan until he/she leaves Agency employment.

The Agency adopted GASB Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans." The implementation of GASB Statement No. 32 requires the Agency to change its accounting for its Deferred Compensation Plan to exclude it from the financial statements, since the Agency neither has custody of the plan assets, nor directs or accounts for the plan investments. The Deferred Compensation Plan had been included as an asset and liability prior to July 1, 1998.

## (5) Defined Benefit Pension Plan

### General information about the Pension Plans

#### Plan Description

The Agency contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. The Agency's defined benefit pension plan is identified as the Miscellaneous Plan of the Inland Empire Utilities Agency (Agency's Plan). PERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the state of California.

Benefit provisions, and all other requirements, are established by State statutes within the Public Employees' Retirement Law. The Agency's Plan selects optional provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 "Q" Street - Sacramento, CA 95811.

#### Benefits Provided

The Agency is required to contribute the actuarially determined remaining amounts necessary to fund the retirement benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Prior to January 1, 2012	On or After January 1, 2012	After January 1, 2013
Hire date			
Benefit formula	2.5%@55	2%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Eligible retirement age	50 – 55	50 – 63+	52 – 67+
Monthly benefits, as a % of eligible compensation	2% - 2.5%	1.426% - 2.418%	1% - 2.5%
FY2013/14 required employee contribution rates*	8%	7%	6.25%
FY2013/14 required employer contribution rates	16.105%	16.105%	16.105%

\* Effective the first pay period of each fiscal year, full-time and limited-term employees will contribute an additional fixed percentage per respective memorandum of understanding (MOU) until the employees are fully funding the employee paid contribution rate. Employees hired after January 1, 2013 pays for one half (1/2) of their total normal cost rate as determined by CalPERS. See table below for the additional fixed percentage per the MOUs:

(5) Defined Benefit Pension Plan (continued):

General information about the Pension Plans (continued)

<i>Fiscal Year</i>	<i>Hired Prior to January 1, 2012</i>	<i>Hired On or After January 1, 2012</i>	<i>Hired After January 1, 2013</i>
2014/15	4.0%	5.0%	6.25%
2015/16	5.5%	6.5%	6.25%
2016/17	7.0%	7.0%	6.25%
2017/18	8.0%	7.0%	6.25%
<b>Employee contribution rates</b>	<b>8.0%</b>	<b>7.0%</b>	<b>6.25%</b>

Employees Covered

At June 30, 2015, the following employees were covered by the Plans' terms:

Inactive employees or beneficiaries currently receiving benefits	195
Inactive employees entitled to but not yet receiving benefits	182
Active employees	273
<b>Total</b>	<b>650</b>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability

The net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

## (5) Defined Benefit Pension Plan (continued):

### Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment
Investment Rate of Return	7.50% (net of pension plan investment and administration expenses; includes inflation)
Mortality	The probabilities of mortality are derived using CalPERS membership data for all funds. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using society of actuaries scale BB. For more details on this table please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

### Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Agency's Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the



(5) Defined Benefit Pension Plan (continued):

materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time a change in methodology occurs.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short term and long term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years	
		1-10 (a)	11+(b)
Global Entity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	(0.55%)	(1.05%)
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

**(5) Defined Benefit Pension Plan (continued):**

**Changes in the Net Pension Liability**

The changes in the net pension liability for the Agency's Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balances at June 30, 2013</b>	\$ 145,020,505	\$ 99,445,805	\$ 45,574,700
<b>Changes in the Year:</b>			
Service cost	3,768,503	-	3,768,503
Interest on the total pension liability	10,818,920	-	10,818,920
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contribution - employer	-	3,733,583	(3,733,583)
Contribution - employee (paid by employer)	-	-	-
Contribution - employee	-	2,374,649	(2,374,649)
Net investment income	-	17,346,113	(17,346,113)
Administrative expenses	-	-	-
Benefit payments, including refunds of employee contributions	(5,304,990)	(5,304,990)	-
<b>Net Changes</b>	<b>\$ 9,282,433</b>	<b>\$ 18,149,355</b>	<b>\$ (8,866,922)</b>
<b>Balance at June 30, 2014</b>	<b>\$ 154,302,938</b>	<b>\$ 117,595,160</b>	<b>\$ 36,707,778</b>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Miscellaneous Plan, (Agency Plan), calculated using the discount rate for each Plan, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate - 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
<b>Net Pension Liability</b>	\$ 58,006,751	\$ 36,707,778	\$ 19,059,357

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

(5) Defined Benefit Pension Plan (continued):

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	Difference between projected and 5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the measurement period ended June 30, 2014, the Agency recognized pension expense of \$2,795,746. As of June 30, 2014, the Agency has deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,354,702	0
Differences between actual and expected experience	0	0
Change in assumptions	0	0
Net differences between projected and actual earnings on plan investments	0	(7,929,085)
<b>Total</b>	<b>\$ 8,354,702</b>	<b>\$ (7,929,085)</b>

**(5) Defined Benefit Pension Plan (continued):**

Deferred outflows of resources related to contributions subsequent to the measurement date of \$8,354,702 will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<b>Measurement Period Ending June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2015	\$ (1,982,271)
2016	(1,982,271)
2017	(1,982,271)
2018	(1,982,271)
2019	0
<b>Thereafter</b>	<b>0</b>

**Payable to the Pension Plan**

At June 30, 2015, the Agency had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**(6) Risk Management**

The Agency is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. During fiscal year 1985/86, the Agency chose to establish a risk management program for risks associated with all liability losses, except workers' compensation losses. These risks are covered by commercial insurance purchased from independent third parties.

- ❑ General and auto liability, public officials and employees' error and omissions: The Agency retains the risk of loss for general liability, automobile liability, and, errors and omissions claims of up to \$500,000 per person per occurrence.
- ❑ The Agency also retains the risk of loss for property damage, and boiler machinery claims of up to \$25,000.

## **(6) Risk Management (continued):**

In fiscal year 1993/94, the Agency adopted a self-insurance program for risks associated with workers' compensation to account for and finance uninsured workers' compensation losses. The Agency uses excess insurance agreements to reduce its exposure to large workers' compensation losses.

Excess insurance permits the recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of the fund as direct insurer of the risks.

- ❖ The Agency purchases commercial insurance coverage for that portion of workers' compensation claims exceeding the California statutory limits of \$1,000,000 per person per occurrence. The current commercial insurance provides coverage for workers' compensation claims up to \$25,000,000. The Agency does not report excess insurance risks as liabilities unless it is probable that those risks will not be covered by the excess insurance.

In addition to the above, the Agency has the following insurance coverage:

- ❖ Employee dishonesty coverage up to \$50,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's, and computer fraud; with a deductible of \$1,000 per occurrence.
- ❖ Property damage has a \$1,000,000,000 per occurrence coverage limit, subject to a \$25,000 deductible per occurrence. All other claims categories provide coverage up to \$800,000,000 on an annual aggregate basis.
- ❖ Boiler and machinery coverage for the replacement cost up to a shared limit of \$500,000,000, subject to various deductibles depending on the type of equipment.

Insurance premiums are paid into the Administrative Services Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the programs. The total is calculated using trends in actual claims experience. The allocation is based upon the percentage of each fund's current payroll as it relates to the total payroll of the Agency. These allocated interfund premiums are used to reduce the amount of claims expenditure reported in the Administrative Services Fund.

Settled claims from the risks discussed herein have not exceeded commercial insurance coverage in any of the last three fiscal years ending June 30, 2015, 2014, and 2013. Additionally, there have been no reductions in insurance coverage since the establishment of the risk management program.

### Claim Liabilities

Claim liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities include an amount for claims that have been incurred but not reported (IBNRs). A negative amount reflects a current year change in the estimated unpaid claims balance at the beginning of the year. Claim liabilities are calculated considering effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The liability for claims and judgments is reported in accrued liabilities.

(6) Risk Management (continued):

Claim Liabilities (continued):

Changes in the balances of workers' compensation and general liability claims during the past two fiscal years were as follows:

	Worker's Compensation		General Liability	
	2014/15	2013/14	2014/15	2013/14
Unpaid Claims, beginning of fiscal year	\$229,358	\$263,382	\$500,000	\$500,000
Incurred claims (including IBNRs)	123,752	76,768	15,661	14,998
Claim payments	(103,231)	(110,792)	(15,661)	(14,998)
<b>Unpaid claims, end of fiscal year</b>	<b>\$249,879</b>	<b>\$229,358</b>	<b>\$500,000</b>	<b>\$500,000</b>

(7) Changes in Capital Assets

Jobs in Progress

At the Fiscal Year ended June 30, 2015, the Agency had several jobs in progress designed to expand the Regional Recycled Water Distribution System as part of the amendments to the Recycled Water Business Plan adopted in December 2007. Other significant projects are also underway to expand, improve, and refurbish existing treatment facilities in the Agency's Regional Wastewater Program, including the disposition of wastewater by-products and provide for ancillary facilities that support operating activities.

Other Projects (less than \$1,000,000 each)	\$ 9,653,393
Wineville Extension Recycled Water Pipeline Segment A	13,397,648
Wineville Recycle Water Extension Segment B	9,091,627
RP-1 Outfall Relocation & Upsizing	3,924,409
Montclair Lift Station Upgrades	2,847,940
RP-4 Headworks Retrofit	2,556,600
Philadelphia Pump Station Upgrades	2,157,943
Supervisory Control and Data Acquisition Enterprise System	1,581,578
<b>Total Jobs in Progress</b>	<b>\$ 45,211,138</b>

**(7) Changes in Capital Assets (continued):**

The following is a summary of jobs in progress, property, plants, equipment, and intangible assets at June 30, 2015:

Capital Assets

Capital Assets	Balance at 6/30/14 (As Restated)	Additions	Transfers & Retirements	Balance at 6/30/15	Accumulated Depreciation at 6/30/15	Net Book Value at 6/30/15
<b>Capital Assets-not being depreciated:</b>						
Land	\$ 14,067,874	\$ -	\$ -	\$ 14,067,874	\$ -	\$ 14,067,874
Jobs in Progress	84,947,342	48,563,364	(88,299,568)	45,211,138	-	45,211,138
Total Capital Assets, not being depreciated	\$ 99,015,216	\$ 48,563,364	\$ (88,299,568)	\$ 59,279,012	\$ -	\$ 59,279,012
<b>Capital Assets-being depreciated:</b>						
Interceptors, trunk lines and inter-ties	\$ 36,078,588	\$ 642,656	\$ -	\$ 36,721,246	\$ (9,969,038)	\$ 26,752,208
Office facilities	12,076,617	-	-	12,076,617	(2,708,841)	9,367,776
Collection, outfall, and transmission lines	122,175,508	1,467,592	-	123,643,100	(68,895,584)	54,747,516
Reservoirs, settling basins, ponds, and chlorination station	114,988,821	4,415,575	-	119,404,396	(26,979,216)	92,425,180
Recycled water distribution system	119,180,002	2,142,470	-	140,607,472	(17,939,453)	122,668,019
Treatment plants, pump stations and office buildings	258,703,973	13,174,659	-	271,878,632	(117,327,511)	154,551,121
Equipment	160,774,493	43,084,943	(309,728)	203,549,708	(98,653,715)	104,895,993
Land improvement	25,977,548	3,885,507	-	29,863,055	(10,207,651)	19,655,404
Total capital assets, being depreciated	\$ 849,955,550	\$ 88,098,404	\$ (309,728)	\$ 937,744,226	\$ (352,681,009)	\$ 585,063,217
<b>Less accumulated depreciation for:</b>						
Interceptors, trunk lines and inter-ties	\$ (9,123,088)	\$ (845,950)	\$ -	\$ (9,969,038)		
Office facilities	(2,469,806)	(239,035)		(2,708,841)		
Collection, outfall, and transmission lines	(65,226,463)	(3,669,121)		(68,895,584)		
Reservoirs, settling basins, ponds, and chlorination station	(24,187,697)	(2,791,519)		(26,979,216)		
Recycled water distribution system:	(14,943,016)	(2,996,437)		(17,939,453)		
Treatment plants, pump stations and office buildings	(110,707,427)	(6,620,084)		(117,327,511)		
Equipment	(84,590,904)	(14,372,539)	309,728	(98,653,715)		
Land improvement	(8,981,503)	(1,226,148)		(10,207,651)		
Total accumulated depreciation	\$ (320,229,904)	\$ (32,760,833)	\$ 309,728	\$ (352,681,009)		
Total capital assets, being depreciated, net	\$ 529,725,646	\$ 55,337,571	\$ -	\$ 585,063,217		
<b>Total capital assets- Enterprise Funds, Net</b>	<b>\$ 628,740,862</b>	<b>\$ 103,900,935</b>	<b>\$ (88,299,568)</b>	<b>\$ 644,342,229</b>		

(7) Changes in Capital Assets (continued):

*Intangible Assets*

Intangible Assets	Balance at 6/30/14	Additions	Transfers & Retirements	Balance at 6/30/15	Accumulated Amortization at 6/30/15	Net Book Value at 6/30/15
<b>Intangible assets-being amortized:</b>						
Computer software	\$ 10,735,955	\$ 201,160	\$ -	\$ 10,937,115	\$ (6,245,908)	\$ 4,691,207
Contributed capital-lease	129,324	-	-	129,324	(9,699)	119,625
Metropolitan Water District connections	198,891	-	-	198,891	(177,013)	21,878
Corps of Engineers-Cucamonga Creek	43,489	-	-	43,489	(26,449)	17,040
San Bernardino Conty Flood Control- Chino Road Barrier	48,078	-	-	48,078	(18,432)	29,646
Santa Ana Watershed Project Authority capacity rights	12,467,002	-	-	12,467,002	(6,394,747)	6,072,255
Organization and master planning	1,939,805	-	-	1,939,805	(652,017)	1,287,788
<b>Total intangible assets being-amortized</b>	<b>\$ 25,562,544</b>	<b>\$ 201,160</b>	<b>\$ -</b>	<b>\$ 25,763,704</b>	<b>\$ (13,524,265)</b>	<b>\$ 12,239,439</b>
<b>Less accumulated amortization for:</b>						
Computer software	\$ (5,241,694)	\$ (1,004,214)	\$ -	\$ (6,245,908)		
Contributed capital-lease	(3,233)	(6,466)	-	(9,699)		
Metropolitan Water District connections	(173,035)	(3,978)	-	(177,013)		
Corps of Engineers-Cucamonga Creek	(25,579)	(870)	-	(26,449)		
San Bernardino Conty Flood Control- Chino Road Barrier	(16,829)	(1,603)	-	(18,432)		
Santa Ana Watershed Project Authority capacity rights	(6,097,163)	(297,584)	-	(6,394,747)		
Organization and master planning	(614,542)	(37,475)	-	(652,017)		
<b>Total accumulated amortization</b>	<b>\$ (12,172,075)</b>	<b>\$ (1,352,190)</b>	<b>\$ -</b>	<b>\$ (13,524,265)</b>		
<b>Total intangible assets-Enterprise Funds, Net</b>	<b>\$ 13,390,469</b>	<b>\$ (1,151,030)</b>	<b>\$ -</b>	<b>\$ 12,239,439</b>		
<b>Total capital assets-Enterprise Funds, net</b>	<b>\$ 642,131,331</b>	<b>\$ 102,439,817</b>	<b>\$ (87,989,480)</b>	<b>\$ 656,581,668</b>		

The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Position for 2015 (rounding difference). For the Fiscal year ended June 30, 2015, depreciation was \$32,760,833 and amortization expense was \$1,352,190



## (B) Construction Commitments

The Agency is committed to several significant construction contracts. Total outstanding obligations were \$4,600,521 at June 30, 2015. Some of the contracts for ongoing projects at the Agency's regional plants are: 1) One Agency wide project totaling \$2,124,606; 2) Two major recycled water projects totaling \$1,930,109; 3) Two projects on-going at RP-1 totaling \$373,304; 4) One retrofit project on-going at RP-4 with a contract balance totaling \$99,928; 5) One Agency wide HVAC project with a contract balance totaling \$38,731; and 6) One major project on-going at the Carbon Canyon facility totaling \$33,843.

The major projects include:

- **Supervisory Control and Data Acquisition (SCADA) Enterprise System - EN13016.** The SCADA Enterprise system will eliminate the multi-vendor platforms currently operating as islands of automation. The design and construction of a highly-reliable and scalable Enterprise SCADA system that enables the control of any facility from any location, remote operations as well as integration with the Business system, and supports wastewater treatment, recycled water, and groundwater supply-demand management. This project has an outstanding obligation of \$2,124,606.
- **Wineville Recycled Water Extension Pipeline Segment A – EN06025.** This project will plan, design and construct a 24 and 20-inch recycled water pipeline from the Wineville Recycled Water Pipeline at Jurupa and Wineville, to the RP-3 basins at Beech and Jurupa. The pipeline is located in the cities of Ontario and Fontana. The project consists of approximately 24,000 lineal feet of pipe, and will serve recycled water customers as well as provide recycled water for ground water recharge at the RP-3 and Declez Basins. This project has an outstanding obligation of \$1,096,429.
- **Wineville Recycled Water Extension Pipeline Segment B - EN13045.** The Wineville Recycled Water Extension Pipeline Segment B will install 2.8 miles of 30-inch recycled water pipeline in addition to the associated appurtenances, and is located in the central service area. The new pipeline consists of approximately 12,000 linear feet of 36-inch cement lined and coated steel pipeline in the City of Fontana. The pipeline connects to Segment A terminus on one end (west), and terminates at RP-3 and Declez recharge basins where approximately 1,000 linear feet of 16-inch PVC is installed inside RP-3. The pipeline will provide recycled water of approximately 4,100 acre-feet per year for direct use and groundwater recharge. This project has an outstanding obligation of \$833,680.
- **RP-1 Digester Gas System Evaluation & Improvements - EN15056.** The RP-1 digester gas system is subject to large fluctuations in gas consumption due to the inconsistent nature of the fuel cell operation and its gas cleaning system. The RP-1 flare and associated digester gas piping area will be paved to provide access for operations and maintenance staff. This project will include the necessary equipment to enhance the digester gas system reliability, safety, and ensure compliance. This design build project involves the investigations and evaluations of the pressure losses in the digester gas system piping, and provides recommendations for repairs and upgrades.

The project will also include the installation of a new automatic sludge direct feed valve for Digester No. 1, and modifications of the digester loop emergency release valve controls with full interface with the SCADA system in the control room; and, new pavement to replace the dirt area surrounding the flare and gas piping area to provide convenient and safe access to the equipment. This project has an outstanding obligation of \$356,935.

## (8) Construction Commitments (continued):

- **RP-4 Headworks Retrofit – EN09021.** This project entails altering the headworks building to improve accessibility for operations and maintenance, and replacing the leaky sluice gates at the bar screen. Two options have been presented for evaluation. One option is to have the headworks building altered by adding a speed door on the south side while the gates will be replaced with stainless steel ones. Another option that is being evaluated is to cover all screens and the opening above the lower level with aluminum sheets. The foul air duct would be extended to the lower level. This would eliminate the need for the building entirely. The conceptual design drawings are being finalized for the second design option. The project has an outstanding obligation of \$99,928.
- **Agency-Wide HVAC Improvements - EN13056.** The scope of this project is to evaluate electrical and control building HVAC systems, and provide solutions/upgrades for the RP-4 Motor Control Center #5, Carbon Canyon Facility switchgear room, RP-4 main building, and the RP-1 maintenance building. It will also replace the evaporative coolers for the Carbon Canyon Facility switchgear with an air conditioning system, and modify the ventilation system configuration. This project scope includes the design, procurement and installation of all necessary HVAC equipment. This project has an outstanding obligation of \$38,731.
- **Carbon Canyon Facility Secondary Clarifier No. 3 Rehabilitation - EN14027.** The Carbon Canyon Facility has three secondary clarifiers that have been in service since 1993. With the clarifiers and their associated equipment approaching their service life, it is vital to rehabilitate the clarifiers and replace antiquated equipment. Within the last two years two secondary clarifiers (1 & 2) were rehabilitated. This project will rehabilitate the Secondary Clarifier No. 3 and replace most of its equipment. This project will recoat the concrete walls of the clarifier from the bottom elevation to the top, excluding the base; weld the eroded metal work, sandblast and recoat the metal work; replace the valves at the dewatering, return sludge, effluent and influent; and, construct a new sludge level indicator. The project has a contract with an outstanding obligation of \$33,843.
- **Major Facilities Repairs/Replacements – EP14002.** Throughout the year, Maintenance is required to repair and/or replace major assets/equipment. This project encompasses several items for multiple facilities, and includes 15 luminescent dissolved oxygen (LDO) meters; 3 anoxic mixers; a uninterrupted power supply (UPS) for the chemical system; RP1/TP1 Waste Wash Water (WWW) basin Motor Control Centers (MCC) cubicle replacement; Gravity thickener (GT) scum pumps; Air Flow meters; actuators for aeration basins; a mixed liquor pump; MCC6; digester hot water valves; a shower trailer; a 6-inch trash pump; a mobile air compressor; a headworks conveyor; a swing heat exchanger; and, brush holder assemblies for secondary clarifiers. The project has a remaining obligation of \$16,369.

## (9) Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

At June 30, 2015, the Agency was a defendant in a number of lawsuits arising in the ordinary course of operations, which allege liability on the part of the Agency in connection with worker's compensation and general liability matters. Based on legal counsel's opinion, the potential losses and/or resolutions of these cases will not materially affect the financial condition of the Agency.

## (10) Long-Term Receivables

### City of Ontario

On June 4, 2004, the Agency entered into an amendment to its original contract with the City of Ontario for the reimbursement of the RP-1 to RP-5 By-Pass Project. The project was completed on March 31, 2008, and as of June 30, 2015, the long term receivable amount is \$2,634,337 and is recorded in the Regional Wastewater Capital Improvement (RC) Fund.

### Monte Vista Water District

On February 2, 2008, the Agency entered into an agreement with Monte Vista Water District (MVWD) for the construction of the regional recycled water distribution system that resides within the MVWD service area. Monte Vista Water District agreed to reimburse the Agency \$1,068,418 for the construction costs, payable yearly beginning June, 2009, plus interest at an annum rate of 2.2% for 20 years. As of June 30, 2015, the long term receivable amount is \$695,835, and is recorded in the Recycled Water (WC) Fund.

### Cucamonga Valley Water District

On November 24, 2009, the Agency entered into an agreement with Cucamonga Valley Water District (CVWD) for the design and construction of the Church Street Recycled Water Lateral that resides within the CVWD service area. CVWD agreed to reimburse the Agency \$690,648 for the construction costs, payable yearly beginning June, 2011, plus interest at an annum rate of 0.74% for 20 years. As of June 30, 2015, the long term receivable amount is \$484,408, and is recorded in the Recycled Water (WC) Fund.

## (11) Joint Ventures - Long-Term Agreements

The Agency participates in the following joint ventures with other districts and agencies for various water projects and operating facilities in Southern California.

### Santa Ana Watershed Project Authority

The Santa Ana Watershed Project Authority (SAWPA) was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control and protection in the Santa Ana River Watershed. SAWPA is composed of the five (5) water agencies within the watershed area: Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District, and the Inland Empire Utilities Agency. Each participating agency appoints two commissioners to SAWPA to form an oversight committee of ten. Equal contributions are made by each member agency for administration and contributions based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by equal contributions from each Agency based on the general or specific nature of the project or study. Financial data is available at the Agency's main office.

Audited financial information for the operation of SAWPA as of and for the fiscal years ended June 30, 2015 is summarized as follows:

	<b>2015</b>	<b>2014</b>
Total Assets	\$ 173,051,031	\$177,502,546
Deferred Outflows of Resources	273,547	
Total Liabilities	107,505,347	113,612,307
Deferred Inflows of Resources	784,673	
<b>Total Net Position</b>	<b>65,034,558</b>	<b>63,890,239</b>
Total Revenues	15,228,824	14,329,188
Total Expenses	(14,084,505)	(15,393,664)
<b>Net Change in Net Position</b>	<b>\$ 1,144,319</b>	<b>\$ (1,064,476)</b>

Significant agreements that the Agency entered into with SAWPA (and the related costs), which are classified as intangible assets, are as follows:

Non-reclaimable Wastewater Brine Line Interceptor - In April 1972, the Agency entered into a contract with the County Sanitation Districts of Orange County (CSDOC) for the construction of a 30 million gallon per day (mgd) increment of capacity in a brine removal interceptor, to be constructed by CSDOC from Fountain Valley to the Orange/San Bernardino County line. SAWPA completed construction of the 30 mgd interceptor from that point through Prado Dam. Under Project Agreement #1, this 30 mgd capacity was assigned to SAWPA, with the Agency retaining rights to use up to 11.25 mgd of this capacity. The Agency's share of the construction costs not funded by grants was \$1,179,204.

Over the course of time, the Agency has purchased capacity from SAWPA in the Santa Ana Regional Interceptor (SARI) System, now called Inland Empire Brine Line (IEBL).

**(11) Joint Ventures - Long-Term Agreements (continued):**

**Santa Ana Watershed Project Authority (continued):**

As of June 30, 2005, the Agency has 4.0 mgd IEBL pipeline and 2.25 mgd treatment capacity. This consisted of the following:

- A) On June 10, 1981, the Agency entered into Project Agreement #7. The Agency purchased through its Non-reclaimable Capital Improvement (NC) Fund capacity use rights of 2.5 mgd in the IEBL pipeline capacity, for a cost of \$2,621,204 per mgd. Subsequent annual capital replacement and supplemental costs were \$3,318,846, which brought the total expenditures to \$9,871,856 as of June 30, 2001.
- B) The Agency assumed the future liability of payments for supplemental treatment facilities billed by CSDOC after July 1, 1981, to provide treatment and capacity for up to 2.5 mgd of wastewater.
- C) On June 30, 1989, the Agency purchased through its Regional Wastewater Capital Improvement (RC) Fund 1.5 mgd of IEBL pipeline and treatment capacity. In September 1993, the Agency's Board approved the sale of 0.4 mgd IEBL discharge right to the State of California Department of Corrections. The net cost of the 1.1 mgd of IEBL pipeline and 1.5 mgd capacity is \$4,650,970. Subsequent annual capital replacement and supplemental costs were \$1,442,010, which brought the total expenditures to \$6,092,980 as of June 30, 2001.
- D) On June 19, 1998, the Agency entered into an agreement with SAWPA for the purchase of an additional 1.5 mgd of IEBL pipeline capacity. One third of this capacity is earmarked for the Regional Wastewater Program. The Agency, through Regional Wastewater Capital Improvement (RC) Fund, purchased 0.5 mgd. The remaining 1.0 mgd was purchased with monies from the Non-reclaimable Capital Improvement (NC) Fund. The total cost of the purchase was \$5,625,000, with a 5% down payment. The balance is payable over 20 years with a zero interest rate, and has been discounted by \$2,095,253 at an imputed interest rate of 6%.
- E) In July 7, 1999, the Agency Board of Directors approved the purchase of 1.0 mgd of IEBL pipeline capacity from SAWPA. The purchase price was \$3,750,000, and is recorded in the Non-reclaimable Wastewater (NC) Fund. The agreement called for a 5% down payment of \$187,500, and the balance of \$3,562,500 to be financed by SAWPA for a 20 year-period at a 6% interest rate. This note was paid in full as approved by the Board on May 21, 2003 for a principal balance of \$2,961,171 plus accrued interest of \$167,935.
- F) On April 21, 2004, the Agency Board of Directors of approved the sale of 2.10 mgd of pipeline capacity and 2.05 mgd of treatment and disposal capacity to the Chino Basin Desalter Authority (CDA). The sale price totaled \$14.25 million payable in three equal installments within one year. This sale was recorded in two separate funds with \$4.73 million going to the Regional Wastewater Capital Improvement (RC) Fund and \$9.52 million going to the Non-reclaimable Wastewater (NC) Fund.

## (11) Joint Ventures - Long-Term Agreements (continued):

### Chino Basin Desalter

The Chino Basin Desalter Authority (CDA) was formed in September, 2001 as a Joint Powers Authority (JPA) to acquire all assets and liabilities from Santa Ana Watershed Project Authority (SAWPA) Project #14. The purchase was consummated in February, 2002. The JPA is comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District, the Santa Ana River Water Company, and Inland Empire Utilities Agency (IEUA). IEUA serves as a non-voting member and provides finance and administration support for the JPA, as well as operational support for the Desalter 1 facility. In August of 2008, Western Municipal Water District was added as an additional member of CDA.

As of June 30, 2015, Desalter 1 and Desalter 2 delivered a total of 25,795 acre feet of water. Financial data is available at the CDA's main office located at 2151 S. Haven Avenue, Suite 202, Ontario, CA 91761.

### Inland Empire Regional Composting Authority

In February 2002, the Agency entered into a Joint Power Authority Agreement (JPA) with the Sanitation District No. 2 of Los Angeles County (SDLAC) to form the Inland Empire Regional Composting Authority (IERCA). The purpose of the JPA is to build and operate a fully enclosed biosolids composting facility. The JPA Agreement calls for a 50/50 share of all costs related to the activities of the JPA.

Prior to the JPA Agreement, the two partners entered into a separate agreement in December, 2001 to acquire real property for proposed joint use. As a result of this agreement, a piece of property and building in the City of Rancho Cucamonga, adjacent to IEUA's Regional Plant No. 4 (RP-4) was acquired in December, 2001 at a cost of \$15,116,229. Subsequent to the property acquisition, preliminary and final designs were launched to modify the building. The facility started operation in FY 2006/2007 and is currently staffed by twenty-four full time IEUA employees who provide all operational activities including production, maintenance, safety and industrial hygiene training, and sales and administration. The IERCA reimburses IEUA 100% of employment costs. A tipping fee is paid by JPA partners for biosolids deliveries to IERCA, to recover O&M and R&R costs. The agency records biosolids tipping fees in the RO fund.

As of June 30, 2015, the Agency's equity share is \$45,577,499 recorded in the Regional Wastewater Capital Improvement (RC) Fund. There was an additional write-down of \$864,373 (50% of the Agency's equity share) of the JPA's net position at June 30, 2015; this reduction is recorded in the non-operating expenses on the statement of revenues in RC Fund. The Agency records the JPA labor costs for operating the facility in the RO Fund. IERCA financial data is available at the Agency's main office.

### Santa Ana River Watermaster

The Santa Ana River Watermaster (Watermaster), was formally established on April 23, 1969 as part of a judgment resulting from a lawsuit by the Orange County Water District, filed with the Superior Court of California in the County of Orange, California. The Watermaster primarily administers the provisions of the judgment as well as, develops and implements its own basin management plan. Each year, the Watermaster is required to issue a report to satisfy its obligation to monitor and test water flows from the Upper Area to the Lower Area of the Santa Ana River.

**(11) Joint Ventures - Long-Term Agreements (continued):**

**Santa Ana River Watermaster (continued):**

The Watermaster is composed of a committee of five representatives from four water districts. Two representatives serve from Orange County Water District (OCWD) and one representative from the Inland Empire Utilities Agency (the Agency), Western Municipal Water District (WMWD) and the San Bernardino Valley Municipal Water District (SBMWD). Representation is based on percentages as defined by adjudication of the Santa Ana River Watermaster.

Costs and expenses incurred by the individual representatives are reimbursed directly from their respective water districts. Collective Watermaster costs and expenses are budgeted and funded by contributions from the four water districts. Financial data is available at the Agency's main office. The Agency's share of assets, liabilities, fund equity and changes therein during the year is 20 percent.

Participants in the Watermaster make contributions, based upon their percentages as defined by adjudication of the Santa Ana River Watermaster, as follows:

Orange County Water District	40%
Inland Empire Utilities Agency	20%
Western Municipal Water District	20%
San Bernardino Valley Municipal Water District	20%
<b>Total</b>	<b><u>100%</u></b>

Financial information for the operation of Watermaster as of and for the fiscal years ended June 30, are summarized as follows:

	<b>2014</b>	<b>2013</b>
Total Assets	<u>\$12,701</u>	<u>\$12,701</u>
Fund Balance	12,701	12,701
Total Revenues	14,000	14,000
Total Expenses	<u>(14,000)</u>	<u>(22,598)</u>
<b>Net Increase/(Decrease) in Equity</b>	<b><u>\$0</u></b>	<b><u>(\$8,598)</u></b>

Santa Ana River Watermaster issues a separate Comprehensive Annual Financial Report. Copies of the report may be obtained upon request to: 380 East Vanderbilt Way, San Bernardino, California 92408-3593.

## (12) Long-term Debt and Notes Payable

### Long-term Debt

Summary of changes in Long-Term debt for the fiscal year ended June 30, 2015:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>within One Year</u>	<u>Amounts Due</u> <u>after One Year</u>
<b>Bonds Payable:</b>						
2005A Revenue Bonds (1999 Refinancing)	\$ 16,200,000		\$ 16,200,000	\$ -	\$ -	\$ -
2008A Revenue Bonds	125,000,000			125,000,000	-	125,000,000
2008B Variable Rate (2002A Refinancing)	45,850,000		1,790,000	44,060,000	1,865,000	42,195,000
2010A Revenue Bonds (1994 Refinancing)	34,760,000		3,810,000	30,950,000	3,945,000	27,005,000
Sub-Total	221,810,000	-	21,800,000	200,010,000	5,810,000	194,200,000
Bond Premium	6,794,318		866,889	5,927,429		5,927,429
<b>Revenue Bonds</b>	<b>\$ 228,604,318</b>	<b>\$ -</b>	<b>\$ 22,666,889</b>	<b>\$ 205,937,429</b>	<b>\$ 5,810,000</b>	<b>\$ 200,127,429</b>

#### 2005A Revenue Bonds

On May 1, 2005, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Authority Revenue Bonds, Series 2005A in the amount of \$24,735,000.

- The bonds were issued to refund a portion of the outstanding Chino Basin Regional Financing Authority Revenue Bonds, Series 1999.
- The bonds maturing through 2023 are Insured Serial Bonds payable in annual installments ranging from \$1,390,000 to \$2,120,000 with interest rates from 3.00% to 5.00%. The balance at July 1, 2014 comprised of the principal of \$16,200,000, plus a bond premium of \$368,013 for a total of \$16,568,013 which was defeased in November 2014.

#### 2008A Revenue Bonds

On February 5, 2008, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A in the amount of \$125,000,000.

- The Bonds were issued to (i) finance the cost of certain replacements of the Inland Empire Utilities Agency wastewater facilities and certain improvements to the wastewater recycled water and non-reclaimable wastewater facilities, (ii) to refund the outstanding Chino Basin Regional Financing Authority Commercial Paper, (iii) to purchase a debt service surety bond for deposit in the Reserve Fund, (iv) to capitalize interest on a portion of the Bonds, and (v) to pay the cost of issuing the Bonds.



**(12) Long-term Debt and Notes Payable (continued):**

Long-term Debt (continued):

2002A Revenue Bonds (continued):

- The bonds maturing through 2028 are Serial Bonds payable in annual installments ranging from \$2,620,000 to \$4,305,000 with an interest rate of 5.00%.
- The bonds maturing through 2034 are Term Bonds payable in annual installments ranging from \$5,495,000 to \$10,735,000 with an interest rate of 5.00%.
- The bonds maturing through 2039 are Term Bonds payable in annual installments ranging from \$11,285,000 to \$13,785,000 with an interest rate of 5.00%.
- The balance outstanding at June 30, 2015 is comprised of the principal of \$125,000,000, plus a bond premium of \$3,883,951, for a total of \$128,883,951.

2008B Revenue Bonds

On March 1, 2008, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Variable Rate Demand Revenue Refunding Bonds, Series 2008B in the total amount of \$55,675,000.

- The Bonds were issued to refund all of the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Variable Rate Revenue Bond Series 2002A. The refunding resulted in a \$700,406 amortization in the deferred cost balance of the Series 2002A Bonds, expensed in 2008, and the recording of \$249,242 of deferred charge on refunding for the Series 2008B Bonds to be amortized through the year 2032.
- The bonds maturing through 2032 are Serial Bonds payable in annual installments ranging from \$1,865,000 to \$3,480,000 with a variable interest rate no higher than 12.00% per annum. The balance outstanding at June 30, 2015 comprised the principal amount of \$44,060,000.

2010A Revenue Bonds

On July 15, 2010, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2010A in the amount of \$45,570,000.

- The bonds were issued to (i) refund the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Revenue Bond Series 1994 (Chino Basin Municipal Water District Sewer System Project), and (ii) pay the costs of issuing the bonds. The agency reduced its aggregate debt service payment by almost \$9,434,527 over the next 13 years. Net present value of this economic gain was \$8,022,916.

(12) Long-term Debt and Notes Payable (continued):

Long-term Debt (continued):

2010A Revenue Bonds (continued):

- The bonds maturing through 2022 are payable in annual installments ranging from \$3,945,000 to \$5,075,000 with an interest rate from 1.35% to 5.00% per annum, payable semi-annually. The balance outstanding on June 30, 2015 is comprised of the principal amount of \$30,950,000, plus unamortized deferred bond premium of \$2,043,477, for a total of \$32,993,477.

Aggregate Long Term Debt

As of June 30, 2015, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2016	\$ 5,810,000	\$ 7,680,840	\$ 13,490,840
2017	6,015,000	7,516,020	13,531,020
2018	6,180,000	7,346,590	13,526,590
2019	6,380,000	7,151,975	13,531,975
2020	6,800,000	6,924,990	13,724,990
2021-2025	27,550,000	31,750,205	59,300,205
2026-2030	38,495,000	26,754,365	65,249,365
2031-2035	51,545,000	19,544,289	71,089,289
2036-2039	51,235,000	5,283,375	56,518,375
Subtotal	200,010,000	119,952,649	319,962,649
Plus: Net Premium	5,927,429		5,927,429
<b>Total Debt Service Payable</b>	<b>\$ 205,937,429</b>	<b>\$ 119,952,649</b>	<b>\$ 325,890,078</b>

The 2008B Variable Rate Revenue bond interest payments are calculated using a 0.2% interest rate.

Debt Covenants

In accordance with bond covenants, system generated revenues comprised of user charges and connection fees and property tax revenues are pledged to fund bond debt service costs. San Bernardino County property tax revenues are distributed November through June annually. Each fiscal year end the Agency is required to reserve six months of tax receipts to fund debt service requirements due July through November of the following fiscal year. Management has determined that the Agency has complied with all covenants related to the outstanding debt issues as of June 30, 2015. (Refer to the Agency System Total Debt Coverage Ratio Schedule included in the statistical section).

(12) Long-term Debt and Notes Payable (continued):

Notes Payable

Summary of notes payable activity for the Fiscal Year ended June 30, 2015 was as follows:

<u>Notes Payable:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due After One Year</u>
SARI Pipeline Cap. 1.5mgd	\$ 925,834	\$ -	\$ 211,638	\$ 714,196	\$ 224,334	\$ 489,862
State Revolving Fund Loan	88,017,521	24,541,466	4,105,255	108,453,732	5,300,865	103,152,867
City of Fontana	6,969,268	-	482,578	6,486,690	482,578	6,004,112
CSDLAC Past 4R's	4,089,976	-	643,531	3,446,445	658,332	2,788,113
<b>Total Notes Payable</b>	<b>\$ 100,002,599</b>	<b>\$ 24,541,466</b>	<b>\$ 5,443,002</b>	<b>\$ 119,101,063</b>	<b>\$ 6,666,109</b>	<b>\$ 112,434,954</b>

Santa Ana Watershed Project Authority

As a result of the purchase of 1.5 million gallons per day (mgd) SARI pipeline capacity from the Santa Ana Watershed Project Authority (SAWPA) in Fiscal Year 1997/98, the Agency signed a 20-year term note in the amount of \$5,625,000 with an initial deposit of \$281,250, and zero interest.

The balance of \$5,343,750 is payable in 20 annual installments of \$267,188 through July 15, 2017. The June 30, 1998 note balance was discounted at 6%, to derive a principal balance of \$2,981,310. The eighteenth installment is due on July 15, 2015. This is a combined note payable recorded in the Non-reclaimable Wastewater Capital Improvement (NC) and Regional Wastewater Capital Improvement (RC) Funds.

As of June 30, 2015, the future payments for the remaining note payable obligation by year is as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Imputed Interest</u>	<u>Total</u>
2016	\$ 224,336	\$ 42,852	\$ 267,188
2017	237,796	29,391	267,187
2018	252,064	15,124	267,188
<b>Total SAWPA Note</b>	<b>\$ 714,196</b>	<b>\$ 87,367</b>	<b>\$ 801,563</b>

(12) Long-term Debt and Notes Payable (continued):

Notes Payable (continued):

*State Water Resources Control Board*

- The Regional Recycled Water Distribution System Phase I-V projects are in part funded by the State Revolving Fund (SRF) loans financed by the State Water Resources Control Board. As of June 30, 2007, the five projects in Phase I had been completed and received \$15,141,192 of SRF funding. Payments on SRF loans commenced one year after the completion of construction, with principal and interest paid annually for 20 years at an annual rate of 2.5%. As of June 30, 2015, the balance is \$8,455,918.
- The RP-1 Pump Station and West Edison SAC Recycled Water Pipeline A & B projects (Phase II) are also in part funded by the State Revolving Fund (SRF). The three projects were completed as of June 30, 2010 and received \$14,752,201 of SRF funding. The current balance as of June 30, 2015 is \$10,473,993.
- The RP-4 Pump Station, Pipeline and Reservoir projects (Phase III) are also in part funded by the State Revolving Fund (SRF). The three projects were completed as of June 30, 2010 and received \$10,862,198 of SRF funding, with a current balance as of June 30, 2015 of \$7,635,806.
- The Recycled Water projects included in Phase IV are also in part funded by the State Revolving Fund (SRF). As of June 30, 2012, the four projects were completed and received \$15,061,175 of SRF funding. The current balance as of June 30, 2015 is \$12,087,681.
- The Recycled Water Project (Construction of 2 Monitoring Wells) in Phase V is also in part funded by the State Revolving Fund (SRF). The project was completed by June 30, 2011 and received \$999,024 of SRF funding. The current balance at June 30, 2015 is \$767,256.
- The Recycled Water Project (Southern Area) in Phase VI is also in part funded by the State Revolving Fund (SRF). As of June 30, 2015, we reflect a current balance of \$27,137,673.
- The Recycled Water Project (Central Area) in Phase X is also partially funded by the State Revolving Fund (SRF). As of June 30, 2015, we reflect a current balance of \$17,617,254.
- The RP-1 Dewatering Facility Expansion project is also in part funded by the State Revolving Fund (SRF) and received \$27,546,972 of SRF funding. As of June 30, 2015, we reflect a current balance of \$23,617,422.
- The Regional Water Quality Laboratory project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2015, 50% of the design phase has been completed and has a current balance of \$660,730.

(12) Long-term Debt and Notes Payable (continued):

Notes Payable (continued):

*State Water Resources Control Board (continued):*

As of June 30, 2015, the future payments for the remaining loan obligations by year are as follows:

Year Ending June 30	Principal Payments	Interest Payment	Total
2016	\$ 5,300,865	\$ 1,170,379	\$ 6,471,244
2017	5,770,002	1,383,940	7,153,942
2018	5,862,038	1,321,749	7,183,787
2019	5,940,017	1,243,770	7,183,787
2020	6,019,682	1,164,105	7,183,787
2021/2025	31,272,438	4,563,723	35,836,161
2026/2030	26,069,196	2,572,846	28,642,042
2031/2035	14,827,798	1,147,860	15,975,658
2036/2040	3,242,647	320,074	3,562,721
2041/2045	3,415,163	147,557	3,562,720
2046/2049	733,886	8,592	742,478
<b>Total SRF Loans</b>	<b>\$ 108,453,732</b>	<b>\$ 15,044,595</b>	<b>\$ 123,498,327</b>

*City of Fontana*

On October 18, 2005, the Agency entered into a reimbursement agreement with the City of Fontana for the design and construction of the San Bernardino Avenue lift station and force main, to convey wastewater to the Agency's regional water recycling facility, located at south of San Bernardino Avenue. The City of Fontana received \$9,577,747 from the State Water Resources Control Board, less \$1,596,323 in deferred interest charges for a net loan amount of \$7,981,424, for the cost of construction. The project was completed by June 30, 2010 and title and ownership of the regional lift station and force main were transferred to the Agency from the City of Fontana.

As of June 30, 2015, the future payments for the remaining note payable obligation by year are as follows:

Year Ending June 30	Principal Payments	Interest Amortization	Total
2016	\$ 482,578	\$ 79,824	\$ 562,402
2017	482,578	79,824	562,402
2018	482,578	79,824	562,402
2019	482,578	79,824	562,402
2020	482,578	79,824	562,402
2021/2025	2,412,890	399,120	2,812,010
2026/2029	1,660,910	245,192	1,906,102
<b>Total SRF Loans</b>	<b>\$ 6,486,690</b>	<b>\$ 1,043,432</b>	<b>\$ 7,530,122</b>

**(12) Long-term Debt and Notes Payable (continued):**

Notes Payable (continued):

*Sanitation District of Los Angeles County*

On June 30, 2014, the Agency recorded the reimbursement agreement with the Sanitation District No. 21 of Los Angeles County (SDLAC) for the 4R Capital Charges that were allowed to be funded to SDLAC by State Revolving Fund loans under Prior Contracts. The Agency has agreed to pay SDLAC the balance in annual installments over a six year term with an interest rate of 2.3%. As of June 30, 2015, the remaining note payable obligation is \$3,446,445.

<u>Year Ending June 30</u>	<u>Principal Payments</u>
2016	\$ 658,332
2017	673,473
2018	688,963
2019	704,809
2020	720,868
Total SDLAC Loans	<u>\$ 3,446,445</u>

**(13) Arbitrage Rebate Obligation**

Arbitrage rebate refers to the required payment to the U.S. Treasury of excess earnings received on tax exempt bond proceeds that are invested at a higher yield than the yield of the tax exempt bond issue. Federal law requires that arbitrage liability, and cumulative excess arbitrage earnings, be calculated and remitted to the U.S. Treasury at the end of the fifth bond year, and every fifth year thereafter. The Agency has elected to have the arbitrage liability calculated annually.

- ❖ The 2008A Revenue, 2008B Variable Rate, and 2010A Revenue Bonds are all subject to arbitrage limitations.
- ❖ On the 2008A and 2008B Bonds, the initial arbitrage rebate will be due in June, 2018.
- ❖ The initial arbitrage rebate on the 2010A Bonds will be due in July, 2015.

No arbitrage liability is currently due at June 30, 2015.

#### (14) Advance to/from Other Funds

The composition of advances to/from other funds balances as of June 30, 2015, is as follows:

	<u>Advances To Other Funds:</u>		
	<u>Recycled Water</u>	<u>Water Resources</u>	<u>Total</u>
<u>Advances From Other Funds:</u>	<u>Fund</u>	<u>Fund</u>	
Regional Wastewater Capital Improvement Fund	\$ 13,500,000	\$ -	\$ 13,500,000
Non-Major Funds	15,000,000	4,308,104	19,308,104
<b>Total Advances</b>	<b>\$ 28,500,000</b>	<b>\$ 4,308,104</b>	<b>\$ 32,808,104</b>

#### Regional Wastewater Capital Improvement Fund & Recycled Water Fund

At June 30, 2015, the Regional Wastewater Capital Improvement (RC) Fund reported an advance to the Recycled Water (WC) Fund in the amount of \$13,500,000. This advance will support capital construction expenditures related to the Regional Recycled Water Distribution System as part of the Agency's Recycled Water Business Plan adopted in December 2007. Repayment is scheduled over several fiscal years from increased recycled water sales.

#### Non-Major Funds & Recycled Water Fund & Water Resources Fund

At June 30, 2015, the Non-reclaimable Wastewater Capital Improvement (NC) Fund reported an advance to the Recycled Water (WC) Fund, in the amount of \$15,000,000. This advance will support capital construction expenditures related to the Regional Recycled Water Distribution System as part of the Agency's Recycled Water Business Plan adopted in December 2007. Repayment is scheduled over several fiscal years from increased recycled water deliveries.

At June 30, 2015, the Administrative Services (GG) Fund reported an advance to the Water Resources (WW) Fund, in the amount of \$4,308,104. This advance will support the implementation of regional drought and conservation projects. Repayment is scheduled over several fiscal years from meter equivalent revenues.

#### (15) Interfund Transfers

The Regional Wastewater Operations & Maintenance (RO) Fund received capital support from the Recycled Water (WC) Fund in the amount of \$1,273,557.

Non-Major Enterprise Funds received transfers in the amount of \$2,185,745 including \$1,373,285 from the Regional Wastewater Funds. These transfers included \$1,097,945 in capital support from various funds to the Administrative Services (GG) Fund. The remaining amount consisted of \$350,000 in debt service support, \$400,000 in operating support, and \$337,800 in capital support to the Recharge Water (RW) Fund.

**(15) Interfund Transfers (continued):**

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2015.

Transfers Out:	Transfers In:		
	Regional Wastewater	Non-Major Enterprise Funds	Total
Regional Wastewater Funds	\$ -	\$ 1,373,285	\$ 1,373,285
Recycled Water Fund	1,273,557	775,130	2,048,687
Non-Major Enterprise Funds		37,330	37,330
<b>Total Transfers</b>	<b>\$ 1,273,557</b>	<b>\$ 2,185,745</b>	<b>\$ 3,459,302</b>

**(16) Operating Leases**

The Agency has two operating leases at June 30, 2015:

- One postage meter lease extending to June 30, 2016
- One lease for fourteen copiers for \$21,176 for the year ended June 30, 2015.

Total operating lease costs were \$24,498 for the year ended June 30, 2015. The future minimum lease payments for equipment leases are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2016	21,811
2017	22,465
	<u>44,276</u>

**(17) Restatement of Net Position and Related Accounts**

Regional Wastewater Capital Improvement Fund

Net Position as of July 1, 2014 has been restated to reflect prior years' recording of financial impact.

The effects of the restatement of net position are as follows:

Net position at July 1, 2014 as previously reported	\$348,543,926
GASB 68 Net Equity Adjustment	(31,098,660)
Cost for prior year recorded as capital assets	(563,028)
Net position at July 1, 2014 as restated	<u>\$316,882,238</u>



(17) Restatement of Net Position and Related Accounts (continued):

Recycled Water Fund

Net Position as of July 1, 2014 has been restated to reflect prior years' recording of financial impact.

The effects of the restatement of net position are as follows:

Net position at July 1, 2014 as previously reported	\$71,717,820
GASB 68 Net Equity Adjustment	(3,885,073)
Cost for prior year recorded as capital assets	(708,953)
Net position at July 1, 2014 as restated	<u>\$67,123,794</u>

Water Resources Fund

Net Position as of July 1, 2014 has been restated to reflect prior years' recording of financial impact.

The effects of the restatement of net position are as follows:

Net position at July 1, 2014 as previously reported	\$3,065,128
GASB 68 Net Equity Adjustment	(1,408,581)
Cost for prior year recorded as capital assets	(1,463,616)
Net position at July 1, 2014 as restated	<u>\$ 192,931</u>

Non-Major Funds

Net Position as of July 1, 2014 has been restated to reflect prior years' recording of financial impact.

The effects of the restatement of net position are as follows:

Net position at July 1, 2014 as previously reported	\$94,095,036
GASB 68 Net Equity Adjustment	(5,448,801)
Cost for prior year recorded as capital assets	(264,129)
Net position at July 1, 2014 as restated	<u>\$88,382,106</u>

**(18) Reclassification of Prior Year Data**

Water Resources Fund

Water Purchases as of June 30, 2014 has been restated to reflect prior years' recording of financial impact.

The effects of the restatement of operating revenue, and operating expenses are as follows:

Operating revenue as previously reported June 30, 2014	\$ 4,923,653
Sales	40,225,028
Operating revenue as restated, June 30, 2014	<u>\$45,148,681</u>
Operating expense as previously reported June 30, 2014	\$ 5,028,069
Water purchases	40,225,028
Operating expense as restated, June 30, 2014	<u>\$45,253,097</u>

**(19) Subsequent Event**

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through December 4, 2015, the date the financial statements were available to be issued, and found no subsequent events that would affect the 2015 financial statements.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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*Schedule of Changes in Net Pension Liability and Related Ratios*

*Schedule of Contributions*

**INLAND EMPIRE UTILITIES AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION**

CalPERS Miscellaneous Pension Plan  
Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Years\*

	<u>2015</u>
<b>Total Pension Liability:</b>	
Service cost	\$ 3,768,503
Interest on total pension liability	10,818,920
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	(5,304,990)
Net Change in Total Pension Liability	<u>9,282,433</u>
Total Pension Liability - Beginning of Year	<u>145,020,505</u>
Total Pension Liability - End of Year (a)	<u>\$ 154,302,938</u>
<b>Plan Fiduciary Net Position:</b>	
Contributions - employer	\$ 3,733,583
Contributions - employee	2,374,649
Net investment income	17,346,113
Benefit payments	(5,304,990)
Net Change in Plan Fiduciary Net Position	<u>18,149,355</u>
Plan Fiduciary Net Position - Beginning of Year	<u>99,445,805</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 117,595,160</u>
<b>Net Pension Liability - Ending (a)-(b)</b>	<u>\$ 36,707,778</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>76.21%</b>
<b>Covered - employee payroll</b>	<b>\$ 23,048,949</b>
<b>Net pension liability as percentage of covered- employee payroll</b>	<b>159.26%</b>

**Notes to Schedule:**

Benefit Changes:

There were not changes in benefits.

Changes in Assumptions:

There were not changes in assumptions

\* - Fiscal year 2014/15 was the 1st year of implementation, therefore only one year is shown.

**REQUIRED SUPPLEMENTARY INFORMATION (continued)**

**CalPERS Miscellaneous Pension Plan  
Schedule of Contributions  
As of June 30, 2015  
Last Ten Years\***

	<u>2015</u>
Actuarially determined contribution	\$ 3,733,583
Contributions in relation to the actuarially determined contributions	(3,733,583)
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 23,048,949
Contributions as a percentage of covered - employee payroll	16.20%

Notes to Schedule:

Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years as of the valuation report
Asset valuation method	15 years smooth market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment and administrative expense, includes inflation
Retirement age	55 years (2.5%@55, 2%@55, and 2%@62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

\* - Fiscal year 2014/15 was the 1st year of implementation, therefore only one year is shown.

*REQUIRED SUPPLEMENTARY INFORMATION (continued)*

Other Post-Employment Benefit Plan  
Funding Progress  
As of June 30, 2015

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (b/a)	Covered-Employee Payroll (c)	UAAL as a Percentage of Covered-Employee Payroll ((a - b)/c)
04/01/09	13,977,691	-	13,977,691	0.00%	24,293,839	57.50%
10/01/11	14,520,001	-	14,520,001	0.00%	23,924,612	60.70%
07/01/13	17,476,486	-	17,476,486	0.00%	23,184,095	76.50%
06/30/15	15,080,188	6,992,580	8,087,608	48%	23,048,949	35.09%

DRAFT

# Exhibit B

**INLAND EMPIRE UTILITIES AGENCY**  
**SINGLE AUDIT OF FEDERALLY ASSISTED**  
**GRANT PROGRAMS**  
**JUNE 30, 2015**



INLAND EMPIRE UTILITIES AGENCY

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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*

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 Inland Empire Utilities Agency (the Agency) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 3, 2015.

**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 opinion 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 Agency'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.

## **Internal Control over Financial Reporting (Continued)**

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2015-001 that we consider to be a significant deficiency.

## **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 or other matters that are required to be reported under *Government Auditing Standards*.

## **Agency's Response to the Finding**

The Agency's response to the finding identified in our audit is described in the accompanying schedule of finding and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

*White Nelson Dick Evans LLP*

Irvine, California  
December 3, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors  
Inland Empire Utilities Agency  
Chino, California

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

We have audited Inland Empire Utilities Agency's (the Agency) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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, 2015.

## **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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Agency, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements. We issued our report thereon dated December 3, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133  
(Continued)**

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. 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.

*White Nelson Dick Evans LLP*

Irvine, California  
December 3, 2015

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

INLAND EMPIRE UTILITIES AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2015

Federal Grantor/Pass - Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grant Identification Number	Federal Expenditures
<u>United States Department of the Interior</u>			
Direct Assistance:			
Water Reclamation and Reuse Program:			
1010 Zone Pump Station & New Product Water Pipelines	15.504	R12AC35339	\$ 2,295,111
Chino Creek Wellfield Development Project Well 1, 2, 3	15.504	R11AC35306	606,050
Groundwater Supply Wells & Raw Water Pipelines	15.504	R14AC00049	<u>357,743</u>
Total Water Reclamation and Reuse Program			3,258,904
WaterSMART - Regional Residential Landscape Survey	15.507	R12AP35353	<u>29,882</u>
Total United States Department of the Interior			<u>3,288,786</u>
<u>United States Environmental Protection Agency</u>			
Passed through the California State Water Resources Control Board:			
Capitalization Grants for Clean			
Water State Revolving Funds	66.458	C-06-5318-110	5,002,216
	66.458	C-06-7885-110	<u>21,240</u>
Total United States Environmental Protection Agency			<u>5,023,456</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 8,312,242</u>

See accompanying notes to schedule of expenditures of federal awards (page 7).



## INLAND EMPIRE UTILITIES AGENCY

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2015

#### 1. GENERAL:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs of Inland Empire Utilities Agency (the Agency). The Agency's reporting entity is defined in Note 1 of the notes to the Agency's financial statements. All financial assistance received directly from federal agencies and federal financial assistance passed through other government agencies to the Agency is included in the accompanying schedule.

#### 2. BASIS OF ACCOUNTING:

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures reported include any property or equipment acquisitions incurred under the federal program in the fiscal year.

#### 3. RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT:

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree to amounts reported within the Agency's Comprehensive Annual Financial Report. The amounts for Grant Numbers R12AC35339, R11AC35306, and R14AC00049 are reported as a receivable from the granting agency and a payable to Chino Basin Desalter Authority (CDA) as the Agency is a pass-through entity for these federal grants.

#### 4. CONTINGENCIES:

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

INLAND EMPIRE UTILITIES AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2015

1. Summary of Auditors' Results:

*Financial Statements*

Type of auditors' report issued:

- Unmodified

Internal control over financial reporting:

- Material weakness identified?         yes                      x   no
- Significant deficiency identified?       x   yes                         none reported  
See Finding 2015-001

Noncompliance material to financial statements noted:      yes                      x   no

*Federal Awards:*

Internal control over major programs:

- Material weakness identified?         yes                      x   no
- Significant deficiency identified?          yes                      x   none reported

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

- Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

     yes                      x   no

Identification of major programs:

CFDA Number

15.504

Name of Federal Program or Cluster

United States Department of the Interior, Direct Assistance, Water Reclamation and Reuse Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

  x   yes                         no

INLAND EMPIRE UTILITIES AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2015

2. Findings Relating to Financial Statements:

Finding 2015-001

Criteria

As a part of internal control over financial reporting, the Agency should have proper procedures in place to determine whether costs incurred for a certain project are capitalizable costs.

Condition

During our review of the construction in progress project listing as of June 30, 2015, we noted a few items that were incorrectly included as "capital projects".

Cause

The Agency does not have controls in place to properly determine whether costs incurred are capitalizable costs.

Effect

We requested the Agency's staff review additional items reported as capital projects, and based on a more thorough review of the actual project costs incurred, staff determined some of the projects did not result in a specific capital asset, and therefore would be more appropriately recognized as an operating expense. Some of the projects were multi-year projects that were finally completed and closed out at the end of the current fiscal year. For these multi-year projects, costs incurred in a prior fiscal year resulted in a prior year adjustment with the reclassification from construction in progress to operating expense.

Recommendation

There is considerable diversity in how costs are capitalized in practice. However, we recommend that the Agency continue to apply the following guidelines in capitalization of costs. First, a cost should only be capitalized only if it is directly identifiable with a specific asset. Therefore, a study undertaken to determine the best location of a building would not be capitalized. Second, a cost should only be capitalized if incurred after acquisition of the capital asset has come to be probable. Thus, the cost of a feasibility study should not be capitalized. We recommend the Agency continue to monitor these transactions and revise its capitalization policy as needed to incorporate the above guidelines in the application of categorizing projects.

INLAND EMPIRE UTILITIES AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)

For the year ended June 30, 2015

2. Findings Relating to Financial Statements (Continued):

Finding 2015-001 (Continued)

Management's Response

We have taken corrective action which has resulted in the reclassification of costs for projects initially set up as capital projects but for which specific assets were not constructed. This effort, to a large extent, has been successful in significantly reducing total Jobs in Process (assets under construction). Between fiscal years 2010/11 through 2014/15, total Jobs in Process have been reduced by over 330 percent; from \$153 million reported at the end of fiscal year 2011 to \$45 million as June 30, 2015. Pursuant to the external auditors' recommendation, a comprehensive review process has been put in place to ensure new project request forms are appropriately defined prior to the creation and start of the project. Beginning in fiscal year 2015/16, Finance and Accounting staff has also begun to monitor the costs charged to Jobs in Process more frequently. Additionally, Finance and Accounting staff is facilitating mandatory training for all project managers and their support staff to further their understanding of the difference between capital and operation projects and the importance of timely completion of project closures. This overall proactive approach should help to minimize project reclassification issues in the future, with the exception of a few items that may result from unforeseen changes in project scope or cancellation of projects.

3. Findings and Questioned Costs Relating to Major Federal Awards:

None.

INLAND EMPIRE UTILITIES AGENCY  
SUMMARY OF PRIOR YEAR FINDINGS

For the year ended June 30, 2015

There were no findings or questioned costs for the year ended June 30, 2014.



*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT

# **Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2015**

**December 2015  
Board Meeting**

# FY 2014/15 Highlights

- ❖ Implementation of GASB Statement No. 68 Accounting and Financial Reporting for Pensions, and amendment to GASB Statement No.27.
  - Changes in how pension expenses are recorded

<b>\$ in millions</b>	<b>2014/15</b>	<b>2013/14</b>
<b>Pension expenses</b>	<b>\$3.9</b>	<b>\$4.8</b>
<b>Pension contributions</b>	<b>\$8.4</b>	<b>\$4.8</b>

- Reporting net pension liability:

<b>\$ in millions</b>	<b>2014/15</b>	<b>2013/14</b>
<b>Net Pension Liability</b>	<b>\$36.7</b>	<b>\$45.6</b>

# FY 2014/15 Highlights

- ❖ Reinstatement of imported water “pass-through” purchases and sales in Financial Statements.

\$ in millions	2014/15	2013/14
MWD Water Purchases/Sales	\$34.1	\$40.2
Deliveries-Acre Feet (AF)	58,908	67,833

- ❖ Early retirement of 2005A bonds and new SRF loans for recycled water projects (Central and Southern Areas)

\$ in millions	2014/15	2013/14
Bond debt outstanding	\$200.0	\$221.8
SRF loan	108.5	88.0
Other debt	15.4	16.7
<b>TOTAL DEBT</b>	<b>\$323.9</b>	<b>\$326.5</b>
<b>Total Debt Coverage Ratio</b>	<b>2.89</b>	<b>2.09</b>

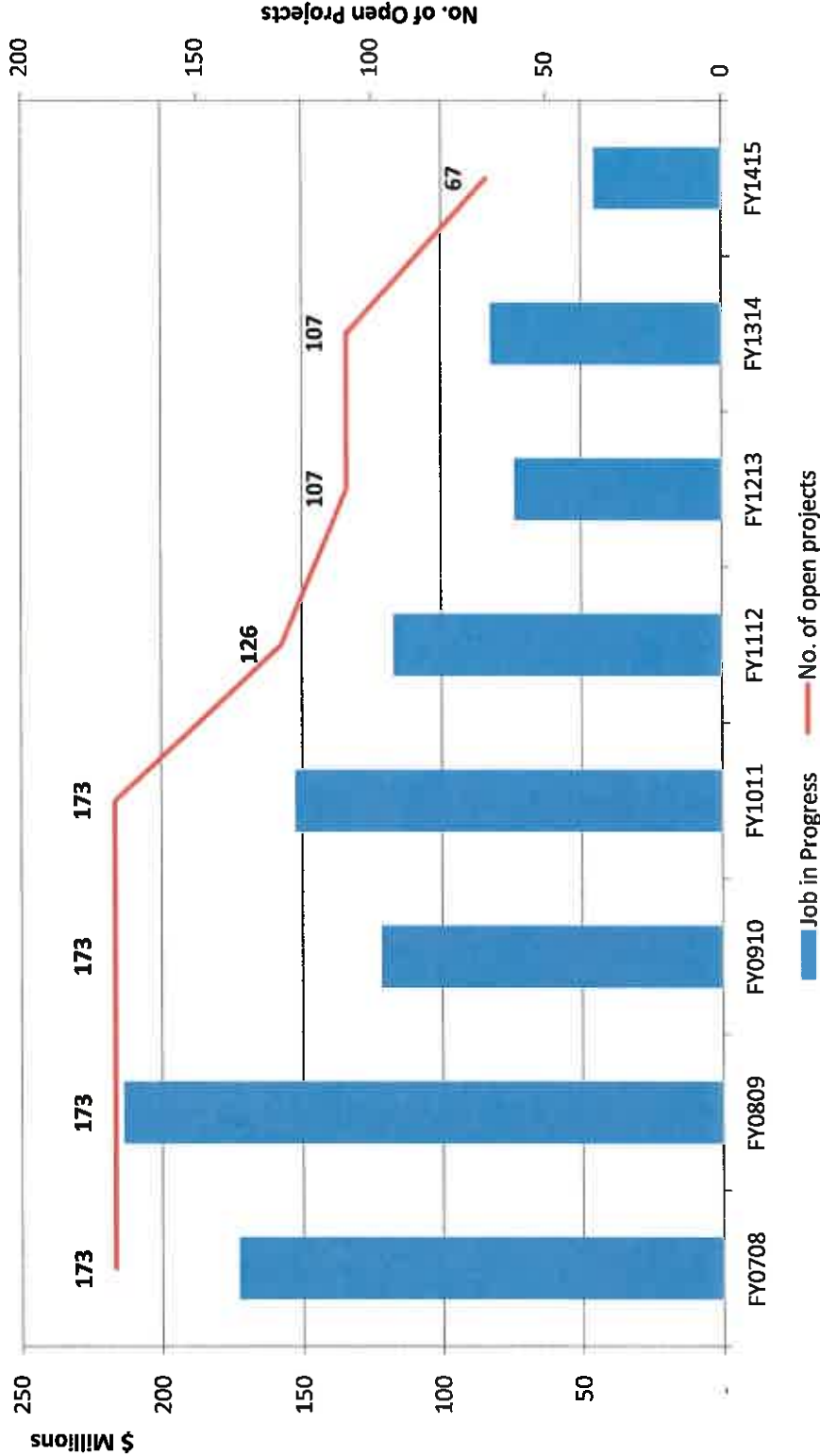


# FY 2014/15 Highlights

- ❖ External Auditor issued an unqualified “clean” opinion.
  - Agency’s financial statements are fairly presented with GAAP.
  - There were no material weaknesses on Agency’s internal controls.
  - There were no instances of non-compliance under Government Auditing Standards
- ❖ A **significant deficiency** was identified in internal control related to the reclassification of project costs between capital and operating expenses. A significant deficiency is less severe than a material weakness.

# FY 2014/15 Highlights

❖ Significant drop in Jobs in Progress due to more timely project closures



# Change in Operating and Non-Operating Activities

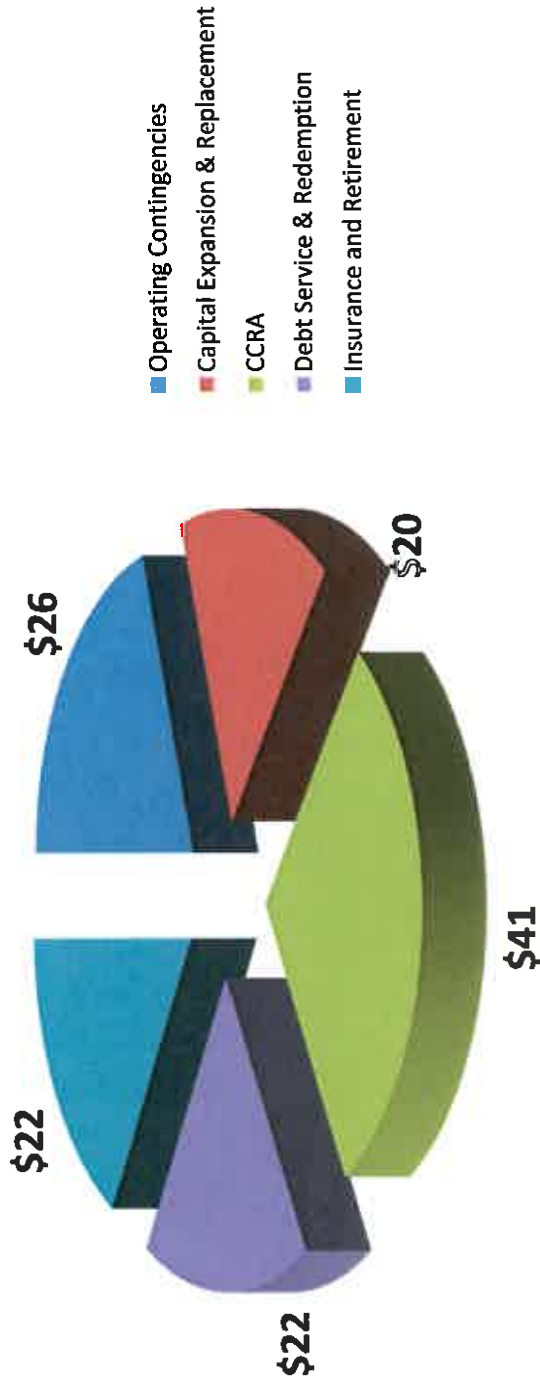
(In \$ Thousands)

Item Category	FY 2014/15	FY 2013/14	Increase (Decrease)	%
<b>Operating</b>				
Total Operating Revenues	\$ 110,586	\$ 107,791	\$ 2,795	2.6%
Total Operating Expenses	141,951	145,799	(3,848)	-2.6%
<b>Net Operating Rev &amp; Exp</b>	<b>\$ (31,365)</b>	<b>\$ (38,008)</b>	<b>\$ 6,643</b>	<b>-17.5%</b>
<b>Non Operating</b>				
Non Operating Revenues	\$ 69,481	\$ 57,275	\$ 12,206	21.3%
Non Operating Expenses	15,988	38,406	(22,418)	-58.4%
<b>Net Non Operating Rev &amp; Exp</b>	<b>\$ 53,493</b>	<b>\$ 18,869</b>	<b>\$ 34,624</b>	<b>183.5%</b>
<b>Net Increase (Decrease) in Fund Balance</b>	<b>\$ 22,128</b>	<b>\$ (19,139)</b>	<b>\$ 41,267</b>	<b>215.6%</b>
Beginning Net Assets	472,581	491,720	(19,139)	-3.9%
<b>Ending Net Fund Balances</b>	<b>\$ 494,709</b>	<b>\$ 472,581</b>	<b>\$ 22,128</b>	<b>4.7%</b>

# FY 2014/15 CASH POSITION

- ❖ Decrease in cash position of \$16.9 million is primarily due to early defeasance of the 2005A Revenue Bonds and payments toward long term pension obligations.

FY 2014/15 CASH POSITION  
\$131 Million



The comprehensive annual financial report is consistent with the Agency's business goal of fiscal responsibility



**ACTION  
ITEM**


**3B**


Date: December 16, 2015

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (12/9/15)

From:  P. Joseph Grindstaff  
General Manager 

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

 Javier Chagoyen-Lazaro  
Manager of Finance and Accounting

Subject: Authorizing the Substitution of the Letter of Credit (LOC) Provider for  
2008B Variable Rate Demand Bonds

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### **RECOMMENDATION**

It is recommended that the Board of Directors;

1. Adopt Resolution No. 2015-12-1, authorizing the substitution of the LOC provider for the Variable Rate Demand Revenue Refunding Bonds (Inland Empire Utilities Agency), Series 2008B for a not-to-exceed amount of \$44,060,000, which approves;
  - a. The LOC Reimbursement Agreement and Fee Agreement with Sumitomo Mitsui Banking Corporation, through its New York Branch (SMBC), the Amended and Restated Installment Purchase Agreement, the Amended or Restated Indenture of Trust, and execution of certain documents in substantive form;
  - b. Authorizes the remarketing agent, to distribute the Supplement to Official Statement to interested investors; and
  - c. Authorizes the General Manager or Chief Financial Officer/Assistant General Manager to execute such documents and authorize certain other matters in connection therewith, as required.

### **BACKGROUND**

The current LOC Agreement with Union Bank for the Variable Rate Demand Revenue Refunding Bonds (Inland Empire Utilities Agency), Series 2008B (2008B Bonds) was set to

## Authorizing the Substitution of the LOC Provider for 2008B Bonds

December 16, 2015

Page 2 of 4

expire on November 26, 2015. On October 21, 2015, Union Bank agreed to extend the LOC agreement through January 25, 2016 at an increased rate of 45 basis points (bps) from 40 bps. The General Manager advised the Board of Directors of the contract extension on September 16, 2015. The 60 day extension allowed for the competitive solicitation of a new LOC provider and remarketing agent. Citigroup Global Markets, Inc. (Citigroup) had served as the remarketing agent since 2001. Substitution the remarketing agreement from Citigroup to USBancorp Investments, Inc., will be presented to the Chino Basin Regional Financing Authority for approval.

The LOC provider guarantees timely payment of principal and interest to bondholders in the event of an Agency default or credit downgrade. The LOC “direct-pay” structure, wherein bondholders are paid directly by the LOC provider rather than the issuer, enhances the credit quality and liquidity of the bonds by allowing bondholders to put, or tender, the securities back to the remarketing agent and receive par value plus accrued interest, making the bonds more marketable.

A Request for Proposal (RFP) for LOC providers was issued by Public Financial Management (PFM), the Agency’s financial advisor, on September 23, 2015. Five banking institutions responded to the Agency’s RFP; Bank of West, Citibank, N.A., J. P. Morgan Chase Bank, State Street, and Sumitomo Mitsui Banking Corporation (SMBC). Of the five proposals received, SMBC, through its New York Branch, met all of the criteria and was recommended by PFM due to its stable long-term (A1/A/A-) and short-term (P-1/A-1/F-1) credit ratings, a proposed five-year term loan with a fixed commitment fee of 40 bps, and the flexibility to terminate the agreement prior to the expiration date without incurring fees or penalties after the first year.

The 40 bps fee proposed by SMBC is equivalent that of Union Bank’s original three year agreement at an estimated cost of \$175,000 per year based on the currently outstanding principal amount of \$44,060,000. The table below summarizes the key terms of the current and recommended LOC agreements.

**Comparison of Current and Recommended LOC Agreements**

Description	Union Bank (Current Provider)	SMBC (Recommended Provider)	Comments
<b>Credit Rating-Long/Short Term</b>	A2/P-1	A1/P-1	Improved long term rating
<b>Maturity Term</b>	3 Years	5 Years	Extended term
<b>Facility/Commitment Fee – basis points (bps)</b>	40	40	No increase in fees
<b>Commitment Fees – 3 Years</b>	\$528,700	\$528,700	Based on \$44,060,000 par
<b>Draw Fees – Annual Cap</b>	\$2,500	\$ 3,000	
<b>Total estimated costs - 3 Years</b>	\$536,200	\$537,700	
<b>Legal Fees</b>	\$ 45,000	\$ 50,000	One Time, capped
<b>Amendment Fee</b>	\$ 1,200	\$ 5,000	One Time
<b>Termination Fees</b>	None	None (After first year)	Maximum of \$180,00 if terminated in the first year only
<b>Risk Exposure to Europe</b>	Medium	Medium	European debt crisis
<b>Parent Bank</b>	Japanese	Japanese	Union Bank is a subsidiary of Mitsubishi UFJ Financial Group

Substitution of the LOC service provider and remarketing agent will require the preparation and distribution of a Supplement to Official Statement, and final approval of related documents (in substantive form), by and amongst the Agency, the Chino Basin Regional Financing Authority (Authority), SMBC, U.S. Bank National Association (trustee), and USBancorp Investments, Inc., including:

- Letter of Credit Agreement and the related Letter of Credit Reimbursement Agreement (Reimbursement Agreement) and Fee Agreement between the Authority, the Agency, and SMBC allows for the payment of LOC fees to be made directly by the Agency.
- Remarketing Agreement between the Authority and the remarketing agent allows for the offering and sale from time to time in the secondary market of the bonds.
- Resolutions to be approved by the Agency and the Chino Basin Regional Financing Authority.

Attached are copies of all of the documents in substantive or final form. If changes are required to the existing Indenture of Trust or Installment Purchase Agreement, amendments will be prepared and executed.

The new LOC will be put in place prior to the January 25, 2016 expiration date of the extended Union Bank LOC agreement, in accordance with the provisions of the current agreements. Total out-of-pocket costs for the LOC replacement are estimated at \$175,000. These costs are primarily comprised of legal/bond counsel services (for both the Agency and SMBC), financial advisory services, and credit rating agency reviews. Therefore, securing a five year agreement with SMBC is an added benefit given the cost and resources needed to renew the LOC.



**PRIOR BOARD ACTION**

On October 17, 2012, the Board approved the substitution of the LOC service provider for a not-to-exceed amount of \$49,235,000 and authorized distribution of the Supplement to Official Statement.

On June 19, 2002, the Board approved the issuance of Variable Rate Demand Revenue Bonds (Inland Empire Utilities Agency), Series 2002A in the amount of \$59,000,000.

On April 17, 2002, the Board adopted Resolution No. 2002-4-5, declaring its intent to issue bonds to reimburse expenditures for capital projects.

**IMPACT ON BUDGET**

The total out-of-pocket costs estimated at \$175,000 for the LOC substitution, and the ongoing financing expenses comprised of LOC fees and remarketing fees are budgeted in the Regional Wastewater Capital Improvement (RC) fund and Recharge Water (RW) Fund.

**Attachments:**

1. Resolution No. 2015-12-1
2. Supplement to the Official Statement (substantive form)
3. LOC Reimbursement Agreement and the related LOC Fee Agreement (substantive form)
4. Remarketing Agreement (substantive form)

**RESOLUTION NO. 2015-12-1**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY\*, SAN BERNARDINO COUNTY, CALIFORNIA, AUTHORIZING A REPLACEMENT CREDIT FACILITY FOR THE CHINO BASIN REGIONAL FINANCING AUTHORITY VARIABLE RATE DEMAND REVENUE REFUNDING BONDS (INLAND EMPIRE UTILITIES AGENCY), SERIES 2008B AND APPROVING THE EXECUTION OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH**

**WHEREAS**, the Inland Empire Utilities Agency\* (the "Agency") is a municipal water district duly organized and existing under and pursuant to the Constitution and laws of the State of California; and

**WHEREAS**, the Agency has previously requested the Chino Basin Regional Financing Authority (the "Authority") to assist the Agency in financing certain sewer system improvements, certain composting facilities, and certain groundwater recharge facilities (the "Project"); and

**WHEREAS**, in June 2002, in order to provide funds to finance the Project, the Agency caused the Authority to issue its \$59,000,000 Variable Rate Demand Revenue Bonds (Inland Empire Utilities Agency) Series 2002A (the "2002 Bonds"); and

**WHEREAS**, in April 2008, in order to refinance the Project by refunding all of the outstanding 2002 Bonds, the Agency caused the Authority to issue its \$55,675,000 Variable Rate Demand Revenue Refunding Bonds (Inland Empire Utilities Agency), Series 2008B (the "2008B Bonds"); and

**WHEREAS**, the 2008B Bonds were secured by a Letter of Credit issued by Lloyds TSB Bank, acting through its New York Branch (the "Lloyds Letter of Credit"); and

**WHEREAS**, on November 26, 2012, a letter of credit issued by Union Bank, N.A. ("Union Bank Letter of Credit") was substituted for the Lloyds Letter of Credit; and

**WHEREAS**, the Union Bank Letter of Credit, which was originally scheduled to expire on November 26, 2015, was extended and is currently scheduled to expire on January 25, 2016; and

**WHEREAS**, the Agency has determined that it is in its best interest to replace the Union Bank Letter of Credit and, pursuant to the Indenture of Trust, executed and entered into as of March 1, 2008 as amended to the date hereof (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee, to cause the delivery of a substitute Letter of Credit

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\* A municipal water district.

(the "Replacement Letter of Credit") to be issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch ("SMBC").

**NOW, THEREFORE**, the Board of Directors of the Agency hereby finds, determines, declares, and resolves as follows:

1. Subject to the delivery of the Replacement Letter of Credit, the replacement of the Union Bank Letter of Credit relating to the 2008B Bonds is hereby approved. The General Manager or the designee thereof is hereby authorized and directed to take such actions and execute such documents as are required to replace the Union Bank Letter of Credit upon the terms and conditions thereof.

2. The Reimbursement Agreement, by and among the Agency, the Authority and SMBC (the "Reimbursement Agreement"), and a related Fee Agreement (the "Fee Agreement"), in substantially the form on file with the Agency, is hereby approved. The General Manager, the Chief Financial Officer/Assistant General Manager, or the designee thereof, are hereby authorized and directed to execute and deliver the Reimbursement Agreement and the Fee Agreement with such changes, insertions and omissions, as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel") and approved by the officer executing the same, said execution being conclusive evidence of such approval.

3. The preparation and distribution of the Supplement to Official Statement, substantially in the form on file with the Agency, is hereby approved. The General Manager, the Chief Financial Officer/Assistant General Manager, or the designee thereof are hereby authorized and directed to execute and deliver the Supplement to Official Statement with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officer executing the same, said execution being conclusively evidence of such approval. The remarketing agent is hereby authorized to distribute copies of said Supplement to Official Statement to persons who may be interested in the purchase of the 2008B Bonds and is directed to deliver copies of any Supplement to Official Statement to all actual purchasers of the 2008B Bonds.

4. The General Manager, the Chief Financial Officer/Assistant General Manager, or the designee thereof are hereby authorized and directed to execute and deliver a third amendment to the Installment Purchase Agreement, dated as of March 1, 2008, by and between the Agency and the Authority, as amended to the date hereof, or an Amended and Restated Installment Purchase Agreement, as applicable, with such changes, insertions and omissions as may be required to implement the Replacement Letter of Credit and which are recommended by General Counsel or Bond Counsel and approved by the officers executing the same, said execution being conclusive evidence of such approval.

5. The General Manager, the Chief Financial Officer/Assistant General Manager, and any other proper officer of the Agency, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the replacement of the Union Bank Letter of Credit and delivery of the Replacement Letter of Credit, the Reimbursement Agreement, the Fee Agreement, the Supplement

to Official Statement, the Amended and Restated Installment Purchase Agreement or Third Amendment to Installment Purchase Agreement, as applicable, and this Resolution.

6. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture unless the context otherwise clearly requires.

This resolution shall take effect immediately.

ADOPTED this 16th day of December, 2015.

\_\_\_\_\_  
Terry Catlin, President of the Inland Empire  
Utilities Agency\* and the Board of Directors thereof

ATTEST:

\_\_\_\_\_  
Steven J. Elie, Secretary/Treasurer of the  
Inland Empire Utilities Agency\*  
and the Board of Directors  
thereof

\_\_\_\_\_  
\* A municipal water district.

STATE OF CALIFORNIA            )  
  ) ss  
COUNTY OF SAN BERNARDINO )

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency,\* DO HEREBY CERTIFY that the foregoing Resolution being No. 2015-12-1, was adopted at a regular Board Meeting on December 16, 2015, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Steven J. Elie  
Secretary/Treasurer

---

\* A municipal water district.

**Attachments 2 through 4 can be found under  
CBRFA Action Item 1B of this package**


**ACTION  
ITEM**


**3C**


Date: December 16, 2015

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (12/9/15)

From:  P. Joseph Grindstaff  
General Manager

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

Warren T. Green   
Manager of Contracts and Facilities Services

Subject: Contract Award for the Regional Water Recycling Plant No. 1 (RP-1)  
Lawn Conversion Improvement

---

### **RECOMMENDATION**

It is recommended that the Board of Directors:

1. Approve the landscape services Contract No. 460002017 for the RP-1 Lawn Conversion Improvements, Project No. CP16007, to Conserve LandCare, Inc. for a not-to-exceed amount of \$319,200;
2. Approve a budget amendment to increase the Regional Wastewater Operations & Maintenance (RO) fund revenue and expense in the amount of \$400,000; and
3. Authorize the General Manager, or in his absence, his designee to execute the contract.

### **BACKGROUND**

As part of the regional water use efficiency planning and programming, The Commercial, Industrial, and Institutional (CII) Turf Removal Rebate Program promotes the removal of high water-consuming turf and encourages participants to install climate appropriate plants and convert overhead sprinklers to more efficient technologies, such as micro-spray or drip system irrigation. Over 65 percent of the region's water is used to irrigate landscape, with outdoor water use representing a major source of waste.



Landscape Services Contract Award for the RP-1 Lawn Conversion Improvements

December 16, 2015

Page 2

Metropolitan Water District of Southern California (MWD) provides water use efficiency rebates with a base rate and the Agency, in partnership with its member agencies, augments those rebates to increase the base rate and attract greater participation.

In response to the Governor's Drought Declaration and call for an immediate reduction in water use, on July 1, 2014, the Agency's internal response for its facilities was to reduce recycled water irrigation use by 60 percent for internal facility turf grass, and reduced recycled water irrigation by 20 percent for external facility turf grass. Following the immediate action to reduce recycled water consumption, a landscape plan to remove all internal facility turf, utilizing the MWD water use efficiency institutional rebate of \$2 per square foot (sq. ft.), was initiated.

In June 2015, the Agency's facilities services staff started the Regional Water Recycling Plant No. 5 (RP-5) Lawn Conversion Improvements, Project No. CP15001. The project converted approximately 229,460 sq. ft. (5.212 acres) of existing turf areas throughout the RP-5 facility to alternate uses. The RP-5 project was completed in August 2015 at a total cost of \$361,549, or approximately \$1.58 per sq. ft. The Agency is currently awaiting an approval from MWD for the completed rebate application. Once approved, the MWD reimbursement will cover 100 percent of the eligible project costs.

From July 2015 through September 2015, the Agency's facilities services staff prepared the landscape design and scope of work internally for the RP-1 Lawn Conversion Improvements project. On September 18, 2015, MWD approved the Agency's application for removal of 251,483 sq. ft. of total turf and a rebate of \$2 per sq. ft. for a total eligible rebate of \$502,966.

The proposed landscape improvement services contract will convert approximately 251,483 sq. ft. (5.77 acres) of existing turf areas throughout the RP-1 facility to alternate uses comprised of:

- Graveled areas, including three locales of low-water-use shrubs;
- Mulched areas; including sparsely-spaced low-water-use small trees, shrubs, succulents, cactus; and
- Decomposed granite areas, including sparsely-spaced low-water-use small trees, shrubs, succulents, and cactus.

A competitive request for proposal (RFP) for this professional landscape services contract was issued to 200 prospective landscape contractors through The Network electronic solicitation system and direct e-mail. Of the four potential contractors that attended the mandatory job-walk, three submitted proposals, only two of which were responsive to the RFP;

COMPANY	PROPOSAL AMOUNT
Conserve LandCare	\$319,200
KASA Construction	\$439,980

A technical review committee reviewed and evaluated each of the proposals. The committee concurred that the Conserve LandCare, Inc. had the most responsive proposal and will provide the best value to the Agency, as reflected through their understanding of the scope of work,

project team's qualifications and experiences, and ability to meet the project schedule. The RP-1 Lawn Conversion Improvements Services, Contract No. 4600002017, to Conserve LandCare, Inc., will be a not-to-exceed amount of \$319,200. The total project costs including staff labor and outside consultant for turf disposal is estimated to be \$400,000, well below the eligible rebate of \$502,966.

The overall project schedule is as follows:

<b>PROJECT PHASE</b>	<b>DATE</b>
Conversion Contract Award	December 2015
Conversion Completion	February 2016
Rebate Funding Request	February 2016

RP-1 Lawn Conversion Improvements, Project No. CP16007, is consistent with the Agency's Business Goal of environmental stewardship and good neighbor policy to enhance regional water supplies through education and promotion of water use efficiency measures.

**PRIOR BOARD ACTION**

On April 15, 2015, the Board of Directors approved Contract No. 4600001867 for the RP-5 Lawn Conversion Improvements to Brickman Group, Inc. for a not-to-exceed amount of \$339,755.

**IMPACT ON BUDGET**

The total project costs will be submitted to MWD for reimbursement through the Turf Removal Rebate Program. The MWD rebate is expected to fully cover the total project costs with no impact to the Fiscal Year 2015/16 RO fund.

# Regional Water Recycling Plant No. 1 Lawn Conversion Improvements December 2015



***Inland Empire Utilities Agency***  
**A MUNICIPAL WATER DISTRICT**

**Warren T. Green.,**  
Manager of Contracts & Facilities Services (CAP)

**Lucia Diaz.,**  
Senior Site Administrator

# Lawn Conversion Improvements Scope

- Remove 251,483 square feet (Sq. Ft.) (5.77 acres) of existing turf at Regional Plant No. 1
  - Gravel groundcover
  - Mulch with low water use plants
  - Decomposed granite with low water use plants



# Proposals Received

- Four contractors participated in the mandatory job walk,
- Three submitted proposals,
- Only two proposals were responsive to the RFP

Company	Proposal Amount
Conserve LandCare, Inc.	\$319,200
KASA Construction, Inc.	\$439,980

# RP-1 Landscape MWD Rebate

- Metropolitan Water District (MWD) awarded IEUA a \$2/Sq. Ft. Institutional turf removal rebate for:
  - 251,483 Sq. Ft.
  - \$502,966 total eligible rebate
  - \$400,000 total estimated project costs (includes \$319,200 landscape contractor services, turf disposal and staff labor costs)



# Recommendation

- Approve the landscape services contract with Conserve LandCare, Inc. contract of a not-to-exceed amount of \$319,200; and
- Approve Fiscal Year 2015/16 amended budget in the RO Fund for revenue and expenses in the amount of \$400,000.

*Consistent with the Agency's Business Goal of environmental stewardship and good neighbor policy to enhance regional water supplies through education and promotion of water use efficiency measures*



# Questions?





***Inland Empire Utilities Agency***  
**A MUNICIPAL WATER DISTRICT**

**CONTRACT NUMBER: 4600002017**  
**FOR**  
**REGIONAL PLANT NO. 1 LAWN CONVERSION**  
**IMPROVEMENT PROJECT**  
**FOR**  
**INLAND EMPIRE UTILITIES AGENCY**

THIS CONTRACT (the "Contract"), is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2015, 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 "Agency"), and Conserve LandCare, of Thousand Palms, California (hereinafter referred to as "Contractor"), for the Regional Plant No. 1 Lawn Conversion Improvements Project. This project will convert approximately five (5) acres of turf-based landscape to a refined water-efficient landscape.

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

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

Project Manager: Eric Lesser  
Address: 6075 Kimball Avenue, Building A  
Chino, California 91708  
Telephone: (909) 993-1526  
Facsimile: (909) 993-1987  
Cell: (909) 342-3826  
Email: [elesser@ieua.org](mailto:elesser@ieua.org)

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

Contractor: George Gonzalez, Conserve LandCare  
Address: 72265 Manufacturing Road  
Thousand Palms, California 92276  
Telephone: (760) 343-1433  
Facsimile: (760) 343-0433  
Cell: (760) 250-7116  
Email: [george@conservelandcare.com](mailto:george@conservelandcare.com)

3. **ORDER OF PRECEDENCE:** The documents referenced below represent the Contract Documents. Where any conflicts exist between the General Terms and Conditions, or addenda attached, then the governing order of precedence shall be as follows:
  - A. Amendments to Contract Number 4600002017.
  - B. Contract Number 4600002017, General Terms and Conditions.
  - C. Agency's RFP-HD-15-073, dated September 30, 2015, (Attachment A).
  - D. Contractor's proposal, dated October 21, 2015, (Attachment B).
  
4. **SCOPE OF WORK AND SERVICES:** Contractor's services and responsibilities shall include, but shall not be limited to:
  - A. Contractor will provide all manpower, equipment, vehicles, and supplies needed to effectively convert the RP-1 Turf-based landscape into a water-efficient California native and Mediterranean motif, in accordance with The Scope of Work RFP-HD-15-073 (Attachment A), and the Contractor's proposal (Attachment B), both of which are incorporated herein and made a part hereof with these references.
  - B. Contractor shall prepare a Schedule of Work and Services for review and approval by the Project Manager. The mutually agreed Schedule of Work and Services shall be the basis of coordination between the Contractor and the Agency.
  - C. More specifically, the work for this contract shall include the removal of turf as specifically noted in specification Section III. – Existing Lawn Removal and Lowering of Finished Grade. The turf will be replaced with hardscape, mulch, and low-water-use plants. Additionally, other turf areas will be over-laid with decomposed granite (DG). The DG areas will be sparsely planted with drought-tolerant species supported with drip irrigation systems delivering recycled water. Contractor will be required to work carefully, efficiently, and finish the project on a firm deadline.
  - D. Through the duration of this contract, the Agency and Contractor may identify additional tasks, which on a "time and material" basis, shall be reduced to writing, signed by both parties, and amended to this contract.
  
5. **TERM:** The term of this Contract shall extend from the date of the Notice-to-Proceed until June 30, 2016, unless agreed to otherwise by both parties, reduced to writing, and amended to this Contract.
  
6. **COMPENSATION:** Agency shall pay Contractor's properly executed milestone invoices (see Attachment C), which have been approved by the Project Manager, within thirty (30) days following receipt of the invoice. Payment will be withheld for any service that does not meet the Agency requirements or has proven to be unacceptable until such service is revised, the invoice resubmitted, and accepted by the Project Manager.

Additionally, to qualify for payment, the Contractor shall prominently display, on the first page of the invoice, both:

- A. The Contract Number – 4600002017, and;
- B. The Contract Release Purchase Order Number – 4500023698

Contractor shall provide, with their milestone invoices, certified payroll documentation to verify that Contractor has paid prevailing wage in accordance with the California Department of Industrial Relations requirements.

All invoices shall be formulated consistent with the fees/rates proposed within the Contractor's site-specific and task-specific proposals. Each proposal shall be formatted consistent with the requirement that material purchased by the Contractor, any Sales Tax paid, and any labor provided; shall each be shown on a separate line. Contractor's invoices shall be submitted, if by mail, as follows:

Inland Empire Utilities Agency  
Re: Contract Number: 4600002017  
P.O. Box 9020  
Chino Hills, CA 91709

Contractor's invoices shall be submitted, if by e-mail, as follows:

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

1. Scan the invoice as a PDF file.
2. Attach the scanned file to an email.
3. IEUA staff will acknowledge receipt of the invoice.

Concurrent with the submittal of the original invoice to the Agency's Accounts Payable Department, the Contractor shall forward (mail, fax, or email) a copy of said invoice to the designated Project Manager, identified on Page 1 of this Contract.

As compensation for the satisfactory performance of the work represented by this Contract, Agency shall pay Contractor's invoices up to a NOT-TO-EXCEED total authorized amount of **\$319,200** for all services provided throughout the term of this Contract. The Contractor shall not be paid for any amount exceeding the NOT-TO-EXCEED amount, or for work completed beyond the expiration date without an Amendment to the Contract.

Agency may, at any time, make changes to the Scope of Work, including additions, reductions, and changes to any or all of the Work, as directed in writing by the Agency. Such changes shall be made by an Amendment to the Contract. The Total Authorized Amount and Term shall be equitably adjusted, if required, to account for such changes, and shall be set forth in the written Amendment, agreed to and signed by both parties, prior to becoming effective.

7. **CONTROL OF THE WORK:** The Contractor shall perform the Work in compliance with the Work Schedule. If performance of the Work falls behind schedule, the Contractor shall accelerate the performance of the Work to comply with the Work Schedule as directed by the Project Manager. If the nature of the Work is such that Contractor is unable to accelerate the Work, Contractor shall promptly notify the Project Manager of the delay, the causes of the delay, and submit a proposed revised Work Schedule.

8. FITNESS FOR DUTY:

A. Fitness: Contractor on the Jobsite:

1. Shall report for work in a manner fit to do their job; and
2. Shall not be under the influence of or in possession of any alcoholic beverages or of any controlled substance (except a controlled substance as prescribed by a physician so long as the performance or safety of the Work is not affected thereby); and
3. Shall not have been convicted of any serious criminal offense, which, by its nature, may have a discernible adverse impact on the business or reputation of Agency.

9. INSURANCE: During the term of this Contract, the Contractor shall maintain at its sole expense, the following insurance.

A. Minimum Scope of Insurance:

1. General Liability: \$1,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage. Coverage shall be at least as broad as Insurance Services Office form number GL 00 01 10 01, covering Comprehensive General Liability. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location, or the general aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability: Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage. Coverage shall be at least as broad as Insurance Services Office form number CA 00 01 10 01, covering Automobile Liability, including "any auto."
3. Workers' Compensation and Employers Liability: Workers' compensation limits as required by the Labor Code of the State of California and employers Liability limits of \$1,000,000 per accident. See attached waiver.

B. Deductibles and Self-Insured Retention: Any deductibles or self-insured retention must be declared to and approved by the Agency. At the option of the Agency, either: the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the Agency, its officers, officials, employees and volunteers.

C. Other Insurance Provisions: The policies are to contain, or be endorsed to contain, the following provisions:

1. General Liability and Automobile Liability Coverage

- a. The Agency, its officers, officials, employees and volunteers are to be covered as additional insureds, endorsement GL 2010 11 85, as respects: liability arising out of activities performed by or on behalf of the Contractor, products and completed operations of the Contractor, premises owned, occupied or used by the Contractor, or automobiles owned, leased, hired, or borrowed by the Contractor. The coverage shall contain no special limitations on the scope of protection afforded to the Agency, its officers, officials, employees, or volunteers. If Form CG 2010 10 93 or CG 2010 03 97 are issued in place of the CG 2010 11 85, then it is also necessary to issue a Form CG 2037 10 01 in addition to Form CG 2010 10 93 or CG 2010 03 97.
- b. The Contractor's insurance coverage shall be primary insurance as respects the Agency, its officer, officials, employees and volunteers. Any insurance or self-insurance maintained by the Agency, its officers, officials, employees, or volunteers shall be excess of the Contractor'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 Agency, its officers, officials, employees or volunteers.
- d. The Contractor'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 Contractor 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 shall agree to waive all rights of subrogation against the Agency, its officers, officials, employees and volunteers for losses arising from work performed by the Contractor for the Agency. (See attached waiver).

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, reduced in coverage or in limits except after thirty (30) days' prior written notice has been given to the Agency.

- D. Acceptability of Insurers: With the exception of Professional Liability Insurance, all insurance is to be placed with insurers with a Best's rating of no less than A:VII, and who are admitted insurers in the State of California. Professional Liability Insurance is to be placed with insurers with a Best's rating of no less than B:VII, and who are admitted insurers in the State of California.

E. Verification of Coverage: Contractor shall furnish the Agency with certificates of insurance and with original endorsements effecting coverage required by the Agency for themselves and all subcontractors prior to commencing work or allowing any subcontractor to commence work under any subcontract. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are to be approved by the Agency before work commences. The Agency reserves the right to require complete, certified copies of all required insurance policies, at any time.

10. Submittal of Certificates: Contractor shall submit all required certificates and endorsements to the following:

Inland Empire Utilities Agency  
Attn: Manager of Safety and Risk Management  
P.O. Box 9020  
Chino Hills, California 91709

11. LEGAL RELATIONS AND RESPONSIBILITIES

A. Professional Responsibility: The Contractor 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 Contractor: The Contractor is retained as an independent Contractor only, for the sole purpose of rendering the services described herein, and is not an employee of the Agency.

C. Observing Laws and Ordinances: The Contractor shall keep itself fully informed of existing and future state and federal laws and county and city ordinances and regulations which in any manner affect the conduct of any services or tasks performed under this Contract, and of such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same. The Contractor shall at all times observe and comply with such existing, at the time services are rendered, laws, ordinances, regulations, orders and decrees, and shall protect and indemnify, as required herein, the Agency, 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, in effect at the time the services are performed, whether by the Contractor or its employees.

D. Prevailing Wage Requirements: Pursuant to Section 1770 and following, of the California Labor Code, the Contractor shall not pay less than the general prevailing wage rates, as determined by the Director of the State of California Department of Industrial Relations for the locality in which the work is to be performed and for each craft or type of worker needed to execute the work contemplated under the Contract. The Contractor or any subcontractor performing part of said work shall strictly adhere to all provisions of the Labor Code, including, but not limited to, minimum wages, work days,

nondiscrimination, apprentices, maintenance and availability of accurate payroll records and any other matters required under all Federal, State and local laws related to labor.

- E. Subcontract Services: Any subcontracts for the performance of any services under this Contract shall be subject to the written approval of the Project Manager.
- F. Conflict of Interest: No official of the Agency who is authorized in such capacity and on behalf of the Agency 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.
- G. Equal Opportunity and Unlawful Discrimination: During the performance of this Contract, the Contractor 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 Agency is committed to creating and maintaining an environment free from harassment and discrimination. Please be assured that any possible infraction will be thoroughly investigated by the Agency.
- H. Disputes:
  - 1. All disputes arising out of or in relation to this Contract shall be determined in accordance with this section. The Contractor shall pursue the work to completion in accordance with the instruction of the Agency'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 during the pendency of the work shall be subject to resolution by the Agency Project Manager and the Contractor shall comply, pursuant to the Agency Project Manager instructions. If the Contractor is not satisfied with any such resolution by the Agency Project Manager, they may file a written protest with the Agency Project Manager within seven (7) calendar days after receiving written notice of the Agency's decision. Failure by Contractor to file a written protest within seven (7) calendar days shall constitute waiver of protest, and acceptance of the Agency Project Manager's resolution. The Agency's Project Manager shall submit the Contractor's written protests to the General Manager, together with a copy of the Agency 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 Agency Project Manager within ten (10) calendar days after receipt of said protest(s). If Contractor is not satisfied with any such resolution by the General Manager, they may file a written request for mediation 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 hereto 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 Contractor to be appointed as Arbitrator. The Agency shall determine if any of the names submitted by Contractor are acceptable and, if so, such person will be designated as Arbitrator.
  - b. In the event that none of the names submitted by Contractor are acceptable to Agency, or if for any reason the Arbitrator selected in Step (a) is unable to serve, the Agency shall submit to Contractor a list of five names of persons acceptable to Agency for appointment as Arbitrator. The Contractor 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 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 shall be recoverable by the prevailing party.
4. Joinder in Mediation/Arbitration: The Agency may join the Contractor in mediation or arbitration commenced by a contractor on the Project pursuant to Public Contracts Code Sections 20104 et.seq. Such joinder shall be initiated by written notice from the Agency's representative to the Contractor.

12. INDEMNIFICATION: To the fullest extent permitted by law, Contractor shall indemnify the Agency, its directors, employees and assigns, and shall defend and hold them harmless for all liabilities, demands, actions, claims, losses, and expenses; which arise out of or are related to the negligence, recklessness, or willful misconduct of the Contractor, its directors, employees, agents and assigns in the performance of the work under this contract.



13. OWNERSHIP OF MATERIALS: Any work materials (drawings, specifications, exhibits, site surveys, and other documents) related to this scope of work shall remain the property of the Agency. The Agency acknowledges that the Contractor's reports, plans, specifications, field data and notes, calculations, estimates, and other similar work materials are instruments of professional services, and are not "products." The Agency understands that Contractor may retain a copy of all work materials for the purpose of documenting the Contractor's participation in this project. The Agency recognizes that there shall be no unauthorized re-use of any project documents unless authorization of such re-use is reduced to writing and signed by both parties. Ownership of all completed work materials shall remain with the Agency. In return for the Contractor's relinquishment of ownership, the Agency agrees to waive any claim or liability for injury or loss allegedly arising from the unauthorized re-use of Contractor's instruments of service.

14. TITLE AND RISK OF LOSS:

A. Documentation: Title to the Documentation shall pass to Agency when prepared; however, a copy may be retained by Contractor for its records and internal use. Contractor 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 Agency or for the performance of Work related to the Scope of Work described herein.

B. Material: Title to all Material, field or research equipment, and laboratory models, procured or fabricated under the Contract shall pass to Agency when procured or fabricated, and such title shall be free and clear of any and all encumbrances. Contractor shall have risk of loss of any Material or Agency-owned equipment of which it has custody.

C. Disposition: Contractor shall dispose of items to which Agency has title as directed in writing by the Project Manager and/or a designated Agency representative.

14. PROPRIETARY RIGHTS:

A. Rights and Ownership: Agency'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 Contractor in the performance of the Work, shall be governed by the following provisions:

1. Proprietary Rights conceived, developed, or reduced to practice by Contractor in the performance of the Work shall be the property of Agency, and Contractor shall cooperate with all appropriate requests to assign and transfer same to Agency.
2. If Proprietary Rights conceived, developed, or reduced to practice by Contractor prior to the performance of the Work are used in and become integral with the Work or Documentation, or are necessary for Agency to have complete enjoyment of the Work or Documentation, Contractor shall

grant to Agency a non-exclusive, irrevocable, royalty-free license, as may be required by Agency for the complete enjoyment of the Work and Documentation, including the right to reproduce, correct, repair, replace, maintain, translate, publish, use, modify, copy or dispose of any or all of the Work and Documentation and grant sublicenses to others with respect to the Work and Documentation.

3. If the Work or Documentation includes the Proprietary Rights of others, Contractor shall procure, at no additional cost to Agency, all necessary licenses regarding such Proprietary Rights so as to allow Agency the complete enjoyment of the Work and Documentation, including the right to reproduce, correct, repair, replace, maintain, translate, publish, use, modify, copy or dispose of any or all of the Work and Documentation and grant sublicenses to others with respect to the Work and Documentation. All such licenses shall be in writing and shall be irrevocable and royalty-free to Agency.

B. No Additional Compensation: Nothing Set forth in this Contract shall be deemed to require payment by Agency to Contractor of any compensation specifically for the assignments and assurances required hereby, other than the payment of expenses as may be actually incurred by Contractor in complying with this Contract.

16. LIENS: Contractor represents 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.

Contractor shall pay all sums of money that become due for any labor, services, materials, or equipment furnished to Contractor on account of said services to be rendered or said materials to be furnished under this contract and that may be secured by any lien against the Agency. Contractor shall fully discharge each such lien at the time performance of the obligation secured matures and becomes due.

17. 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:

Agency: Warren T. Green  
Manager of Contracts Procurement and Facilities Services  
Inland Empire Utilities Agency  
P.O. Box 9020  
Chino Hills, California 91709

Contractor: George Gonzalez, CEO  
Conserve LandCare  
72265 Manufacturing Road  
Thousand Palms, California 92276

Any notice given hereunder 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.

18. SUCCESSORS AND ASSIGNS: All of the terms, conditions and provisions of this Contract shall inure to the benefit of and be binding upon the Agency, the Contractor, and their respective successors and assigns. Notwithstanding the foregoing, no assignment of the duties or benefits of the Contractor under this Contract may be assigned, transferred or otherwise disposed of without the prior written consent of the Agency; and any such purported or attempted assignment, transfer or disposal without the prior written consent of the Agency shall be null, void and of no legal effect whatsoever.
19. PUBLIC RECORDS POLICY: Information made available to the Agency may be subject to the California Public Records Act (Government Code Section 6250 et.seq.) The Agency's use and disclosure of its records are governed by this Act. The Agency shall use its best efforts to notify Contractor of any requests for disclosure of any documents pertaining to this work.

In the event of litigation concerning disclosure of information Contractor considers exempt from disclosure; (e.g., Trade Secret, Confidential, or Proprietary) Agency shall act as a stakeholder only, holding the information until otherwise ordered by a court or other legal process. If Agency is required to defend an action arising out of a Public Records Act request for any of the information Contractor has marked "Confidential," "Proprietary," or "Trade Secret," Contractor shall defend and indemnify Agency from all liability, damages, costs, and expenses, in any action or proceeding arising under the Public Records Act.

20. RIGHT TO AUDIT: The Agency reserves the right to review and/or audit all Contractor'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 Contractor. The Contractor shall make all records and related documentation available within three (3) working days after said records are requested by the Agency.
21. INTEGRATION: The Contract Documents represent the entire Contract of the Agency and the Contractor as to those matters contained herein. 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 agreement by the Agency and the Contractor.
22. GOVERNING LAW: This Contract is to be governed by and constructed in accordance with the laws of the State of California, County of San Bernardino.
23. TERMINATION FOR CONVENIENCE: The Agency reserves and has the right to immediately suspend, cancel or terminate this Contract at any time upon written notice to the Contractor. In the event of such termination, the Agency shall pay Contractor for all authorized and Contractor-invoiced services up to the date of such termination.

24. FORCE MAJEURE: Neither party shall hold the other responsible for the effects of acts occurring beyond their control; e.g., war, riots, strikes, natural disasters, etcetera.
25. NOTICE TO PROCEED: No services shall be performed or furnished 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 Contractor.

IN WITNESS WHEREOF, the parties hereto have caused the Contract to be entered as of the day and year written above.

**INLAND EMPIRE UTILITIES AGENCY:**

**CONSERVE LANDCARE:**

\_\_\_\_\_  
P. Joseph Grindstaff  
General Manager

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
George Gonzalez  
CEO

\_\_\_\_\_  
(Date)

**ACTION  
ITEM**

**3D**

Date: December 16, 2015

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (12/9/15)

From: *for* P. Joseph Grindstaff *Wa*  
General Manager

Submitted by: Christina Valencia *Wa*  
Chief Financial Officer/Assistant General Manger

Warren T. Green *W*  
Manager of Contracts and Facilities Services

Subject: Janitorial Maintenance Services Contract Award

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### **RECOMMENDATION**

It is recommended that the Board of Directors:

1. Approve the award of a five-year competitively-let Contract Number 4600002020 to Priority Building Services, LLC, for Janitorial Maintenance Services for a total annual amount of \$166,593 effective January 3, 2016; and
2. Authorize the General Manager or his designee to execute the contract.

### **BACKGROUND**

The Agency's current contract for janitorial services with Merchants Building Maintenance, LLC, is set to expire on December 31, 2015.

A competitive Request for Proposal (RFP) to provide janitorial maintenance services for a total of nine Agency sites throughout the service area was issued to 70 prospective contractors through The Network's electronic bidding system and direct e-mail. Out of the ten potential contractors who participated in the mandatory job-walk, only four submitted proposals. The table below is a summary of the four contractor proposals. Through the evaluation process it was determined that the most comprehensive proposal and best value for the Agency was Priority Building Services (PBS). The PBS proposal thoroughly addressed all of the requirements in the RFP including addressing the Agency's LEED v4 O+M standards and green cleaning

requirements. While Golden Touch Cleaning, Inc was the low bidder, their proposal was not comprehensive and did not meet the review committee's minimum scoring threshold.

<b>COMPANY</b>	<b>PROPOSAL AMOUNT</b>
Golden Touch Cleaning	\$147,836
<b>Priority Building Services</b>	<b>\$166,593</b>
Xanadu Service Systems	\$280,392
Executive Suite Services	\$356,858

Additionally, PBS is certified with Honors for the Cleaning Industry Management Standard and the Cleaning Industry Management Standard Green Buildings and Services. The total cost of the PBS proposal will be \$166,593 for the first twelve months, or \$13,883 per month. Compared to the current contract cost of \$10,095, the proposed contract reflects an increase \$3,788 per month for the first year of the five-year term. The 37 percent increase reflects the industry's higher costs since the Agency's last RFP issuance in 2008, and added services, including; quarterly cleaning service for 32 refrigerators throughout the Agency's facilities and the addition of service needs at lift stations and treatment plants.

Annually, prior to December 1<sup>st</sup> of each of the next four years, the annual cost of Contract No. 4600002020 will be adjusted by an amendment to the contract, based on the Consumer Price Index (Los Angeles-Riverside-Orange County area) not-to-exceed five percent and no less than zero percent.

Janitorial maintenance services contract award to Priority Building Services, is consistent with the Agency's Business Goal of workplace environment to provide safe and a healthy work environment.

### **PRIOR BOARD ACTION**

On November 20, 2013, the Board of Directors approved the issuance of Amendment No. 13 to extend the agreement with Merchants Building Maintenance, LLC for two years for Agency-wide janitorial maintenance services.

On December 17, 2008, the Board of Directors approved Contract No. 4600000339 to Merchants Building Maintenance, LLC. for Agency-wide janitorial maintenance services.

### **IMPACT ON BUDGET**

If approved, the estimated contract service of \$83,398 in the remainder of Fiscal Year 2015/16 is budgeted in the Regional Wastewater Operations & Maintenance (RO) Fund and the Administrative Service (GG) fund as part of professional services budget.



**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

**CONTRACT NUMBER: 4600002020**  
**FOR**  
**JANITORIAL MAINTENANCE SERVICES**  
**FOR**  
**INLAND EMPIRE UTILITIES AGENCY**

THIS CONTRACT (the "Contract"), is made and entered into this 16<sup>th</sup> day of December, 2015, 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 "Agency"), and Priority Building Services, LLC., of Brea, California (hereinafter referred to as "Contractor"), to provide both equipment and personnel for Janitorial Maintenance Services for a term of five (5) years.

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

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

Project Manager: Lucia Diaz  
Address: 6075 Kimball Avenue, Building A  
Chino, California 91708  
Telephone: (909) 993-1631  
Facsimile: (909) 993-1987  
Email: [Ldiaz@ieua.org](mailto:Ldiaz@ieua.org)

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

Contractor: David Kraushaar  
Address: Priority Building Services, LLC.  
521 Mercury Lane  
Brea, California 92821  
Telephone: (714) 255-2940  
Facsimile: (714) 255-2952  
(909-784-8275  
Email: [david@priorityservices.net](mailto:david@priorityservices.net)



3. **ORDER OF PRECEDENCE:** The documents referenced below represent the Contract Documents. Where any conflicts exist between the General Terms and Conditions, or addenda attached, then the governing order of precedence shall be as follows:
  - A. Amendments to Contract Number 4600002020.
  - B. Contract Number 4600002020, General Terms and Conditions.
  - C. Agency's RFP-HD-15-069, dated September 28, 2015, Attachment A.
  - D. RFP-HD-15-069 Addendum #1, dated October 15, 2015, Attachment B
  - E. Contractor's proposal dated October 20, 2015, Attachment C.
  
4. **SCOPE OF WORK AND SERVICES:** Contractor's services and responsibilities shall include, but shall not be limited to:
  - A. As needed, Contractor will provide all manpower, equipment, vehicles, and supplies needed to complete the work, in accordance with Agency's Request for Proposal Number RFP-HD-15-069, Attachment A, and the Contractor's proposal, Attachment B; which are incorporated herein and made a part hereof with this reference.
  - B. Through the duration of this contract, the Agency and Contractor may identify additional tasks, which on a "time and material" basis, shall be reduced to writing, signed by both parties, and made part of this contract.
  
5. **TERM:** The term of this Contract shall extend from the date of the Notice-to-Proceed until January 3, 2021, unless agreed to by both parties, reduced to writing, and amended to this Contract.
  
6. **COMPENSATION:** Agency shall pay Contractor's properly executed invoices, which have been approved by the Project Manager, within thirty (30) days following receipt of the invoice. Payment will be withheld for any service that does not meet the Agency requirements or has proven to be unacceptable until such service is revised, the invoice resubmitted, and accepted by the Project Manager. Invoice amounts (rates, fees, and prices) may be adjusted annually, in accordance with an agreed-upon (CPI) index; reflecting either positive or negative adjustments during the previous 12-month period.

Additionally, to qualify for payment, the Contractor shall prominently display, on the first page of the invoice, both:

- A. The Contract Number – 4600002020, and;
- B. The Contract Release Purchase Order Number – 4500023692

All invoices shall be formulated consistent with the rates proposed within the Contractor's site-specific and task-specific proposals, see Attachment D. Each proposal shall be formatted consistent with the requirement that materials purchased by the Contractor, any Sales Tax paid, and any labor provided; shall each be shown on a separate line.

Contractor's invoices shall be submitted, if by mail, as follows:

Inland Empire Utilities Agency  
Re: Contract Number: 4600002020  
P.O. Box 9020  
Chino Hills, CA 91709

Contractor's invoices shall be submitted, if by e-mail, as follows:

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

1. Scan the invoice as a PDF file.
2. Attach the scanned file to an email.
3. IEUA staff will acknowledge receipt of the invoice.

Concurrent with the submittal of the original invoice to the Agency's Accounts Payable Department, the Contractor shall forward (mail, fax, or email) a copy of said invoice to the designated Project Manager, identified on Page 1 of this Contract.

As compensation for the satisfactory performance of the work represented by this Contract, Agency shall pay Contractor's invoices up to a NOT-TO-EXCEED total authorized amount of **\$832,965** for all services provided throughout the term of this Contract. The Contractor shall not be paid for any amount exceeding the NOT-TO-EXCEED amount, or for any work completed beyond the expiration date without an Amendment to the Contract.

Agency may, at any time, make changes to the Scope of Work, including additions, reductions, and changes to any or all of the Work, as directed in writing by the Agency. Such changes shall be made a part of the Contract by an Amendment. The Total Authorized Amount and Term shall be equitably adjusted, if required, to account for such changes, and shall be set forth in the written Amendment, agreed to and signed by both parties, prior to becoming effective.

7. CONTROL OF THE WORK: The Contractor shall perform the Work in compliance with the Work Schedule. If performance of the Work falls behind schedule, the Contractor shall accelerate the performance of the Work to comply with the Work Schedule as directed by the Project Manager. If the nature of the Work is such that Contractor is unable to accelerate the Work, Contractor shall promptly notify the Project Manager of the delay, the causes of the delay, and submit a proposed revised Work Schedule.

8. FITNESS FOR DUTY:

A. Fitness: Contractor on the Jobsite:

1. Shall report for work in a manner fit to do their job; and
2. Shall not be under the influence of or in possession of any alcoholic beverages or of any controlled substance (except a controlled substance as prescribed by a physician so long as the performance or safety of the Work is not affected thereby); and

3. Shall not have been convicted of any serious criminal offense, which, by its nature, may have a discernible adverse impact on the business or reputation of Agency.
9. INSURANCE: During the term of this Contract, the Contractor shall maintain at its sole expense, the following insurance.
- A. Minimum Scope of Insurance:
    1. General Liability: \$1,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage. Coverage shall be at least as broad as Insurance Services Office form number GL 00 01 10 01, covering Comprehensive General Liability. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location, or the general aggregate limit shall be twice the required occurrence limit.
    2. Automobile Liability: Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage. Coverage shall be at least as broad as Insurance Services Office form number CA 00 01 10 01, covering Automobile Liability, including "any auto."
    3. Workers' Compensation and Employers Liability: Workers' compensation limits as required by the Labor Code of the State of California and employers Liability limits of \$1,000,000 per accident. See attached waiver.
  - B. Deductibles and Self-Insured Retention: Any deductibles or self-insured retention must be declared to and approved by the Agency. At the option of the Agency, either: the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the Agency, its officers, officials, employees and volunteers; or the Contractor shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
  - C. Other Insurance Provisions: The policies are to contain, or be endorsed to contain, the following provisions:
    1. General Liability and Automobile Liability Coverage
      - a. The Agency, its officers, officials, employees and volunteers are to be covered as additional insureds, endorsement, GL 2010 11 85, as respects: liability arising out of activities performed by or on behalf of the Contractor, products and completed operations of the Contractor, premises owned, occupied or used by the Contractor, or automobiles owned, leased, hired, or borrowed by the Contractor. The coverage shall contain no special limitations on the scope of protection afforded to the Agency, its officers, officials, employees, or volunteers. If Form CG 2010 10 93 or CG 2010 03 97 are issued in place of the CG 2010 11 85, then it is also necessary to issue a Form CG 2037 10 01 in addition to Form CG 2010 10 93 or CG 2010 03 97.

- b. The Contractor's insurance coverage shall be primary insurance as respects the Agency, its officer, officials, employees and volunteers. Any insurance or self-insurance maintained by the Agency, its officers, officials, employees, or volunteers shall be excess of the Contractor'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 Agency, its officers, officials, employees or volunteers.
- d. The Contractor'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 Contractor 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 shall agree to waive all rights of subrogation against the Agency, its officers, officials, employees and volunteers for losses arising from work performed by the Contractor for the Agency.

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, reduced in coverage or in limits except after thirty (30) days' prior written notice has been given to the Agency.

- D. Acceptability of Insurers: Insurance is to be placed with insurers with a Best's rating of no less than A minus.VII, and who are admitted insurers in the State of California.
- E. Verification of Coverage: Contractor shall furnish the Agency with certificates of insurance and with original endorsements effecting coverage required by the Agency for themselves and all subcontractors prior to commencing work or allowing any subcontractor to commence work under any subcontract. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are to be approved by the Agency before work commences. The Agency reserves the right to require complete, certified copies of all required insurance policies, at any time.

10. Submittal of Certificates: Contractor 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 Contractor 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 Contractor: The Contractor is retained as an independent Contractor only, for the sole purpose of rendering the services described herein, and is not an employee of the Agency.
- C. Observing Laws and Ordinances: The Contractor shall keep itself fully informed of existing and future state and federal laws and county and city ordinances and regulations which in any manner affect the conduct of any services or tasks performed under this Contract, and of such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same. The Contractor shall at all times observe and comply with such existing, at the time services are rendered, laws, ordinances, regulations, orders and decrees, and shall protect and indemnify, as required herein, the Agency, 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, in effect at the time the services are performed, whether by the Contractor 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. Conflict of Interest: No official of the Agency who is authorized in such capacity and on behalf of the Agency 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.
- F. Equal Opportunity and Unlawful Discrimination: During the performance of this Contract, the Contractor 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 Agency is committed to creating and maintaining an environment free from harassment and discrimination. Please be assured that any possible infraction will be thoroughly investigated by the Agency.
- G. Disputes:
1. All disputes arising out of or in relation to this Contract shall be determined in accordance with this section. The Contractor shall pursue

the work to completion in accordance with the instruction of the Agency'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 during the pendency of the work shall be subject to resolution by the Agency Project Manager and the Contractor shall comply, pursuant to the Agency Project Manager instructions. If the Contractor is not satisfied with any such resolution by the Agency Project Manager, they may file a written protest with the Agency Project Manager within seven (7) calendar days after receiving written notice of the Agency's decision. Failure by Contractor to file a written protest within seven (7) calendar days shall constitute waiver of protest, and acceptance of the Agency Project Manager's resolution. The Agency's Project Manager shall submit the Contractor's written protests to the General Manager, together with a copy of the Agency 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 Agency Project Manager within ten (10) calendar days after receipt of said protest(s). If Contractor is not satisfied with any such resolution by the General Manager, they may file a written request for mediation 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 hereto 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 Contractor to be appointed as Arbitrator. The Agency shall determine if any of the names submitted by Contractor are acceptable and, if so, such person will be designated as Arbitrator.
  - b. In the event that none of the names submitted by Contractor are acceptable to Agency, or if for any reason the Arbitrator selected in Step (a) is unable to serve, the Agency shall submit to Contractor a list of five names of persons acceptable to Agency for appointment as Arbitrator. The Contractor 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. Joinder in Mediation/Arbitration: The Agency may join the Contractor in mediation or arbitration commenced by a contractor on the Project pursuant to Public Contracts Code Sections 20104 et seq. Such joinder shall be initiated by written notice from the Agency's representative to the Contractor.
  
12. INDEMNIFICATION: To the fullest extent permitted by law, Contractor shall indemnify the Agency, its directors, employees and assigns, and shall defend and hold them harmless for 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 Contractor, its directors, employees, agents and assigns in the performance of the work under this contract.
  
13. OWNERSHIP OF MATERIALS: Any work materials (drawings, specifications, exhibits, site surveys, and other documents) related to this scope of work shall remain the property of the Agency. The Agency acknowledges that the Contractor's reports, plans, specifications, field data and notes, calculations, estimates, and other similar work materials are instruments of professional services, and are not "products." The Agency understands that Contractor may retain a copy of all work materials for the purpose of documenting the Contractor's participation in this project. The Agency recognizes that there shall be no unauthorized re-use of any project documents unless authorization of such re-use is reduced to writing and signed by both parties. Ownership of all completed work materials shall remain with the Agency. In return for the Contractor's relinquishment of ownership, the Agency agrees to waive any claim or liability for injury or loss allegedly arising from the unauthorized re-use of Contractor's instruments of service.
  
14. TITLE AND RISK OF LOSS:
  - A. Documentation: Title to the Documentation shall pass to Agency when prepared; however, a copy may be retained by Contractor for its records and internal use. Contractor 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 Agency or for the performance of Work related to the Scope of Work described herein.
  
  - B. Material: Title to all Material, field or research equipment, and laboratory models, procured or fabricated under the Contract shall pass to Agency when procured or fabricated, and such title shall be free and clear of any and all

encumbrances. Contractor shall have risk of loss of any Material or Agency-owned equipment of which it has custody.

- C. Disposition: Contractor shall dispose of items to which Agency has title as directed in writing by the Project Manager and/or a designated Agency representative.

15. PROPRIETARY RIGHTS:

- A. Rights and Ownership: Agency'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 Contractor in the performance of the Work, shall be governed by the following provisions:

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

- B. No Additional Compensation: Nothing Set forth in this Contract shall be deemed to require payment by Agency to Contractor of any compensation specifically for the assignments and assurances required hereby, other than the payment of expenses as may be actually incurred by Contractor in complying with this Contract.

16. LIENS: Contractor represents 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.



Contractor shall pay all sums of money that become due for any labor, services, materials, or equipment furnished to Contractor on account of said services to be rendered or said materials to be furnished under this contract and that may be secured by any lien against the Agency. Contractor shall fully discharge each such lien at the time performance of the obligation secured matures and becomes due.

17. 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:

Agency: Warren T. Green  
Manager of Contracts Procurement and Facilities Services  
Inland Empire Utilities Agency  
P.O. Box 9020  
Chino Hills, California 91709

Contractor: Eddie Rocha or David Kraushaar  
Priority Building Services, LLC.  
521 Mercury Lane  
Brea, California 92821

Any notice given hereunder 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.

18. SUCCESSORS AND ASSIGNS: All of the terms, conditions and provisions of this Contract shall inure to the benefit of and be binding upon the Agency, the Contractor, and their respective successors and assigns. Notwithstanding the foregoing, no assignment of the duties or benefits of the Contractor under this Contract may be assigned, transferred or otherwise disposed of without the prior written consent of the Agency; and any such purported or attempted assignment, transfer or disposal without the prior written consent of the Agency shall be null, void and of no legal effect whatsoever.
19. PUBLIC RECORDS POLICY: Information made available to the Agency may be subject to the California Public Records Act (Government Code Section 6250 et seq.) The Agency's use and disclosure of its records are governed by this Act. The Agency shall use its best efforts to notify Contractor of any requests for disclosure of any documents pertaining to this work.

In the event of litigation concerning disclosure of information Contractor considers exempt from disclosure; (e.g., Trade Secret, Confidential, or Proprietary) Agency shall act as a stakeholder only, holding the information until otherwise ordered by a court or other legal process. If Agency is required to defend an action arising out of a Public Records Act request for any of the information Contractor has marked "Confidential," "Proprietary," or "Trade Secret," Contractor shall defend and indemnify Agency from all liability, damages, costs, and expenses, in any action or proceeding arising under the Public Records Act.

20. **RIGHT TO AUDIT:** The Agency reserves the right to review and/or audit all Contractor'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 Contractor. The Contractor shall make all records and related documentation available within three (3) working days after said records are requested by the Agency.
21. **INTEGRATION:** The Contract Documents represent the entire Contract of the Agency and the Contractor as to those matters contained herein. 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 agreement by the Agency and the Contractor.
22. **GOVERNING LAW:** This Contract is to be governed by and constructed in accordance with the laws of the State of California, County of San Bernardino.
23. **TERMINATION FOR CONVENIENCE:** The Agency reserves and has the right to immediately suspend, cancel or terminate this Contract at any time upon written notice to the Contractor. In the event of such termination, the Agency shall pay Contractor for all authorized and Contractor-invoiced services up to the date of such termination.
24. **FORCE MAJEURE:** Neither party shall hold the other responsible for the effects of acts occurring beyond their control; e.g., war, riots, strikes, natural disasters, etcetera.
25. **NOTICE TO PROCEED:** No services shall be performed or furnished 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 Contractor.

IN WITNESS WHEREOF, 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)*

**PRIORITY BUILDING SERVICES, LLC:**

\_\_\_\_\_  
 Warren T. Green  
 Manager of Contracts  
 and Facilities Services

\_\_\_\_\_  
 (Date)

\_\_\_\_\_  
 David Kraushaar  
 Sales Manager

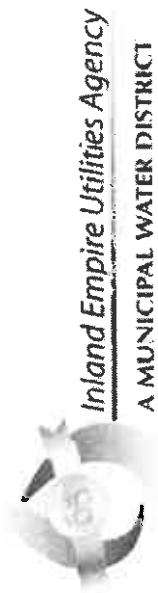
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 (Date)

**INFORMATION  
ITEM**

**4B**

# Engineering and Construction Management Project Updates

December 2015



Shaun Stone, P.E.  
Manager of Engineering

John Scherck,  
Acting Deputy Manager of Construction Management

# EN15008 - Water Quality Laboratory

- Engineering Consultant: The Austin Company
- Current contract: \$1.35 M
- Total project budget: \$21 M
- Scope of Work: Design and construction of new water quality laboratory
- Current Activities:
  - Laboratory – 85% design complete
  - Central Plant – 85% design review
  - Solar system investigation/evaluation
  - Control system coordination and interface
- Focus Points:
  - Site coordination/potholing (gas, power, water, control, etc.)
  - Construction cost estimate review/update
  - Pre-qualification of contractors ongoing
  - Coordinate State Labor Compliance requirements



Lab Rendering

# EN16049 – Conference Rooms

## Audio-Visual Upgrades

- Contractor: TBD
- Current Contract: N/A
- Total Project Budget: \$700 K
- Scope of Work:
  - Evaluate current and future AV needs
  - Develop functional specifications and cost estimates
  - Design and install 12 new AV systems
- Current Activities:
  - Request for proposals for functional specification
  - Pre-bid meeting for prospective consultants
- Focus Point:
  - Selection of technical consultant



Board Member Audio Visual



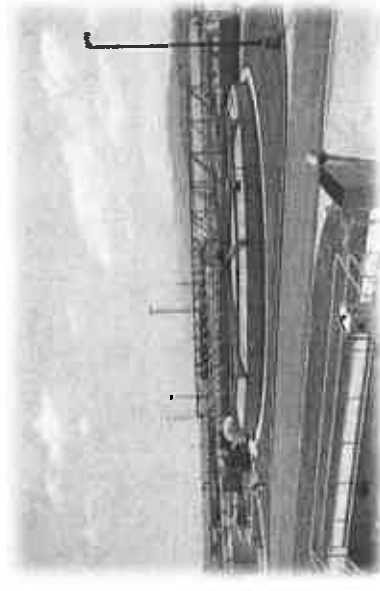
Event Center

# EN16025 & EN16028 RP-1 and RP-5 Expansion

- Engineering Consultant: TBD
- Total Project Budget: \$3M
- Scope of Work:
  - RP-5 Liquids Treatment Expansion includes:
    - Liquid treatment system alternatives
    - Advanced water treatment business case evaluation (BCE)
    - Methodology for Membrane Bioreactor System (MBR) BCE and selection
  - RP-1 Liquids & Solids Treatment Expansion includes:
    - Liquid treatment system alternatives
    - RP-1 solids treatment systems alternative technologies BCE
    - Project site layout and ultimate site layout

## Current Activities:

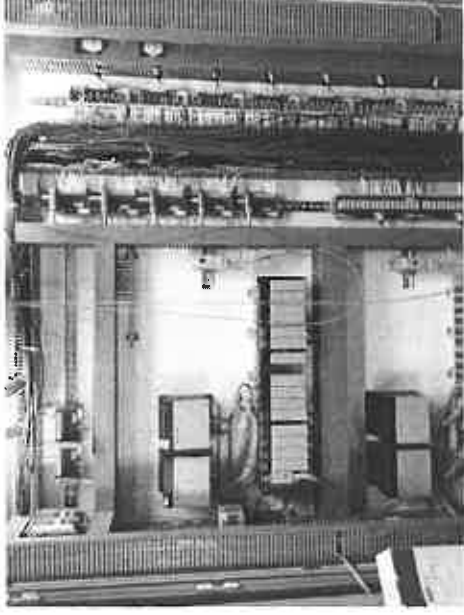
- Advertised RFP for PDR
- Proposal evaluation, interviews and contract negotiation
- Focus Point:
  - Consultant selection
  - Prepare PDR contract for Board award consideration



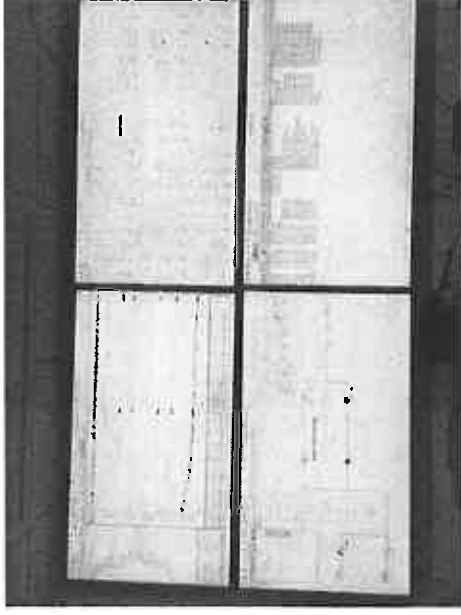
RP-5 Facility

# EN13016 – SCADA Enterprise System CCWRF

- Contractor: Technical Systems, Inc.
- Current Contract: \$2.5 M
- Total Project Budget: \$10.3 M
- Scope of Work: Migration of existing control system to modern SCADA system at CCWRF
- Current Activities:
  - Finalization of headworks transition
  - Pre-transition walkthroughs on remaining control panel locations
  - Proceeding with aeration transition
  - Finalization of control room screens
- Contract Completion: February 2016
- Percent Complete: 75%
- Focus Point:
  - Completed headworks transition



Headworks Control Panel



Control Room Screens



# EN08023.06 RP-1 Primary Clarifier 2015 Rehab Project

- Contractor: J.R. Filanc
- Current Contract Value: \$784 K
- Total Project Budget: \$6 M
- Scope of Work: Replace equipment in 4 clarifiers
- Current Activities:
  - Replacing steel return rails
- Contract Completion: January 2016
- Percent Complete: 85%
- Focus Points:
  - Testing clarifiers 1 & 3



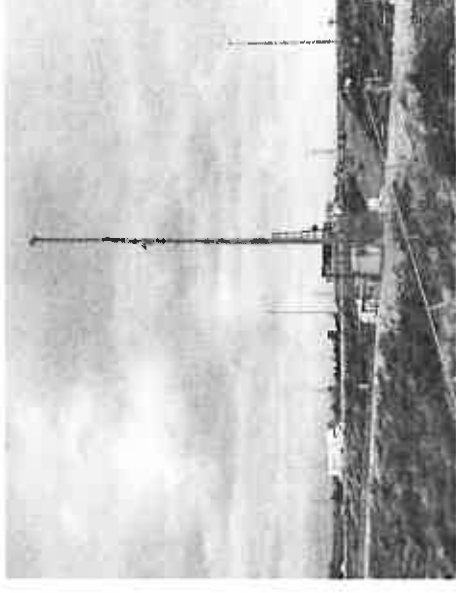
Clarifier Chain and Flight



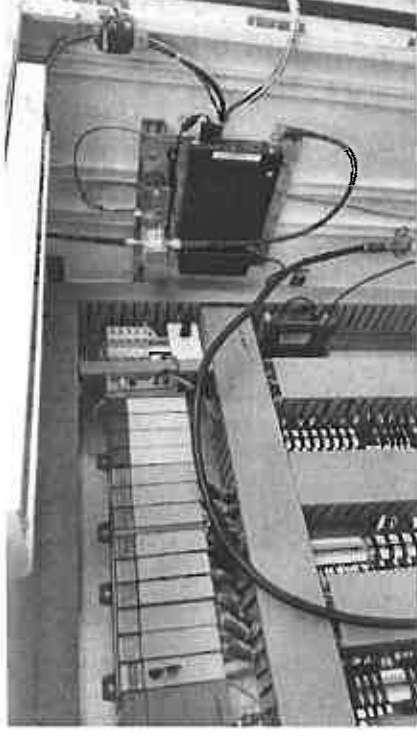
Clarifier Chain Tension Arm and Sprocket

# EN12019 GWR and RW Communication System Upgrades

- Contractor: Sun Wireless
- Current Contract Value: \$900 K
- Total Project Budget: \$1.6 M
- Scope of Work: Upgrade all existing radio and antenna for remote Agency sites
- Current Activities:
  - Transition from old to new system
- Contract Completion: December 2015
- Percent Complete: 90%
- Focus Points:
  - Final testing and commissioning



Victoria Basin Communication Tower



New Radio Installation @ Hickory Basin

**INFORMATION  
ITEM**

**4C**



Date: December 16, 2015

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (12/09/15)

From: *for* P. Joseph Grindstaff  
General Manager *WJG*

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

*JCh #882* Javier Chagoyen-Lazaro  
Manager of Finance and Accounting

Subject: Treasurer's Report of Financial Affairs

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### **RECOMMENDATION**

The Treasurer's Report of Financial Affairs for the month ended October 31, 2015, is an informational item for the Board of Director's review. The monthly report denotes investment transactions that have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2015-6-3).

### **BACKGROUND**

The Treasurer's Report of Financial Affairs for the month ended October 31, 2015, is submitted in a format consistent with State requirements.

Total cash, investments, and restricted deposits of \$140,928,716 reflect an increase of \$5,843,261 compared to the total reported for September 2015. The increase was mainly due to the receipt of SRF loan proceeds of approximately \$5 million for the Central Wineville Recycled Water project. As a result, the average days of cash on hand for the month ended October 31, 2015 increased from 173 days to 175 days. Average days of 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. New connection fees collected and held by member agencies is excluded from the calculation.

The Agency's investment portfolio average rate of return in October 2015 was 0.645%, a slight increase of 0.025% compared to the average yield of 0.620% reported in September 2015. The increase is attributed to a higher yield from the Local Agency Investment Fund (LAIF), which rose from 0.320% in September to 0.357% in October. This increase is significant as over 30% (\$24.9 million) of the Agency's unrestricted investment portfolio is currently held in LAIF.

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.

**PRIOR BOARD ACTION**

The Board reviewed the Financial Affairs Report for the month of September, 2015 on November 18, 2015.

**IMPACT ON BUDGET**

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

Attachment: October 2015 Treasurer's Report of Financial Affairs

# TREASURER'S REPORT OF FINANCIAL AFFAIRS

For the Month Ended October 31, 2015



All investment transactions have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2015-6-3) adopted by the Inland Empire Utilities Agency's Board of Directors during its regular meeting held on June 17, 2015.

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, 2015

	October	September
<b>Cash, Bank Deposits, and Bank Investment Accounts</b>	<b>\$1,835,211</b>	<b>\$2,389,109</b>
<b>Investments</b>		
CBB Repurchase (Sweep)	\$25,814,216	\$26,497,571
Local Agency Investment Fund (LAIF)	24,873,252	24,853,241
CallTrust	4,545,413	3,543,874
Certificates of Deposit	3,378,000	3,138,000
Municipal Bonds	1,000,069	1,002,216
Medium Term Notes	3,000,887	4,102,067
U.S. Treasury Notes	999,798	999,782
U.S. Government Sponsored Entities	16,999,714	15,000,750
<b>Total Investments</b>	<b>\$80,611,349</b>	<b>\$79,137,501</b>
<b>Total Cash and Investments Available to the Agency</b>	<b>\$82,446,560</b>	<b>\$81,526,610</b>
<b>Restricted Deposits</b>		
Debt Service Accounts	\$5,669,728	\$2,544,728
CCRA Deposits Held by Member Agencies	45,857,853	44,222,424
OPEB (CERBT) Account	6,954,575	6,791,693
<b>Total Restricted Deposits</b>	<b>\$58,482,156</b>	<b>\$53,558,845</b>
<b>Total Cash, Investments, and Restricted Deposits</b>	<b>\$140,928,716</b>	<b>\$135,085,455</b>

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

Month Ended  
October 31, 2015

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

Citizens Business Bank Demand Account (Offset by CBB Sweep Balance)	\$287,978
Citizens Business Bank Workers' Compensation Account	39,880
Bank of America Payroll Account	59,444
Bank of America Payroll Taxes Account	358,835
Subtotal Demand Deposits	\$746,137
<b>Other Cash and Bank Accounts</b>	<b>\$2,250</b>
Petty Cash	\$2,250
Subtotal Other Cash	\$1,051,757
<b>Bank of the West Money Market Account</b>	<b>\$35,067</b>
<b>US Bank Pre-Investment Money Market Account</b>	<b>\$1,835,211</b>
<i>Total Cash and Bank Accounts</i>	<i>\$25,814,216</i>

**Investments**

<b>CBB Repurchase (Sweep) Investments</b>	
Federal Home Loan	\$25,814,216
Subtotal CBB Repurchase (Sweep)	\$25,814,216
<b>Local Agency Investment Fund (LAIF)</b>	
LAIF Non-Restricted Fund	\$18,950,427
LAIF Insurance Sinking Fund	5,922,825
Subtotal Local Agency Investment Fund	\$24,873,252
<b>CalTrust</b>	<b>\$4,545,413</b>
Short Term	\$4,545,413
Subtotal CalTrust	3,378,000
<b>Certificates of Deposit</b>	<b>\$3,378,000</b>
Brokered Certificates of Deposit	\$3,378,000
Subtotal Certificates of Deposit	\$3,378,000



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

*Month Ended*  
*October 31, 2015*

**Investments Continued**

**Municipal Bonds**

State and Local Municipal Bonds  
 Subtotal State Municipal Bonds

\$1,000,069  
 \$1,000,069

**Medium Term Notes**

JP Morgan Securities  
 John Deere Capital Corp  
 JP Morgan Chase & Co.  
 Subtotal Medium Term Notes

1,000,162  
 1,001,619  
 999,106  
 \$3,000,887

**U.S. Treasury Notes**

Treasury Note  
 Subtotal U.S. Treasury Notes

\$999,798  
 \$999,798

**U.S. Government Sponsored Entities**

Fannie Mae Bank  
 Freddie Mac Bank  
 Federal Farm Credit Bank  
 Federal Home Loan Bank  
 Subtotal U.S. Government Sponsored Entities

\$5,999,464  
 3,001,234  
 3,000,000  
 4,999,016  
 \$16,999,714

***Total Investments***

\$80,611,349

**Restricted Deposits**

**Debt Service Reserves**

08A Debt Service Accounts  
 08B Debt Service Accounts  
 10A Debt Service Accounts  
 Subtotal Debt Service Reserves

\$3,125,000  
 \$2,544,710  
 18  
 \$5,669,728

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

Month Ended  
October 31, 2015

**CCRA Deposits Held by Member Agencies**

City of Chino	\$12,231,063
Cucamonga Valley Water District	7,882,245
City of Fontana	7,608,638
City of Montclair	2,558,155
City of Ontario	8,733,037
City of Chino Hills	3,388,015
City of Upland	<u>3,456,700</u>
Subtotal CCRA Deposits Held by Member Agencies	<u>\$45,857,853</u>

**CalPERS**

OPEB (CERBT) Account	<u>\$6,954,575</u>
Subtotal CalPERS Accounts	<u>\$6,954,575</u>

**Total Restricted Deposits**

	<u>\$58,482,156</u>
	<u><u>\$140,928,716</u></u>

**Total Cash, Investments, and Restricted Deposits as of October 31, 2015**

Total Cash, Investments, and Restricted Deposits as of 10/31/15	\$140,928,716
Less: Total Cash, Investments, and Restricted Deposits as of 9/30/15	<u>135,085,455</u>
<b>Total Monthly Increase (Decrease)</b>	<u><u>\$5,843,261</u></u>

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

Month Ended  
 October 31, 2015

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	October Amortization	October Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									
<b>Cash, Bank Deposits, and Bank Investment Accounts</b>													
Citizens Business Bank													
Demand Account*					\$287,978	\$287,978	N/A	N/A	\$287,978		0.30%	N/A	\$287,978
Subtotal CBB					\$287,978	\$287,978			\$287,978		0.30%		\$287,978
Workers' Compensation Account													
Subtotal CBB					\$39,880	\$39,880	N/A	N/A	\$39,880		N/A	N/A	\$39,880
Bank of America													
Payroll Checking					\$59,444	\$59,444	N/A	N/A	\$59,444		N/A	N/A	\$59,444
Payroll Tax Checking					358,835	358,835	N/A	N/A	358,835		N/A	N/A	358,835
Subtotal B of A					\$418,279	\$418,279			\$418,279		N/A		\$418,279
Bank of the West													
Money Market Plus - Business Account					\$1,051,757	\$1,051,757	N/A	N/A	\$1,051,757		0.18%	N/A	\$1,051,757
Subtotal Bank of the West Money Market					\$1,051,757	\$1,051,757			\$1,051,757		0.18%		\$1,051,757
US Bank													
Federated Automated MMA					\$35,067	\$35,067	N/A	N/A	\$35,067		0.01%	N/A	\$35,067
Subtotal USB Money Market					\$35,067	\$35,067			\$35,067		0.01%		\$35,067
Petty Cash					\$2,250	\$2,250	N/A	N/A	\$2,250		N/A	N/A	\$2,250
<b>Total Cash, Bank Deposits and Bank Investment Accounts</b>					<b>\$1,835,211</b>	<b>\$1,835,211</b>			<b>\$1,835,211</b>				<b>\$1,835,211</b>
<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>													
Federal Home Loan					\$25,814,216	\$25,814,216	N/A	N/A	\$25,814,216		0.30%	N/A	\$25,814,216
Subtotal CBB Repurchase Accounts					\$25,814,216	\$25,814,216			\$25,814,216		0.30%		\$25,814,216
<b>LAIF Accounts</b>													
Non-Restricted Funds					\$18,950,427	\$18,950,427	N/A	N/A	\$18,950,427		0.357%	N/A	\$18,950,427
LAIF Sinking Fund					5,922,825	5,922,825	N/A	N/A	5,922,825		0.357%	N/A	5,922,825
Subtotal LAIF Accounts					\$24,873,252	\$24,873,252			\$24,873,252		0.357%		\$24,873,252
<b>CALTRUST Accounts</b>													
Short-Term					\$4,545,413	\$4,545,413	N/A	N/A	\$4,545,413		0.49%	N/A	\$4,545,413
Subtotal CalTrust Accounts					\$4,545,413	\$4,545,413			\$4,545,413		0.49%		\$4,545,413

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

Month Ended  
 October 31, 2015

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	October Amortization	October Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									
<b>Investments (continued)</b>													
<b>Brokered Certificates of Deposit</b>													
Ally Bank	N/A				\$245,000	\$245,000	541		\$245,000	0.80%	0.80%	01/17/17	\$245,027
Capital One National Association	N/A				240,000	240,000	542		240,000	0.80%	0.80%	01/17/17	240,026
Compass Bank	N/A				245,000	245,000	542		245,000	0.85%	0.85%	01/17/17	245,027
Comenity Capital Bank	N/A				240,000	240,000	720		240,000	1.15%	1.15%	07/13/17	239,914
Discover Bank	N/A				240,000	240,000	722		240,000	1.15%	1.15%	07/17/17	239,844
Medallion Bank	N/A				240,000	240,000	722		240,000	1.20%	1.20%	07/17/17	239,844
Capital One Bank	N/A				240,000	240,000	901		240,000	1.35%	1.35%	01/16/18	239,909
Goldman Sachs Bank USA	N/A				240,000	240,000	901		240,000	1.40%	1.40%	01/16/18	240,480
BMW Bank of North America	N/A				240,000	240,000	900		240,000	1.40%	1.40%	01/17/18	240,473
American Express Bank	N/A				240,000	240,000	1081		240,000	1.70%	1.70%	07/16/18	239,719
American Express Centurion	N/A				240,000	240,000	1081		240,000	1.70%	1.70%	07/16/18	239,719
HSBC Bank USA, NA Step	N/A				244,000	244,000	1808		244,000	1.25%	1.25%	07/29/20	243,597
JPM Chase NA Step	N/A				244,000	244,000	1810		244,000	1.25%	1.25%	07/31/20	243,927
Synchrony Bank	N/A				240,000	240,000	1800		240,000	2.25%	2.25%	10/02/20	240,094
					\$3,376,000	\$3,376,000		\$0	\$3,376,000		1.471%		\$3,377,600
Subtotal Brokered CDs													
<b>U.S. Treasury Note</b>													
US Treasury Note	N/A	AAA			\$1,000,000	\$999,443		15	\$999,798	0.62%	0.64%	12/15/16	\$1,001,420
Subtotal Treasuries					\$1,000,000	\$999,443		\$15	\$999,798		0.64%		\$1,001,420
<b>U.S. Government Sponsored Entities</b>													
(As of August 2011, all US GSE's have been downgraded to AA+ Rating by S&P)													
Federal Home Loan Bank	AA+	AAA			\$2,000,000	\$2,000,000	355		\$2,000,000	0.39%	0.39%	06/20/16	\$1,999,300
Freddie Mac Bond	AA+	AAA			2,001,284	2,001,284	722	(64)	2,001,284	0.85%	0.81%	06/16/17	2,001,900
Federal Home Loan Bank	AA+	AAA			2,000,000	2,000,000	1,100		2,000,000	1.20%	1.20%	06/29/18	2,005,320
Fannie Mae Bond	N/A	AAA			2,000,000	2,000,000	1,459		2,000,000	1.51%	1.63%	12/28/18	2,013,740
Fannie Mae Bond	AA+	AAA			3,999,464	3,999,464	1,456	13	3,999,464	1.50%	1.50%	05/24/19	4,011,400
Federal Farm	AA+	AAA			2,000,000	2,000,000	1,460		2,000,000	1.51%	1.52%	06/24/19	2,011,840
Freddie Mac Bond	AA+	AAA			1,000,000	1,000,000	1,440		1,000,000	1.00%	3.69%	07/29/19	1,001,110
Federal Home Loan Bank	AA+	AAA			999,016	999,016	1,440		999,016	1.41%	1.43%	10/08/19	993,170
Federal Farm Credit Bank	AA+	AAA			1,000,000	1,000,000	1,440		1,000,000	1.43%	1.42%	10/21/19	993,360
					\$17,000,000	\$16,999,900		(\$51)	\$16,999,714		1.348%		\$17,031,140
Subtotal U.S. Gov't Sponsored Entities													
<b>Municipal Bonds</b>													
California State General Obligation Bond	A-	A1	A+	AA3	\$1,000,000	\$1,009,000	1,285	(\$2,147)	\$1,000,069	3.95%	1.35%	11/01/15	\$1,000,050
Subtotal State and Local Municipal Bonds					\$1,000,000	\$1,009,000		(\$2,147)	\$1,000,069		1.35%		\$1,000,050
<b>Medium Term Notes</b>													
JP Morgan Securities	A	A2			1,000,000	1,001,500	1,094	(43)	1,000,162	1.12%	1.07%	02/26/16	1,001,910
John Deere Capital Corp	A	A2			1,000,000	1,004,000	1,754	(71)	1,001,619	1.20%	1.11%	10/10/17	998,730
JP Morgan Chase & Co	A	A3			1,000,000	999,000	1,022	30	999,106	1.63%	1.66%	05/15/18	996,810
					\$3,000,000	\$3,004,500		(\$84)	\$3,000,887		1.28%		\$2,997,450
Subtotal Medium Term Notes													
<b>Total Investments</b>					<b>\$80,610,881</b>	<b>\$80,703,744</b>			<b>\$80,613,349</b>				<b>\$80,640,541</b>
Source of Investment Market Value: US Bank													

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

Month Ended  
 October 31, 2015

	Credit Rating @ Purchase		CHANGES IN Credit Rating	Par Amount	Cost Basis Amount	Term (Days)	October Amortization	October Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value	
	S&P	Moody's										S&P	Moody's
<b>Restricted Deposits</b>													
<b>Debt Service and Arbitrage Accounts</b>													
<b>08A Debt Service Accounts</b>													
US Bank Payment Fund				\$3,125,000	\$3,125,000	N/A	N/A	\$3,125,000	0.00%	0.00%	N/A	\$3,125,000	\$3,125,000
Subtotal '08A Debt Service Accts				\$3,125,000	\$3,125,000			\$3,125,000				\$3,125,000	\$3,125,000
<b>08B Debt Service Accounts</b>													
US Bank Debt Serv. Accounts				\$2,544,710	\$2,544,710	N/A	N/A	\$2,544,710	0.00%	0.00%	N/A	\$2,544,710	\$2,544,710
Subtotal '08B Debt Service Accts				\$2,544,710	\$2,544,710			\$2,544,710				\$2,544,710	\$2,544,710
<b>10A Debt Service Accounts</b>													
US Bank Debt Serv. Accounts				\$18	\$18	N/A	N/A	\$18	0.00%	0.00%	N/A	\$18	\$18
Subtotal '10A Debt Service Accts				\$18	\$18			\$18				\$18	\$18
<b>Total Debt Service Accounts</b>				<b>\$5,669,728</b>	<b>\$5,669,728</b>			<b>\$5,669,728</b>				<b>\$5,669,728</b>	<b>\$5,669,728</b>
<b>CCRA Deposits Held by Member Agencies</b>													
City of Chino				\$12,231,063	\$12,231,063	N/A	N/A	\$12,231,063	N/A	N/A	N/A	\$12,231,063	\$12,231,063
Cucamonga Valley Water District				7,882,245	7,882,245	N/A	N/A	7,882,245	N/A	N/A	N/A	7,882,245	7,882,245
City of Fontana				7,608,638	7,608,638	N/A	N/A	7,608,638	N/A	N/A	N/A	7,608,638	7,608,638
City of Montclair				2,558,155	2,558,155	N/A	N/A	2,558,155	N/A	N/A	N/A	2,558,155	2,558,155
City of Ontario				8,733,037	8,733,037	N/A	N/A	8,733,037	N/A	N/A	N/A	8,733,037	8,733,037
City of Chino Hills				3,388,015	3,388,015	N/A	N/A	3,388,015	N/A	N/A	N/A	3,388,015	3,388,015
City of Upland				3,456,700	3,456,700	N/A	N/A	3,456,700	N/A	N/A	N/A	3,456,700	3,456,700
Subtotal CCRA Deposits Held by Member Agencies				\$45,857,853	\$45,857,853			\$45,857,853				\$45,857,853	\$45,857,853
(Totals as reported through September 31, 2015)													
<b>CalPERS Deposits</b>													
OPEB (CERBT) Account				\$7,000,000	\$7,000,000	N/A	N/A	\$6,954,575	N/A	N/A	N/A	\$6,954,575	\$6,954,575
Subtotal CalPERS Deposits				\$7,000,000	\$7,000,000			\$6,954,575				\$6,954,575	\$6,954,575
<b>Escrow Deposits</b>													
Forestar/IEUA Holding Escrow (RP-1 Outfall)				\$0	\$0	N/A	N/A	\$0	N/A	N/A	N/A	\$0	\$0
GSE Construction				-	0	N/A	N/A	0	N/A	N/A	N/A	0	0
Subtotal Escrow Deposits				\$0	\$0			\$0				\$0	\$0
<b>Total Restricted Deposits</b>				<b>\$58,527,581</b>	<b>\$58,527,581</b>			<b>\$58,482,156</b>				<b>\$58,482,156</b>	<b>\$58,482,156</b>
<b>Total Cash, Investments, and Restricted Deposits as of October 31, 2015</b>				<b>\$140,973,673</b>	<b>\$141,066,535</b>			<b>\$140,928,716</b>				<b>\$140,928,716</b>	<b>\$140,957,908</b>

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

Month Ended  
 October 31, 2015

**October Purchases**

No.	Date	Transaction	Investment Security	Par Amount Purchased	Investment Yield
1	10/02/15	Purchased	Synchrony Bank Brokered CD	\$ 240,000	2.250%
2	10/08/15	Purchased	Federal Home Loan Bank Coupon Note	\$ 1,000,000	1.425%
3	10/21/15	Purchased	Federal Farm Credit Bank Coupon Note	\$ 1,000,000	1.420%
<b>Total Purchases</b>				<b>\$ 2,240,000</b>	

**October Investment Maturities, Calls & Sales**

No.	Date	Transaction	Investment Security	Par Amount Matured/Sold	Investment Yield to Maturity
1	10/05/15	Sold	New York Life Global Medium Term Not	\$ 1,000,000	1.300%
<b>Total Maturities, Calls &amp; Sales</b>				<b>\$ 1,000,000</b>	

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

Month Ended  
 October 31, 2015

<u>Directed Investment Category</u>	<u>Amount Invested</u>	<u>Yield</u>
CBB Repurchase (Sweep)	\$25,814,216	0.300%
Local Agency Investment Fund	24,873,252	0.357%
CallTrust	4,545,413	0.490%
Medium Term Notes	3,000,887	1.283%
Municipal Bonds	1,000,069	1.350%
US Treasury Notes	999,798	0.640%
U.S. Government Sponsored Entities	16,999,714	1.348%
	<b>\$77,233,349</b>	<b>0.616%</b>
<b>Bank Deposit and Investment Accounts</b>		
Citizens Business Bank - Demand Account	\$287,978	0.300%
Various Banks - Brokered Certificates of Deposit	3,378,000	1.470%
Bank of the West Money Market Account	1,051,757	0.180%
	<b>\$4,717,735</b>	<b>1.111%</b>

**Total Investment Portfolio**

**Investment Portfolio Rate of Return**

**\$81,951,084**

**0.645%**

**Restricted/Transitory/Other Demand Accounts**

<u>Restricted/Transitory/Other Demand Accounts</u>	<u>Amount Invested</u>	<u>Yield</u>
US Bank - 2008A Debt Service Accounts	3,125,000	0.000%
US Bank - 2008B Debt Service Accounts	\$2,544,710	0.000%
US Bank - 2010A Debt Service Accounts	18	0.000%
CCRA Deposits Held by Member Agencies	45,857,853	N/A
Citizens Business Bank - Workers' Compensation Account	39,880	N/A
US Bank - Pre-Investment Money Market Account	35,067	0.010%
CalPERS OPFB (CERBT) Account	6,954,575	N/A
Other Accounts*	420,529	N/A
	<b>\$58,977,632</b>	
<b>Total Other Accounts</b>		
<b>Average Yield of Other Accounts</b>		<b>0.000%</b>
<b>Total Agency Directed Deposits</b>	<b>\$140,928,716</b>	

\* Note: Bank of America Payroll Deposits used as compensating balances for bank services.

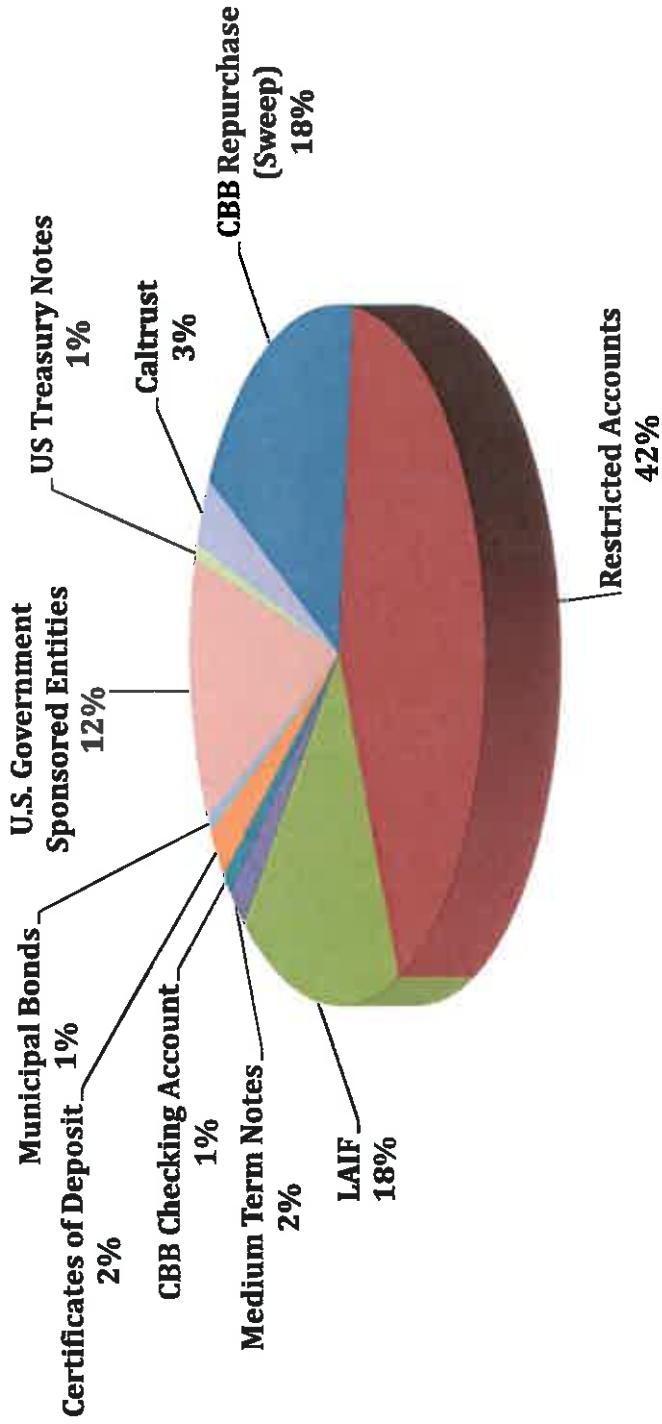
# ***Inland Empire Utilities Agency***

## **Treasurer's Report of Financial Affairs**

**For the Month Ended October 31, 2015**

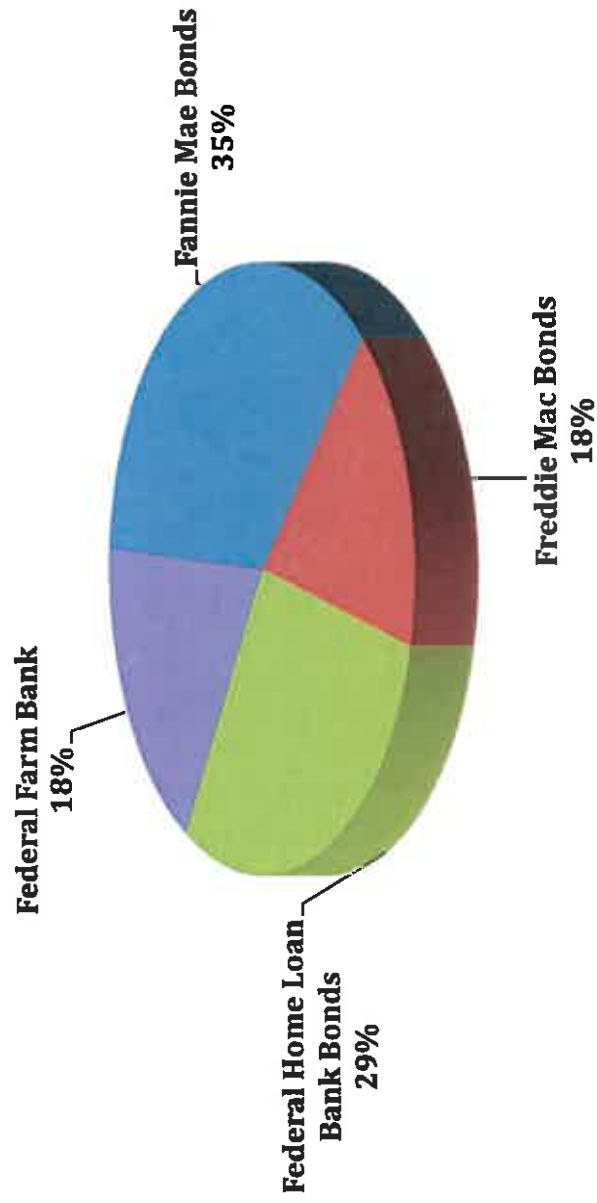
**Combined Agency Portfolio (net of escrow deposits)**

**\$140,928,716**





***Inland Empire Utilities Agency***  
**Treasurer's Report of Financial Affairs**  
**For the Month Ended October 31, 2015**  
**U.S. Government Sponsored Entities Portfolio**  
**\$16,999,714**



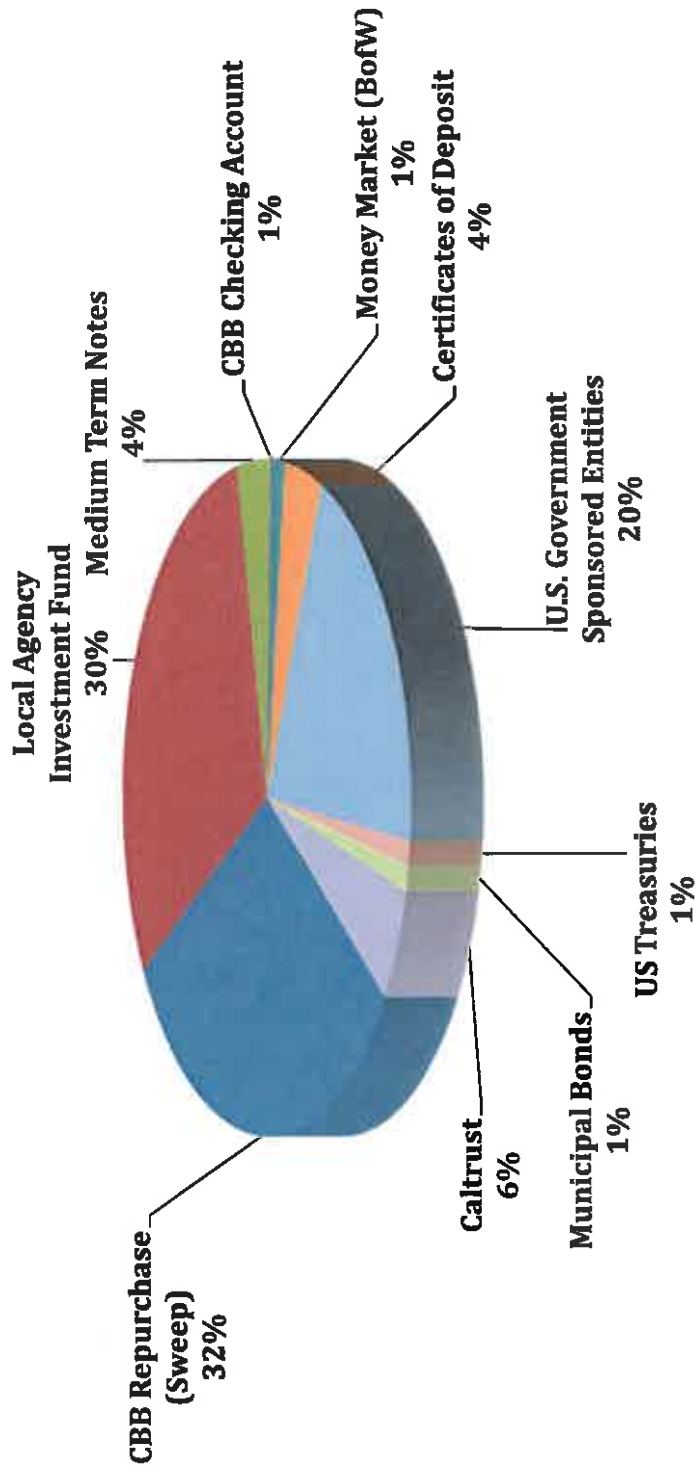
# Inland Empire Utilities Agency

## Treasurer's Report of Financial Affairs

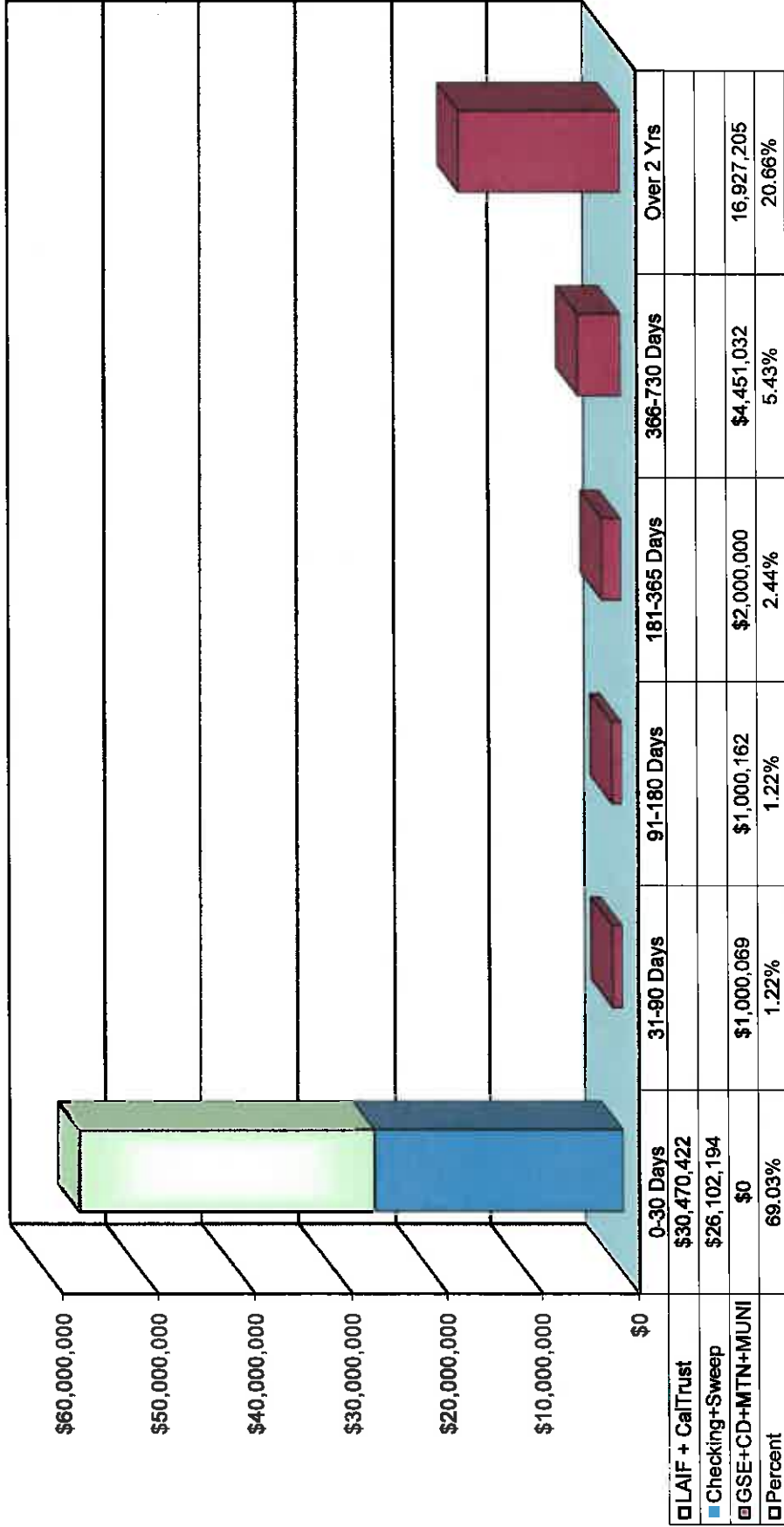
For the Month Ended October 31, 2015

Unrestricted Agency Investment Portfolio

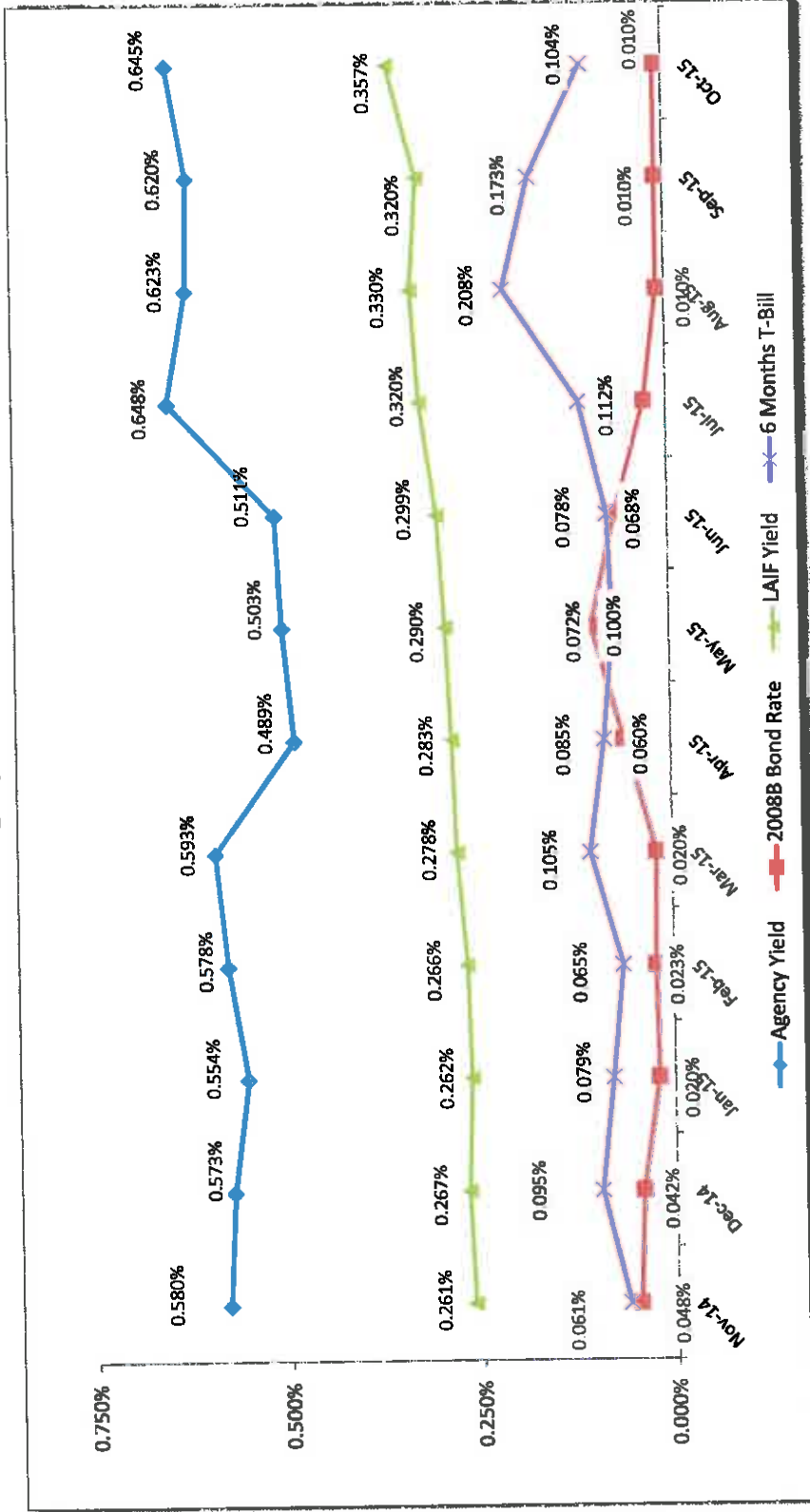
\$81,951,084



**Inland Empire Utilities Agency**  
**Treasurer's Report of Financial Affairs**  
 For the Month Ended October 31, 2015  
 Directed Investment Portfolio Maturity Distribution  
**\$81,951,084**



**Inland Empire Utilities Agency**  
**Treasurer's Report of Financial Affairs**  
 Demand Deposit Accounts  
 Agency Yield Comparison





# **Treasurer's Report of Financial Affairs for October 31, 2015**

**December 2015  
Board Meeting**

# Report of Financial Affairs

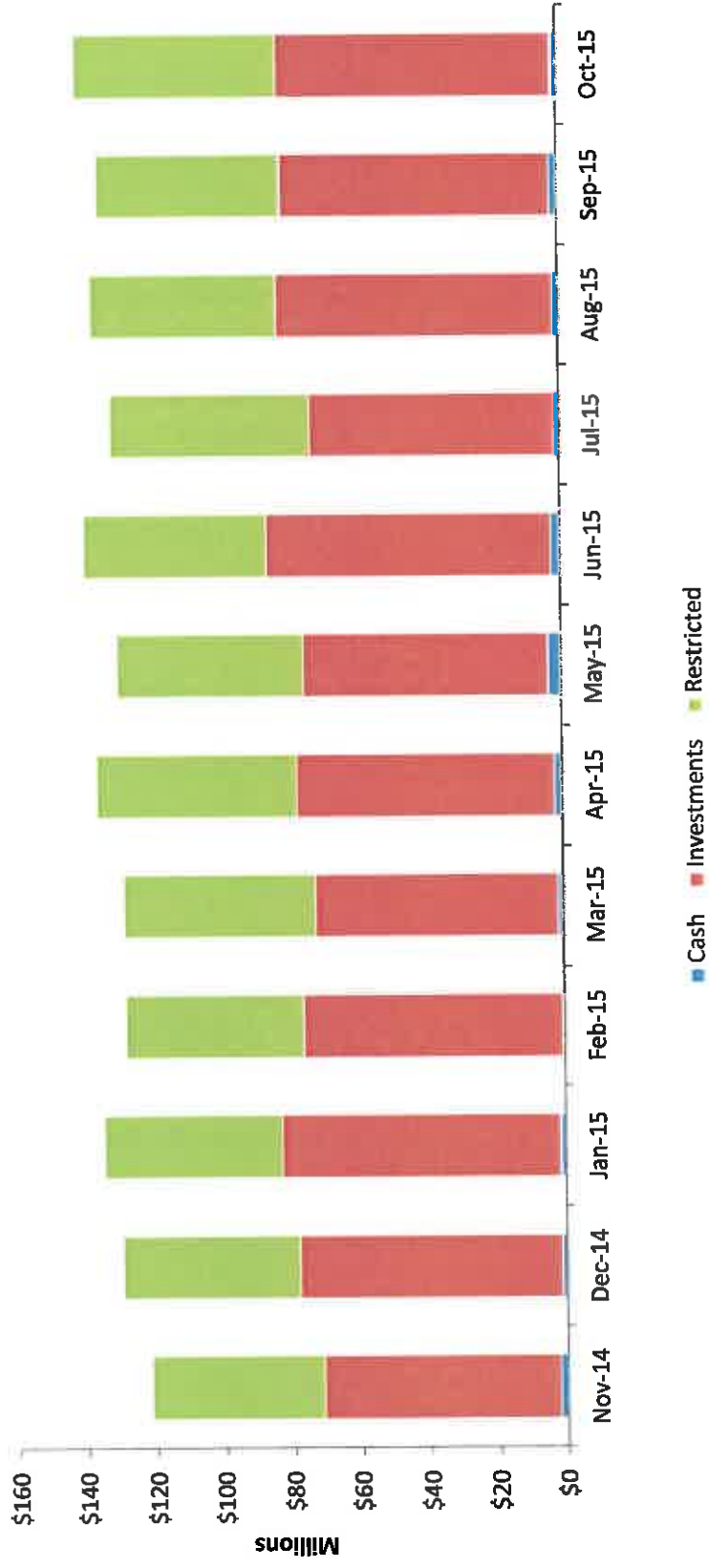
## Liquidity

Description	October 2015	September 2015	Increase (Decrease)
Total Cash, Investments, and Restricted Deposits	\$140.9M	\$135.1M	\$5.8M
Total Investment Portfolio	\$82.0M	\$80.1M	\$1.9M
Investment Portfolio Yield	0.645%	0.620%	0.025%
Average Days Cash on Hand	175 Days	173 Days	2 Days

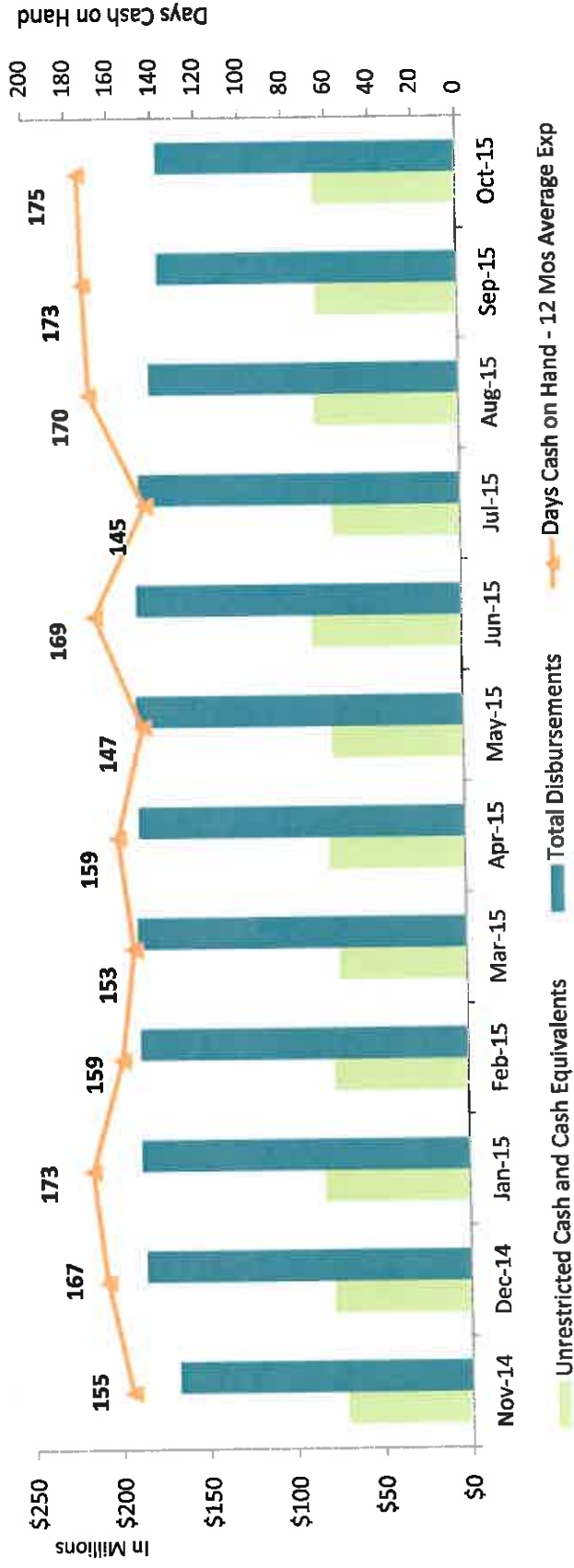
## Portfolio

Term	Description	Allowable Threshold	Investment Value (\$ million)	Yield	Current Portfolio %
<b>Short Term, Under 1 Year:</b>	LAIF	\$50M	\$24.8	0.36%	30%
	CalTrust	\$20M	\$4.5	0.49%	6%
	Citizens Business –Sweep	40%	\$25.8	0.30%	32%
	Bank of the West – MIMA	20%	\$1.1	0.18%	1%
	State and Local Municipal Bonds	10%	\$1.0	1.35%	1%
	Medium Term Notes	10%	\$1.0	1.07%	1%
	US Government Securities	n/a	\$2.0	0.38%	2%
	CBB Checking	40%	\$0.3	0.30%	1%
<b>1 to 3 Years:</b>	Brokered CDs	30%	\$2.7	1.23%	3%
	Medium Term Notes	10%	\$2.0	1.39%	2%
	US Treasury Note	n/a	\$1.0	0.64%	1%
	US Government Securities	n/a	\$4.0	1.01%	5%
<b>Over 3 Years:</b>	Brokered CDs	30%	\$0.7	2.36%	1%
	US Government Securities	n/a	\$11.0	1.65%	14%

# Cash, Investments and Restricted Deposits

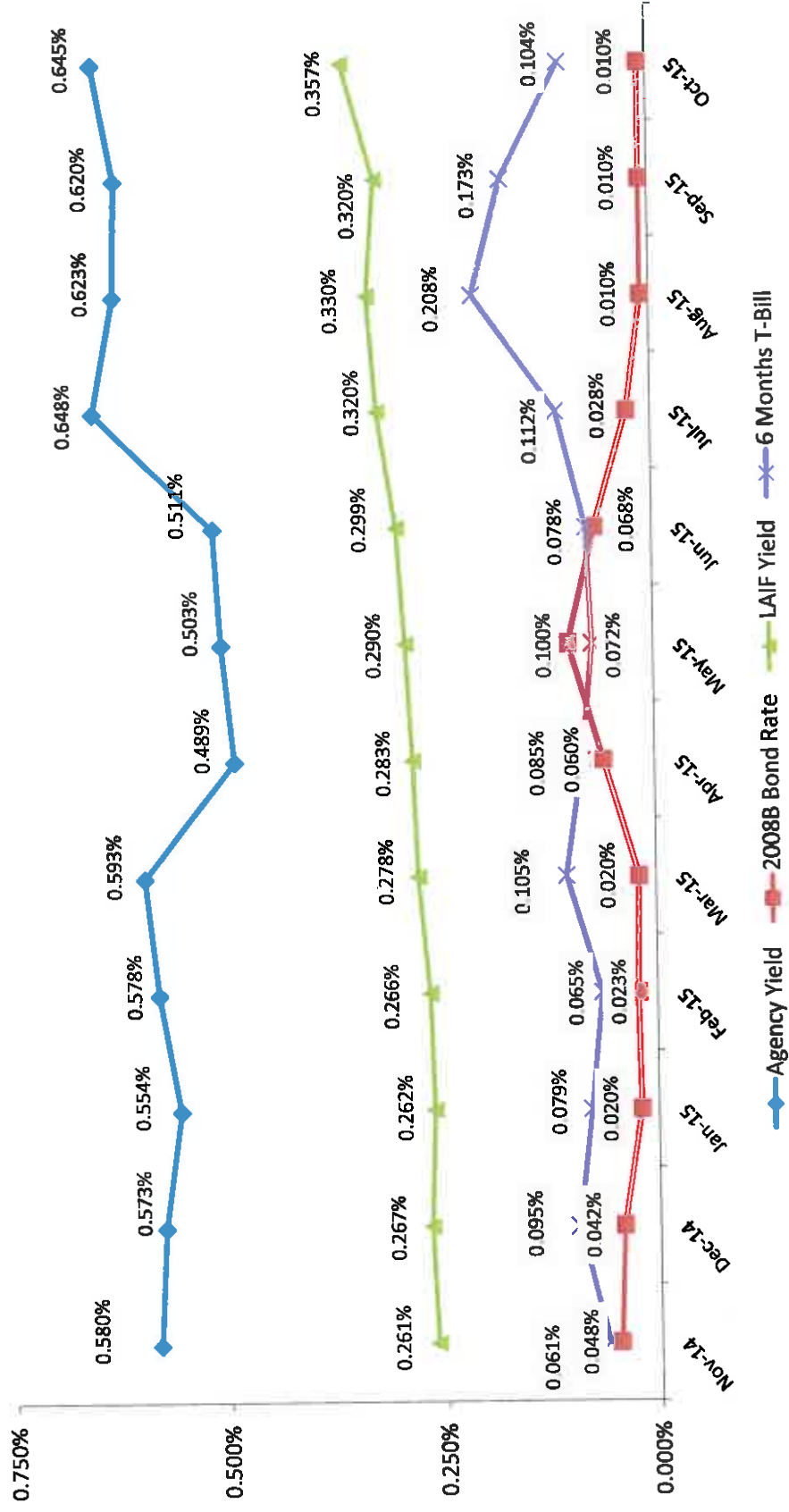


# Day Cash On Hand 12 Months Rolling Average





# Month End Portfolio Yield Comparison





**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

# Questions?

The treasurer's report of financial affairs is consistent with the Agency's business goal of fiscal responsibility

**INFORMATION  
ITEM**

**4D**

Date: December 16, 2015

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (12/9/15)

From: *for* P. Joseph Grindstaff *Joe*  
General Manager

Submitted by: *for* Kathy Besser *Kathy*  
Manager of External Affairs

Subject: Public Outreach and Communication

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### **RECOMMENDATION**

This is an informational item for the Board of Directors to receive and file.

### **BACKGROUND**

#### December

- December 16, Employee Holiday Luncheon, Los Serranos Country Club, 15656 Yorba Ave, Chino Hills, 11:00 a.m. – 3:00 p.m.

#### January

- January 14, Blood Drive, IEUA HQB Event Room, 10:00 a.m. – 2:00 p.m.

#### February

- February 25, Cypress Elementary GIES Dedication, 9751 Cypress Ave., Fontana, 5:00 p.m. – 6:30 p.m.

#### April

- April 20, IEUA Earth Day Event (Student Day), Chino Creek Park, 9:00 a.m. – 2:00 p.m.
- April 21, IEUA Earth Day Event (Community Day), Chino Creek Park, 4:00 p.m. – 7:00 p.m.
- April 22, Eagle Canyon Elementary GIES Dedication, 13435 Eagle Canyon Drive, Chino Hills, 11:30 a.m. – 1:00 p.m.

#### May

- May 5, Truman Middle School GIES Dedication, 16224 Mallory Drive, Fontana, 2:00 p.m. – 3:00 p.m.
- May 14-16, MWD Solar Cup Competition, Lake Skinner

- May 24, Cortez Elementary School GIES Dedication, 12750 Carissa Ave., Chino, 5:30 p.m. – 5:45 p.m.

#### Outreach/Education - Civic Publications Newspaper Campaign

- IEUA ran water softener rebate ads in the *Daily Bulletin* (11/26/15) and the *Fontana Herald News* (11/27/15).
- IEUA staff is working with Civic Publications to develop an email blast and display ads for outreach. The *Kick the Habit* campaign theme will be implemented within these outreach tools.

#### Media and Outreach

- IEUA staff is working with member agencies to distribute *Kick the Habit* mirror clings and vehicle magnets. To date, the city of Chino, city of Ontario and Fontana Water Company have requested vehicle magnets and clings. Internally, staff is working with Facilities Management on distribution and placement of vehicle magnets on all Agency vehicles.
- A *Kick the Habit* print advertisement ran in the *Chino Champion* on November 26, 2015.
- *Kick the Habit* bus advertisements began on October 5, 2015 and will run for six months. Mirror clings have been placed in restrooms at the Ontario Mills Mall for six months, and we are working with management at Victoria Gardens and the Chino Spectrum to do the mirror cling displays at these locations as well.

#### Education and Outreach Updates

- Water Discovery Program: 414 Girl Scout troop members, elementary, middle and high school students have taken part in the park field trip from July 1, 2015 through November 30, 2015. Twelve additional Water Discovery Field Trips for school year 2015/16 have been scheduled. The Water Discovery and Busing Mini-Grant funding was extended through December 2020 from the California Department of Parks and Recreation.
- Staff is currently working on scheduling principal meetings at the school districts within IEUA's service area to promote upcoming education programs and opportunities.
- IEUA staff is developing the FY 2014/15 Annual Report.
- Staff, in cooperation with member agencies, has recruited three teams for MWD's 2016 Solar Cup Competition to be held May 14-16, 2016. Final team names and contact information were submitted to MWD on October 1, 2015 for the 2016 program year: Chino High School (Chino), Chino Hills High School (Chino Hills) and Henry J. Kaiser High School (Fontana). Boat Building Workshops will be held at Three Valleys Municipal Water District on Saturday, November 7 and November 8, 2015.

#### PRIOR BOARD ACTION

None.

#### IMPACT ON BUDGET

The above-mentioned activities are budgeted in the FY 2015/16 Administrative Service Fund, External Affairs Services budget.

**INFORMATION  
ITEM**

**4E**

**MEMORANDUM**

**To:** Joe Grindstaff and Kathy Besser, IEUA

**From:** Letitia White, Jean Denton, and Drew Tatum

**Date:** November 30, 2015

**Re:** November Monthly Legislative Update

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***Appropriations Process Nearing Deadline amid Refugee Controversy***

The passage of the Bipartisan Budget Act of 2015 in early November set new topline spending numbers for FY16 and FY17, providing relief from sequestration for both defense and domestic spending programs. Even with a framework in place, Congress must still pass an appropriations package to fund government operations by December 11 when the current continuing resolution expires. Appropriations Subcommittee staff from the House and Senate have been working with their counterparts to work through as many policy and funding differences as possible. Before Thanksgiving, there were as many as 50 outstanding issues remaining to be resolved from some subcommittees. Many of those issues are policy riders, which many Democrats say are a non-starter for the omnibus appropriations bill. While some Democratic leaders are looking to avoid the inclusion of policy riders, Senate Minority Whip Dick Durbin (D-IL) recognized that at least some are likely to be included in the final package. He urged both Democrats and Republicans to put forth a list of desired riders in an effort to negotiate a final package. Policy riders that have had the most attention tend to fall into one of these categories: environment, foreign policy, labor, or finance.

Congress has given more scrutiny to President Obama's plan to bring up to 10,000 refugees from Syria and Iraq in the wake of the terrorist attacks in Paris, France. With many concerned that ISIS fighters may pose as refugees in order to come to the United States to carry out similar attacks, the House of Representatives passed a bill that would add additional security checks for Syrians and Iraqis hoping to enter the country. The President has promised to veto the legislation if it were to pass the Senate, but that did not stop 47 Democrats from supporting the legislation. Republicans hope that the large number of defections show they are on the winning side of the issue. Additionally, more than half of the country's governors oppose letting the refugees in their state, though the final say on this issue will come from the federal government. Since the Senate left for Thanksgiving without taking action on the bill, Speaker Paul Ryan (R-WI) said there is a possibility policy changes regarding refugees may be included in the omnibus package. Republicans view the funding bill as their best chance to force the White House to bend on this and a number of issues before the end of the year.

Lawmakers are also taking aim at Environmental Protection Agency (EPA) regulations. The Senate has already passed several resolutions of disapproval under the Congressional Review

## *Innovative Federal Strategies LLC*

Act (CRA) targeting EPA carbon, emissions, and water regulations. Senate Republicans have opted to use the CRA since the resolution only requires a simple majority vote and cannot be filibustered. The House is expected to take up at least two of those resolutions after returning from Thanksgiving. The CRA requires either the president to sign the resolution, or calls for Congress to override a veto. Without supermajorities in either chamber, there is little chance Republicans will be able to override a certain veto from President Obama. With stand-alone legislation gaining little traction, Republicans are looking to potentially include policy riders in a final omnibus package.

In addition to the items listed above, there are several other potential controversial policy riders being discussed. Those include items like tweaking financial rules under the Dodd-Frank Wall Street reform, delaying Labor Department Rules regarding fiduciary duty for financial advisors, and changing National Labor Relations Board policies related to union election rules. Additionally, Senate Majority Leader Mitch McConnell (R-KY) has indicated he would like to see campaign finance reform included in the final omnibus package that relates to the amount of money political parties can give to candidates.

Even though there are a number of outstanding issues, lawmakers tend to have little appetite for staying in Washington around the holidays. There is talk that it could take an additional week to iron out the final details and pass an omnibus package. Under this scenario, Congress could pass a week-long continuing resolution and then leave town by December 18—the original target adjournment date for the year.

### ***Lawmakers Continue Push for Long-Term Transportation Bill***

House and Senate Transportation conferees still have not come to an agreement on a multi-year transportation deal despite optimism from Senate Environment and Public Works Chairman Jim Inhofe (R-OK). Conferees met the week before Thanksgiving, and even though lawmakers left town for the holiday, negotiations on the multiyear highway and transit plan continued in earnest amongst staff during the break. House Transportation and Infrastructure Committee Chairman Bill Shuster (R-PA) told reporters before Thanksgiving that the conference committee has a very ambitious schedule, and that lawmakers plan to finalize and file a conference report by November 30. If the conference report is filed on November 30, it will likely go to the Rules Committee on the same day, setting up potential consideration later in the week. House Majority Leader Kevin McCarthy (R-CA) has already told his colleagues that there will likely be consideration of a transportation patch in the first week back from Thanksgiving. House and Senate members have been at odds over the length of the authorization. Senate leaders would like to have a shorter authorization (approximately 5 years) that is completely paid for with offsets, but Chairman Shuster continues to insist that the authorization should run for the 6-year period approved in the House bill. The current short term authorization expires on December 4, meaning lawmakers will either have to pass another short term measure or finalize and pass an agreement before Thursday, as there are no votes expected on Friday.

As lawmakers attempt to cross the finish line on the transportation bill, the Department of Transportation has released its annual report on the state of bridges in the country. According to the report, the number of “structurally deficient” bridges in the United States has steadily declined since 2005. Despite that steady decline, roughly 60,000 still need critical repairs.



## *Innovative Federal Strategies LLC*

Nationwide, 61,030 of 607,013 bridges were deemed structurally deficient as of last year, according to the Transportation Department's "State Transportation Statistics" report issued earlier this month. That is a drop from the 75,621 of 592,473 from the prior year. Classifying a bridge as structurally deficient does not mean it is on the verge of falling down, or that it's unsafe, but it can indicate that important components of the structure are in rough shape, typically requiring extra maintenance or repairs, and that heavy rehabilitation, or total replacement should be on the horizon.

Despite the drop in structurally deficient bridges, another classification is on the rise. "Functionally obsolete" bridges accounted for 13.7 percent of the bridges in the U.S., in 2014. That accounts for 83,399 of the nation's bridges. Simply put, the classification means that an overpass does not meet modern design standards. This could be for a variety of reasons, including changes the requirements for shoulder-widths. The Department of Transportation has given higher-priority to structurally deficient bridges than functionally obsolete bridges, as they are considered a more critical problem. Congress hopes to give the Department of Transportation more headroom to tackle the nation's crumbling infrastructure with the passage of a long-term transportation package. Though he remains optimistic, Transportation Secretary Anthony Foxx was hesitant to declare victory on the multi-year package before Thanksgiving saying there was still too much time for something to go wrong.

Even if Congress does buy time with an additional week-long extension, leaders from both parties in both chambers are determined to deliver a long-term bill before the end of the year. Negotiators had originally hoped to have a broad outline completed before now, but disagreements over rest rules for truckers and sorting through an additional \$78 billion in pay-fors has thus far delayed its announcement.

### ***Outlook for December***

Lawmakers hope to wrap up all legislative activity by December 11, but that may prove to be a tall order. There are several deadlines that lawmakers must meet in December, including passing a transportation bill by December 4, and appropriations package by December 11, and tax extender legislation before the end of the year if they hope to delay the start of the 2015 filing season. Other potential items up for consideration before Congress adjourns for the year are a rewrite of the Elementary and Secondary Education Authorization Act (No Child Left Behind) and resolutions challenging the Obama administration on environmental regulations.

Additionally, the Senate hopes to pass a reconciliation package that largely guts the Affordable Care Act and defunds Planned Parenthood for a year. The package is Senate Republicans best chance to send a bill to President Obama that takes aim at his signature healthcare law.

Democrats will be unable to filibuster the package, and final passage only requires a simple majority. Since the Senate will amend the House-passed package, it will require another vote in the House if it advances out of the Senate.

**INFORMATION  
ITEM**

**4F**



**November 25, 2015**

**To:** Inland Empire Utilities Agency

**From:** Michael Boccadoro  
President

**RE:** November Legislative Report

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**Overview:**

Final action on legislation was taken in October leaving November and December with no formal legislative activity. When members return in January, they will have until the end of the month to move any two-year holdover bills out of their house of origin.

During the legislative break, there has been significant efforts to advance reform of Proposition 218. A group of organizations including the Association of California Water Agencies (ACWA) is working on a Constitutional Amendment strategy that would leave Prop 218 in Article XIII of the California Constitution unchanged, but would create a separate, optional, rate-making process in Article X of the Constitution. This amendment would redefine the definition of sewer service to include stormwater and flood water, expressly authorize low-income rates and set up a separate process to establish tiered, or conservation-based rates. The coalition is working with stakeholders on the final language and trying to gain the support of the Governor. The group is expecting to soon file an initiative for the November 2016 ballot and is also planning a legislative push seeing placement on the ballot, which requires a two-thirds vote.

In the midst of the dozens of initiatives trying to get on the November 2016 ballot, there are two, in addition to Jerry Meral's eight water bonds discussed in the October report, that are particularly interesting to the water community. Board of Equalization Vice Chairman George Runner and Senator Bob Huff (R, Diamond Bar) have filed an initiative that would take the remaining \$8 billion of high-speed rail bond funds and allocate it to water storage projects. Additionally, the "No Blank Checks" initiative, which has already qualified for the ballot, was proposed by San Joaquin Valley farmer Dean Cortopassi would require voter approval for any revenue bond over \$2 billion. While this initiative does not specifically state its target is the twin tunnels, it is very clear through prior Cortopassi opinions and publications, that the tunnels are a primary target along with his general concern regarding debt financing.

There were several legislative hearings on water in November. The Senate Natural Resources and Water Committee convened a hearing titled "California's Water Challenges in the 21<sup>st</sup> Century: Assessing California's Chronically Under Funded Water Needs" and the Assembly Select Committee on Water Consumption and Alternative Sources hearing titled "Overview of Water Consumption and Alternative Sources in California." Both hearings were general overviews of the California Water system, policy initiatives that are working, infrastructure needs, and new policy areas to be focused on in the coming months and years. Panelists had varying opinions on California's most pressing needs and where funding is most crucial. Both committees expect to have further hearings to have a more comprehensive discussion about where to focus in the future.

The Public Policy Institute of California released a report titled “Allocating California’s Water: Directions for Reform.” They highlighted three areas for reform that need to be addressed including: streamlining water rights administration; establishing environmental water budgets; and facilitating regional water sharing. They note that the report does not address all of California’s water challenges, but looks to provide important foundations for more efficient, anticipatory, and effective water management.

## **Inland Empire Utilities Agency Status Report – November 2015**

### ***Proposition 218 Reform***

The conversation about reform of Proposition 218 increased significantly following the April appellate court ruling striking down San Juan Capistrano’s tiered water rate structure, and the Governor’s October message noting that Prop 218 is the biggest impediment to public water systems establishing low-income water rate assistance programs. The Governor further stated that Prop 218 is an obstacle to conservation pricing and stormwater improvements.

The Association of California Water Agencies (ACWA), the California League of Cities (League), and the California State Association of Counties (CSAC), are in the final stages of drafting a Constitutional Amendment to file with the Secretary of State for potential qualification for the November 2016 ballot. At the same time, they are working to get the amendment on the ballot through a legislative vote. It should be noted that ACWA’s board has not voted to authorize ACWA’s sponsorship at this time, but has authorized its Executive Director to continue participating in discussions and created a working group to seek input from ACWA members.

Their proposal would leave Article XIII of the California Constitution (the section that contains Prop 218) alone, and instead work within Article X. The proposal, would authorize, but not require, local agencies to utilize the alternate process. As currently proposed, the initiative would:

- Define “sewer service” to explicitly include the management of stormwater and flood water providing similar ratesetting processes as other water and sewer services.
- Explicitly authorize voluntary low-income rates.
- Establish a transparent procedural process to authorize new, conservation based or tiered rates.

An ACWA workgroup on the proposed reform met recently and gave participants opportunity to raise concerns about the proposal. The most significant concern is that participants want very explicit language prohibiting the State Water Resources Control Board, the Department of Water Resources, the Legislature, or any other body or official from conditioning any sort of State Revolving Fund, bond grants, or any other funding on an agency having conservation-based, or tiered rates in place. Additional language has been proposed to add these protections and ACWA

is considering the new language and whether or not to take it to the larger group with CSAC and the League.

ACWA is hoping to get the Constitutional Amendment on the ballot through the legislative process rather than having to rely on signature gathering to qualify. The coalition fully understands a commitment of support from the Governor is essential to passing a Constitutional Amendment through the Legislature, and are in constant contact with the Administration. It will be very challenging to pull together a two-thirds vote in an election year as many believe that it is unlikely all of the Democrats would be in favor of the amendment at this time, let-alone the handful of Republicans needed to achieve the super majority vote. Additionally, any legislative Constitutional Amendment must be completed by the early summer as the Secretary of State needs time to print ballots and mail them to overseas voters. This leaves a short window to get a measure passed.

To qualify via signatures, they will need close to 600,000 valid signatures (more than a regular ballot measure because it is a Constitutional Amendment).

West Coast Advisors is monitoring all workgroup discussions and will continue to work with IEUA staff to analyze draft language as it is released.

### ***Runner/Huff Initiative***

State Board of Equalization Vice Chairman George Runner and Senator Bob Huff (R, Diamond Bar) have submitted two ballot measures to the Secretary of State that would give the High-Speed Rail Authority another ten years to complete all the design, permitting, environmental review and other permits for the entire segment from Los Angeles to San Francisco with routes to San Diego and Sacramento. If the work is not completed the authority would be precluded from receiving any more bond funds.

The second measure would redirect \$8 billion from the voter-approved high-speed rail funds, and \$2.7 billion from the storage chapter of Proposition 1 and allocate it to the water projects, in order:

\$4.2 billion for Sites Reservoir and Temperance Flats

\$900 million for expansion of San Luis Reservoir and Shasta Dam

\$2 billion for groundwater storage

\$2.2 billion for modernizing existing groundwater and surface storage

\$1.7 billion for future local storage projects (only if there is leftover funding from the above funding priorities)

The measure has been submitted for title and summary and the proponents will next need to gather signatures to qualify for the crowded November 2016 ballot. It is unclear who is funding this proposal.

### ***Cortopassi Initiative***

San Joaquin Valley farmer Dean Cortopassi has qualified the "No Blank Checks" initiative for the November 2016 ballot. The initiative would require voter approval before any revenue bonds

over \$2 billion could be issued. He has already spent over \$3 million to get the measure qualified. Cortopassi has been very vocal in his opposition of state indebtedness in recent years and is seeking to impact not just the California WaterFix, but all large bond issuances.

While the initiative does not explicitly mention the tunnels project it is clear from Cortopassi's previous statements he wants to make sure any revenue bonds for the tunnels go before voters. However, the undefined use of the term "project" in the initiative could also pull in other types of large projects including the state university system and other large projects.

### ***Legislative Hearings***

The Senate Natural Resources and Water Committee and the Assembly Select Committee on Water Consumption and Alternative Sources both held hearings in November.

The Senate hearing titled "California's Water Challenges in the 21<sup>st</sup> Century: Assessing California's Chronically Under Funded Water Needs" was attended by Chair Fran Pavley (D, Agoura Hills) and Senator Lois Wolk (D, Davis). There was an overview of underfunded water needs by Lester Snow, Executive Director of the California Water Foundation and Ellen Hanak from the Public Policy Institute of California. Both gave a broad overview of the needs for California water infrastructure. Hanak specifically identified about \$3 billion in needs for safe drinking water systems in small rural systems, flood protection, stormwater management, aquatic ecosystem management and integrated water resources planning. She noted that California must go beyond bonds to address the "fiscal orphans" of California's water infrastructure. Her long-term funding options include a statewide surcharge on water, roads, chemicals and/or hydropower; developer fees; property assessments; and special, state or local taxes.

The second, and final, panel addressed specific underfunded needs. Laurel Firestone of the Community Water Center addressed safe and reliable drinking water needs. Kenneth Farfing from the City of Carson addressed stormwater management. Anthony Zampello from the Main San Gabriel Watermaster's office addressed groundwater recharge. Melinda Terry of the Central Valley Flood Control Association addressed flood protection. Xavier Arias from the American Society of Engineering addressed water infrastructure in general. Finally, Brian Stranko from the Nature Conservancy addressed restoration and stewardship.

All of the comments were fairly general and was mostly just a list of funding each stakeholder community wants and how the state can invest in each specific area of water management to help improve water quality, supply and reliability. Senator Pavley indicated that this hearing was just to hear about the issues and there would be more hearings in January to come up with actual solutions to these issues.

Assemblyman Richard Gordon's hearing was an "Overview of Water Consumption and Alternative Sources in California." His hearing was opened by a presentation from Dr. Elion Adar from Ben Gurion University in Israel. He gave a very interesting presentation on how Israel handles their water scarcity issues and offered some advice on how California could better take advantage of our drought by putting in place more comprehensive policies.

Jay Lund of the UC Davis Center for Watershed Sciences gave an overview of California water infrastructure, highlighting the weak points.

California Natural Resources Secretary John Laird stressed the importance of using a “portfolio-based” approach to water management in which water managers rely on a diverse set of programs such as recycling, storage, desalination, and conservation as a way to secure local supplies. Laird added that water managers at the local level have “shown a tremendous amount of innovation” in ensuring secure and reliable water supplies.

Ellen Hanak, director of the Water Policy Center at the Public Policy Institute of California, said the new normal of climate change has resulted in an increased level of public awareness on water conservation. Hanak added that a lot of innovation in water management is taking place on the local and regional levels, however, local water agencies have been “boxed...into a small space as far as (water) pricing” by existing fiscal restrictions.

California Department of Water Resources Director Mark Cowin highlighted the Brown Administration’s California Water Action Plan, which lays out a comprehensive blueprint for water management across the state in the coming years.

Other speakers included Noah Diffenbaugh from the Stanford Woods Institute, Jonathan Bishop from the State Water Resources Control Board, Buzz Thompson also from the Stanford Woods Institute and Peter Gleick from the Pacific Institute.

This hearing was also billed as an information gathering hearing and members in attendance engaged in very little dialogue with panelists.

### ***PPIC Report on Allocating California’s Water***

The Public Policy Institute of California (PPIC) recently released a report titled “Allocating California’s Water: Directions for Reform.” The report states that California’s system for allocating water prevents it from meeting the state’s diverse needs, especially in times of scarcity. They highlight that it is fragmented, inconsistent and lacking transparency and clear lines of authority. They target three sectors of the water allocation system identified as weak and needing reform and offer suggestions to:

- **Streamline water rights:** The state has an unusually complex seniority-based system of surface water rights, characterized by fragmented and unclear oversight authority. Bringing all surface water users under the State Water Board’s permitting system would enable more efficient and transparent real-time management of water, including water trading. They state it would also reduce uncertainty for all rights holders. Other reforms include clarifying rules on groundwater pumping in key at-risk groundwater basins and improving the state’s water accounting system.
- **Clarify allocation of water for environmental uses:** The drought has caused an environmental crisis for native fish and waterbirds, which was aggravated in some places by the relaxation of environmental standards to allow for an increase in water for cities and farms. The report proposes a process to support ecosystems and species. The state water board would assign an environmental water budget for each river and stream

system, and local water users would develop procedures to meet and potentially modify these requirements. The report also recommends that the state encourage environmental water trading and that water users pay into an ecosystem fund when they benefit from a relaxation in environmental standards.

- **Facilitate water trading:** The volume of trading barely increased during the two most recent droughts, despite especially high demand from water users facing shortages. Several steps can be taken to reduce barriers to trading—including reforming the state’s complex and often opaque set of trading rules, and improving information needed to make trades easier. Flexibility can also be improved by consolidating permitting so that agencies in the same region no longer need multiple layers of review by multiple agencies each time they want to share water. Specific types of temporary water transfers could be pre-authorized because they are unlikely to cause harm—for example, those below a specific size threshold. A water transfer clearinghouse could make information about transactions and trading opportunities publicly available.

### ***Legislation Update***

The Governor’s actions in October were the final legislative actions for 2015, barring any unexpected call into special session. Official action on legislation will begin when the members return to Sacramento in January. Quick action must be taken on “two-year” bills introduced in 2015 and still in their original house. The house of origin deadline for two-year bills is January 31. The Governor must submit his fiscal year 2016-17 budget to the Legislature by January 10.



**INFORMATION  
ITEM**

**4G**

# *Agricultural Resources*

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Washington, D.C. 20002-5811  
(202) 546-5115  
[agresources@erols.com](mailto:agresources@erols.com)

November 28, 2015

## Legislative Report

**TO:** Joe Grindstaff  
General Manager, Inland Empire Utility Agency

**FR:** David M. Weiman  
Agricultural Resources  
LEGISLATIVE REPRESENTATIVE, IEUA

**SU:** Legislative Report, November, 2015

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If October became the month of the unexpected (given the upheaval in the House), then November became the month of “*back-to-business*.” That only lasted until Paris (Europe’s 9/11). Congress was out the last ten days of month for the Thanksgiving break.

### Snapshot.

- The Ryan Speakership began with a return to “Regular Order” in the House. A long-delayed Highway bill was brought to the House Floor. Members were allowed to offer amendments (scores were considered). The process worked and the bill passed.
- A week later, post-Paris, the House rushed a bill to the Floor (no Members had seen, no hearings had been held) regarding Syrian refugees in the US. Highly contentious. The “Regular Order” standard was dropped creating confusion and resentment internally.
- As the House reconvenes in early December, “Regular Order” will be – internally within the House – an issue of significance.
- Overall, Ryan got high marks in his first month of the Speakership. Infighting was set-aside, at least for now. Ryan was comfortable in his new position – and it showed.

### Ways and Means Gavel – New Chair

- When Ryan became Speaker, as reported last month, he resigned as Chair, House Committee on Ways and Means.

- Rep. Brady of Texas was selected over a challenge by Rep. Pat Tiberi of Ohio.
- This gives Texas seven House Chairmanships. Power in the House has shifted from OH to TX.
- Brady instantly made it clear that “Tax Reform” was his highest priority and could well be considered in 2016.
- Legislatively, precisely what that means is still unclear. Piece-meal, partial or comprehensive tax reform – not known yet (and almost every industry is scrambling to find out).
- As reported last month, the Ways and Means Committee is important (as is the new chairmanship) to IEUA because of pending tax “reform” legislation that could (might) threaten to the deductibility of municipal bonds – the funding mechanism for local governments finance (for, in addition to water supply and waste water investments, airports, hospitals, schools, energy investments, highways – and every other kind of local infrastructure).
- The Municipal Bonds Coalition of America is watching this closely, given the new developments. As a result, the informal coalition is undertaking an effort to “beef up” its efforts.
- If you recall, a policy and legislative effort is underway to reduce tax RATES. In order to get down to tax rates of 25% personal and 25% corporate, hundreds (if not thousands) of tax code provisions would have to be eliminated – which includes a very real threat to the financial integrity of municipal bonds.

#### **House Rules – To Be Changed or Not (A Proxy for Control of the House)**

- Speaker Ryan, in response to the Freedom Caucus, established a review of House and R Caucus rules.
- To have such a review in the middle of a congressional session is most unusual.
- The first phase of that review is underway and a report to the House R Leadership is reportedly to be readied in December.

#### **Government Funding – Talk of Shut Down Again**

- Speaker Boehner, in one of his last acts as House Leader negotiated a short-term spending agreement with the House-Senate Leadership (D and R) and the Administration. As part of the agreement, all parties agreed to add \$80 billion in Federal Spending for the current fiscal year and the same bill also statutorily raised the debt limit (averting a financial default AND a government shutdown).

- Based on that agreement, a short-term Continuing Resolution (CR) was approved – that funded all Federal Departments and Agencies until December 11.
- A threatened government-wide shut-down was averted (for now).
- When Congress returns from the Thanksgiving break, the major issue to be addressed will be funding the Federal Government (enactment of the 12 annual funding bills).
- A number of highly contentious issues (Syrian refugees, Planned Parenthood, environmental riders) will be advanced setting the stage for another possible shutdown. And negotiating all this will be an early “test” of Ryan’s leadership.
- Washington is becoming weary of the constant stare-down and is weary of another possible shutdown.

**Water/Weather/Drought**

**Water/Drought – Senate Action on Boxer-Feinstein Drought Bill**

- Senate Energy Committee held a drought hearing in early October. The plan – proceed to a Committee markup in early November.
- Chairwoman Murkowski, at the October hearing, publicly urged all parties to work together.
- Murkowski also stated, numerous times, that this will NOT be a California-only bill, but it was the Committee’s preference to markup a “westwide” bill -- of which California would be a part.
- A westwide bill has yet to be introduced.
- Early November came and went without the anticipated markup.
- Senator Feinstein caused a near-panic telling the media that markup might take place just before the Thanksgiving break. Again, it didn’t happen.
- A group of Californians (H-S, R-D) are meeting on the drought bill, led by Senator Feinstein and Majority Leader Kevin McCarthy (R-CA), but reports from Members, House and Senate offices and Committees indicate that, to date, little or no progress has been made in these closed-door meetings.
- The Boxer-Feinstein bill proposed authorizing \$1.2 billion for recycling, desal and storage, but requires “offsets.” So far, based on reports to date, offsets have yet to be identified.
- Reports on what has been occurring are all over the map. From “a deal is imminent” to

“it will never happen” bookends this November report.

### **El Nino**

- The first effects of El Nino are now being felt.
- The same critical question remains – how far “up the map” with El Nino hit (i.e. does it extend to Northern California; and if so, does the precip come down as rain or snow?). Does California get any snow-pack from this storm system and if so, how much? The answer to those key questions not only impact 2016, but 2017 as well.
- Early indications suggest that the Sierras are/will get some snow (how much remains the unanswered question).

### **Unanticipated Drought-Related Federal Tax Issue**

- Last month, I reported on an “unintended tax penalty” resulting from the Governor’s Drought Orders.
- In short, grants received to remove laws from local utilities are considered taxable income. That such grants would be considered as taxable income were unanticipated. Compliance with the statewide order and receiving a grant to implement created a potential tax burden – which became known only after the fact.
- MWD has been in discussions with the Senate Finance Committee in an effort obtain a statutory fix eliminating such a tax. Senators Feinstein and Boxer have been told that to get the relief, an “offset” will be required.
- The search for a solution is presently underway.

### **IEUA Washington Trip Follow-Up**

- As previously reported, in October Director Steve Elie and an IEUA delegation came to Washington for meetings with the delegation, committees and the Interior Department.
- At the Interior Department and BuRec, IEUA requested reconsideration of a previous decision to reject a Title XVI IEUA-Cucamonga Valley Water District water recycling proposal.
- BuRec preliminarily signaled that they were unwilling to modify their position.
- IEUA is reviewing the entire authorization and the file on this matter.
- The objective is to submit additional justification to DOI and BuRec so that the authorization can be acted upon (and allow IEUA apply for grants).

### **Drought Status – CA and Rest of the West**

- ***Drought Conditions – California.*** The drought profile, for California, remains substantially the same as the last several months. At the close of November, all 58 counties were in drought. My monthly report, a month ago stated, “*according to the NOAA/USDA’s well-visited Drought Monitor web site, 100% of California remains in various levels of drought and the Monitor’s weekly update reported that more than 90% of the entire State was in severe, extreme or exceptional drought. This condition has remained static for months.*” Nothing’s changed.
- ***El Nino.*** Presumably, the drought map may begin to modify as El Nino storms mature.
- ***Drought Conditions – Rest of the West.*** The report from last month is all but identical. “*Coastal states (CA, OR, and WA plus NV) remain in severe drought with some relief in the northwest corner of Washington. Same with Idaho and western Montana. Drought is subsiding in UT and Arizona. The middle part of the West – Eastern Montana, Wyoming, Colorado, the Dakotas, Kansas, Nebraska and Oklahoma, most of NM and almost all of Texas are largely drought free at this time.*” Little has changed.

### **Looking Into December**

- December 11 is a key date – CR must be acted upon by that date.
- There may be a short-term extension to December 21-23 to act on the funding bills (unclear at this time).
- Other big ticket legislative issues – the highway bill, tax extenders are also pending.
- Ways and Means Chair – Ryan moved up to Speaker and Brady (R-TX) is now putting his own mark on the Committee.
- Ryan’s Speakership will be tested (shutdown or no shutdown).
- Drought legislation continues to be watched – markup timing remains uncertain.
- External factors, domestically and internationally, are impacting the political and legislative agenda (including Paris – France’s 9/11, the International Climate Conference in Paris, Colorado Springs, ISIS and Syria).
- December is the last month of the calendar year. A presidential election year is but 30 days away. The first voting – the Iowa Caucus, followed by the New Hampshire primary is almost here. It will impact everything here in Washington.

**INFORMATION  
ITEM**

**4H**



**CALIFORNIA STRATEGIES, LLC**

**Date:** November 30, 2015  
**To:** Inland Empire Utilities Agency  
**From:** John Withers, Jim Brulte  
**Re:** November Activity Report

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Listed below is the California Strategies, LLC monthly activity report. Please feel free to call us if you have any questions or would like to receive any more information on any of the items mentioned below.

- Met with IEUA Executive Management Team to review priority issues and to discuss activities for November that they wanted accomplished. Specifically discussed concept of Water Governance Committee.
- Participated in discussions with staffs of San Bernardino and IEUA to discuss coordination of County and District legislative and public policy issue agendas that Executive Staff wanted.
- Received the recently released LAFCO report and updated strategy and approach to MSR including references to LAFCO consultants and specific review of scopes of work
- Discussed County flood control and IEUA issues.
- Continue to monitor statewide water issues including the BDCP, water bond, and drought relief act activities.
- Outreach to Board Directors as needed on issues of interest
- Monitor Santa Ana Regional Board agenda and issues of interest to IEUA.
- Followed up with San Bernardino County per Mr. Grindstaff's request and reported back to him the results of the communication.



**INFORMATION  
ITEM**

**41**

**Federal Legislation of Significance**

Bill Number	Sponsor	Summary	Status
H.R.1314	Former Speaker John Boehner (amendment)	The bipartisan budget agreement suspends the debt ceiling through March of 2017, and provides \$40 billion in relief from the Budget Control Act caps for defense and domestic spending in Fiscal Years 2016 and 2017.	President Obama has signed the bipartisan agreement. It provides relief from sequestration in FY16 and FY17, providing additional funding for both defense and domestic spending priorities.
S.1894	Sen. Dianne Feinstein	Feinstein introduced legislation in the final days of the month to combat drought in California. Specifically for IEUA, it contains a title on recycled water. It also removed the requirement for Congress to authorize Title XVI projects.	<p>First Legislative Committee Hearing was held in early October. Staff from the Senate Energy and Natural Resources Committee and the House Natural Resources Committee are attempting to preconference a bill with compromise language between the Senate and House drought bills, but proposals are not being traded back and forth. Additionally, a compromise bill is expected to be West-wide, not just include California.</p> <p>With several "must pass" pieces of legislation on the floor before the end of the current session, there is growing concern that a markup may not be held this year. Lawmakers have had to find funding and offsets for several major pieces of legislation already this year, so coming up with an additional funding source would be a tall order in the final two weeks of session.</p> <p>Passed the House.</p>
H.R.2898	Rep. David Valadao	Western Drought Legislation introduced by California House Republicans that would ease environmental regulations provide for easier permitting for water storage projects.	<p>First Legislative Committee Hearing was held in early October. Staff from the Senate Energy and Natural Resources Committee and the House Natural Resources Committee are attempting to preconference a bill with compromise language between the Senate and House drought bills, but proposals are not being traded back and forth. Additionally, a compromise bill is expected to be West-wide, not just include California.</p> <p>With several "must pass" pieces of legislation on the floor before the end of the current session, there is growing concern that a markup may not be held this year. Lawmakers have had to find funding and offsets for several major pieces of legislation already this year, so coming up with an additional funding source would be a tall order in the final two weeks of session.</p>

S.1140	Senator John Barrasso	Requires the Secretary of the Army and the Administrator of the Environmental Protection Agency to propose a regulation revising the definition of the term "waters of the United States".	The Senate considered the legislation during the first week of the month, but it was blocked by a Democratic filibuster. Republicans instead introduced and passed a resolution of disapproval under the Congressional Review Act (CRA) that only required a simple majority to pass. The House may take up the resolution before the current session ends, but it will certainly be vetoed by President Obama.  Republicans are pushing for a policy rider in the omnibus appropriations package expected to be passed before December 11.
H.R.1732	Rep. Bill Shuster	Requires the Secretary of the Army and the Administrator of the Environmental Protection Agency to withdraw their existing proposed rule regarding the waters of the United States and propose a new rule with additional stakeholder feedback.	This bill has passed the House. The Senate is currently considering their own version (mentioned above).
H.R. 2028 / S. _____	House and Senate Appropriations Committees	Energy and Water Appropriations Bills for FY16. The Senate bill contains an additional \$50 million for "Western Drought Relief" like last year's bill. That money was used primarily for recycled water projects.	Both the House and Senate Committees have cleared their annual appropriations bills, but only the House has passed its version. With the CR set to expire on December 11 <sup>th</sup> , Congress will have to pass either full-year funding bills or another continuing resolution. We are watching for a two year deal to develop that could increase the budget caps, and therefore potentially made additional funding available for drought mitigation projects.
n/a	Possible Omnibus Appropriations Package	Monitoring the potential development of an omnibus appropriations package that would use the "new" budget numbers with additional funding negotiated in the bipartisan budget agreement.	Staff from the House and Senate Appropriations Committees have already started to meet to discuss creating an omnibus package. While we expect work will take place at the committee level this month—including distributing the subcommittee allocations—we anticipate that Congress will wait until early December to move an omnibus package. The current continuing resolution expires on December 11

**INFORMATION  
ITEM**

**4K**



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Date: December 16, 2015

To: The Honorable Board of Directors

Through: Finance and Administration Committee (12/9/15)

From: *for* P. Joseph Grindstaff *OW*  
General Manager

Submitted By: *OW* Christina Valencia  
Chief Financial Officer/Assistant General Manager

*JLH #982* Javier Chagoyen-Lazaro  
Manager of Finance and Accounting

Subject: Inland Empire Regional Composting Authority (IERCA) Fiscal Year (FY)  
2014/15 Annual Financial Report

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### **RECOMMENDATION**

This is an informational item for the Board of Directors to receive and file.

### **BACKGROUND**

The financial statements for the IERCA for FY ended June 30, 2015, were prepared in conformity with Accounting Principles generally accepted in the United States of America (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). The Authority's independent audit firm, White Nelson Diehl Evans LLP (WNDE), performed the annual financial audit. WNDE issued an unqualified opinion over the financial statements for the FY ended June 30, 2015, indicating that the financial statements are presented fairly and in accordance with GAAP.

### **FY 2014/15 Financial Highlights**

IERCA continued to operate at full capacity. Total revenue in FY 2014/15 reflects a slight increase to \$8.5 million from \$8.3 million as reported in the prior FY. The change was largely due to a tipping fee increase from \$52 to \$54 per wet ton of biosolids. Compost sales revenues remain stable thanks to the transition towards agricultural markets due to the loss of a major customer a few years ago.

The IERCF Process Improvements Project was commissioned in May 2015. The capital construction project upgraded the facility's amendment hoppers and material conveyance system. The system improvements enabled the facility to modify operations to reduce operating hours which may have a significant cost savings benefit. Cost benefits will be monitored during the next FY.

Total expenses reported a significant increase of \$1.8 million from last fiscal year to \$10.2 million. The primary drivers for the increase included: 1) Biofilter media replacement, 2) higher transportation costs to deliver compost to agricultural users, and 3) other expenses that include, conveyor parts and supplies, and the loss on the replacement of two wheel loaders.

The total ending net position decreased by \$1.7 million to \$91.3 million as of June 30, 2015, of which approximately \$88.5 million has been invested in capital assets. The remaining \$2.8 million is working capital designated to support operating contingencies, biofilter replacement, self-insurance liability costs, and capital replacement and construction investment.

#### **PRIOR BOARD ACTION**

On June 18, 2015, the Board of Directors approved the IERCA FY 2014/15 budget.

#### **IMPACT ON BUDGET**

None.



INLAND EMPIRE REGIONAL

**COMPOSTING**  
A U T H O R I T Y

**ANNUAL FINANCIAL REPORT FOR THE  
FISCAL YEAR ENDED JUNE 30, 2015**

**DECEMBER 16, 2015**



## FY 2014/15 Highlights



- Increased tipping fees to \$54/ton.
- Operating expenses increased \$1.4 million, combination of biofilter media and higher transportation cost.
- Non operating expenses include loss on disposal of two wheelers.
- Capital projects expenses in the period, \$3.2 million, to complete IERCA process improvements.





# FY 2014/15 Statement of Revenue, Expense, and Change in Net Position



	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Change %
<b>(\$ Millions)</b>			
Total Revenue	\$8.5	\$8.3	2.4%
Total Expenses	(10.2)	(8.4)	21.4%
Net Profit (Loss)	(\$1.7)	(\$0.1)	1600%
Beginning Net Position, July 1	\$93.0	\$93.1	0.1%
Ending Net Position, June 30	\$91.3	\$93.0	(1.8%)



# FY 2014/15 Statement of Net Position

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Change %
<b>Assets</b>			
Current Assets	\$4.1	\$7.3	(43.8%)
Restricted Assets	.170	.085	100%
Net Capital & Intangible Assets	88.5	87.5	1.1%
<b>Total Assets</b>	<b>\$92.7</b>	<b>\$94.9</b>	<b>(2.3%)</b>
<b>Liabilities</b>			
Current Liabilities	\$1.3	\$1.8	(27.7%)
Restricted Liabilities	.170	.085	100%
<b>Total Liabilities</b>	<b>\$1.5</b>	<b>\$1.9</b>	<b>(21.1%)</b>
Invested in Capital Assets	\$88.5	\$87.5	1.1%
Unrestricted	2.8	5.5	(49.1%)
<b>Total Net Position</b>	<b>\$91.3</b>	<b>\$93.0</b>	<b>(1.8%)</b>



INLAND EMPIRE REGIONAL

**COMPOSTING**  
A U T H O R I T Y



# QUESTIONS?

**INFORMATION  
ITEM**

**4J**



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Date: December 16, 2015

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (12/9/15)

From: *h* P. Joseph Grindstaff *WJ*  
General Manager

Submitted by: Christina Valencia *WJ*  
Chief Financial Officer/Assistant General Manager (CFO/AGM)

Subject: Participation in the California Asset Management Program (CAMP)

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### **RECOMMENDATION**

This item is an informational item submitted for the Board of Directors to consider the Agency's participation in CAMP.

### **BACKGROUND**

The Board of Trustees (BOT) for the CAMP is seeking a replacement for a retiring Board member. The BOT is comprised of local government finance directors and treasurers. In order to maintain the Board's public sector diversity and regional diversity, they prefer a candidate from a special district in Southern California. CAMP extended an invitation to the Agency's CFO/AGM to interview for the position.

CAMP, a Joint Powers Authority (JPA), was established in 1989, by Monterey Peninsula Water Management District and Placer County. The JPA formed the California Asset Management Trust (Trust) to meet local government investment needs. Initially the Trusts' focus was on the investment of proceeds from tax-exempt bonds and compliance with related arbitrage regulations. The Trust was later modified to also provide investment of operating and capital reserves. IEUA invested bond proceeds in CAMP between 2009 and 2012.

The Trust's Cash Reserve Portfolio (Pool) is a short-term money market portfolio, with 125 active shareholders and total assets of \$1.6 billion as of June 30, 2015. The PFM Asset Management LLC (PFM) provides day-to-day portfolio management and program administrative services. PFM specializes in providing investment management services to public agencies. Currently, PFM manages over \$12.1 billion for California public agencies; \$1.1 billion of which are water and wastewater districts.

Provided the IEUA Board desires to pursue this opportunity, and the Agency's CFO/AGM is appointed to the Board of Trustees, the Agency will need to join the Trust and invest in the Pool. Similar to the State's Local Agency Investment Fund (LAIF) and CalTrust, all expenses of the Trust are deducted from the Pool's yield. There are no out-of-pocket expenses for money invested in the Trust. All travel and miscellaneous costs incurred by the board members are covered by the Trust.

CAMP is a long-established, very safe short-term investment alternative. In addition to providing the Agency with another investment tool, as a member of the CAMP Board, the Agency will highly benefit from PFM's investment strategies and comprehensive market analysis which can help guide management of the Agency's investment portfolio.

A directory of the BOT and top ten shareholders is provided Appendix A.

**PRIOR BOARD ACTION**

None.

**IMPACT ON BUDGET**

None

Attachment: Appendix A

**APPENDIX A**

**Table 1: CAMP Board of Trustees**

<b>Steve Dial, President</b> Deputy Executive Director/CFO San Joaquin Council of Governments	<b>Paul S. Gibson, Vice President</b> Director of Finance and City Treasurer City of Palm Desert
<b>Wayne Hammar, Treasurer</b> Treasurer-Tax Collector Siskiyou County	<b>Karen Adams, CPA</b> Treasurer-Tax Collector Merced County
<b>Andre Douzjian</b> Director of Finance San Diego Association of Governments	<b>Eldon Boone, CPA</b> Assistant General Manager/Treasurer Vista Irrigation District
<b>Duan Wolterstorff, CPA</b> Manager of Fiscal Support Services Modesto City Schools	

**Table 2: CAMP Top 10 Shareholders**

<b>Agency</b>	<b>Share Balance</b>
Sonoma County*	\$310,667,000
San Bernardino County	\$130,000,000
East Bay Regional Park District*	\$112,908,000
Alameda County	\$100,033,000
San Bernardino County Transportation Authority*	\$90,321,000
San Diego County Regional Transportation Authority*	\$89,267,000
Modesto Public Finance Authority*	\$86,691,000
Yuba County*	\$56,404,000
Monterey County	\$55,679,000
Yolo County*	\$50,650,000

*\*Denotes participant who has joined the Trust and has voting rights.*

**INFORMATION  
ITEM**

**4L**



Date: December 16, 2015

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (12/9/15)

From: *for* P. Joseph Grindstaff  
General Manager *PG*

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

*JL*  
*#882* Javier Chagoyen-Lazaro  
Manager of Finance and Accounting

Subject: First Quarter Budget Variance Report for Fiscal Year (FY) 2015/16

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### **RECOMMENDATION**

This is an informational item for the Board of Directors to receive and file.

### **BACKGROUND**

The Budget Variance Report presents the Agency's financial performance through the first quarter ending September 30, 2015. Exhibit A provides a comparison of actual revenues and expenses against the current FY 2015/16 amended budget including a discussion of major categories with the most significant variances. Exhibit B provides a progress status of division and department goals and objectives as established in the FY 2015/16 adopted budget. Exhibit C-1 presents a summary of Operations and Maintenance (O&M) budget transfers approved by management during the second quarter, Exhibit C-2 presents a summary of the General Manager (GM) contingency account activity, and Exhibit D lists Board approved budget amendments and management approved budget transfers for capital and O&M projects. Attachment A provides a FY 2015/16 financial overview of each of the Agency's programs.

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

Overall, the Agency received total revenues and other funding sources during the first quarter of FY 2015/16 of \$31.9 million, or 14.3% of the amended budget (Exhibit A detail). The following section highlights key variances:

- **User Charges** – User charges were \$16.1 million or 24.0% of amended budget. This category includes \$11.8 million from Equivalent Dwelling Unit (EDU) volumetric, \$2.9 million for non-reclaimable wastewater fees, \$1.2 million for water meter service charges, and \$0.2 million for imported potable water surcharge and other fees. Current EDU volumetric growth of 1.6% when compared to the first quarter in the prior fiscal year.
- **Recycled Water Sales** – Recycled water sales at the end of the first quarter were \$3.2 million, or 26.4% of amended budget. Direct sales were \$2.4 million or 8,067 acre feet (AF) and groundwater recharge sales were \$0.8 million or 2,602 AF. Total year to date deliveries of 10,729 AF compared to the 35,150 AF projected for the fiscal year accounts for the favorable variance. A wet winter season may impact future deliveries due to reduced demand for recycled water and limit the recharge deliveries to groundwater basins.
- **MWD Imported Water Sales** – Total MWD pass-through imported water revenue was \$5.6 million or 13.4% of amended budget. The low imported water sales can be attributed to MWD water supply allocation plan in response to the ongoing drought conditions. A total of 9,493 AF of pass through water was delivered for the first quarter compared to 50,000 AF budgeted for FY 2015/16.
- **MWD LPP Rebate** – Direct recycled water sales in excess of 3,500 AF and up to 17,000 AF are eligible for the Metropolitan Water District (MWD) Local Project Program (LPP) rebate at a rate of \$154/AF, for a maximum amount of \$2.1 million per fiscal year. A total of \$0.7 million or 34.3% of budget, a total of 4,628 AF was applied for in the first quarter.
- **Cost Reimbursements** – Total cost reimbursements were \$1.6 million or 28.9% of the amended budget. Reimbursements include \$0.9 million from the Inland Empire Regional Composting Authority (IERCA), \$0.3 million from Chino Basin Desalter Authority (CDA), and \$0.4 million from Chino Basin Watermaster (CBWM). Annual budgeted receipts are \$5.5 million.
- **Connection Fees** – Total connection fee receipts reported through the first quarter were \$3.7 million or 16.1% of the annual budget. A total of 736 new EDU connections were reported through September, a total of 4,330 new EDU connections is budgeted for this fiscal year.
- **Property Taxes** – General ad-valorem property tax receipts from the San Bernardino County Tax Assessor will begin in November 2015 as collection of the first installment from property owners will be due on November 1st. Payment of incremental pass through payments are due from the County in January and June.
- **Grants & Loans** – Total receipts of \$0.1 million or 0.8% of the amended budget were received during the first quarter. Annual budget is comprised of; \$8.9 million of grants

and \$12.3 million of SRF loan proceeds for the Central/Wineville Area and other recycled water projects and the Water Quality Laboratory project. SRF and grant reimbursement requests for both the Wineville Area and Laboratory projects are expected in the second quarter.

- **Other Revenues** – Total other revenues were \$0.7 million or 9.5% of the amended budget. The unfavorable variance is due to the majority of the reimbursable projects are still in the early design phase. Other revenues include \$0.2 million from lease revenue for the RP-5 Solids Handling Facility, \$0.5 million in project reimbursements.

## TOTAL EXPENSES AND USES OF FUNDS

The Agency's total expenses through the end of the first quarter were \$38.2 million, or 16.3% of the amended budget. The amended budget includes approximately \$15.6 million of encumbrances carried forward from FY 2014/15; \$8.3 million for capital projects and \$7.3 million of operating (O&M) expenses, including O&M and reimbursable projects. Key expense highlights are:

- **Employment Expenses** – Employment expenses were \$8.9 million or 21.9% of amended budget. The favorable variance was due to a higher than anticipated vacancy factor. Of the total budgeted positions of 290, 22 positions were vacant and an additional 15 were on hold at the end of the quarter, equivalent to a 12.8% vacancy factor which exceeded the Agency's budgeted rate of 4.0%.
- **Professional Fees & Services** – Total expenses were \$1.1 million, or 10.6% of the amended budget. The positive variance can be attributed to the timing of services not completed or performed. During the following quarter invoices are expected for external audit services performed in October, financial advisory services used for 2008B bond Letter of Credit (LOC) and remarketing services, and labor related legal services. Other services expected to be performed in future quarters are the annual "Earth Day" event, Agency history book, grit removal and midge fly management evaluations, and services performed for maintenance and repair of Agency assets.
- **Chemicals** – Chemicals through the first quarter were \$1.0 million, or 20.8% of the amended budget. While most chemical costs were very close to the quarterly target, others such as the buffers and chemical solutions used for maintenance instrumentation and calibration are utilized as needed, and the continued monitoring of chemical usage and process optimization contribute to overall favorable category variance.
- **Utilities** – Expenses in this category were \$2.7 million or 24.8% of the amended budget.
  - Electricity costs were higher than budgeted due to a higher peak rate for July through September. The average rate of imported power was \$0.137/kWh compared to the budgeted rate of \$0.125/kWh.
  - Natural gas was favorable due to a lower gas rate averaging \$0.25/therm compared to the budgeted rate of \$0.80/therm.

- Power generated from solar panels was 28.5% of budget for the first quarter.
- ***MWD Imported Water Purchases*** – Total MWD pass-through imported water purchases were \$5.6 million for 9,493 AF or 13.4% compared to the amended budget of 50,000 AF.
- ***Special and Reimbursable Projects*** – O&M project expenditures were \$1.3 million or 4.8% of the amended budget. The favorable variance is due to a large number of major projects still in the initial phases, such as the \$9.0 million Chino Basin Groundwater Wells and Raw Water Pipeline. The category includes \$5.8 million of budget carry forward from the prior fiscal year.
- ***Capital Projects***–Total capital project expenditures were \$5.9 million or 11.5% of the amended budget of \$51.4 million, amended budget includes \$8.3 million carried forward from the prior fiscal year. Regional Wastewater projects account for approximately 51.0% of total capital project costs through the first quarter, and 42% were related to Recycled water projects.
- ***Debt Service*** – Total principal, interest and financial expenses for the first quarter were \$6.6 million or 28.2% of the amended budget. The 2008B Variable Rate Demand Bonds interest rate continues to stay below the budgeted 1% rate, with the actual rate averaging 0.015% year to date.

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

## **FUND BALANCES AND RESERVES**

The net result through the end of the first quarter indicated a decrease of \$6.3 million in total fund balance, resulted in an ending fund balance of \$140.5 million.

Operating activities indicated a net increase of \$1.9 million when compared to the amended operating revenues. Lower administrative expenses in professional fees and services, timing of services and delayed execution of special (O&M) project spending accounted for the net increase.

Non-operating activities reported a net decrease of \$8.2 million. The non-operating revenues are comprised of property taxes, connection fees, grants, and loans. Non-operating expenses are comprised of debt service and capital improvement plan (CIP) expenditures. The significant decrease compared to the amended budget was due to the delay/timing of grant and loan reimbursement requests and no property tax receipts in the first quarter.

**Comparative of Total Revenues, Total Expenses, and Fund Balance (\$Millions)**

<b>Operating</b>	<b>FY 2015/16 Amended Budget</b>	<b>First Quarter Ended 9/30/15</b>	<b>Actual % of Amended Budget</b>
Operating Revenue	\$131.0	\$27.3	20.8 %
Operating Expense	\$160.1	\$25.4	15.9%
<b>Operating Net Increase/(Decrease)</b>	<b>(\$29.1)</b>	<b>\$1.9</b>	
<b>Non- Operating</b>			
Non-Operating Revenue	\$92.0	\$4.6	5.0%
Non-Operating Expense	\$75.2	\$12.8	17.0%
<b>Non-Operating Net Increase/(Decrease)</b>	<b>\$16.8</b>	<b>(\$8.2)</b>	
<b>Consolidated</b>			
Total Sources of Funds	\$223.0	\$31.9	14.3%
Total Uses of Funds	\$235.3	\$38.2	16.3%
<b>Total Net Increase/(Decrease)</b>	<b>(\$12.3)</b>	<b>(\$6.3)</b>	
Beginning Fund Balance	\$146.8	\$146.8	
<b>Ending Fund Balance</b>	<b>\$134.5</b>	<b>\$140.5</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 fiscal year. The goals and objectives indicators are measures used to track the volume and complexity of work by type and to track the effort invested to accomplish that work. Staff will use the indicators to justify current resource allocations, requests for additional resources or re-allocation of staff and to track productivity.

**BUDGET TRANSFERS AND AMENDMENTS**

O&M budget transfers for this quarter accounted for approximately \$0.3 million as detailed in Exhibit C-1.

Additionally, FY 2015/16 adopted budget includes \$400,000 of General Manager (GM) Contingency Account in the RO Fund and \$100,000 in the GG Fund. At the end of the first quarter, \$30,000 from the GG Fund was utilized to support the unexpected and necessary expenses as listed in Exhibit C-2.

Capital and O&M projects budget transfers accounted for approximately \$1.0 million as approved by management during the first quarter, 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.

**PRIOR BOARD ACTION**

None.

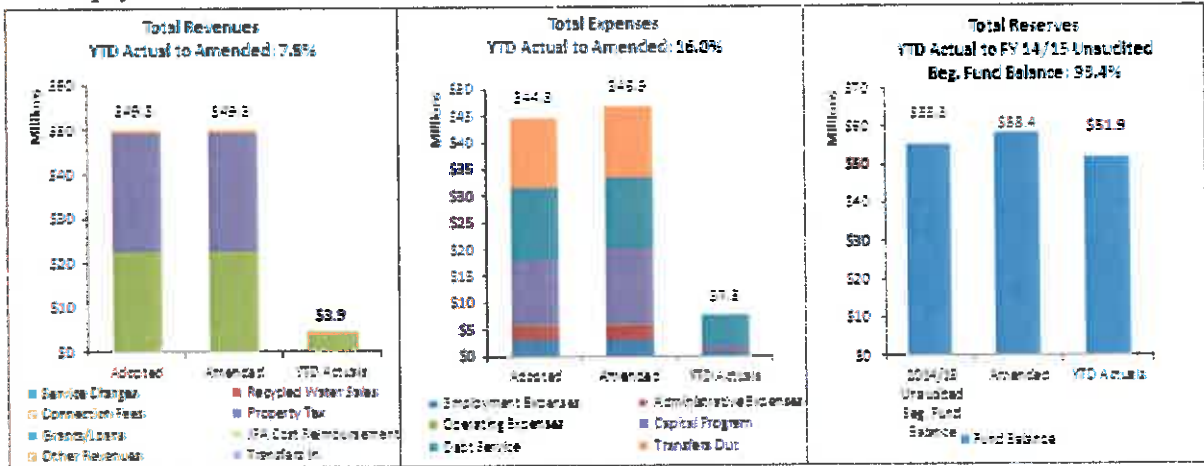
**IMPACT ON BUDGET**

The net shortfall in total revenues over total expenses in the amount of \$6.3 million resulted in a total estimated fund balance of \$140.5 million, for the first quarter ended September 30, 2015.

**Attachment A**  
**Financial Overview of Agency's Programs**  
**FY 2015/16 First Quarter ended September 30, 2015**  
**Total Revenues, Expenses, and Fund Balance**

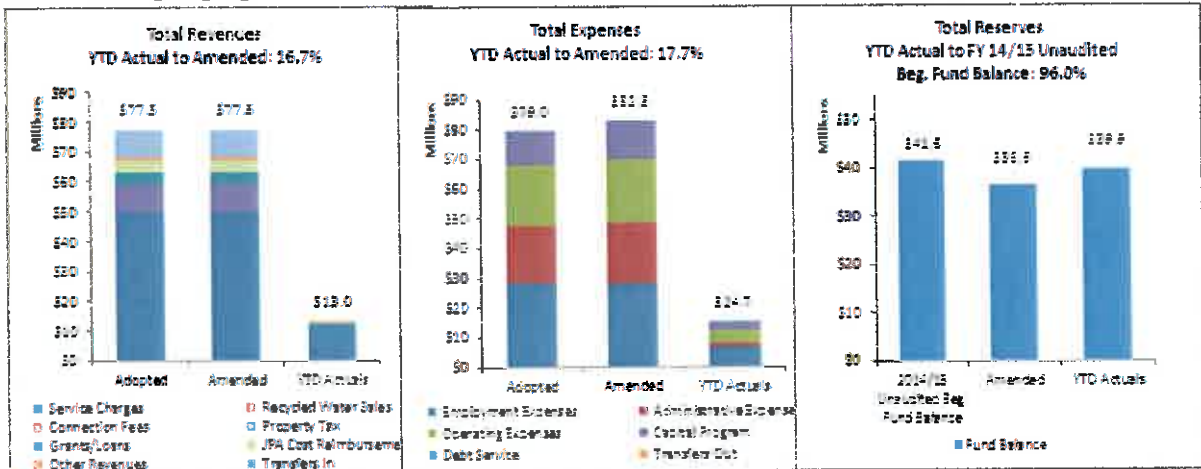
**Regional Wastewater Capital Improvement (RC) Fund**

- The fund balance indicated a decrease of \$3.6 million compared to the unaudited FY 2014/15 ending fund balance primarily due to the timing of property tax receipts which begin in November and debt service payments of \$5.8 million.



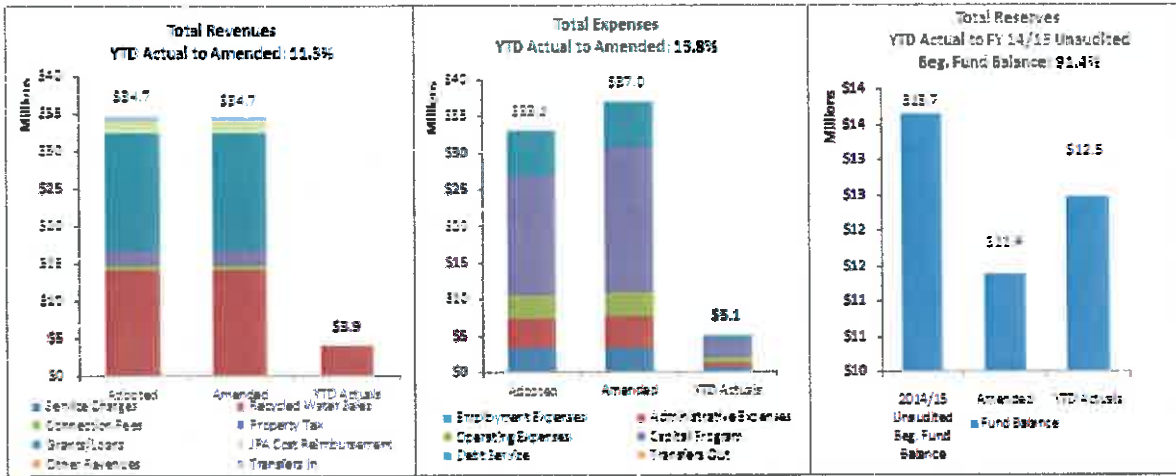
**Regional Wastewater Operations and Maintenance (RO) Fund**

- The fund balance indicated a decrease of \$1.7 million compared to the unaudited FY 2014/15 ending fund balance. The small decrease can be attributed to the delayed receipts of grants and loans funding and the timing of property tax receipts which begin in November.



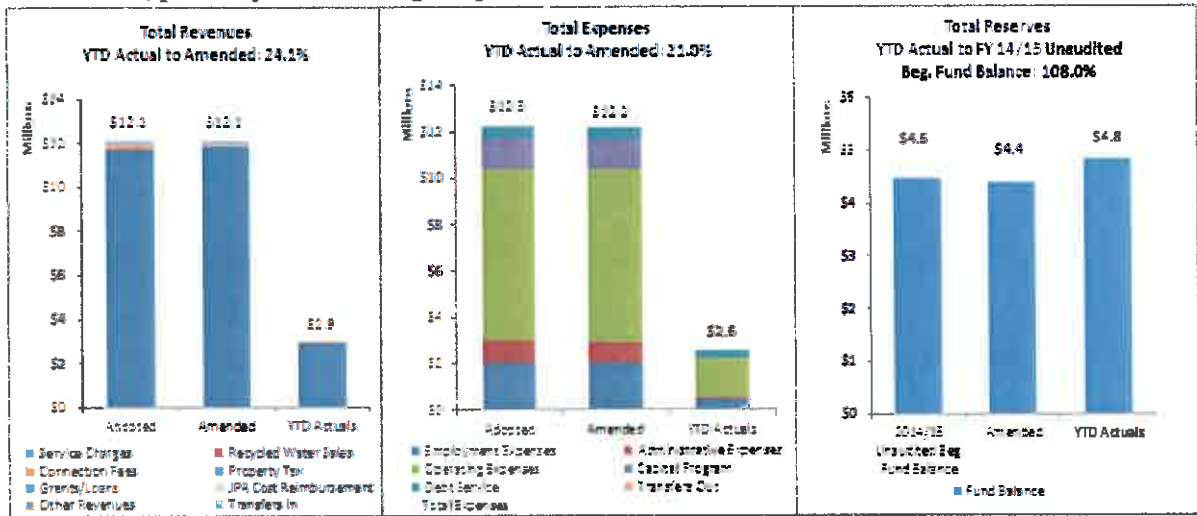
**Recycled Water (WC) Fund**

- The fund balance indicated a decrease of \$1.2 million compared to the unaudited FY 2014/15 ending fund balance primarily due to timing of water connection fees and property tax receipts. The Agency will begin collecting water connection fees in January 2016.



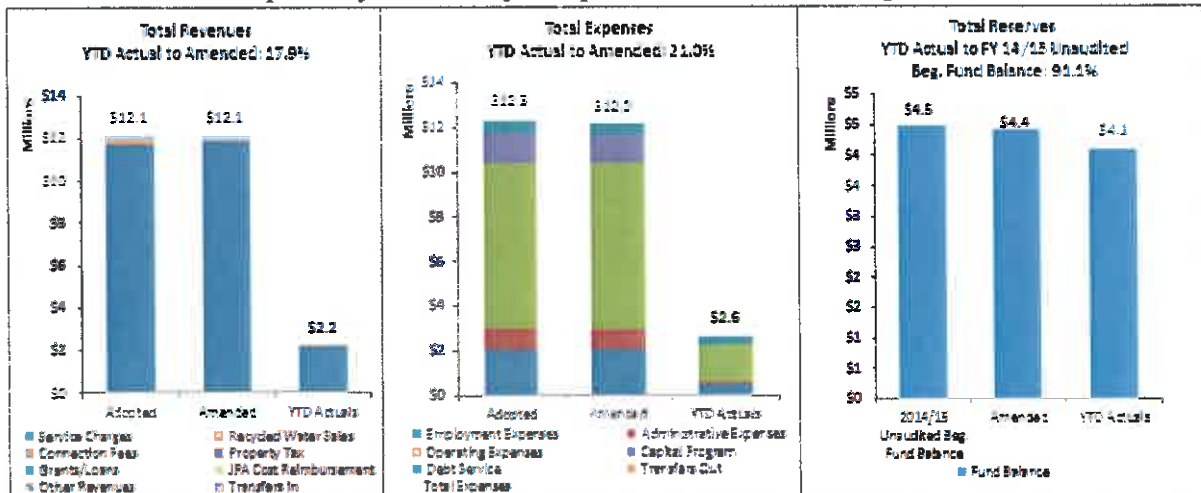
**Recharge Water (RW) Fund**

- The fund balance presented an increase of \$0.3 million compared to the unaudited FY 2014/15 ending fund balance, primarily due to timing of operations and maintenance services.



**Non-Reclaimable Wastewater (NRW) Fund**

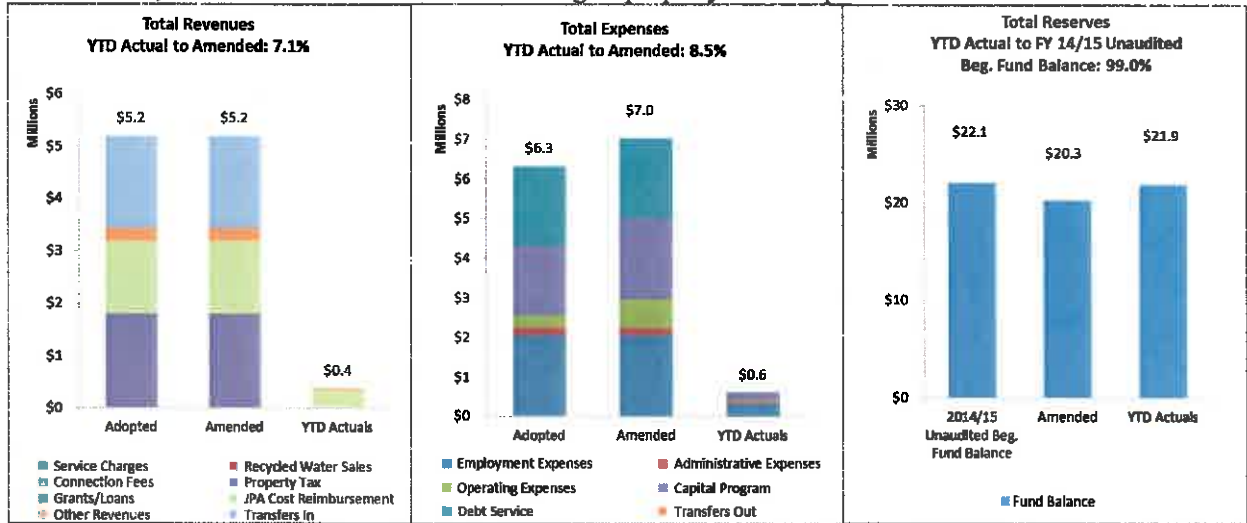
- The fund balance indicated a net increase of \$0.4 million compared to the unaudited FY 2014/15 ending fund balance this was primarily due to delay of capital and administrative expenses.





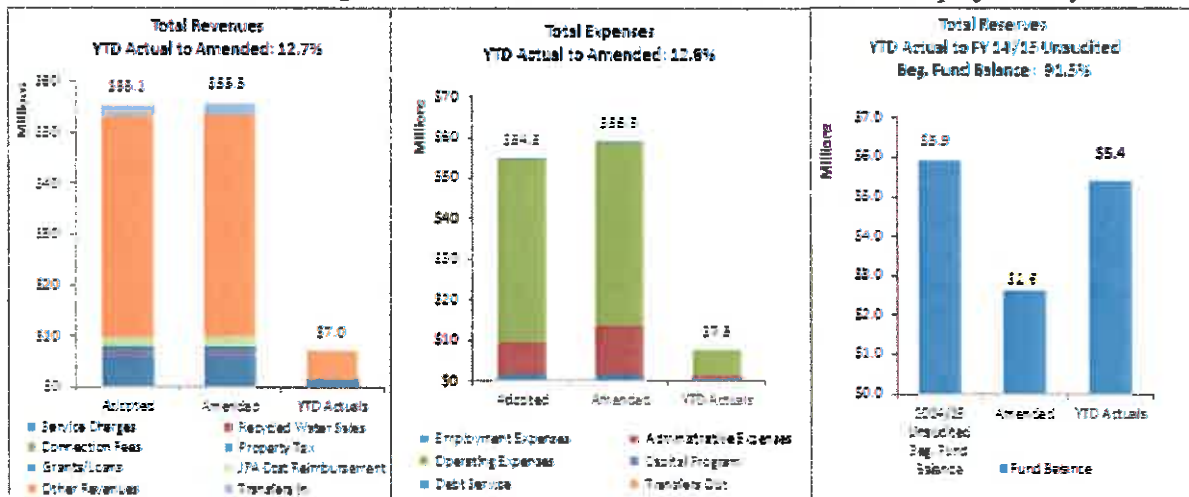
**Administrative Services (GG) Fund**

- The fund balance indicated a decrease of \$0.2 million compared to the unaudited FY 2014/15 ending fund balance, which can be attributed to the timing of property tax receipts.



**Water Resources (WW) Fund**

- The fund balance indicates a decrease of \$0.5 million compared to the unaudited FY 2014/15 ending fund balance which was primarily due to the timing of cost reimbursements, property tax receipt, grants and loans. The amended budget includes \$4.0 million of O&M and reimbursable project carry forward.

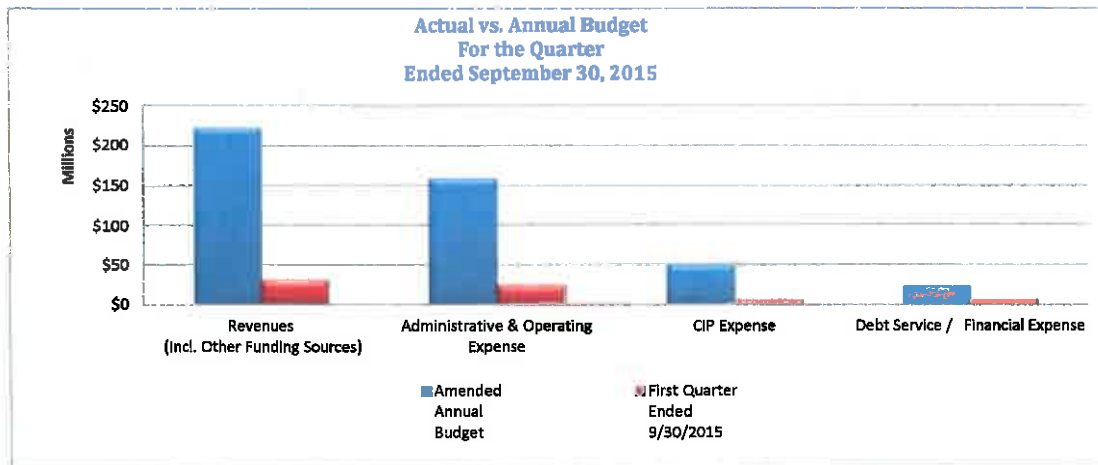


I. Actual vs. Budget Summary:

First Quarter Ended September 30, 2015

% of the Year  
Elapsed: 25%

	Adopted Annual Budget	Amended Annual Budget	First Quarter Ended 9/30/2015	Amended vs. Actual	% of Amended Budget
Operating Revenues	\$130,814,725	\$131,024,725	\$27,280,697	(103,744,028)	20.8%
Non-Operating (Other Sources of Fund)	91,839,772	92,019,615	4,644,364	(87,375,251)	5.0%
<b>TOTAL FUNDING SOURCES</b>	<b>222,654,497</b>	<b>223,044,340</b>	<b>31,925,061</b>	<b>(191,119,279)</b>	<b>14.3%</b>
Administrative & Operating Expense	(151,572,913)	(160,088,918)	(25,440,572)	134,648,346	15.9%
CIP Expense	(43,886,402)	(51,408,476)	(5,913,757)	45,494,719	11.5%
Debt Service / Financial Expense	(25,159,366)	(23,802,656)	(6,884,203)	16,918,453	28.9%
<b>TOTAL USES OF FUNDS</b>	<b>(220,618,681)</b>	<b>(235,300,050)</b>	<b>(38,238,532)</b>	<b>197,061,518</b>	<b>16.3%</b>
Surplus/(Deficit)	2,035,816	(12,255,710)	(6,313,471)	5,942,239	51.5%



2. Actual Revenue vs. Budget:

% of the Year  
Elapsed: 25%

	Adopted Annual Budget	Amended Annual Budget	First Quarter Ended 9/30/2015	Amended vs. Actual	% of Amended Budget
<b>Operating Revenues:</b>					
User Charges	\$67,040,941	\$67,250,941	\$16,149,138	\$51,101,803	24.0%
Recycled Water Sales	11,942,682	11,942,682	3,152,034	8,790,648	26.4%
MWD Water Sales	41,440,829	41,440,829	5,566,073	35,874,756	13.4%
MWD LPP Rebate	2,079,000	2,079,000	712,766	1,366,234	34.3%
Property Tax - O&M	1,792,530	1,792,530	0	1,792,530	0.0%
Cost Reimbursement	5,482,843	5,482,843	1,582,394	3,900,449	28.9%
Interest	1,035,900	1,035,900	118,292	917,608	11.4%
<b>OPERATING REVENUES</b>	<b>130,814,725</b>	<b>131,024,725</b>	<b>27,280,697</b>	<b>103,744,028</b>	<b>20.8%</b>
<b>Non-Operating Revenues:</b>					
Property Tax - Debt, Capital, Reserves	\$39,364,099	\$39,364,099	\$0	\$39,364,099	0.0%
Connection Fees	\$23,329,423	\$23,329,423	\$3,748,357	\$19,581,066	16.1%
Grants & Loans	21,257,262	21,257,262	169,363	21,087,899	0.8%
Other Revenue	7,888,988	8,068,831	726,644	7,342,187	9.0%
<b>NON-OPERATING REVENUES</b>	<b>91,839,772</b>	<b>92,019,615</b>	<b>4,644,363</b>	<b>87,375,251</b>	<b>5.0%</b>
<b>Total Revenues</b>	<b>\$222,654,497</b>	<b>\$223,044,340</b>	<b>\$31,925,061</b>	<b>\$191,119,279</b>	<b>14.3%</b>

<b>User Charges</b>	User charges were \$16.1 million, or 24.0% of the Amended Budget. The category includes Equivalent Dwelling Unit (EDU) volumetric fees of \$11.8 million, \$2.9 million Non-Reclaimable wastewater fees paid by industrial and commercial users connected to the brine line system; \$1.2 million for water meter service charge to meet our Readiness-to-Serve obligation from MWD and water use efficiency programs; and \$0.2 million for imported potable water surcharge, and other service charges.
<b>Property Tax/ AdValorem</b>	General ad-valorem property tax receipts from the San Bernardino County Tax Assessor will begin in November 2015 as collection of the first installment from property owners will be due on November 1st. Payment of incremental pass through payments are due from the County in January and June.
<b>Recycled Water Sales</b>	Recycled water actual direct and groundwater recharge sales were \$2.4 million (8,067 AF) and \$0.8 million (2,602 AF) respectively, for a combined total \$3.2 million or 26.4% of the budget. Total year to date deliveries of 10,729 AF compared to the 35,150 AF projected for the fiscal year accounts for the favorable variance. A wet winter season may impact future deliveries due to reduced demand for recycled water and limit the recharge deliveries to groundwater basins.
<b>Interest Income</b>	Interest Income is approximately 11.4% of the annual budget. The current low interest rate environment adds to reduced interest earnings with average sweep and LAIF pooled investments yielding 0.31% compared to the budgeted interest rate of 0.50%.
<b>MWD Water Sales</b>	Total MWD pass-through imported water revenue was \$5.6 million or 13.4% of amended budget. The low imported water sales can be attributed to MWD water supply allocation plan in response to the drought condition. A total of 9,493 AF of pass through water was delivered for the first quarter compared to 50,000 AF budgeted for FY 2015/16.
<b>MWD LPP Rebates</b>	MWD LPP rebate is budgeted at \$2.1 million or \$154/AF for direct recycled water deliveries, up to 17,000 AFY, excluding the initial 3,500 AFY. Total rebate of \$0.7 million or 34.3% of budget, a total of 4,628 AF was applied for in the first quarter.
<b>Connection Fees</b>	Member agencies reported \$3.7 million or 16.1% of the annual budget. A total of 736 new connections were reported through the first quarter, budgeted new EDU connections for FY 2015/16 is 4,330.
<b>Grants and Loans</b>	Current grant and loan receipts total \$0.1 million for the first quarter or just 0.8% of the annual budget of \$21.2 million. Grants are budgeted at \$8.9 million, grants receipts are expected for the Regional Recycled Water Distribution System, ground water supply wells and basins, water quality laboratory and drought and water conservation. SRF loan receipts are budgeted at \$12.3 million for Wineville area and other recycled water projects and the new water quality laboratory.
<b>Cost Reimbursements JPA</b>	Total cost reimbursements were \$1.6 million or 28.9% of the amended budget. Category actual includes reimbursements of \$0.9 million from the Inland Empire Regional Composting Authority (IERCA), \$0.3 million from Chino Basin Desalter Authority (CDA), and \$0.4 million from Chino Basin Watermaster (CBWM). Total cost reimbursement budget of \$5.5 million includes, \$3.4 million from IERCA, \$1.4 million from CDA, and \$0.7 million from CBWM.

**Other Revenues** Total other revenues were \$0.7 million or 9.0% of the amended budget. The unfavorable variance is due to the majority of reimbursable projects are still in the early design phase. Other revenues include \$0.2 million from lease revenue for the RP-5 Solids Handling Facility, \$0.5 million in project reimbursements.

**3. Actual Operating and Capital Expense vs. Budget:**

**% of the Year  
Elapsed: 25%**

	Adopted Annual Budget	Amended Annual Budget	First Quarter Ended 9/30/2015	Amended vs. Actual	% of Amended Budget
<b>Operating Expenses:</b>					
Employment	\$40,609,906	\$40,609,906	\$8,897,471	\$31,712,435	21.9%
Admin & Operating	110,963,007	119,479,012	16,543,101	\$102,935,911	13.8%
<b>OPERATING EXPENSES</b>	<b>\$151,572,913</b>	<b>\$160,088,918</b>	<b>\$25,440,572</b>	<b>\$134,648,346</b>	<b>15.9%</b>
<b>Non-Operating Expenses:</b>					
Capital	43,886,402	51,408,476	5,913,757	\$45,494,719	11.5%
Debt Service and All Other Expenses	25,159,366	23,802,656	6,884,203	\$16,918,453	28.9%
<b>NON-OPERATING EXPENSES</b>	<b>\$69,045,768</b>	<b>\$75,211,132</b>	<b>\$12,797,960</b>	<b>\$62,413,172</b>	<b>17.0%</b>
<b>Total Expenses</b>	<b>\$220,618,681</b>	<b>\$235,300,050</b>	<b>\$38,238,532</b>	<b>\$197,061,518</b>	<b>16.3%</b>

**Employment Expense** *Employment - 21.9%*  
 This category includes both wages and benefits. Employment expenses were \$8.9 million or approximately 21.9% of the Amended Budget. The favorable variance was due to a higher than anticipated vacancy factor. A total of 22 positions were vacant and an additional 15 positions were on hold for the first quarter, equivalent to a 12.8% vacancy factor which exceeds the Agency's current budgeted vacancy rate of 4.0%

**Administrative & Operating Expense** *Office and Administrative - 12.8%*  
 The favorable variance was mainly due to the inclusion of the GM contingency account in this category, and items such as conference and travel related expense, newspaper advertising, recruiting and holiday luncheon expenses are projected to occur during future quarters. Excluding the contingency account, overall office supply expenditures are 19.6% of budget.

*Professional Fees & Services - 10.6%*  
 Variance is attributed to timing of services not performed or completed during the first quarter. In the following quarters invoices from external auditing, financial advisory, labor related legal work and other on-going services such as janitorial, landscaping and security will be received. Also expected in later quarters are fees for services related to the Agency history book, grit removal system and midge fly management evaluations, recycled water 930/800 PRV station upgrades, sub-metering analysis at all wastewater facilities, and other general maintenance and repair services such as repair of RP-5/RP-2 IPS pumps, CCWRF mixed liquor pump #3, and headquarters building asphalt.

*Materials & Supplies/Leases/Contribution - 19%*  
 The favorable variance was primarily due to close monitoring to ensure usage of current inventory before replacement in addition to evaluation of facility maintenance and inspection equipment before purchasing. The category budget encompasses supplies such as personal protective equipment, promotional supplies, and other maintenance items to be used for service work in the 2nd and 3rd quarters.

*Biosolids Recycling - 20.5%*  
 Continuing use of the new solar pad at RP-2 is helping dry biosolids which is reducing hauling costs, \$8.00 per ton, accounting for the favorable variance. Total tonnage shipped to IERCA was 13,534 at \$54 per ton.

*Chemicals - 20.8%*  
 Chemicals through the first quarter were \$1.0 million or 20.8% of budget. While most chemicals were very close to targeted costs, others such as the buffers and chemical solutions used for maintenance instrumentation and calibration, and the continued monitoring of chemical usage and process optimization contribute to the overall favorable category variance.

*MWD Water Purchases - 13.4%*  
 Total MWD pass-through water purchases were \$5.6 million or 9,493 AF compared to 50,000 AF budgeted.

**Utilities - 24.8%**

Electricity usage is in line with budget, the first quarter of the fiscal year is considered peak season. The average rate for imported electricity was \$0.137 versus \$0.125/kWh budgeted rate. Natural gas is favorable due to the current lower gas rate averaging \$0.256/therm compared to the budgeted rate of \$0.80/therm. Fuel Cell is currently only running one of two reactors due to a gas cleaning issue. It been running at half of rated capacity. Solar panels is within budgeted amounts for the first quarter, electricity generated from the solar power is directly related to the amount of sunlight experienced during the year.

**Special and Reimbursable Projects - 4.4% and 17.6%**

The combined special and reimbursable project expenditures were \$1.3 million or 4.8% of the Amended Budget. A total of \$5.8 million of encumbered and non-encumbered project budget was carried forward from FY 2014/15 contributing to the large favorable variance. The table below provides a summary of the major projects and current status.

**Financial Expenses****Financial Expense - 28.2%**

Total financial and other non-operating expenses were \$6.6 million or 28.2% through the first quarter. Actual costs include \$4.4 million of principal payments, interest and other financial administration fee expense totaled \$2.2 million.

**Capital Expense****Capital Costs - 11.5%**

Capital actual expenditures through the first quarter were \$5.9 million or 11.5% when compared to the amended budget of \$51.4 million. The amended budget includes encumbrances and related budget of \$8.3 million of capital project budget carried forward from FY 2014/15. Actual cost related to Regional Wastewater projects were \$3.0 million or 51% of actual costs and \$2.5 million or 42% of the actual costs were related to Recycled Water projects. Listed below is a brief status report for some of the major projects currently under construction.

**Summary of major capital and special project expenses and status as of September 30, 2015**

Capital Project		Amended FY 2015/16	YTD Expenditure	Budgeted Amount Remaining
EN11031	<b>RP-5 Flow Equalization and Effluent Monitoring</b> This project is currently in the design phase which is expected to go out to bid in August 2016 with contract award in October 2016. The existing outfall gate has an open/close motorized actuator which needs to be upgraded to a modulating actuator with communication to the SCADA. The design will address upgrades to allow for automation of the equalizing process at RP-5. Additionally the inlet weir structure at the chlorine contact basin will be raised up and a level indicator transmitter will be installed to measure the influent flows to the chlorine contact basin. Additionally the sizes of the SBS pumps at the effluent end of the chlorine contact basin will be evaluated and new smaller SBS pumps may be installed to handle the lower flow scenarios.	1,445,264	15,288	1,429,975
EN13016	<b>SCADA Enterprise System</b> The project will convert the existing control and workrooms into new server and control rooms at CCWRF, RP-1, RP-4, and RP-5 to be utilized in the migration of the SCADA system. The server and control rooms will serve the long-term needs of the facility, and will provide Operations and Integrated System Services staff with improved facilities to support the operation and maintenance of the process. The CCWRF portion of the project is currently in construction and estimated to be complete by the end of the second quarter.	4,200,000	790,910	3,409,090
EN13045	<b>Wineville Extension Recycled Water Pipeline Segment B</b> Manual operation of the pipeline started in late August 2015, fully automated operation of the pipeline has been extended via change order to November 2015. The project involves the installation of 2.8 miles of 30" recycled water pipeline in addition to the associated appurtenances. This project is in conjunction with EN06025. Currently permitting and construction are in progress.	2,506,256	363,231	2,143,024
EN13001	<b>San Sevaline Basin Improvements</b> Project, currently part of the RMPU will evaluate, design and construct basin improvements needed to maximize infiltration and recharge capture at the San Sevaline Basins. The final recommendation from the preliminary development report proposes to implement: (1) a new storm water/recycled water pump station in Basin 5, (2) directly tie into an existing RW pipeline, (3) place new pipelines and headwalls into Basins 1, 2, and 3, and (4) install monitoring wells and lysimeters. The proposed improvements will meet the RMPU goal to add 642 acre-feet per year of storm water and 4,100 acre-feet per year of recycled water for groundwater recharge. Project is currently in design with Dudek which is to be completed in March 2016.	3,500,000	26,316	3,473,684
EN15008	<b>Water Quality Laboratory</b> New Water Quality Laboratory scope includes the construction of 16,000 square feet of state-of-the-art laboratory located south of Headquarters Building B. The new lab will be constructed in accordance with L.E.E.D Silver rating for energy efficiency and includes the expansion of the existing Central Plant, which will provide the chilled water needed for the New Lab air conditioning and heating system. The Austin Company will be providing consulting engineering services during design, bid & award, construction, and startup. Design is scheduled for completion by the end of January 2016.	1,700,000	121,963	1,578,037
EN13018	<b>Montclair Diversion Structure Improvement</b> The project will evaluate available options of both the odor systems and the fine screens at the CCWRF. The existing liquid mist system, air compressors, and compressed air and foul odor piping have reach the end of their useful life. Additionally the existing bar screens and washer/compactor have also reached the end of their service life, the Agency is considering replacing the existing screen with two new fine screens (similar to the ones to be installed at RP-4). The fine screens have a higher capture rate and will reduce maintenance efforts downstream of the headworks. Replacements and repairs are currently under construction and is expected to be complete by the end of the fiscal year.	1,203,874	32,277	1,171,598

O&M & Reimbursable Projects		Amended FY 2015/16	YTD Expenditure	Budgeted Amount Remaining
WR16024	<b>SAWPA Action SARCUP</b> Currently SBVMWD is beginning a scope for the master planning, the Agency is currently reviewing the RFP and will contribute towards the costs of the project. The Santa Ana River Watershed Action Team Conjunctive Use Project was created to utilize funds from SAWA Proposition 84 grants in conjunction with Eastern Municipal Water District, Western Municipal Water District, Orange County Municipal Water District, and San Bernardino Valley Municipal Water District to develop a watershed-scale conjunctive use program.	2,000,000	-	2,000,000
EP15001	<b>RP-1/RP-2 Digester Cleaning Project</b> 9% of the budget was expended and the cleaning effort for the RP-2 Digester No. 2 is complete. The project involves the removal of solids from Wastewater Treatment Facility Digesters to allow for better processing, a reduction of equipment failures, and improvement in process performance. The digester will be put back in service after the condition assessment.	712,112	449,667	262,445
EN16132	<b>Magnolia Channel Spillway</b> This project will remove and dispose of accumulated silt from the Desilting and Detention Basins; remove and repair the eastern, overflow spillway, by incorporating a cut-off wall on the upstream approach way, compacting and pouring new concrete on the downstream spillway, adding rip rap at the edges of the spillway. The project may be put on hold until the spring due to the expected rainfall this winter. Currently under review is the proposal to add bags to the berm to help protect the spillway through the winter.	350,000	23,094	326,906
EN16038	<b>Recycled Water Injection Pilot Study</b> The Agency will utilize the National Water Research Institute (NWRI) will create a panel of technical experts to advise the Division of Drinking Water and evaluate the project. Jörg Drewes will serve directly as an IEUA consultant to assess the feasibility of the project and generate test protocols. A contractor will be used to design and construct injection and sampling wells and associated piping to use plant effluent.	200,000	-	200,000

**INLAND EMPIRE UTILITIES AGENCY**  
**Fiscal Year 2015/16**  
**CONSOLIDATED BUDGET VARIANCE ANALYSIS REPORT**  
**First Quarter Ended September 30, 2015**

	Adopted FY 2015/16 Annual Budget	Amended FY 2015/16 Annual Budget	Actual Quarter Ended 9/30/2014	YTD Variance	YTD % Budget Used
<b><u>OPERATING REVENUES</u></b>					
User Charges	\$67,040,941	67,250,941	\$16,149,138	(\$51,101,803)	24.0%
Recycled Water	11,942,682	11,942,682	3,152,034	(8,790,648)	26.4%
MWD Water Sales	41,440,829	41,440,829	5,566,073	(35,874,756)	13.4%
MWD LPP Rebates	2,079,000	2,079,000	712,766	(1,366,234)	34.3%
Property Tax - O&M	1,792,530	1,792,530	-	(1,792,530)	0.0%
Cost Reimbursement from JPA	5,482,843	5,482,843	1,582,394	(3,900,449)	28.9%
Interest Revenue	1,035,900	1,035,900	118,292	(917,608)	11.4%
<b>TOTAL OPERATING REVENUES</b>	<b>\$130,814,725</b>	<b>\$131,024,725</b>	<b>\$27,280,697</b>	<b>(\$103,744,028)</b>	<b>20.8%</b>
<b><u>NON-OPERATING REVENUES</u></b>					
Property Tax - Debt, Capital, Reserves	\$39,364,089	\$39,364,089	\$0	(\$39,364,089)	0.0%
Connection Fees	23,329,423	23,329,423	3,748,357	(19,581,066)	16.1%
Grants	8,942,419	8,942,419	169,363	(8,773,056)	1.9%
SRF Loan Receipts	12,314,843	12,314,843	\$0	(12,314,843)	0.0%
Project Reimbursements	4,994,447	5,291,290	496,735	(4,794,555)	9.4%
Other Revenue	2,894,541	2,777,541	229,909	(2,547,632)	8.3%
<b>TOTAL NON OPERATING REVENUES</b>	<b>\$91,839,772</b>	<b>\$92,019,615</b>	<b>\$4,644,364</b>	<b>(\$87,375,251)</b>	<b>5.0%</b>
<b>TOTAL REVENUES</b>	<b>\$222,654,497</b>	<b>\$223,044,340</b>	<b>\$31,925,061</b>	<b>(\$191,119,279)</b>	<b>14.3%</b>
<b><u>ADMINISTRATIVE and OPERATING EXPENSES</u></b>					
<b>EMPLOYMENT EXPENSES</b>					
Wages	\$22,448,006	\$22,448,006	\$5,702,483	\$16,745,523	25.4%
Benefits	18,161,900	18,161,900	3,194,988	14,966,912	17.6%
<b>TOTAL EMPLOYMENT EXPENSES</b>	<b>\$40,609,906</b>	<b>\$40,609,906</b>	<b>\$8,897,471</b>	<b>\$31,712,435</b>	<b>21.9%</b>
<b>ADMINISTRATIVE EXPENSES</b>					
Office & Administrative	\$1,281,624	\$2,155,912	\$277,016	\$1,878,896	12.8%
Insurance Expenses	775,500	747,425	158,815	588,610	21.2%
Professional Fees & Services	9,249,989	10,434,714	1,109,341	9,325,373	10.6%
O&M Projects	22,108,625	27,162,264	1,201,011	25,961,253	4.4%
Reimbursable Projects	100,000	859,544	151,124	708,420	17.6%
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$33,513,738</b>	<b>\$41,359,859</b>	<b>\$2,897,307</b>	<b>\$38,462,552</b>	<b>7.0%</b>

**INLAND EMPIRE UTILITIES AGENCY**  
**Fiscal Year 2015/16**  
**CONSOLIDATED BUDGET VARIANCE ANALYSIS REPORT**  
**First Quarter Ended September 30, 2015**

	Adopted FY 2015/16 Annual Budget	Amended FY 2015/16 Annual Budget	Actual Quarter Ended 9/30/2014	YTD Variance	YTD % Budget Used
<b>OPERATING EXPENSES</b>					
Material & Supplies/Leases	\$2,798,809	\$3,399,871	\$645,486	\$2,754,385	19.0%
Biosolids Recycling	4,358,631	4,282,844	879,067	3,403,777	20.5%
Chemicals	4,394,574	4,840,551	963,554	3,676,997	20.8%
MWD Water Purchases	41,440,829	41,440,829	5,566,073	35,874,756	13.4%
CSDLAC & SARI, Operating Fees/Water	13,306,434	13,205,066	2,830,371	10,374,695	21.4%
Utilities	11,149,992	11,149,992	2,761,243	8,388,749	24.8%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$77,449,269</b>	<b>\$78,119,153</b>	<b>\$13,645,794</b>	<b>\$64,473,359</b>	<b>17.5%</b>
<b>TOTAL ADMINISTRATIVE and OPERATING EXPENSES</b>	<b>\$151,572,913</b>	<b>\$160,088,918</b>	<b>\$25,440,572</b>	<b>\$134,648,346</b>	<b>15.9%</b>
<b><u>NON-OPERATING EXPENSES</u></b>					
<b>CAPITAL OUTLAY</b>	<b>\$43,886,402</b>	<b>\$51,408,476</b>	<b>\$5,913,757</b>	<b>\$45,494,719</b>	<b>11.5%</b>
<b>FINANCIAL EXPENSES</b>					
Principal, Interest and Financial Expenditur	23,462,656	23,462,656	6,619,644	16,843,012	28.2%
<b>OTHER NON OPERATING EXPENSES</b>	<b>1,696,710</b>	<b>340,000</b>	<b>264,559</b>	<b>75,441</b>	<b>77.8%</b>
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$69,045,768</b>	<b>\$75,211,132</b>	<b>\$12,797,960</b>	<b>\$62,413,172</b>	<b>17.0%</b>
<b>TOTAL EXPENSES</b>	<b>\$220,618,681</b>	<b>\$235,300,050</b>	<b>\$38,238,532</b>	<b>\$197,061,518</b>	<b>16.3%</b>
<b>REVENUES IN EXCESS/ (UNDER) EXPENSES</b>	<b>\$2,035,816</b>	<b>(\$12,255,710)</b>	<b>(\$6,313,471)</b>	<b>(\$5,942,239)</b>	
<b>FUND BALANCE SUMMARY</b>					
Unaudited Beginning Balance, July 01	\$125,635,403	\$146,816,573	\$146,816,573	\$0	
Surplus/ (Deficit)	2,035,816	(12,255,710)	(6,313,471)	(5,942,239)	
<b>ENDING BALANCE, June 30</b>	<b>\$127,671,219</b>	<b>\$134,560,863</b>	<b>140,503,102</b>	<b>\$5,942,239</b>	



**Business Goals & Objectives Report By Department**

Department: ALL  
 Report Month: November, September : Year 2015

Goal FY ID 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>													
62	FY 2014/15	Quarterly	Agency Management	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Update and maintain "Rules and Annual calendar of responsibilities" manual for the Board Secretary position	Completed by June 30, 2015	April Woodruff	September	2015	On Schedule	No	Put on hold until the department is fully staffed and trained.
<b>Business Information Services</b>													
11	FY 2014/15	Quarterly	Finance and Administration	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	Quarterly	Kanes Pantayattwong	September	2015	On Schedule	No	The quarterly budget for SAP support is \$88,877/4 = \$17,218 (\$30K is planned for assistance with major EHP7 upgrade). The actual spending in Q1 is \$3,744 or 22% of the quarterly budget.
13	FY 2014/15	Quarterly	Finance and Administration	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments	Determine requirements for new SAP enhancement that automates cost tracking for projects with multiple grants	July-2015	Kanes Pantayattwong	September	2015	Behind Schedule	No	SAP Finance Roadmap RFP is planned to be issued in FY2016Q3 or Q4. Part of the assessment will include the recommendations for grants management.
5	FY 2014/15	Quarterly	Finance and Administration	A	Integrate projects identified in the long range financial planning documents, such as the Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, into the operating and capital budget by July 2016	Complete the development of the Technology Master Plan (TMP) by 6/30/2014	12/31/2014	Kanes Pantayattwong	September	2015	On Schedule	No	This goal has been met.
23	FY 2014/15	Quarterly	Finance and Administration	A	Integrate projects identified in the long range financial planning documents, such as the Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, into the operating and capital budget by July 2016	Assess challenges with Agency's financial processes; increase speed of processing reports	Quarterly	Kanes Pantayattwong	September	2015	On Schedule	No	The dashboard for CFS management team was developed and deployed in FY2016/Q1. Requirements for labor data dashboard is being gathered with the goal of completing the prototype for executives in Q2.
30	FY 2014/15	Quarterly	Finance and Administration	B	Ensure staff understands and upholds their role in achieving the Agency's Mission, Vision, and Values	Provide staff with opportunities for technical and professional training classes. Release new enhancements to Agency's various software applications at fixed intervals (every 4 months)	Every January 15, May 15 and September 15	Kanes Pantayattwong	September	2015	On Schedule	No	No training was done in FY2016/Q1.
42	FY 2014/15	Quarterly	Finance and Administration	C	Replace the legacy Document Management System to ensure it meets Agency-wide and regulatory public records requirements and eliminates redundant archiving systems by December 2015	Determine business requirements incorporating an updated taxonomy	April-2015	Kanes Pantayattwong	September	2015	On Schedule	No	This goal has been met.
43	FY 2014/15	Quarterly	Finance and Administration	C	Determine the scope for Geographic Information Systems online applications to share information with member agencies by September 2014	Promote the use of ArcGIS Online applications for quarterly GIS User Group meetings	Quarterly	Kanes Pantayattwong	September	2015	On Schedule	No	The number of ArcGIS Desktop remains unchanged (4) while the number of ArcGIS Online has increased to 28 in FY2016/Q1.

**Exhibit B**

Goal FY ID Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
45	FY 2014/15 Quarterly	Finance and Administration	C	Develop a program that annually measures the effectiveness and efficiency of Agency core services based on stakeholder feedback on "quality, cost and value"	Develop at least one dashboard-like reporting tool for key metrics determined by the process owners	Quarterly	Project time / available time >= 50%	Kanes Pantayathwong	September	2015	On Schedule	No	The dashboard for CFS management team was developed and deployed in FY2016/Q1. Requirements for labor data dashboard is being gathered with the goal of completing the prototype for executives in Q2.
46	FY 2014/15 Quarterly	Finance and Administration	C	Develop a program that annually measures the effectiveness and efficiency of Agency core services based on stakeholder feedback on "quality, cost and value"	Allocate at least 50% of start time towards projects and research & development work, aside from break-fixes, maintenance tasks (e.g., upgrades) and administrative tasks	Quarterly	Project time / available time >= 50%	Kanes Pantayathwong	September	2015	On Schedule	No	55% spent on projects between FY2016/Q1. Start time spent on projects was 5,844 hrs and total start time was 5,128 hrs. (excluded manager's hours).
47	FY 2014/15 Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Provide initial Lean training to all managers	6/30/2015	100% of managers trained	Kanes Pantayathwong	September	2015	On Schedule	No	No new update. Note: This goal should be removed or revised since it cannot be measured properly.
48	FY 2014/15 Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Train all Lean team members	At start of each project	100% of team trained	Kanes Pantayathwong	September	2015	On Schedule	No	Completed the biosolids project with reduction of days between posting biosolids shipping invoice from 16 days to just 4 days. Completed the development of dashboard for CFS to monitor upcoming PRs and lapsed days since PR approval as well as days before contract expiration date for contracts.
49	FY 2014/15 Quarterly	Finance and Administration	C	Provide timely updates to the Regional Committees and the IEUA Board on long term planning needs	Release new enhancements to Agency's various software applications at fixed intervals (every 4 months)	Continuous	Number of enhancements released; ROI of each enhancement when applicable	Kanes Pantayathwong	September	2015	On Schedule	No	Completed the development and deployment of CFS dashboard. CFS management can now be more proactive in management contracts approaching expiration dates. Engineering invoice dashboards also received updates to present the appropriate baseline schedule depending on the project stage.
108	FY 2014/15 Quarterly	Finance and Administration	C	Determine the scope for Geographic Information Systems online applications to share information with member agencies by September 2014	Develop web-based GIS applications that are free to use and are relevant to Agency's customers, intended for information sharing, transparency and education purposes	July-2015	Two applications on-line	Kanes Pantayathwong	September	2015	On Schedule	No	There were 3 new applications deployed: (1) Commercial Institutional & Industrial for turf removal program; (2) minihole inspection updates; inspection form for Collections, analysis for Tech Services and the dashboard; and (3) new map application for CIPO.
110	FY 2014/15 Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Determine Procurement to Payment material master content	9/30/2014	Design supports functional	Kanes Pantayathwong	September	2015	On Schedule	No	No new update in FY2016/Q1.
111	FY 2014/15 Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Implement the use of electronic signatures for invoicing on emergency contracts	April-2015	Electronic signature capability for and approvers	Kanes Pantayathwong	September	2015	Behind Schedule	No	BIS has developed an approval process for the engineering invoice approval using Adobe Acrobat. The preliminary test yielded positive response by users. Further testing is pending the completion of Adobe software deployment by ISS, which is scheduled to be completed in November 2015. Another process involving workflow is the new P-card approval process, which is undergoing assessment at the time of this update.

**Exhibit B**

Goal FY ID Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
148	FY 2014/15 Once Complete	Finance and Administration	A	Integrate projects identified in the long range financial planning documents, such as the Facilities Wastewater Master Plan, Energy Technology Master Plan, Energy Resources Plan, into the operating and capital budget by July 2016	Assess challenges with Agency's financial processes; develop RFP for long term modifications	January-2015	Completed by due date	Kanes Pantayathwong	September	2015	Behind Schedule	No	The RFP is planned to be released in late Q3 or early Q4.
150	FY 2014/15 Once Complete	Finance and Administration	A	Integrate projects identified in the long range financial planning documents, such as the Facilities Wastewater Master Plan, Energy Technology Master Plan, Energy Resources Plan, into the operating and capital budget by July 2016	Assess challenges with Agency's financial processes; create baseline utilization	9/30/2014	completed by due date	Kanes Pantayathwong	September	2015	Behind Schedule	No	The recommendations will be part of the SAP Finance Roadmap assessment, planned for FY2016/Q4.
53	FY 2014/15 Quarterly	Finance and Administration	B	Develop and implement a plan to mentor and prepare the next generation of Agency leaders by July 2017	Allow staff to present his/her enhancements at the 4-month enhancement press releases	Every January, May and September	3 or more staff recognized per year	Kanes Pantayathwong	September	2015	On Schedule	No	No new update in FY2016/Q1.
59	FY 2014/15 Quarterly	Finance and Administration	C	Determine the scope for Geographic Information Systems online applications to share information with member agencies by September 2014	GIS applications with CCTV videos and pipe assessment	July-2015	100% on-line within one month of video receipt	Kanes Pantayathwong	September	2015	On Schedule	No	The videos are being delivered and uploaded to CCTV viewer application within time allocated.
163	FY 2014/15 Once Complete	Finance and Administration	B	Uphold a strong internal control environment by conducting independent objective internal and external audits of Agency finances and operations	Create a checklist to ensure all projects are reviewed against TMP standards	During needs assessment for all projects	100% of projects have checklist completed	Kanes Pantayathwong	September	2015	On Schedule	No	No new update.
177	FY 2015/16 Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Determine requirements for new SAP enhancement that improves cost tracking for projects that qualify for multiple grants - Timeline 15/16 reads: Establish baseline data; develop requirements; implement prototypes	Ongoing	< 3 systems in use	Kanes Pantayathwong	September	2015	On Schedule	No	SAP Finance Roadmap RFP is planned to be issued in FY2016/Q3 or Q4. Part of the assessment will include the recommendations for grants management.
178	FY 2015/16 Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Evaluates potential improvements to budgeting process, if appropriate through enhancing SAP functionality	Ongoing	< 3 systems in use	Kanes Pantayathwong	September	2015	On Schedule	No	SAP Finance Roadmap RFP is planned to be issued in FY2016/Q3 or Q4. Part of the assessment will include the recommendations for bi-annual budget process improvements.
179	FY 2015/16 Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Assess challenges with Agency's financial processes; develop RFP for long term modifications	Ongoing	< 3 systems in use	Kanes Pantayathwong	September	2015	On Schedule	No	The RFP is planned to be released in late Q3 or early Q4.
180	FY 2015/16 Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Reduce the number of external spreadsheets utilized to address NRW rate questions	Ongoing	< 3 systems in use	Kanes Pantayathwong	September	2015	On Schedule	No	BIS will begin planning with business process owners in Q2 with the goal of developing the project plan by Q3 and complete the implementation in Q3/Q4.

**Contracts and Facilities Services**

**Exhibit B**

Goal FY ID	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
112	FY 2014/15 Quarterly	Finance and Administration	F	Develop a communication plan to promote being a good neighbor by June 2015	Ensure all current and future landscaping, and new facilities are in cooperation with current LEED and water-efficiency programs and advancements.	June-2015	100% of new landscaping design and material, along with facility design are measured against programs.	Warren Green	November	2015	On Schedule	No	Several landscape transformations are underway that include new consistent design themes. RP-5 was recently completed under the landscapes retrofit project. RP-1, IERCF and the Philly Lift station are already designed.
113	FY 2015/16 Quarterly	Finance and Administration	F	Complete a performance assessment of the Platinum LEED rated headquarters and develop a plan to ensure performance, as appropriate, to the platinum standard	Evaluate the current standards for LEED qualifications and develop a plan for the Agency's HQ to maintain the ranking.	June-2016	Cross reference existing qualifications against new standards.	Warren Green	November	2015	On Schedule	No	An assessment of the Agency's HQ buildings was completed by a hired consultant. The report was provided on November 4, 2015. We are currently reviewing the report and will begin evaluating the steps to implement changes.
172	FY 2015/16 Quarterly	Finance and Administration	A	Continue commitment to cost containment for operating and capital costs	Implement new solicitation tool for expanded competition cost savings	Complete by Jan. 2016	Increase of 5% in cost savings	Warren Green	November	2015	On Schedule	No	The Agency's Board of Directors approved the contract for the new solicitation software and program in October 2015. We are currently working with the company to set up the NIGP codes and system for testing in late December.
<b>External Affairs</b>													
166	FY 2015/16 Quarterly	Agency Management	C	Promote regional projects and initiatives through presentations to community based organizations, service groups, and stakeholders	Cultivate positive relationships with local and regional media	Ongoing	Present to 6 associations /groups	Kathy Besser	September	2015	On Schedule	No	Two chamber of commerce presentations were made on IEUA's services and the current drought challenges/need for water conservation (Chino Valley, Upland).
162	FY 2014/15 Once Complete	Agency Management	D	Complete water softener ordinance by December 2014 and continue to reduce salinity and nutrients in recycled water.	Work with the remaining cities to pass the water softener ordinance.	December-2014	Remaining Cities pass ordinances by December 2014	Kathryn Besser	September	2015	Behind Schedule	No	No action has been taken by five remaining cities. Are still auditing stores to stop sale of AWP and working with member agencies to distribute collateral.
158	FY 2014/15 Once Complete	Agency Management	F	Develop a communication plan to promote being a good neighbor by June 2015	Communicate the Agency-wide goals, services and functions to our entire service area including all community members, businesses, and stakeholders.	Ongoing	Complete by June 2015	Kathryn Besser	September	2015	On Schedule	No	We continue to present to community organizations as often as possible; Annual Report is being revamped to include final numbers instead of estimates, with a new, easier to read format. Drought Task Force campaign is well underway and focused on online, print and social media.
64	FY 2014/15 Quarterly	Agency Management	C	Update and maintain the Agency's website to clearly communicate key activities, issues, policies and key documents, and continue to optimize use of social network media	Serve as the Agency Webmaster and provide current and timely information.	The Website will be updated on an ongoing and as needed basis.	The External Affairs Department will review the entire Website for accuracy every six months.	Kathryn Besser	September	2015	On Schedule	No	Updating occurs regularly, a new landing page was added to promote IEUA's drought/water conservation campaign.
65	FY 2014/15 Quarterly	Agency Management	C	Meet annually with affiliated agencies and elected representatives	Build stronger relationships with the local agencies and elected representatives in our region.	Ongoing	Meet with all member agencies in FY 14/15	Kathryn Besser	September	2015	On Schedule	No	Drought Task Force meetings, consisting of all member agencies, have been meeting bi-monthly since April, working closely with local staff of elected members, and participated in two district events.
67	FY 2014/15 Quarterly	Agency Management	C	Identify and participate in organizations that advance the Agency's mission, vision and key initiatives	Communicate the role of the Agency in the region through local partnerships.	Ongoing in FY 14/15	Attend one association/organization on meeting a month.	Kathryn Besser	September	2015	On Schedule	No	Education and drought were the focus in Q1. Three Solar Cup teams, with two new teams for this year, were added to MWD's roster, outreach was conducted on Garden in Every School (four grants), MWD Poster Contest, Park tours, Drought forums and meetings across the service area (Asm. Rodriguez, Cong. Torres, etc) allowed us to participate and share IEUA's messages.

**Exhibit B**

Goal FY ID Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
68	FY 2014/15 Quarterly	Agency Management	C	Promote regional projects and initiatives through presentations to community based organizations, service groups, and stakeholders	Communicate the importance of regional/local independence (water, recycling, wastewater, and renewable energy).	Ongoing in FY 14/15	Present to 6 associations/groups in FY14/14	Kathryn Besser	September	2015	On Schedule	No	Two chamber of commerce presentations were made on IEUA's services and the current drought challenges/need for water conservation (Chino Valley, Upland).
75	FY 2014/15 Quarterly	Agency Management	D	Develop and implement a communication plan to promote water use efficiency and the value of water by July 2015	Communication the need for continual water use efficiency in the region.	FY 14/15	Complete by July 15	Kathryn Besser	September	2015	On Schedule	No	The regional Drought Task Force continues to meet bi-monthly. Members collectively decided upon the branding, and collateral materials have been produced, including online and print ads, a landing site on IEUA's homepage, and a social media campaign.
<b>Finance and Accounting</b>													
50	FY 2014/15 Quarterly	Finance and Administration	A	Annually update the Agency's Investment Policy to ensure appropriate balance among safety, liquidity and yield considerations	Update the Agency's investment policy in accordance to the California Government Code (CGC)	March to May	Present the Investment Policy update to the Board for adoption in June	Javier Chagoyen -	November	2015	On Schedule	No	Staff attended webinars sponsored by GFOA and CDIAC in keeping abreast of State's update regarding requirements on investment of public fund
52	FY 2014/15 Quarterly	Finance and Administration	A	Annually, review and update the Agency's reserve policy to ensure sufficient funding to meet operating, capital, debt service, obligations, unforeseen events, and comply with legally mandated requirements	Reserve levels will be evaluated as part of the budget/rate setting process using the financial model to ensure all short term and long term initiatives are supported	June 30, 2015	Annually	Javier Chagoyen -	November	2015	On Schedule	No	The LRRP Workshop#1 in September 2015 provided the impact of reserves due to the three scenario with "Stress Test Assumptions.
6	FY 2014/15 Quarterly	Finance and Administration	A	Integrate projects identified in the long range financial planning documents, such as the Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, into the operating and capital budget by July 2016	Work with pertinent departments in identifying projects from various master plan, and integrated into the respective program budget	December - April	None	Javier Chagoyen -	November	2015	On Schedule	No	Prepared the presentation for the Long Range Plan of Finance Workshop #1 on September 2, 2015, to provide analyses and scenarios on the Agency's sources and uses of fund based on three different stress test assumptions. Continue to work with Planning staff in updating Agency's capital plan upon the completion of IRP
8	FY 2014/15 Quarterly	Finance and Administration	A	Continue commitment to cost containment for operating and capital costs	Collaborate with various department in identifying cost containment items and monitoring the performance through regular budget variance review	Throughout the fiscal year	None	Javier Chagoyen -	November	2015	On Schedule	No	Assisted various departments in identifying appropriate existing budget resources for supporting unforeseen expenses or capital expenditures, through budget transfer requests
22	FY 2014/15 Quarterly	Finance and Administration	A	Transition to a biennial budget beginning July 1, 2015	Prepares a biennial budget for both Operations and CIP for Agency's various programs	January to June	To be adopted by the Board in June 2015	Javier Chagoyen -	November	2015	On Schedule	No	The adoption of biennial budget was accomplished by the Board's approval in June 2015. Staff is in the process developing the framework of the mid-year review of FY 2016/17 budget.
14	FY 2014/15 Quarterly	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 receipts of property tax, review the property tax allocation among funds.	Throughout the fiscal year	None	Javier Chagoyen -	November	2015	On Schedule	No	Monitoring the receipts and allocation of property taxes for pertinent program funds in consistent with the FY 2015/16 budget
16	FY 2014/15 Quarterly	Finance and Administration	A	Adopt rates that fully meet cost of service for key Agency programs; Non-Reclaimable Wastewater (NRW) System by July 2018; Regional Wastewater by July 2019; Recycled Water by July 2019; Water Resources by July 2020	Collaborate with various departments in identifying the cost of service (COS) and developing the rate structure to sufficiently support the COS for NRW system, Regional Wastewater, and Recycled Water programs	FY 2014/15 through 2016/17	Cost of services not to exceed the service rates	Javier Chagoyen -	November	2015	On Schedule	No	On-going

**Exhibit B**

Goal FY ID Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
184	FY 2015/16 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	Reinstate the Agency's long term credit rating to AAA and maintain a debt coverage ratio to support such rating	Ongoing		Tina Cheng	November	2015	On Schedule	No	In August 2015, the Standard & Poor (S&P) a credit rating agency recommended an upgrade of IEUA's credit rating from AA- to AA, based the Agency's strong financial position and projections over the next 5 years.
185	FY 2015/16 Quarterly	Finance and Administration	A	Continue to monitor market opportunities for retirement, refunding, or restructuring of outstanding debt to reduce costs.	Monitor market opportunities for retirement, refunding, or restructuring of outstanding debt to reduce costs.	Ongoing		Tina Cheng	November	2015	On Schedule	No	Continue to work with the Agency's financial advisor in developing debt restructuring plans to reduce costs, and utilizing the low interest State loan program to support major capital expenditures
<b>Laboratory</b>													
147	FY 2014/15 Once Complete	Engineering, Planning and Science	B	Promote a safer work environment by administering and monitoring required safety and regulatory trainings	Meet the bi-weekly safety tailgate meeting requirement.	All required topics completed by each December.	Document training	Nel Groenewald	November	2015	On Schedule	No	All required topics are on track to be completed by December 2015
<b>Operations</b>													
189	FY 2015/16 Quarterly	Operations	D	Develop and implement a communication plan to promote water use efficiency and the value of water by July 2015	Maintain peak demand management readiness	Ongoing through June 2016		Bill Leever	November	2015	On Schedule	No	This goal will be combined into the Peak Demand Management Strategy. It will include pump station readiness, weekly peak demand management meetings.
200	FY 2015/16 Quarterly	Operations	D	Develop and implement a communication plan to promote water use efficiency and the value of water by July 2015	Maintain pump station readiness	Ongoing through June 2016		Bill Leever	November	2015	On Schedule	No	This goal will be combined with the RW peak demand management strategy.
201	FY 2015/16 Quarterly	Operations	D	Develop and implement a communication plan to promote water use efficiency and the value of water by July 2015	Continue weekly Peak Demand Management meetings with key operations staff for start of 2016 Peak Demand season.	Ongoing through June 2016		Bill Leever	November	2015	On Schedule	No	This has not yet been scheduled. I will work with Steve Smith to schedule and implement meetings.
202	FY 2015/16 Quarterly	Operations	D	Develop plan to improve the quality of recycled water to meet customer's needs by June 2017	Prepare and submit to CDPH start-up reports for new basin as delivery mechanisms are completed	Completed by June 2016 and Ongoing		Bill Leever	November	2015	On Schedule	No	Declez Basin Start up Report is complete and will be submitted to DDW this month.
205	FY 2015/16 Quarterly	Operations	D	Identify and protect the best recharge land sites in the service region by June 2016	Develop recycled and groundwater recharge SCADA improvements that implement storage and delivery strategies by working with the DCS department	Completed by June 2016		Bill Leever	November	2015	On Schedule	No	I am on the SCADA Services Sub-Committee and will continue to develop RW/GWR SCADA improvements to more efficiently manage the GWR system.
205	FY 2015/16 Quarterly	Operations	D	Identify and protect the best recharge land sites in the service region by June 2016	Develop recycled and groundwater recharge SCADA improvements that implement storage and delivery strategies by working with the DCS department	Completed by June 2016		Bill Leever	November	2015	On Schedule	No	I am on the SCADA Services Sub-Committee
206	FY 2015/16 Quarterly	Operations	D	Conduct research to find new methods to safely recharge more water into Chino Basin by June 2016	Maintain basin readiness through basin cleanings	Completed by June 2016 and Ongoing		Bill Leever	November	2015	On Schedule	No	Will continue to develop cleaning strategies and implement cleaning projects to maintain peak basin infiltration capacity.
207	FY 2015/16 Quarterly	Operations	D	Conduct research to find new methods to safely recharge more water into Chino Basin by June 2016	Develop written RW storage and delivery strategies to meet department forecasts of diurnally variable RW supplies and seasonally variable RW demands	Completed by June 2016		Bill Leever	November	2015	On Schedule	No	Will start working with both Ops and Planning staff to develop written RW storage and delivery strategies.

**Exhibit B**

Goal FY ID Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
<b>Planning and Environmental Compliance</b>													
195	FY 2015/16 Quarterly	Engineering, Planning and Science	D	Conduct research to find new methods to safely recharge more water into Chino Basin by June 2016	Complete the MWD Foundational Action Research Program and develop a tertiary injection research project plan to find new methods to safely recharge more water in to Chino Basin.	Through June 2016 and Ongoing	Develop the plans	Sylvia Lee	November	2015	On Schedule	No	3DFEEM study completed in September with results used to support increasing RWC at many RW GWR basins.
195	FY 2015/16 Quarterly	Engineering, Planning and Science	D	Conduct research to find new methods to safely recharge more water into Chino Basin by June 2016	Complete the MWD Foundational Action Research Program and develop a tertiary injection research project plan to find new methods to safely recharge more water in to Chino Basin.	Through June 2016 and Ongoing	Develop the plans	Sylvia Lee	November	2015	On Schedule	No	RW Injection plan provided for review to DDW in September. NMRI contracted for expert panel to vet plan with DDW.
153	FY 2014/15 Once Complete	Engineering, Planning and Science	D	Complete water softener ordinance by December 2014 and continue to reduce salinity and nutrients in recycled water.	Facilitate the adoption of ordinances for the cities of Chino, Chino Hills and Ontario.	December-2014	Adoption of ordinances by Dec 2014	Sylvia Lee	November	2015	Behind Schedule	No	This item is behind schedule. Follow up meetings need to be scheduled with City managers.
154	FY 2014/15 Once Complete	Engineering, Planning and Science	D	Accelerate implementation of capital projects where appropriate to "trough proof" regional water supplies and optimize use of available federal and state grants and low interest rate financing	Develop project list and implement based on priority	continuous	Keep updated project list and be coordinated with member agencies	Sylvia Lee	September	2015	On Schedule	No	8 IRP water strategies developed with member agencies and modeled by RAND. Comprehensive project list will be part of phase 1 of IRP.
155	FY 2014/15 Once Complete	Engineering, Planning and Science	D	Advocate strategies that help anticipate and mitigate the impacts of droughts and climate change on the region	Develop strategies in the IRP	December-2014	Adoption of IRP. Ensure the goals of the 2010 UWMP are met	Sylvia Lee	September	2015	On Schedule	No	Note IRP sch revised. Water strategies developed with member agencies and modeled by RAND. Recommendations being presented at Nov 4th joint policy board.
158	FY 2014/15 Once Complete	Engineering, Planning and Science	F	Complete odor baselines report by June 2015	Coordinate odor survey and develop baseline report	June-2015		Sylvia Lee	November	2015	On Schedule	No	Agency-wide odor survey conducted on 11/3/15.
55	FY 2014/15 Quarterly	Engineering, Planning and Science	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies.	Develop long term strategy for permitting of the O&M activities of recharge basins	June-2015	Completion of strategy by Jun 2015	Sylvia Lee	November	2015	On Schedule	No	EC staff and Tom Dodson are working on the permit application. Application will be submitted subsequent to the completion of the cultural resource report expected early December.
164	FY 2014/15 Once Complete	Engineering, Planning and Science	D	Integrate water supply, water efficiency, storm water management, energy efficiency, water quality and land use measures to promote sustainable watershed management	<ul style="list-style-type: none"> <li>Complete Integrated Resources Plan</li> <li>Complete Water Use Efficiency Business Plan</li> <li>Complete 2015 Urban Water Management Plan</li> <li>Coordinate the implementation of Recharge Master Plan Update</li> <li>Complete the Recycled Water Program Strategy</li> <li>Complete Wastewater Facilities Master Plan</li> </ul>	<ul style="list-style-type: none"> <li>Dec 2014</li> <li>June 2015</li> <li>June 2016</li> <li>June 2020</li> <li>Sep 2014</li> <li>Sep 2014</li> </ul>	Completion and coordination of said documents	Sylvia Lee	November	2015	On Schedule	No	2015 UWMP kick-off meeting held November 3

**Exhibit B**

Goal FY ID Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
164	FY 2014/15 Once Complete	Engineering, Planning and Science	D	Integrate water supply, water efficiency, storm water management, energy efficiency, water quality and land use measures to promote sustainable watershed management	<ul style="list-style-type: none"> <li>Complete Integrated Resources Plan</li> <li>Complete Water Use Efficiency Business Plan</li> <li>Complete 2015 Urban Water Management Plan</li> <li>Coordinate the implementation of Recharge Master Plan Update</li> <li>Complete the Recycled Water Program Strategy</li> <li>Complete Wastewater Facilities Master Plan</li> </ul>	<ul style="list-style-type: none"> <li>Dec 2014</li> <li>June 2015</li> <li>June 2016</li> <li>June 2020</li> <li>Sep 2014</li> <li>Sep 2014</li> </ul>	Completion and coordination of said documents	Sylvia Lee	September	2015	On Schedule	No	Note IRP sch revised. Water strategies developed with member agencies and modeled by RAND. Recommendations being presented at Nov 4th joint policy/board.
165	FY 2014/15 Once Complete	Engineering, Planning and Science	F	Develop and update logical, technically based, defensible, local limits for regional significant industrial users by December 2014 and review every five years	Develop Local Limits	March-2015	Completion of local limits	Sylvia Lee	November	2015	Behind Schedule	No	Local Limits report submitted to RWQCB in August 2015. RWQCB recommends to amend report to include evaluation of Dioxin as a result of Dioxin limit being added to recently revised NPDES Permit. Pretreatment to complete source evaluation over the next several months.
20	FY 2014/15 Quarterly	Engineering, Planning and Science	A	Initiate discussions to revise and renew the Regional Sewerage Service Contract set to expire in 2023 by January 2016	Update to meet current practices and needs (Priority 1 items )	June-2015	Conceptual agreement with member agencies by Jun 2015	Sylvia Lee	November	2015	On Schedule	No	Recycled water policy principles presented to Tech/Policy Committees and Board in November 2015. Redline of Regional Contract for amendment of recycled water policies to be completed by January 2016 with goal to adopt contract amendments by June 2016.
4	FY 2014/15 Monthly	Engineering, Planning and Science	F	Ensure Agency programs promote environmental stewardship, sustainability, and preservation of heritage measures, utilizing green procurement and reuse of surplus materials, equipment, and parts when possible	Update Regional Wastewater Ordinance	December-2014	Adoption of the Regional Wastewater Ordinance	Sylvia Lee	November	2015	On Schedule	No	The Regional Wastewater Ordinance No. 97 was updated and adopted by the Board of Directors on October 16, 2014.
77	FY 2014/15 Quarterly	Engineering, Planning and Science	D	Optimize EIU's use of potable and recycled water by July 2016	Complete the Recycled Water Program Strategy and begin the implementation plan	December-2014	Completion of RWPS	Sylvia Lee	September	2015	On Schedule	No	Final RWPS received.
81	FY 2014/15 Quarterly	Engineering, Planning and Science	D	Identify and evaluate supplemental water supplies for the region by October 2014	Complete the IRP	December-2014	Completion of the IRP	Sylvia Lee	September	2015	On Schedule	No	Note IRP sch revised. 8 water strategies developed with member agencies and modeled by RAND. Recommendations being presented at Nov 4th joint policy/board.
82	FY 2014/15 Quarterly	Engineering, Planning and Science	D	Work with other agencies on the implementation of local regional programs to meet the region's goal of reaching 50,000 AFEY of recycled water use by June 2022	Develop planning documents and regulatory permitting strategy to support the implementation plan as identified in the RWPS and IRP	June-2015	Development of Permitting Strategy of the IRP/RWPS	Sylvia Lee	November	2015	On Schedule	No	Contract for the preparation of the PEIR awarded to Tom Dodson and Associates in August 2015.
80	FY 2014/15 Quarterly	Engineering, Planning and Science	D	Conduct research to find new methods to safely recharge more water into Chino Basin by June 2016	Complete the MWD Foundational Action Research Program Develop tertiary injection research project plan	June-2015	Develop the plans	Sylvia Lee	November	2015	On Schedule	No	Meet with DDW to discuss in June 2015, prepared and send project description letter to DDW in September 2015 after contracting with NWRI for expert panel and with Jerg Drewes for internal technical support.
92	FY 2014/15 Quarterly	Engineering, Planning and Science	E	Update Wastewater Facilities Master Plan by December 2014 and thereafter every 10 years to ensure timely expansion of Agency facilities to address anticipated regional growth	Update growth forecasts for WWFMP with updated population projections and demand forecast	December-2014	Completion of WWFMP	Sylvia Lee	September	2015	On Schedule	No	WFMP complete, final TMs received in April 2015.



**Exhibit B**

Goal FY ID Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
94	FY 2014/15 Quarterly	Engineering, Planning and Science	E	Monitor and integrate the Building Activity Report (BAR) data for actual and projected growth with the Asset Management Plan into regional wastewater planning	Continue to work with RCAs to review and maintain accurate building activity reports.	ongoing	Periodic checks to ensure that the forecasts are consistent with the adopted projections provided in the VWFMP	Sylvia Lee	November	2015	On Schedule	No	Prepared monthly building activity reports and GIS maps. Provided annual update to the Board and Technical Committee in October 2015.
96	FY 2014/15 Quarterly	Engineering, Planning and Science	E	Complete an Agency-wide greenhouse gas emission (GHG) baseline assessment using the Climate Registry protocol to allow the Agency to sell credits by July 2016	- Complete GHG emission baseline - Develop GHG reduction plan consistent with the Energy Management Plan - Measure GHG reduction (tons CO2 eq/yr) work plan needs to be reworded - agency does not sell credits	July-2016	Complete the GHG emission baseline July 2014	Sylvia Lee	November	2015	On Schedule	No	Issued RFP for GHG inventory verification services.
97	FY 2014/15 Quarterly	Engineering, Planning and Science	F	Develop a communication plan to promote being a good neighbor by June 2015	Perform odor monitoring assist Operations, External Investigation and mitigation	Ongoing	Perform periodic/as needed odor monitoring	Sylvia Lee	November	2015	On Schedule	No	RP-5 SHF odor monitoring conducted weekly.
100	FY 2014/15 Quarterly	Engineering, Planning and Science	F	Lead efforts to advocate for emerging trends and proposed changes to rules and regulations	Active participation into the legislative process through advise letters, comments.	Ongoing	Participate in local water/wastewater/air regulatory and association committee meetings.	Sylvia Lee	November	2015	On Schedule	No	Actively participating with SCAP in regards to SCACMD Rule 1110.2.
70	FY 2014/15 Quarterly	Engineering, Planning and Science	D	Complete update of the Water Use Efficiency Business Plan by December 2014, the Integrated Resources Plan by October 2014, and the Urban Water Management Plan by June 2016	Integrated Resources Plan	December-2014	Adoption of the documents	Sylvia Lee	November	2015	On Schedule	No	Modeling and analysis for Phase 1 IRP have been completed. Recommendations were taken to the Joint Policy & EUJA Board workshop on November 4 2015.
70	FY 2014/15 Quarterly	Engineering, Planning and Science	D	Complete update of the Water Use Efficiency Business Plan by December 2014, the Integrated Resources Plan by October 2014, and the Urban Water Management Plan by June 2016	Integrated Resources Plan	December-2014	Adoption of the documents	Sylvia Lee	September	2015	On Schedule	No	Note IRP sch revised. 8 water strategies developed with member agencies and modeled by RAND. Recommendations being presented at Nov 4th joint policy/board.
72	FY 2014/15 Quarterly	Engineering, Planning and Science	D	Complete update of the Water Use Efficiency Business Plan by December 2014, the Integrated Resources Plan by October 2014, and the Urban Water Management Plan by June 2016	Recycled Water Program Strategy	December-2014	Adoption of the documents	Sylvia Lee	September	2015	On Schedule	No	Final RWIPS received. Task complete.
<b>Technical Services</b>													
208	FY 2015/16 Quarterly	Operations	D	Work with other agencies on the implementation of local regional programs to meet the region's goal of reaching 50,000 AFY of recycled water use by June 2022	Perform evaluations to identify measures to improve recycled water quality and implement measures based on priority.	Ongoing	Install recycle water screens at RP-1 and RP-5	Jeff Noalte	September	2015	On Schedule	No	Strainer gates (1/8" openings) were tested and installed at the RP-1 CCB. Strainer gates or stop logs are being evaluated for the RP-5 CCB.

Inland Empire Utilities Agency  
 Inter-Departmental/Division Transfers FY 2015/2016  
 Budget Transfer

Fund	Date	O & M Transfer From	Category	Amt Transfer Out	O & M Transfer To	Category	Amount Transfer In	Description	QTR
10200	9/2/15	517210	Insurance-Casualty	\$28,075	521410	Computer Systems Maintenance	\$28,075	Transfer required to fund the Planet Bids Internet-Based Solicitation and Bidding Services. Funds available due to cost savings achieved for Agency Insurance.	1
10200	7/6/15	519010	GM Contingency	\$30,000	521080	Other Contract Services	\$30,000	Transfer requested to cover the fees related to the hiring of temporary help within the Agency Management Department	1
10200	7/29/15	520980	Prof. Svcs. - Other	\$1,000	IS14001	IEUA Website Consultant	\$1,000	Transfer funds into the website project budget to cover additional cost of the creation and completion of the Member Agency Portal.	1
10800	8/5/15	521080	Other Contract Services	\$8,500	519310	Operating Permits & Licenses	\$8,500	Transfer intended to cover funds for permits needed to perform work that requires street closures for Regional Sewer Collections.	1
10800	8/13/15	526130	Res Disposal - Grit/Screenings	\$20,000	530028	Polymer	\$20,000	Due to a miscoding of the upload budget for FY 15/16 there is a shortage of funds for the RP-2 Ops chemical budget.	1
10800	8/13/15	526310	Res Disposal - Biosolids	\$30,000	530028	Polymer	\$30,000	Due to a miscoding of the upload budget for FY 15/16 there is a shortage of funds for the RP-2 Ops chemical budget.	1
10800	8/13/15	530016	Sodium Hypochlorite	\$42,000	530028	Polymer	\$42,000	Due to a miscoding of the upload budget for FY 15/16 there is a shortage of funds for the RP-2 Ops chemical budget.	1
10800	8/13/15	530016	Sodium Hypochlorite	\$113,000	530028	Polymer	\$113,000	Due to a miscoding of the upload budget for FY 15/16 there is a shortage of funds for the RP-2 Ops chemical budget.	1
10800	8/13/15	530028	Polymer	\$10,804	530028	Polymer	\$10,804	Due to a miscoding of the upload budget for FY 15/16 there is a shortage of funds for the RP-2 Ops chemical budget.	1
10800	8/13/15	530090	Other Chemicals	\$10,000	530028	Polymer	\$10,000	Due to a miscoding of the upload budget for FY 15/16 there is a shortage of funds for the RP-2 Ops chemical budget.	1
			<b>Total O&amp;M Transfers Out</b>	<b>\$293,379</b>		<b>Total O&amp;M Transfers In</b>	<b>\$293,379</b>		

**Inland Empire Utilities Agency**  
**FY 2015/16 GM Contingency Account Activity**

**Exhibit C-2**

Date	Description	Account/Project No.	Requestor	GG TOTAL GM Contingency Budget	RO TOTAL GM Contingency Budget	Transfers	Balance
7/1/2015	FY 2015/16 Adopted budget	RO Fund 10800-112100-501000-518010 GG Fund 10200-112100-100000-518010		\$100,000	\$465,000		
7/6/15	Budget transfer to cover fees for hiring temporary help within Agency Mgmt Dept	GG Fund 10200-112100-100000-521080	A. Woodruff	\$30,000		\$30,000	\$470,000
<b>Year-to-date total budget transferred</b>				\$30,000	\$0		
<b>Remaining budget balances as of</b>				\$70,000	\$400,000		\$470,000

cc: Joe Grindstaff, Christina Valencia

Inland Empire Utilities Agency  
 Changes in Total Project Budgets: Inter-Departmental/Division Transfers FY 2015/16

Fund	Capital or Spec. Prog?	Request Date	Join Proj Budget Change (Y/N)?	Annual Proj Budget Change (Y/N)?	Project Number	Project Title	Adopted Total Project Budget	Prior FY 2015/16 TP Changes	Current Total Project Budget	Amt. of Transfer In / Out	New TP Budget	FY 2015/16 Annual Project Budget	Annual Proj Budget Change	New Annual Project Budget	Project Transferred To/From	Justification
10600	Capital	9/24/15	Yes	Yes	EN16025	Wineville Ext Recycled Water Pipeline Segment A	\$17,985,518	\$0	\$17,985,518	(\$200,000)	\$17,785,518	\$2,395,354	(\$200,000)	\$2,135,354	EN12014	Transfer from EN16025 to EN12014 for IEUA labor costs during construction and close out and any change orders that may occur.
					EN12014	East Avenue L630 E RWP Relocation	\$690,108	\$0	\$690,108	\$200,000	\$890,108	\$200,000	\$690,108	\$690,108	\$0	
Subtotal Recycled Water (WC)							\$18,675,626	\$0	\$18,675,626	(\$15,000)	\$18,660,626	\$2,785,615	(\$15,000)	\$2,770,615	EN15048	Transfer from EN15054 to EN15048 to cover the costs associated with closing the project and executing a final amendment to the managing design consultant.
10800	Capital	7/21/15	Yes	No	EN15048	CCWRP Lagoon Rip Rap	\$200,000	\$0	\$200,000	\$15,000	\$215,000	\$0	\$15,000	(\$15,000)	(EN15054)	
Capital	8/19/15	Yes	Yes	EN15012	RP-1 East Primary Effluent Pipe Rehabilitation	\$2,005,000	\$0	\$2,005,000	(\$65,000)	\$1,940,000	\$1,940,000	\$600,000	(\$65,000)	\$535,000	EN16067	Transfer from EN15012 to create new project, EN16067 because in order to complete the condition assessment for EN15012, the four valves in DAF Valve Vaults 1, 2, & 3 must be replaced.
				EN16067	RP-1 DAFs Valve Vault Nos. 1, 2, & 3 Plug Valves Replacement	\$0	\$0	\$0	\$65,000	\$65,000	\$65,000	\$0	\$65,000	\$0	\$65,000	
Capital	9/23/15	Yes	Yes	EN15012	RP-1 East Primary Effluent Pipe Rehabilitation	\$2,005,000	(\$65,000)	\$1,940,000	(\$55,000)	\$1,885,000	\$1,885,000	\$535,000	(\$55,000)	\$480,000	EN16067	Transfer from EN15012 to EN16067 because it was discovered that there were unsealed pipes and leaking behind the pre-cast concrete vault during the recent job walk of the four valves in DAF Valve Vaults 1, 2, & 3 at RP-1. Additional funds will be required to satisfactorily complete the project.
EN16067	RP-1 DAFs Valve Vault Nos. 1, 2, & 3 Plug Valves Replacement	\$0	\$65,000	\$65,000	\$0	\$65,000	\$55,000	\$120,000	\$55,000	\$120,000	\$65,000	\$55,000	\$120,000	(EN15012)		
Capital	9/29/15	Yes	Yes	IS16014	Install 5m <sup>3</sup> (Storage) RP-4	\$30,000	\$0	\$30,000	(\$5,000)	\$25,000	\$25,000	\$20,000	(\$5,000)	\$15,000	IS16022	Transfer from IS16014 to create new project, IS16022, to repair a serious network issue that is causing slow performance on the Plant Network at RP-5. The transfer is necessary to fund a hardware purchase necessary to resolve the issue.
IS16022	RP-5 Plant DeviceNet Isolation	\$0	\$0	\$0	\$0	\$0	\$5,000	\$5,000	\$5,000	\$5,000	\$0	\$5,000	\$5,000	(IS16014)		
Subtotal Regional Operations (RO)							\$4,395,000	\$0	\$4,395,000	Capital Total Project Budget	\$4,395,000	\$1,270,000	Total Annual Capital Budget	\$1,270,000		
							Adopted	\$23,020,626	Amended	\$23,010,626	Adopted	\$4,028,615	Amended	\$4,028,615		
10200	O&M Proj	7/28/15	Yes	Yes	PA15002	FY 2014/15 Agency Wide Coatings and Paving	\$1,300,000	\$0	\$1,300,000	(\$200,000)	\$1,100,000	\$29,649	(\$200,000)	\$19,649	PA16002	Transfer from PA15002 to create new project, PA16002, to cover all of the coatings and paving that will take place in this fiscal year. BY creating a new project, the old project will be able to be completed and closed.
					PA16002	FY 2015/16 Agency Wide Coatings and Paving	\$0	\$0	\$0	\$200,000	\$200,000	\$200,000	\$0	\$200,000	\$0	
Subtotal Administration (AG)							\$1,300,000	\$0	\$1,300,000	(\$21,000)	\$1,279,000	\$29,649	(\$21,000)	\$8,649	WR14020	Transfer from EN16039 to WR14020 due to insufficient funds to cover pending invoices as labor charged to the project consumed the funds requested for this purchase order.
10600	O&M Proj	8/6/15	Yes	No	WR14020	WR14020 Recycled Water Interline	\$272,880	\$0	\$272,880	\$21,000	\$293,880	\$4,959	\$21,000	\$45,959	(EN16039)	
Subtotal Recycled Water (WC)							\$1,272,880	\$0	\$1,272,880	\$21,000	\$1,293,880	\$29,649	\$21,000	\$50,649		

Inland Empire Utilities Agency  
 Changes in Total Project Budgets: Inter-Departmental/Division Transfers FY 2015/16

Fund	Capital or Spec Proj	Request Date	Total Proj Budget Change (Y/N)	Annual Proj Budget Change (Y/N)	Project Number	Project Title	Adopted Total Project Budget	Proj FY 2015/16 TP Changes	Current Total Project Budget	Amount of Transfer In / Out	New TP Budget	FY 2015/16 Annual Project Budget	Annual Proj Budget Change	New Annual Project Budget	Project Transferred to / From	Justification
10700	O&M Proj	7/30/15	Yes	Yes	WR15022	Water Use Assessments	\$800,000	\$0	\$800,000	(\$19,260)	\$780,740	\$800,000	(\$19,260)	\$780,740	WR15022	Transfer from WR15022 to WR15023 to cover the remaining work needed to be done in order to complete the 2015 Water Use Efficiency Business Plan update due to additional work staff requested to be done of the IRP portion of the scope of work.
	O&M Proj	7/30/15	Yes	No	WR15023	Water Use Efficiency Business Plan Update	\$75,000	\$0	\$75,000	\$19,260	\$94,260	\$9,300	\$19,260	\$22,560	(WR15022)	
	O&M Proj	9/22/15	Yes	Yes	WR16019	Water Use Efficiency Tools	\$600,000	\$0	\$600,000	(\$150,000)	\$450,000	\$600,000	(\$150,000)	\$450,000	WR16008	Transfer from WR16019 and WR16020 to WR16008 to add supplemental funding to MWDS base rate rebates because the budgeted funds of \$1,000,000 for rebates was exhausted by the middle of August 2015.
	O&M Proj	9/22/15	Yes	No	WR16020	Water Use Efficiency Data	\$600,000	\$0	\$600,000	(\$150,000)	\$450,000	\$600,000	(\$150,000)	\$450,000	WR16008	
	O&M Proj	9/22/15	Yes	No	WR16020	CI Rebate Incentives	\$100,000	\$0	\$100,000	\$300,000	\$400,000	\$100,000	\$300,000	\$400,000	(WR16019 / WR16020)	
						Subtotal Meter Resources (WWM)	\$2,175,000		\$2,175,000		\$2,175,000	\$2,109,300		\$2,109,300		
10800	O&M Proj	8/18/15	Yes	Yes	CP16001	Regional Plant Facilities Aesthetics	\$250,000	\$0	\$250,000	(\$55,000)	\$195,000	\$250,000	(\$55,000)	\$195,000	CP15001	Transfer from CP16001 to CP15001 to fund unplanned, grant-related turf removal at RP-5.
	O&M Proj	8/18/15	Yes	No	CP15001	RP-5 Lawn Conversion Improvements	\$348,000	\$0	\$348,000	\$55,000	\$398,000	\$43,384	\$55,000	\$98,384	(CP16001)	
						Subtotal Regional Operations (RO)	\$598,000		\$598,000		\$598,000	\$283,384		\$283,384		
10900	O&M Proj	7/7/15	Yes	Yes	CW15019	Sewer O&M Projects	\$50,000	\$0	\$50,000	(\$21,000)	\$29,000	\$31,000	(\$21,000)	\$0	O&M - \$21,610	Budget transfer from CW15019 to O&M category \$23,610, Computer Systems Maintenance, to cover the costs associated with hosting the Engineering and Construction Management Construction Website, CPO, for FY 2015/16.
						Subtotal Regional Capital (RC)	\$50,000		\$50,000		\$50,000	\$21,000		\$0		
						O&M Total Project Budget	\$5,990,880		\$5,990,880		\$5,990,880	\$3,162,292		\$3,162,292		
						Adopted	\$5,990,880		\$5,990,880		\$5,990,880	\$3,162,292		\$3,162,292		
						Amended										
						Total Annual O&M Project Budget	\$5,990,880		\$5,990,880		\$5,990,880	\$3,162,292		\$3,162,292		
						Amended										
						Total Capital and O&M Project Transfers					\$598,000					

Total Capital and O&M Project Transfers \$598,000



*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT

# **FY 2015/16 1st Quarter Budget Variance Report**

**Board of Directors**

**December 16, 2015**

# Revenue Highlights Actual vs. Amended Budget

## GOOD NEWS...

- ❖ **Recycled Water Sales** – \$3.2M, 26.4% of amended budget
  - 10,729 AF actual year to date vs. 35,150 AFY amended budget
- ❖ **MWD LPP Rebate** – \$0.7M, 34.3% of amended budget
  - 4,628 AFY reimbursement applied for in the first quarter
- ❖ **JPA Cost Reimbursement**– \$1.6M, 28.9% of amended budget
  - IERCA reimbursement of \$0.9M or 25.5%
  - CDA reimbursement of \$0.3M or 23.8%
  - CBWM reimbursement of \$0.4M or 53.4%



# Expense Highlights Actual vs. Amended Budget

- ❖ **Capital Projects** - \$5.9 million, 11.5% of amended budget
  - Amended budget includes \$8.3 million of CIP carried forward from FY 2014/15
  - Regional Wastewater: \$3.0 million or 11% of amended budget
  - Recycled Water projects: \$2.5 million or 12% of amended budget
- ❖ **Debt Service** - \$6.6 million, 28.2% of amended budget
  - \$5.8 million of bond debt service
  - Actual average interest rate for the 2008B Variable Rate Demands was 0.015%, well below the budgeted 1% rate



# FY 2015/16 Q1 Operating & Non-Operating Net Increase/(Decrease)

(\$Millions) Operating	FY 2015/16 Amended Budget	Quarter Ended 9/30/15 Actual	Actual % of Amended
Operating Revenue	\$131.0	\$27.3	20.8 %
Operating Expense	\$160.1	\$25.4	15.9%
<b>Operating Net Increase (Decrease)</b>	<b>(\$29.1)</b>	<b>\$1.9</b>	
Non-Operating	FY 2015/16 Amended Budget	Quarter Ended 9/30/15 Actual	Actual % of Amended
Non-Operating Revenue	\$92.0	\$4.6	5.0%
Non-Operating Expense	\$75.2	\$12.8	17.0%
<b>Non-Operating Net Increase (Decrease)</b>	<b>\$16.8</b>	<b>(\$8.2)</b>	

# FY 2015/16 Q1 Ending Fund Balance

(\$Millions) Fund Balance	Amended Annual Budget	Quarter Ended 9/30/15 Actual	Actual % of Amended
Total Sources of Funds	\$223.0	\$31.9	14.3%
Total Uses of Funds	\$235.3	\$38.2	16.3%
<b>Total Net Increase/(Decrease)</b>	<b>(\$12.3)</b>	<b>(\$6.3)</b>	
Beginning Fund Balance	\$146.8	\$146.8	
<b>Ending Fund Balance</b>	<b>\$134.5</b>	<b>\$140.5</b>	



**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

# Questions?

The budget variance analysis report is consistent with the Agency's business goal of fiscal responsibility

**INFORMATION  
ITEM**

**4M**




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Date: December 16, 2015

To: The Honorable Board of Directors

Through: Audit Committee (12/9/2015)

From: Teresa V. Velarde   
Manager of Internal Audit

Subject: Updates for the Audit Committee and the Internal Audit Department (IAD) Charters

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### **RECOMMENDATION**

This is an informational item for the Board of Directors to review.

### **BACKGROUND**

The IAD Charter states that the department is responsible for performing periodic reviews of both the Audit Committee Charter and the IAD Charter, and making recommendations for any necessary updates and revisions. Attached are the charters presented in draft form with proposed changes for your review, discussion, and further direction.

The Audit Committee Charter defines and documents the Audit Committee's purpose, composition, authority, and responsibilities. The purpose of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities over financial reporting, internal controls, and compliance with legal and regulatory requirements related to the operations of the Agency. The responsibilities of the Audit Committee include inquiring of Agency management, the Manager of Internal Audit, the external auditors, and legal counsel about the Agency's internal controls, financial reporting, organizational risks, legal compliance matters, results of internal audits, organizational goals, and other matters as they relate to the Agency.

The IAD Charter defines and documents the Internal Audit (IA) purpose, mission, authority, and responsibilities. The purpose of IA is to assist the Board and Audit Committee in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations. The purpose of IA is also to provide objective, independent assurance evaluations about the operations of the Agency, as well as recommendations to improve efficiencies, establish compliance with policies and procedures, protect Agency assets, and mitigate risks. The responsibilities of IA include performing reviews to evaluate internal controls, report findings, and recommendations to management, the Audit Committee and the Board.

The Charters are reviewed annually; however, were last amended in December 2013. This review proposes several changes and updates as summarized in the bullet points below:

- Proposes changing all references made to the Internal Auditor to reflect the actual title of Manager of Internal Audit.
- Other, miscellaneous grammatical edits.

IA staff evaluated updates proposed by the Institute of Internal Auditors and worked with the Audit Committee's independent advisor to ensure both charters incorporate leading practices.

At this time, IA invites comments, changes, or additional proposed edits and updates from senior management, the Audit Committee Advisor, the Audit Committee and the Board, as well as direction to finalize.

The attachments include the Audit Committee Charter and the IA Charter with the proposed updates.

The updates for the Audit Committee and the IAD Charters is consistent with the Agency's Business Goals of *Fiscal Responsibility, Workplace Environment and Business Practices* by providing direction and guidance for the Audit Committee and the IAD.

#### **PRIOR BOARD ACTION**

On December 18, 2013, the Board of Directors approved the revised Audit Committee Charter.

On December 18, 2013, the Board of Directors approved the revised IAD Charter.

#### **IMPACT ON BUDGET**

None.



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**Audit Committee Charter**  
**Amended on ~~December~~ March 18, 20136**

**PURPOSE**

The Audit Committee (Committee) is established under the authority of the Inland Empire Utilities Agency (IEUA or Agency) Board of Directors (Board) and reports directly to the Board. The primary purpose of the Committee is to assist the Board in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations.

While assisting the Board with these fiduciary duties, the Committee also provides an open avenue of communication between the Board, IEUA Management, the Internal Audit Department, and the external auditors. This advisory and oversight link ~~can~~ provides the following benefits to the organization and stakeholders:

- Increased objectivity and credibility of financial reports.
- Increased management accountability.
- Support for measures to improve management performance and internal controls.
- Increased employee awareness of unethical, questionable, or illegal activities.
- Enhanced independence and effectiveness of the Internal Audit Department.
- Assurance that appropriate management action plans are implemented for audit findings and recommendations.

**COMPOSITION, COMPENSATION & TERM OF SERVICE**

The Committee shall consist of two members from the Board of Directors, each with equal voting rights, with one selected as the Committee Chairperson. The members will be appointed by the Board President.

The Audit Committee shall ~~also~~ have access to at least one financial expert, an outside party, with no voting rights, who will provide advisory and consulting duties and shall be compensated as agreed upon, in writing with the audit committee, the Board, Agency management and its designees.

All members of the Audit Committee shall possess or obtain a basic understanding of governmental financial reporting, accounting and auditing and shall have a requisite interest in financial reporting issues of the Agency. The financial expert shall be an individual with sufficient financial experience and interest to provide guidance and assistance to the Audit Committee. The financial expert should through both education and experience, and in a manner specifically relevant to the government sector, possess: 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing

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**Audit Committee Charter**  
**Amended on December 18, 2013**

financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals, and reserves; 4) experience with internal accounting controls; and 5) an understanding of Audit Committee functions.

The members of the Board serving on the Audit Committee shall be compensated in accordance with the guidelines established for the IEUA Board of Directors in Ordinance No. ~~9873~~ adopted ~~Ma~~February 721, 2001~~14~~, and as amended from time to time, entitled:

"Ordinance of the ~~Board of Directors of~~ Inland Empire Utilities Agency, a Municipal Water District, San Bernardino County, California, establishing compensation/benefits and authorizing reimbursement of expenses for the Board of Directors and their appointed representatives to the Metropolitan Water District of Southern California Board of Directors and outside Committee Members."

The service term for each Committee member will be two years. Prior to term expiration, the Board President or their designee will conduct a review of Board Committee members' eligibility and the Board of Directors will conduct a review of the external/outside Committee member's eligibility. The Board President will then reconfirm the Committee members or select and confirm new members as needed. All activities and actions pertaining to selection or reconfirmation of Committee members will be documented by the Board, or their designee, and recorded in the next regularly scheduled IEUA Board of Directors' meeting minutes.

#### **AUTHORITY**

The Audit Committee has unrestricted access to all information and records, including IEUA personnel and documents. The Committee will have adequate resources to fulfill its oversight responsibilities, including the right to seek independent professional advice and counsel. The Committee is empowered to:

- Meet, as deemed appropriate and necessary, with IEUA Management and employees, the Manager of Internal Audit and audit staff, external auditors and legal counsel.
- Recommend to the Board the approval of the Internal Audit Department's Annual Audit Plan and any changes to the Plan or the Manager of Internal Audit duties.
- Authorize special audits and investigations into any matters within its scope of responsibility.
- Authorize an internal audit or review of any department or function under the control of the Board of Directors, or within the scope of influence of the IEUA.
- Recommend to the Board the appointment, compensation and scope of work of any public accounting firm employed by the IEUA.
- Recommend to the Board the approval of any auditing and consulting services.



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- Review and recommend to the Board the external auditor's audit scope and approach, ensuring that the scope:
  1. Is in compliance with Generally Accepted Auditing Standards (issued by the American Institute of Certified Public Accountants).
  2. Is in compliance with Government Auditing Standards (issued by the Government Accountability Office).
  3. Will include a Single Audit that will be performed, if required, subject to the Office of Management and Budget (OMB) Circular A-133.
  4. Will include an opinion on each major fund presented in the Agency's financial statements.
- Review and recommend to the Board the approval of external auditors' reports, along with Management's written responses, when appropriate.
- Resolve any disagreements between Management, the Internal Audit Department, and the external auditors regarding financial or operational controls and reporting.
- Ensure corrective action is taken on internal accounting control weaknesses identified by the internal and external auditors.

**RESPONSIBILITIES**

The Audit Committee is chartered with ~~significant duties while~~ performing oversight for the Board of Directors. In addition to reviewing this Charter annually and updating it as needed, the Committee has ~~several~~ responsibilities in the areas of Financial Reporting, Internal Controls, ~~the~~ Internal Audit Department, the External Audit and external auditors, Compliance requirements, and Other Matters as provided ~~in the bullets~~ in the following sections. The Committee has the overall responsibility to ensure the general requirements underlying these items are carried out. However, the Audit Committee has the flexibility and authority to determine and choose the best course of action and the best method for carrying out its responsibilities. The following items are best practice guidelines that may be employed:

Financial Reporting:

- Review annual financial statements and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Advise the Board and management of any situations that would cause the Committee to believe the audited financial statements may contain material misstatements or omissions.
- Inquire of the General Manager and Chief Financial Officer (CFO) regarding the fiscal health of the Agency as well as the financial status of the Agency in relation to its adopted budget.
- Inquire of management, the Manager of Internal Audit, and the external auditors about whether significant financial, managerial, and operational information is accurate, reliable, complete, and timely.

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- Inquire of Agency management, the Manager of Internal Audit, and the external auditors about significant risks or exposures facing the Agency; assess the steps management has taken or proposes to take to minimize such risks to the Agency; and periodically review compliance with such steps.

Internal Controls:

- Discuss with Agency management, the Manager of Internal Audit, and the external auditors the reliability and effectiveness of the Agency's internal control environment to mitigate risk, including information technology security and control.
- Discuss with Agency management, the effectiveness of the Agency's process for identifying and assessing significant risks and exposures, and the steps Agency management has taken to communicate, monitor and mitigate these risks.
- Understand the scope of the internal and external auditors' reviews of internal controls, and obtain and review reports of significant findings, recommendations, and Agency management's action plans to mitigate risks.
- Review all significant accounting policy changes submitted by Agency management, with the Internal Audit Department, and/or the external auditors, and provide recommendations to the Board and Agency management.
- Periodically review Agency policies and procedures governing Board of Director and employee conduct, including conflict of interest, misconduct, fraud and other sensitive issues, or non-compliance and recommend changes to the Board and Agency management as appropriate.
- Discuss with Agency management, the Manager of Internal Audit, and the external auditors management, Internal Audit, and the external auditors whether adequate policies have been established and the Agency complies with policies, standards and applicable laws and regulations.
- Discuss with Agency management, the Manager of Internal Audit, and the external auditors management, Internal Audit, and external auditors whether significant legislative or regulatory issues impacting Agency operations are identified, recognized, communicated and appropriately addressed.
- Review with Agency management, the Manager of Internal Audit, and the external auditors the external auditor, management, and the Manager of Internal Audit, the audit scope and plan of the Internal Audit Departmenters and the external auditors. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- Review with Agency management and the Manager of Internal Audit:
  - Significant findings, recommendations, and management's responses thereto.
  - Any difficulties the Internal Audit Department encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
  - Any changes required in the scope of their internal audits.

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- The Internal Audit Department budget and staffing.
  - The Internal Audit Department Charter.
  - The Internal Audit Department's compliance with applicable standards (for example, Governmental Auditing Standards, or the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing).
- Periodically review the Agency's Code of Conduct/Ethics Policy to ensure that it is adequate and up to date.
- Review with the Manager of Internal Audit and the Agency's general counsel the results of their reviews of compliance monitoring with the Code of Conduct/Ethics Policy.
- Review the procedures for the receipt, retention, and treatment of complaints received by the Agency regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, the current status, and resolution if one has been reached.
- Review procedures for the confidential, anonymous submission by Agency employees of concerns regarding questionable accounting or auditing matters, or suspected fraud. Review any submissions that have been received, the current status, and the resolution if one has been reached.
- Inquire of Agency management, the Manager of Internal Audit, and the external auditors management, the Internal Auditor, and the external auditors about significant risks or exposures facing the Agency. Assess the steps management has taken or proposes to take to communicate, manage, and minimize such risks to the Agency; and periodically review compliance with such steps.
- Review with the Manager of Internal Audit, and the external auditors~~the external auditors and the Internal Audit Department:~~
- The adequacy of the Agency's internal controls including computerized information system controls and security.
  - Any ~~related~~ significant findings and recommendations of the Manager of Internal Audit, and the external auditors ~~the external auditors and Internal Audit Department~~ together with management's responses thereto.

Internal Audit Department:

- Request that the Agency's Manager of Internal Audit prepare the Audit Committee's meeting agendas designed to ensure that all of the responsibilities of the Audit Committee as described herein are addressed at least once a year.
- Ensure there are no unjustified restrictions or limitations placed on the Internal Audit Department.
- Review with the Board, General Manager, and the Manager of Internal Audit the Internal Audit Department Charter, Annual Audit Plan, staffing, budget, and organizational reporting structure to ensure they meet the Committee's goals, objectives, and responsibilities to the Board and Agency management.

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- Review and recommend to the Board the approval of the Internal Audit Department's Annual Audit Plan and any significant changes that may occur during the year.
- Review, as needed, all internal audit reports, findings, and recommendations.
- Review and recommend to the Board the appointment, replacement, dismissal, or change in duties of the Manager of Internal Audit.
- Review the effectiveness of the Internal Audit Department's function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- Conduct the Manager of Internal Audit performance appraisals and recommend Manager of Internal Audit merit increases and incentive compensation to the Board.
- Hold management accountable for the appropriate resolution of Internal Audit Department's recommendations and ensure that disposition has been determined for Audit Department recommendations from the prior year. If management has determined that Internal Audit Department recommendations need not be implemented because of adequate compensating controls, based upon a cost/benefit analysis or because the risks are at an acceptable level in accordance with the Agency's goals and objectives, evaluate the reasonableness of such determinations and advise the Board of Directors accordingly.

External Audit:

- Review the external accounting firm's proposals and fee structure, and provide recommendations and external audit plan approval to the Board.
- Review the external auditors' proposed audit scope and approach to ensure emphasis is placed on areas the Committee, Board, Management and external auditors believe special attention is warranted and that efforts are coordinated with the Internal Audit Department.
- Evaluate the external auditor's independence, and if needed, recommend the Board take the appropriate action to satisfy the Agency with the external auditor's independence.
- Review the effectiveness of the external auditor's work and provide the Board with the final approval to continue or discharge the current firm.
- Communicate to the external auditors areas of internal control with a heightened risk of fraud or error, any known or suspected employee fraud, management fraud, pressures or incentives for management to distort reported financial results, or any known or suspected accounting errors or misstatements.
- Communicate to the external auditors any areas of concern applicable to the external auditors' scope of responsibility (fraud, errors, or misstatements involving amounts significant to the financial statements taken as a whole).
- Review all significant written communications between the external auditors and management, such as any management letter comments or schedule of unadjusted differences (i.e. management letter, schedule of audit, or significant unusual or non-routine items, etc.)

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- Hold management accountable for the appropriate resolution of external auditor recommendations, ensure that disposition has been determined for auditor recommendations from the prior year, and where management has determined that auditor recommendations need not be implemented because of adequate compensating controls or based upon a cost/benefit analysis, evaluate the reasonableness of such determinations and advise the Board of Directors accordingly.
- Review with the external auditor that performs the financial statement audit:
  - All critical accounting policies and practices used by the Agency.
  - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Agency's management, the ramifications of each alternative, and the treatment preferred by the Agency.
- Review with management and the external auditors:
  - The Agency's annual financial statements, related ~~foot~~notes, and management's discussion and analysis.
  - The external auditors' audit of the financial statements and their report thereon.
  - The external auditors' judgments about the quality, not just the acceptability, of the Agency's accounting principles as applied in its financial reporting.
  - The external auditors' single audit of the federal awards administered by the Agency and their reports thereon.
  - Any significant changes required in the external auditors' audit plan.
  - Any serious difficulties or disputes with management encountered during the audit.
  - Matters required by Statement on Auditing Standards (SAS) No. 114, The Auditor's Communication With Those Charged With Governance; U.S. Government Accountability Office's (GAO) Government Auditing Standards; and the U.S. Office of Management and Budget's Circular A-133 related to the conduct of the audits.
- ~~E~~For any extra work or special projects requested of the Agency's external audit firm, evaluate whether or not the performance of any extra work or special projects requested of the Agency's external audit firm ~~that work~~ violates the independence standards of the GAO.
- ~~The Audit Committee shall r~~Recommend that the Board of Directors approve the Agency's annual financial report, if ~~it~~the Committee believes that they are fairly presented, to the extent such a determination can be made ~~solely~~ on the basis of reading the financial statements and discussions with Agency management and the external auditors.

Compliance:

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- Review with management and the external auditors the Agency's internal controls for identifying laws and regulations affecting operations, risks for non-compliance including litigation and fines, and implementing controls to prevent recurrence.
- Review the reports, findings and recommendations ~~offer~~ any audits or examinations performed by external agencies.
- Review with Agency counsel any legal, tax, or regulatory matters that may have a material impact on the Agency's operations and its financial statements.

Other Matters:

- The Audit Committee shall engage consultants, specialists, or other audit firms as necessary to assist the committee in the discharging of its responsibilities.
- The Audit Committee shall direct the Manager of Internal Audit to review the ~~Agency's~~ Agency's Audit Committee Charter annually in order to advise the Audit Committee as to needed or recommended changes.
- The Audit Committee shall report to the Board of Directors issues discussed in the Audit Committee meeting that, in the judgment of the committee, warrant communication to the Board to help the Board fulfill its oversight responsibility.

**ETHICAL CONDUCT**

Audit Committee members are prohibited from participating in any event or matter that would create, or appear to create, a conflict of interest. These activities may include having a significant financial interest or operational influence in vendors, contractors, customers or competitors of ~~the~~ IEUA. Any activity creating an actual or apparent conflict should be immediately reported to the Audit Committee Chair and the Board of Directors for resolution.

**MEETINGS**

The Audit Committee shall meet no less than quarterly.

The Manager of Internal Audit will schedule and coordinate all quarterly Committee meetings, and will call additional meetings if requested to do so by any Committee member, the Board, the General Manager or the external auditors. The Manager of Internal Audit will provide all Committee members with written notification and an agenda at least 72 hours before the scheduled quarterly meetings or as soon as reasonably possible for any special meetings, ~~all of which will be~~ in accordance with the requirements of the Brown Act rules.

The General Manager and Manager of Internal Audit will be provided written notification and an agenda at least 72 hours before quarterly and special Committee meetings. These parties will be

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provided an opportunity to attend and speak at all Committee meetings but are not considered members of the Committee and have no voting rights.

The Board or the General Manager will provide administrative support to the Audit Committee and its meetings, including agenda preparation, participant notification, and documentation of meeting minutes.



**INLAND EMPIRE UTILITIES AGENCY**  
**Internal Audit Department Charter**  
**Amended on March~~December~~ 186, 2016~~3~~**

**PURPOSE**

This Charter establishes the authority and responsibilities of the Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department.

The purpose of the Internal Audit Department (Internal Audit or IA) is to assist the Board of Directors (Board) and the Audit Committee (Committee) in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations and to provide objective assurance about the Agency's operations. The purpose of the Internal Audit Department is also to provide as a service to management and as a way of adding value to improve the operations of the Agency, consulting services, analyses, recommendations, and information concerning ~~their~~ operations.

The Internal Audit Department reports to the Board through the Committee and is an independent function from management. The responsibilities of the Internal Audit Department are defined in this Charter.

**MISSION**

The Internal Audit Department seeks to improve the operations of the Agency by providing unbiased and objective assessments and recommendations to ensure Agency resources are efficiently and effectively managed in order to achieve Agency goals and objectives. The Internal Audit Department will help the Agency achieve its goals and objectives, improve operations, and instill confidence among its employees and the citizens it serves by providing independent, objective assurance and consulting services and provide management and the Board of Directors with recommendations to:

- Promote and strengthen a sound control environment.
- Improve Agency risk management, control and governance.
- Promote the Agency's vision and mission through~~with~~ a high degree of professionalism.
- Establish adequate policies and procedures and to comply with them.
- Encourage efficient use of Agency resources.
- Protect and safeguard Agency assets.
- Mitigate risks related to fraud, waste and abuse.
- Hold staff accountable for the resolution of audit recommendations.





## **INLAND EMPIRE UTILITIES AGENCY**

### **Internal Audit Department Charter**

**Amended on March~~December~~ 186, 2016~~3~~**

#### **VALUES**

The Internal Audit Department has adopted the following value statements that form the foundation for the Internal Audit Department.

##### **Independence**

As documented in this Charter, the Internal Audit Department is an independent function of the Agency for the purpose of providing independent, objective, unbiased opinions.

##### **Integrity**

The Internal Audit Department staff is required to maintain the highest degree of integrity in conducting its audit work.

##### **Professionalism**

The Internal Audit Department will perform its work with due professional~~onalism~~ care at all times.

##### **Collaboration**

The Internal Audit Department will foster collaboration with all Agency personnel to promote teamwork within the various business units.

#### **ACCOUNTABILITY**

The Internal Auditor is the Manager of the Internal Audit Department. The Internal Auditor is accountable and reports to the Board of Directors, through the Audit Committee appointed by the Board. The intent of this reporting relationship is to establish the Internal Audit Department's independence to function effectively and in accordance with best practices.

Annually, the Internal Auditor will submit an Audit Plan for the following fiscal year to the Committee for review and approval by the Board. Quarterly status reports of significant Internal Audit activities shall be presented at Committee meetings and shall include a status of major activities and any changes or deviations from the approved audit plan. The Internal Auditor has the authority to deviate from the approved annual Audit Plan, when necessary and if warranted by unforeseen issues that require immediate attention. Significant changes to the annual Audit Plan shall be reported to the Committee and to the Board.

Annually, a listing of audit recommendations provided by the Internal Audit Department and the corresponding corrective actions taken by Agency management will be presented to the Committee.

The Internal Auditor shall inform the Committee on the sufficiency of department staffing and resources.



## **INLAND EMPIRE UTILITIES AGENCY**

### **Internal Audit Department Charter**

#### **Amended on March~~December~~ 186, 20163**

Annually, the Internal Audit Department must also ensure the Committee fulfills their responsibilities as required under the Audit Committee Charter. Additionally, IA must ensure the Internal Audit Department Charter and the Audit Committee Charter are reviewed annually and updated as necessary.

#### **INDEPENDENCE**

Independence is essential to the effectiveness of internal auditing and is strongly emphasized by the Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), and the U. S. General Accountability Office (GAO). The Internal Audit Department should be free, both in fact and appearance, from impairments to independence.

The Internal Auditor and the Internal Audit Department shall have no direct responsibility or authority over the day-to-day operations of the Agency or any activities they would audit. The Internal Audit Department shall not engage in any activities that would compromise their independence or would appear to be a conflict of interest.

To ensure independence is maintained, the Internal Audit Department shall report administratively to the Agency's General Manager or his designee and functionally to the Board through the Audit Committee, as stated under "Accountability".

#### **AUTHORITY**

The Internal Audit Department's authority is derived from the direction of management and the Agency's Board through the Committee as set forth in this Charter. Specifically, the Internal Audit Department is authorized to:

- Audit all areas of the Agency's operations. Perform audits of the Regional Sewage Service Contract agreement between the Agency and the Regional Contracting Agencies (RCA), including performing necessary audit field work and review of required supporting information and documents of the RCA's.
- Have unrestricted access to all Agency functions, records, information, property, and personnel.
- Have full and free access to Agency management, the Board of Directors and the Audit Committee.
- Allocate resources, set frequencies, select subjects and set objectives, determine the scope of work, and apply the techniques required to accomplish audit objectives, without interference from management.
- Obtain the necessary assistance of Agency staff where Internal Auditthey performs audits, as well as other specialized services from within or outside the organization.
- Obtain regular updates from management and Agency legal counsel regarding compliance matters affecting operations.



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**Internal Audit Department Charter**  
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- Establish procedures for the receipt, retention, and treatment of comments or complaints received regarding Agency accounting, operations, or internal controls, including those matters received through Ethics Point or other channels.
- Investigate and make recommendations to the Board, Audit Committee, Executive Management and/or Human Resources, as appropriate about~~handle accordingly~~ reported instances of inappropriate activities, misappropriation of funds or fraud, including those matters received through Ethics Point or other channels.
- Obtain additional internal or external resources w~~hen the Internal Audit Department does not possess all the necessary skills or experience to complete an audit or review, additional internal or external resources may be used,~~ subject to the approval of the Audit Committee and when necessary from the Board.

The Internal Auditor and the Internal Audit Department staff are **not** authorized to:

- Have any responsibilities or authority for any of the activities they audit or perform any operational duties for the Agency or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal A~~uditors~~ in audit activities.
- Participate in any activities that would compromise their objectivity and independence or any activities that would appear to be a conflict of interest.
- Draft or write any Agency Policies and Procedures, or Standard Operating Procedures outside the Internal Audit Department.

### **RESPONSIBILITIES**

The responsibilities of the Internal Audit Department consist of the examination, review and evaluation of the reliability and effectiveness of the Agency's governance, risk management, internal controls, and the quality of operations and systems utilized in carrying out the Agency's goals and objectives. The Internal Audit Department has the responsibility to perform its work with due professional care.

The Internal Auditor and audit staff shall be responsible for, but not limited to, incorporating periodically, as deemed necessary and/or in agreement with the annual audit plan, ~~the~~ activities in the following key areas:

#### Internal Controls

- Assess the adequacy of internal controls in place and determine if they are operating effectively.



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- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Review compliance with Agency policies and procedures, and with applicable laws and regulations which could have a significant impact on the operations of the Agency.
- Evaluate the means implemented and the extent Agency assets are identified, tracked, and safeguarded against misuse, unauthorized use, theft and loss.
- Review operations, programs or projects to determine if results are consistent with established objectives and goals.
- Assess the efficient and effective use of Agency resources and the controls over those resources.
- Provide consulting services on current and proposed policies, procedures, and systems to ensure adequate internal controls are considered and maintained.
- Provide consulting services to evaluate contractual agreements and determine if compliance exists.
- Use/Handle documents and information obtained from Departments in the same prudent manner as by those employees who are normally accountable for them.
- Perform “Follow-up Procedures” on all management responses to audit findings and recommendations to determine if internal control improvements and/or corrective actions have been implemented.
- Perform “Follow-up Procedures” on known external auditor’s or regulatory agency’s reported findings and recommendations to determine if internal control improvements and/or corrective actions have been implemented.
- Conduct special projects, studies, or audits as requested by management, the Audit Committee and the Board of Directors.
- Ensure known or suspected acts of fraud or improprieties involving Agency funds, property and employees are investigated in coordination with the Agency’s legal counsel, Human Resources and senior management.

Audit

- Conduct work in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) and Code of Ethics as required by the Institute of Internal Auditors (IIA).
- Develop a comprehensive and flexible annual audit plan using an appropriate risk-based methodology, including consideration of any risks or control concerns identified by management, the Audit Committee, the Board or the external auditor and submit that plan, as well as any periodic updates, to the Audit Committee and the Board for review and approval.
- Implement the annual audit plan, as approved, including as appropriate, any special tasks or projects requested by management, the Audit Committee, or the Board.



## **INLAND EMPIRE UTILITIES AGENCY**

### **Internal Audit Department Charter**

Amended on ~~March~~December 186, 20163

- Provide Agency management with reasonable notice of intent to audit and with information about the audit process, except in those situations that warrant an unannounced audit.
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage, at a reasonable cost, without redundancy or omission.
- Perform advisory services to assist the Agency in achieving its objectives; for example, reviewing controls, systems or process designs prior to implementation and providing recommendations to improve and enhance the effectiveness of controls and operations.
- ~~Conduct work in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) and Code of Ethics as required by the Institute of Internal Auditors (IIA).~~
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Maintain technical competence through continuing education supported by Department goals and budgets.
- Maintain a quality assurance program whereby the Internal Auditor assures the operations of the Internal Audit Department.
- Perform a periodic review of the Internal Audit Department Charter and the Audit Committee Charter. Additions, deletions, or other changes to the Charters are subject to the approval of the Board of Directors.

#### Reporting

- Issue quarterly reports to and meet with the Audit Committee and management to summarize results of audit activities and status of findings and recommendations.
- ~~Provide w~~Written status reports of Audit ~~Committee~~ Department activity ~~to the Audit Committee~~ will be produced quarterly by the Internal Audit Department. The Quarterly Audit Committee Status Report will include a summary of significant internal and external audit activities for the reporting period. The Status Report will be submitted for approval by the Committee and the approved Status Report will be presented at the next regularly scheduled IEUA Board of Directors meeting.
- ~~Annually, the Internal Audit Department will p~~Provide a written report listing all outstanding recommendations with expected resolution dates annually. The report of all outstanding recommendations will be submitted for approval by the Audit Committee and provided at the next regularly scheduled IEUA Board of Directors meeting.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing, as well as new audit requirements, when applicable.
- Immediately report any reservations concerning control risks, accounting or disclosure practices to the Audit Committee.
- If during the scope and progress of its reviews and audits, the Internal Audit Department identifies opportunities for improving the Agency's control environment, processes and procedures to ensure an environment where assets are safeguarded, internal controls are



## **INLAND EMPIRE UTILITIES AGENCY**

### **Internal Audit Department Charter**

#### **Amended on March~~December~~ 18~~6~~, 201~~6~~3**

in place and risk is mitigated, these recommendations will be communicated to the appropriate level of management and the Audit Committee as timely as necessary and in the written report.

- When deemed appropriate and necessary, provide responsible unit management with a preliminary written report of the results and recommendations of each audit, analysis, review, or investigation performed and sufficient time to respond in writing with a plan of corrective actions. Sufficient time to reply would be 30 to 60 days from the date of the final report.
- Provide ~~a~~ final reports of results and recommendations for each review and audit performed, including the responsible management's responses to the Audit Committee, Executive management and responsible management. All final reports with any~~the~~ responses go through~~will be submitted to the~~ Committee for discussion and to the Board for approval. However, in cases where the auditee does not provide a response that is timely or deemed responsive, the final report will not be held up pending a response and will be submitted for discussion during the next scheduled Audit Committee meeting.

#### **STANDARDS OF ETHICAL CONDUCT**

The Internal Audit Department staff have a responsibility to govern themselves so that their independence is not open to question. To this end, adherence to the Institute of Internal Auditor's "Code of Ethics" will ensure integrity, objectivity, confidentiality and competency in Internal Audit work performed on behalf of the Agency's Board and Audit Committee. These principles include:

- Performing internal auditing services in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- Exercising honesty, diligence, and responsibility in performing duties.
- Observing the law and making disclosures expected by the law and the profession.
- Not knowingly being a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the Agency.
- Respect and contribute to the legitimate and ethical objectives of the Agency.
- Not participating in any activity or relationship that may impair, or be presumed to impair, unbiased assessments, including activities or relationships that may be in conflict with the interests of the Agency.
- Not accepting anything that may impair or be presumed to impair professional judgment.
- Disclosing all material facts known that, if not disclosed, may distort the reporting of activities under review.
- Being prudent in the use and protection of information acquired in the course of duties.
- Not using information for personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Agency.



## **INLAND EMPIRE UTILITIES AGENCY**

### **Internal Audit Department Charter**

#### **Amended on March~~December~~ 18~~6~~, 201~~6~~3**

- Engaging in only those services or audit activities for which Internal Audit staff~~they~~ have the necessary knowledge, skills, and experience.
- ~~Performing internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards).~~
- Continually improving staff~~their~~ proficiency, and the effectiveness and quality of their services.

#### **MANAGEMENT RESPONSIBILITIES**

It is the responsibility of the Board of Directors and senior management to foster a control environment that supports the Internal Audit Department's objectives and independence within the Inland Empire Utilities Agency. The existence of the Internal Audit Department does not diminish Agency management's financial and operational responsibilities for prudent execution and control of activities, including their responsibilities for the periodic evaluation of risk, control, and governance systems.

Management's responsibilities include:

- Providing Internal Audit with its full support and cooperation at all operating levels, including full and complete access to all records, property, and staff relative to their assigned areas of responsibility, and active participation in the audit process.
- Immediately notifying the Manager of Internal Audit and the Audit Committee of any known or suspected cases of illegal, criminal or unethical activity involving Agency funds, property, employees, or any activity which appears to present a conflict of interest.
- Timely notification to Internal Audit of any new or proposed modifications to Agency systems, procedures, operations or services, ensuring controls are built into the new or modified processes.
- Providing the Internal Audit Department with written responses to all audit findings and recommendations, including action plans, responsible employees, and targeted resolution dates or the acceptance of the risks identified.
- Providing the Internal Audit Department with adequate budget, staffing, assistance from staff of audited Departments, and the tools needed for the Internal Audit Department to execute its~~their~~ duties as defined in this Charter.

**INFORMATION  
ITEM**

**4N**

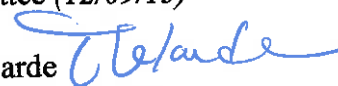


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Date: December 16, 2015

To: The Honorable Board of Directors

Through: Audit Committee (12/09/15)

From: Teresa V. Velarde   
Manager of Internal Audit

Subject: Regional Contract Review Final Report

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### **RECOMMENDATION**

This is an information item for the Board of Directors (Board) to review.

### **BACKGROUND**

At the request of the Board and Executive Management, Internal Audit (IA) has been performing a review of the Agency's Regional Sewage Service Contract (Regional Contract Review) as implemented with the seven regional contracting agencies. The objectives of the Regional Contract Review include:

- Evaluate of how each of the seven contracting agencies apply the Regional Contract provisions.
- Determine whether processes are in compliance with the Regional Contract requirements.
- Determine opportunities to improve processes and procedures.
- Identify opportunities and make recommendations for consideration as part of the Regional Contract renegotiation.

The Regional Contract Review Final Report is consistent with the Agency's Business Goals of *Fiscal Responsibility, Workplace Environment and Business Practices* by providing independent evaluations of the financial and operational activities of IEUA's contracting agencies' implementation of the Regional Contract and suggesting recommendations for improvements.

### **RECOMMENDATIONS AND FINDINGS**

The final report presents recommendations in the form of potential new business models for the Agency to consider implementing:

- Best Practices – Actions/activities that could/should already be occurring
- Minor Changes – Revisions to Exhibit J and the 1997 sewer billing formula

- Moderate Changes – Oversight, information, and recourse
- Major Changes – Develop a new way of doing business (centralize the collection of all fees at IEUA)
- Total regional restructuring

The recommended business models address the findings noted consistently through the review:

- Exhibit J of the Regional Contract should be revised and approved regularly. The review identified over \$160,000 in potential under-collections from just five businesses where there was a difference in the interpretation of the category type.
- Contracting agencies do not generally collect connection fees from public schools (K-12) since schools are permitted by the State. The review found 16 public school campuses with recent construction. In ten instances no connection fees were paid. IA conservatively estimates that at a minimum, connection fees of approximately \$230,000, and possibly as much as \$687,000, should have been collected.
- The region's main community college campus and one satellite campus did not pay connection fees for multiple new buildings, but the Fontana satellite campus paid approximately \$53,000, in connection fees for one new building. IA conservatively estimates that at a minimum, connection fees of approximately \$55,000, for the satellite campus and over \$180,000, for the main campus should have been collected, and possibly at least as much as \$530,000, should have been collected.
- The review found one hospital (Kaiser – Fontana) where no connection fees were collected. Two other hospitals with recent expansion each paid approximately \$1,400,000, in connection fees. IA conservatively estimates that at a minimum, connection fees of approximately \$1,300,000, should have been collected, but the amount could possibly be much higher.
- No difference is defined in the Regional Contract between public service facilities that are considered “publicly owned” vs. “publicly used.” The review tested eight governmental facilities that were charged connection fees at the commercial category rate rather than the public service rate, resulting in potential under-collections of approximately \$64,000, for all buildings.
- The calculation worksheet should be standardized at all contracting agencies to ensure the fixture types and counts are consistent with Exhibit J. The review found that at one contracting agency the calculation worksheet is missing 15 categories from Exhibit J, yet includes three category types that are not part of Exhibit J. This created a potential extrapolated under-collection of approximately \$80,000 in connection fees in just one fiscal year.

## Regional Contract Review Final Report

December 16, 2015

Page 3 of 4

- A contracting agency gave an Industrial entity a credit of over \$500K for connection fees, with no documentation to support the credit.
- There is a need for clear guidance and detailed instructions for the assessment and collection of connection fees for Industrial entities. In evaluating the connection fees and monthly sewerage charges collected among various industrial entities, there appears to be no correlation or justification for some of the low rates currently paid.
- The EDU defined in the Regional Contract as 270 gallons per day (GPD) is no longer representative of modern water usage.
- IEUA should require contracting agencies to itemize monthly sewerage amounts for non-residential customers. Currently, the agencies provide total EDUs each month and IEUA issues an invoice for the self-reported amount without requiring additional support or verification.
- The 1997 Procedures for monthly sewer billing memorandum should be revised and approved regularly. The review found contracting agencies where approximately 25 percent of accounts tested for monthly sewer fees had errors. Errors/mistakes in monthly sewer billing act like an annuity, growing exponentially over time unless or until they are corrected.

IA would like to extend our appreciation to all seven contracting agencies, the IEUA Planning and Environmental Resources and Finance and Accounting Departments for their cooperation and assistance during this review. IA appreciates the opportunity to perform this review and stands ready to assist in any way possible as necessary and as requested.

To-date, IA has submitted as information items the following reports:

- Interim Audit Report for the City of Ontario (September 2015)
- “Draft” Interim Audit Report for the City of Ontario (June 2015)
- Interim Audit Report for the City of Chino Hills (June 2015)
- Interim Audit Report for the Cucamonga Valley Water District (March 2015)
- Interim Audit Report for the City of Chino (December 2014)
- Interim Audit Report for the City of Fontana (December 2014)
- Interim Audit Report for the City of Montclair (September 2014)
- Interim Audit Report for the City of Upland (September 2014)
- Survey of Comparative Information of the Seven Contracting Agencies (September 2014)
- Regional Contract Review – Review of the Ten Year Forecast (June 2014)
- Regional Contract Review – Survey of Comparable Agencies (June 2014)

### ATTACHMENTS

The Regional Contract Review Final Report is attached.

**PRIOR BOARD ACTION**

On September 17, 2014, the Board approved the Fiscal Year 2014/15 Annual Audit Plan.

On December 18, 2013, the Board reconfirmed the approved Internal Audit Department Charter.

**IMPACT ON BUDGET**

The impact on the budget may be significant depending on additional revenues potentially collected, investment income potentially earned and the related staffing and other costs of potentially implementing a new business model or aspects thereof.



*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT

# Regional Contract Review

# Final Report

***The Regional Contract review is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by providing an independent evaluation of the Regional Contract and suggesting recommendations for improvements.***

**Prepared by:  
Internal Audit Department  
October 7, 2015**

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## **EXECUTIVE REPORT**

The objectives of the Regional Contract Review were to evaluate how each of the Contracting Agencies apply the Chino Basin Regional Sewerage Service Contract (Regional Contract) provisions, determine whether processes are in compliance with Regional Contract requirements, identify opportunities to improve procedures and make recommendations to consider as part of the Regional Contract renegotiation. The review covered the period from July 1, 2012 through December 31, 2013 and where possible considered events subsequent to that period. The audit included a review of the seven Contracting Agencies: Cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Upland and the Cucamonga Valley Water District.

The Regional Contract is a 50-year contract that expires in 2022. *This Executive Report provides a summary of the findings identified and a description of potential new Business Models with recommendations to address the findings and with suggestions for potential next steps.*

### **Findings & Observations**

In conducting the review, Internal Audit (IA) judgmentally selected between **40** and **75** businesses and Public Service Facilities (PSF) from a variety of different sources at each of the Contracting Agencies to test whether Connection Fees and Monthly Sewer Fees were accurately calculated, assessed, collected, and reported to IEUA in accordance with Regional Contract provisions. During this review, IA completed ten separate interim audit reports documenting the specifics of the observations, findings and recommendations identified. Information about the observations and findings is included in the attachments and summarized below:

- Exhibit J of the Regional Contract should be revised and approved regularly to include additional category types and provide users with clarification and detailed definitions to ensure consistency in its application. The review found there are many inconsistencies in the way Contracting Agencies interpret the category types provided in Exhibit J of the Regional Contract. This creates differences in interpretation and application among Contracting Agencies and differences in Connection Fees assessed and collected. This review identified over **\$160,000** in potential under-collections from just five entities where there was a difference in the interpretation of the category type.
- The review found that Contracting Agencies do not generally collect Connection Fees from public schools (K-12) because there is no established process in place to identify and collect fees since schools are permitted by the State. The review found 16 public school campuses with recent construction. In 10 cases no Connection Fees were paid or collected. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. Connection Fees ranged from \$23,000 to over \$270,000 per

campus for the other six campuses that paid fees. Therefore, at a minimum, using the lowest estimate, the Contracting Agencies should have collected a very conservative **\$230,000** in Connection Fees (10 campuses x \$23k – lowest estimate); however, based on the comparable information for the six schools that did collect fees, **\$687,000** is a closer estimate of Connection Fees that should at least have been collected.

- The review found that the region's main community college campus and one satellite campus, had not paid Connection Fees for multiple new buildings, but the Fontana satellite campus paid approximately \$53,000 in Connection Fees for one new building. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. Internal Audit attempted to perform a physical survey of the accessible areas of the three buildings at the Chino Campus (not including science laboratories or the banquet facility) and determined that Connection Fees would have exceeded **\$55,000**. At the main campus facility in Rancho Cucamonga, Internal Audit noted that ten new buildings have been added since 2008. Internal Audit was not able to perform a physical survey, however, using the conservative approach of approximately \$18,000 per building (\$55k / 3) noted at the Chino Campus, at a minimum **\$180,000** in Connection Fees should have been collected (10 campuses x \$18k); but the amount is possibly much higher, possibly **\$530,000** if we use the comparable information for the one building where fees were collected.
- As with most Public Service Facilities, the Contracting Agencies did not always collect for hospital construction because hospitals are also permitted by the State. The review found one hospital where no Connection Fees were collected. Internal Audit calculated the minimum possible Connection Fees based on the number of patient rooms (and not including cafeterias, surgical facilities, etc.). At a minimum a very conservative estimate of **\$1,300,000** in Connection Fees should have been collected. In comparison, two other hospitals in the Region with recent expansions each paid approximately \$1,400,000 in Connection Fees.
- The review noted differences in interpretation between Public Service Facilities that are considered "publicly owned" and/or "publicly used." There is no difference defined in the current Regional Contract. The review tested eight governmental facilities that were charged Connection Fees at the commercial category rate rather than the public service rate, resulting in potential under-collections of approximately **\$64,000** for all buildings.
- There is a need to standardize the calculation worksheet for all Contracting Agencies to ensure the fixture types and counts are consistent with Exhibit J. This would eliminate the inconsistencies and differences in fixture unit values assigned by the Contracting Agencies, creating differences in the Connection Fees assessed. The review found that in one agency, the Calculation Worksheet



is missing 15 categories from Exhibit J, yet includes three category types that are not part of Exhibit J. This created a potential extrapolated under-collection of approximately **\$80,000** in Connection Fees in only one fiscal year.

- The review also noted a questionable credit of approximately **\$560,000** given by the Contracting Agency to Evolution Fresh, an Industrial entity located in Rancho Cucamonga, with no documentation to support the credit.
- There is a need for clear guidance and detailed instructions for the assessment and collection of Connection Fees for Industrial entities. During the review, Contracting Agencies commented that they believe that new businesses find Connection Fees for Industrial activities to be both confusing and high, particularly the portion of the fee based on a wastewater analysis and that there are trade-offs between this cost and the ongoing costs of alternatively connecting to the NRWS lines. The review found differences in the interpretation and application of the Regional Contract for both Connection Fees and Monthly Sewer Fees for Industrial users, creating inconsistencies among customers that may appear to be inequitable among the industrial customers.
- The 1997 Procedures for Monthly Sewer Billing memorandum should be revised and approved regularly to include additional category types and provide users with clarification and detailed definitions to ensure consistency in its application. The review found a variety of errors in the Contracting Agencies' billing systems ranging from data entry input errors, to categorization errors from unclear guidance in the 1997 document. The review found Contracting Agencies where approximately **25%** of accounts tested for Monthly Sewer Fees had errors. It is difficult to extrapolate the error rate to total revenue because each error/mistake can be unique and it is difficult to determine how long the error has existed. It is important to note that errors/mistakes in Monthly Sewer Fees act like an annuity, growing exponentially over time unless or until they are corrected.
- There is a need to reevaluate the EDU definition of 270 gallons per day (GPD) set forth in the Regional Contract. Our survey of comparable agencies showed that other similar agencies define their EDU equivalent between 235 and 310 GPD. Additionally, with water conservation efforts, more water efficient appliances and increased urban density, water usage has declined since the EDU was initially defined in the Regional Contract and 270 GPD is no longer representative of modern water usage.
- IEUA should require the Contracting Agencies to itemize Monthly Sewer Fees amounts for non-residential customers. Currently, the only information provided to IEUA by each Contracting Agency is total EDUs. No additional information is required. The review found that Contracting Agencies derive the total EDU number in various ways: One Contracting Agency calculates the EDU number based on the number of EDUs purchased by their customers. The other

Contracting Agencies calculate nonresidential EDUs from their water readings according to the "draft" 1997 billing memorandum, but some use differing methods: one backs into the total number of EDUs by dividing revenue billed in that month by the EDU rate, another reports EDUs only where monthly fees have been collected (not accounting for those still outstanding) and another does not report usage from their own governmental facilities.

The summary below shows findings related to uncollected Connection Fees, both minimum estimated fees and the fees based on comparable information:

**SUMMARY OF UNCOLLECTED CONNECTION FEES**

**CONNECTION FEES (Minimum Potential)**

	CHINO	CHINO HILLS	CVWD	FONTANA	MONTCLAIR	ONTARIO	UPLAND
HOSPITAL	\$ -	\$ -	\$ -	\$ 1,300,000	\$ -	\$ -	\$ -
COLLEGE	55,000	-	180,000	-	-	-	-
SCHOOLS	23,000	23,000	69,000	-	46,000	69,000	-
GOVT FACILITIES	-	-	-	32,448	8,942	-	22,977
OTHER	141,006	7,641	586,687	-	(3,527)	16,550	5,246
<b>MINIMUM</b>	<b>\$ 219,006</b>	<b>\$ 30,641</b>	<b>\$ 835,687</b>	<b>\$ 1,332,448</b>	<b>\$ 50,965</b>	<b>\$ 85,550</b>	<b>\$ 28,223</b>

**TOTAL MINIMUM \$ 2,582,520**

**CONNECTION FEES (Comparable Basis)**

	CHINO	CHINO HILLS	CVWD	FONTANA	MONTCLAIR	ONTARIO	UPLAND
HOSPITAL	\$ -	\$ -	\$ -	\$ 1,300,000	\$ -	\$ -	\$ -
COLLEGE	55,000	-	530,000	-	-	-	-
SCHOOL	43,000	43,000	153,000	-	236,000	212,000	-
GOVT FACILITIES	-	-	-	32,448	8,492	-	22,977
OTHER	141,006	7,641	586,687	-	(3,527)	16,550	5,246
<b>COMPARABLE</b>	<b>\$ 239,006</b>	<b>\$ 50,641</b>	<b>\$ 1,269,687</b>	<b>\$ 1,332,448</b>	<b>\$ 240,965</b>	<b>\$ 228,550</b>	<b>\$ 28,223</b>

**TOTAL COMPARABLE \$ 3,389,520**

*IEUA and the Contracting Agencies are trapped in a spiral where the Contracting Agencies are not charging enough of the Connection and Monthly Fees that the Regional Contract requires leading to higher IEUA fees and an uneven playing field from Contracting Agency to Contracting Agency and from Regional Business to Regional Business.*

The renegotiation of the Regional Contract provides an opportunity for IEUA and the seven Contracting Agencies to consider a new way of doing business, hence a new business model for the Region. The following pages propose different business models to consider as part of moving forward with renegotiating/amending the Regional Contract and changing the way IEUA does business with the Contracting Agencies.

**Recommendations**

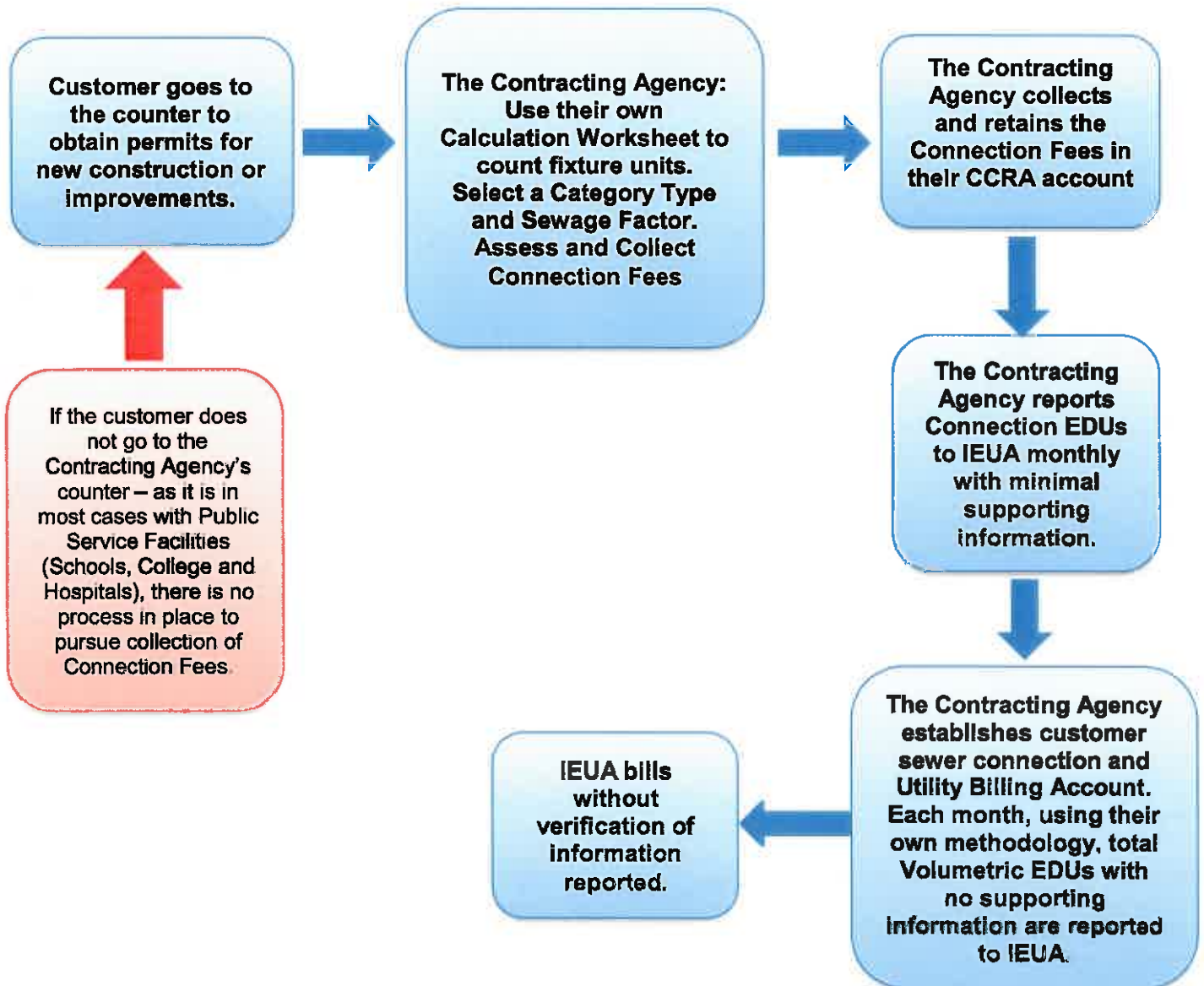
To address the findings identified by Internal Audit, prevent additional similar findings and to ensure the requirements of the Regional Contract are implemented consistently and equitably across all customers, Internal Audit developed a number of recommendations while performing the individual Regional Contract Reviews. These audit findings and resulting recommendations came up consistently at multiple Contracting Agencies (**Attachments 3 through 11**). Internal Audit has sorted the recommendations to create several possible business models as IEUA looks to the future of the Regional Contract and changing the business approach. The following pages provide additional details for each.

Each business model groups the audit recommendations by the magnitude of changes necessary to the way business is conducted. The table below provides highlights of each of the business models; additional details are also included in the **Attachments**:

<p>Current Business Model/Practice</p>	<ul style="list-style-type: none"> <li>• Connection Fees collected by Contracting Agencies at Building Department/Payments Counter</li> <li>• Connection Fees held by Contracting Agencies until “called” by IEUA</li> <li>• Schools, Hospitals construction administered by State with no process in place to ensure Connection Fees are collected by Contracting Agencies</li> <li>• Monthly Sewer Fees collected by Contracting Agencies and lump-sums remitted to IEUA without any detail or support</li> <li>• Proposition 218 is the responsibility of each Contracting Agency</li> </ul>
<p><u>Business Model #1</u> Minor Changes</p>	<ul style="list-style-type: none"> <li>• Frequent/Regular and consistent revisions and updates to Exhibit J for Connection Fees and to the 1997 Monthly Sewerage Billing Formulas memorandum</li> </ul>
<p><u>Business Model #2</u> Moderate Changes</p>	<ul style="list-style-type: none"> <li>• Additional oversight, information and recourse provisions as part of a revised Regional Contract             <ul style="list-style-type: none"> <li>○ On-going Monitoring and Inspections by IEUA staff</li> <li>○ Recourse rights incorporated into the Contract</li> <li>○ Right to audit and access to records incorporated in Contract</li> </ul> </li> </ul>
<p><u>Business Model #3</u> Major Changes</p>	<ul style="list-style-type: none"> <li>• <b>Centralize Connection Fees and Monthly Sewer Fees Billing at IEUA</b></li> <li>• <b>Evaluate and implement Variable vs. Fixed Cost Billing Models</b></li> <li>• <b>Utilize County Property Tax System to collect Monthly Sewer Fees</b></li> <li>• <b>Centralize Proposition 218 reporting of fee increases Region-wide</b></li> </ul>
<p>The Future</p>	<p>IEUA has responsibility for and management of supply chain for all water and sewer related activities for the entire region, both locally and regionally.</p>

### Current Business Model/Practice

The current Regional Contract business process/model is illustrated below and in **Attachment 2**. The current process centralizes responsibility for direct contact with customers with the individual Contracting Agencies, including the Proposition 218 notification of fee increases. IEUA's contractual relationship is only with the Contracting Agencies. Each individual Contracting Agency's relationship is with the customers in their service area. Theoretically, therefore, it is irrelevant to IEUA whether the individual Contracting Agencies collect Connection Fees and Monthly Sewer Fees from their individual customers as long as the Contracting Agencies remit those fees to IEUA from their own accounts. Unfortunately, the way the current contract is structured IEUA generally does not have enough information to reconcile or dispute the information provided by the Contracting Agencies and the Regional Contract does not include provisions to obtain that information. Therefore, the recommendations and potential next steps shown in each of the following Business Models consider ways for IEUA to enhance its relationship with the individual Contracting Agencies.



**Business Model 1: Minor Changes**

This Business Model includes only recommendations for Regional Contract amendments and revisions that leave current business practices in place, but provide more clarity and consistency to those practices across the region, to ensure all Contracting Agencies apply the Contract consistently.

**MINOR CHANGES TO BUSINESS MODEL**

**Summary:**

- Regional Contract is updated, clarified and modernized, but is left largely unchanged as to the way the Region conducts business.
- Centralized responsibility for direct contact with customers remains with the individual Contracting Agencies.
- Contracting Agencies are responsible for the Proposition 218 notification of fee increases.
- IEUA's contractual relationship is only with the Contracting Agencies not the customers.

**Recommendations:**

- Frequent/Regular and consistent approved revisions to Exhibit J
- Frequent/Regular and consistent approved revisions to Monthly Sewerage Formula

**Next Steps:**

Regional Committees regularly provide:

- Revisions to Exhibit J and Monthly Sewerage Formulas for Board approval
- Standardization for Calculation Worksheet
- Guidelines for supporting documentation provided to IEUA for both EDU Building Activity Reports and Monthly Sewer Fees Reports

## **Business Model 2: Moderate Changes**

This Business Model includes recommendations for Regional Contract amendments that enhance IEUA's oversight over the way the region conducts business and provides the tools that are needed for IEUA to take responsibility for inspection, reconciliation and recourse.

### **MODERATE CHANGES TO BUSINESS MODEL**

#### **Summary:**

- Regional Contract is updated, clarified and modernized.
- Assigns additional roles and responsibilities to IEUA staff to ensure additional monitoring and oversight and regular inspections if necessary.
- IEUA staff would ensure the Regional Contract is administered consistently throughout the region with a "level playing field" among the Contracting Agencies and from one local business to another through-out the region.
- Centralized responsibility for direct contact with customers remains with the individual Contracting Agencies.
- The Proposition 218 notifications remains with the Contracting Agency.
- IEUA's contractual relationship is only with the Contracting Agencies.

#### **Recommendations:**

- Oversight, information & recourse over Connection Fees and Monthly Sewerage billing
- Monitoring program to inspect facilities randomly and when discrepancies are suspected and as necessary to ensure Fees are assessed accurately
- Inspection, verification and recourse rights in Regional Contract
- Right to audit, full cooperation and access to records and documents

#### **Next Steps:**

IEUA and Contracting Agencies renegotiate provisions of Regional Contract:

- Require some expertise in-house (IEUA staff)
- Monitoring and inspection program
- Inspection, verification and recourse rights
- Right to audit, cooperation and access to records
- Regional Committees establish contract for monthly sewerage billing to eliminate invoicing process.

### **Business Model 3: Major Changes**

This Business Model includes recommendations to create a new paradigm for administering the business activities of the Regional Contract with IEUA taking over responsibility for fee calculation methods and collections.

#### **MAJOR CHANGES TO BUSINESS MODEL**

##### **Summary:**

- IEUA assumes primary responsibility for implementing Contract requirements.
- IEUA takes over collecting Connection Fees and Monthly Sewer Fees.
- IEUA determines billing methodologies.
- IEUA is in direct contact with all sewer customers in the region.
- IEUA assumes responsibility for Proposition 218 process for the region.

##### **Recommendations:**

- Consider legal, political and financial impacts of governing by ordinance vs. the Regional Contract.
- Resolve the under-collection findings noted through this audit process.
- Centralize Connection Fees and Monthly Sewer Fees Billing at IEUA.
- Consider County Property Tax collection method for Monthly Sewer Fees billing.
- Review and revise EDU formula.
- Evaluate methodologies/calculations:
  - Variable Cost Models: Water consumption models – water usage, other
  - Fixed Cost Models: EDUs purchased, dwelling or business size, other

##### **Next Steps:**

- Consider legal, political and financial impacts of:
  - governing by ordinance vs. the Regional Contract
  - revising EDU formula, and
  - resolving audit findings noted in this report
- Evaluate methodology for billing Connection Fees and Monthly Sewer Fees:
  - Fixed Cost: EDU, size/square feet or other
  - Variable Cost: Water consumption or other
- Develop and implement business plan for centralization of Connection Fees and Monthly Sewer Fees Billing.
- Consider alternatives to how collections are made for Public Service Facilities.
- Assume responsibility for the Proposition 218 process.

### **Business Model 4: Total Restructuring**

The Regional Contract is a 50-year contract set to expire in 2022. In renegotiating the Regional Contract, Internal Audit recommends planning for the long-term future of the region. The State of California recently provided the first possibility for radical change and consolidation in the water industry by passing Senate Bill 88. Although this Bill is limited in scope and intended primarily to ensure safe drinking water to disadvantaged communities, it presents the possibility of consolidations to eliminate divisions among government entities. As IEUA and the Contracting Agencies consider the best scenario and business model possible for the future of the region, it is time to consider alternative ways to manage water supplies and water/wastewater/sewer services.

#### **Total Restructuring**

IEUA takes full responsibility for managing the entire water and sewer related activities for the IEUA region:

- Manage, distribute & account for all local, Metropolitan and other potable and recycled water.
- Manage, collect, treat and account for all wastewater.
- Construction & maintenance of all infrastructure and capital projects

### **Moving Forward**

The renegotiation of the Regional Contract provides an opportunity to consider how the different Business Models align with IEUA's Strategic Plan in achieving the Agency's Mission, Vision, Values and Business Goals. Board direction is needed to move forward:

1. Direct Staff to coordinate with legal counsel and the Contracting Agencies to resolve the findings identified through this audit and collect fees as appropriate.
2. Direct Staff to begin Contract negotiations, consistent with Major Changes to Business Model, including direct billing of Connection and Monthly Sewer Fees.



**ATTACHMENTS**

**Attachment 1 - Audit Risk Matrix**

Based on the results of the Regional Contract Review, Internal Audit has developed an Audit Risk Matrix. This is a diagram that identifies the major events or situations that can result in IEUA not achieving the intent of the Regional Contract, ranked by the likelihood and impact to the Agency. Greater risks are noted in red, while moderate or minor risks are shown in yellow and green. Likelihood refers to the possibility for error, mistake or deficiency. Impact, refers to the magnitude of the potential error, mistake or deficiency in terms of financial losses.

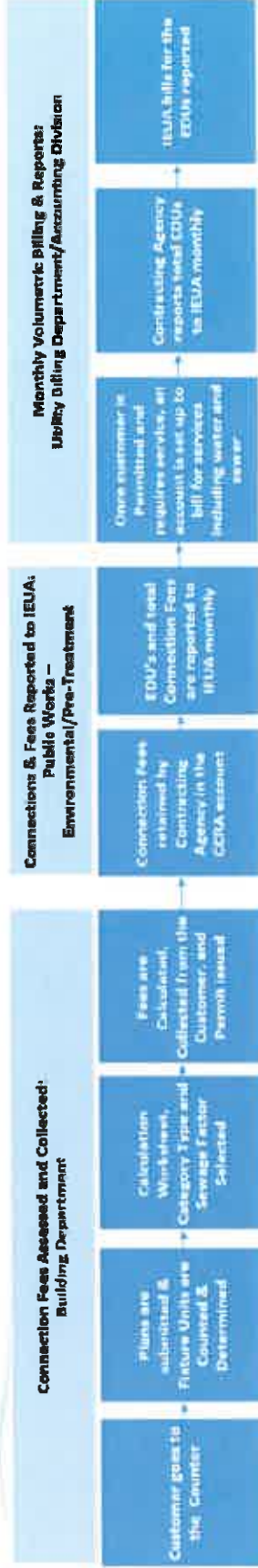
This Risk Matrix highlights the areas IEUA should focus on and prioritize as part of re-evaluating and renegotiating the Regional Contract.

		LIKELIHOOD		
		LOW	MEDIUM	HIGH
IMPACT	HIGH	<b>Monthly Sewerage Fees</b> <ul style="list-style-type: none"> <li>Not Collected from Governmental Facilities</li> </ul>	<b>Connection Fees</b> <ul style="list-style-type: none"> <li>Not Collected from Hospitals</li> <li>Industrial Entity Undercollections</li> </ul>	<b>Connection Fees</b> <ul style="list-style-type: none"> <li>Not Collected from Schools</li> <li>Not Collected from Community College</li> <li>Commercial Categorization Errors</li> </ul>
	MEDIUM	<b>Residential Monthly Billing</b> <ul style="list-style-type: none"> <li>Not Collected or Recorded</li> </ul>	<b>Commercial Monthly Sewerage</b> <ul style="list-style-type: none"> <li>Missing Accounts</li> <li>Rate errors</li> </ul>	<b>Commercial Monthly Sewerage</b> <ul style="list-style-type: none"> <li>Categorization Errors</li> </ul>
	LOW	<b>Residential Connection Fees</b> <ul style="list-style-type: none"> <li>Not collected</li> </ul>	<b>Connection Fees</b> <ul style="list-style-type: none"> <li>Calculation Worksheets do not align with Exhibit 1</li> </ul>	<b>Connection Fees</b> <ul style="list-style-type: none"> <li>Fixture Count Errors</li> </ul>

**Attachment 2 - Current Business Model/Process**



**Regional Contract Review  
 Connection Fees & Monthly Volumetric Fees  
 Collecting & Reporting Process**



If customer does not get to the counter, the example with remodels and expansions or in the case of public service facilities, there is a risk that EDUs are never reported and connection fees are not collected.

Regarding this risk, currently the Contracting Agency actively is aware of the businesses and development in their service area and staying informed through New Business license reports, property clustering, construction activity, etc. and establishing a coordinated process with other departments to identify new/old constructions.

The current Regional Contract centralizes responsibility for direct contact with customers with the individual Contracting Agencies. IEUA's contractual relationship is only with the Contracting Agencies. Each individual Contracting Agency's relationship is with the customers in their service area.

**Attachment 3 - Results: Connection Fees (Commercial Businesses)**

For the commercial businesses selected for review, IA noted instances of varying interpretation and application of Exhibit J of the Regional Sewerage Service Contract. This created differences in categorization; therefore, differences in the Connection Fees collected. For the five entities where there was a difference in the interpretation of the category type, IA identified over \$160,000 in potential under-collections, as follows:

<b>Contracting Agency</b>	<b>Category Used</b>	<b>Fees Collected</b>	<b>Alternative Category</b>	<b>Possible Fees</b>	<b>Difference/ Shortage</b>
<b>Residential Community Center</b>					
Chino	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$30,732	III: Hospital, Health Spa with Pool, full service restaurant	\$123,206	\$92,474
Chino	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$16,129	III: Hospital, Health Spa with Pool, full service restaurant	\$64,661	\$48,532
Ontario	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$112,297	-	-	-
<b>Restaurant</b>					
Montclair (Dragon 99 Restaurant)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$1,308	III: Hospital, Health Spa with Pool, full service restaurant	\$5,243	\$3,935
<b>Veterinary Hospitals/Facilities</b>					
Chino Hills (Pets N Vet Animal Hospital)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$2,539	III: Hospital, Health Spa with Pool, full service restaurant	\$10,180	\$7,641
Upland (Caremore Medical Enterprises)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$1,744	III: Hospital, Health Spa with Pool, full service restaurant	\$6,990	\$5,246

**Attachment 4 - Results: Connection Fees (Schools – K-12)**

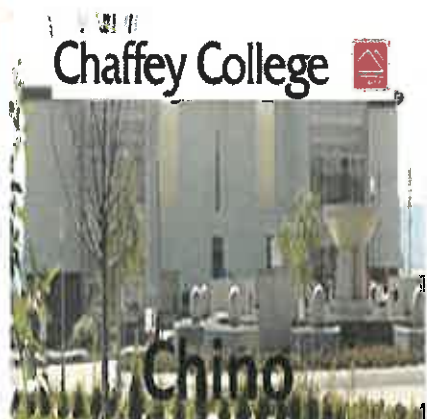
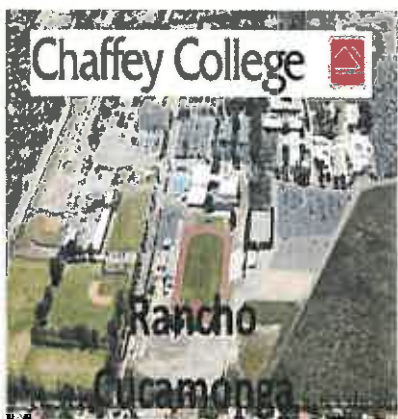
According to the requirements of Exhibit J of the Regional Contract, any Public Service Facilities that have new construction or expansions are required to pay Connection Fees. The review found that Contracting Agencies do not have a process in place to identify and collect from schools because these are permitted through the State. IA identified 16 school sites that had construction and 10 did not pay Connection Fees. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. Using the lowest amount that was collected, IA conservatively estimates that at a minimum \$230,000 in Connection Fees should have been collected (10 x \$23,000); however, using the comparable information for those six schools that did pay fees, it is likely that fees approximated at least \$687,000.

Contracting Agency	School Name	Type of Construction	Year	Connection Fees Collected	Possible "conservative" Estimate fees	Possible "comparable" Estimate Fees
City of Chino	Howard Cattle Elementary School	New classroom wing with restrooms	Summer 2012	0	\$23,000	\$43,000
City of Chino Hills	Chino Hills High School	Pool, Showers, and Locker rooms	Within the last 3 years	0	\$23,000	\$43,000
CWWD	Los Amigos Elementary School	New 14 classroom building	2013	0	\$23,000	\$67,000
CWWD	Bear Gulch Elementary School	New 14 classroom and bathroom building	2010	\$66,957	Collected	Collected
CWWD	Alta Loma High School	Classroom wing/building, Gymnasium Expansion, & Athletic Field Complex	Under Construction	\$42,792	Collected	Collected
CWWD	Etiwanda High School	Classroom wing/building, Food Service Building & Athletic Field Complex	Under Construction	0	\$23,000	\$43,000
CWWD	Rancho Cucamonga H.S	New Auditorium Building & Athletic Field Complex	Under Construction	0	\$23,000	\$43,000
City of Fontana	Jurupa Hills H.S	New High School	2009	\$272,182	Collected	Collected
City of Fontana	Citrus High School	New High School	2009	\$149,228	Collected	Collected
City of Montclair	Howard Elementary School	Multipurpose room with kitchen	2011	\$102,338	Collected	Collected
City of Montclair	Moreno Elementary School	Multipurpose room with restrooms	2013	\$0	\$23,000	\$102,000
City of Montclair	Montclair High School	New 32 Classroom building	2012	\$0	\$23,000	\$134,000
City of Ontario	Richard Haynes Elementary School	Multipurpose room with restrooms, warming kitchen, etc.	Summer 2012	\$0	\$23,000	\$102,000
City of Ontario	Ray Wiltsey Middle School	13 classroom modular facility with multiple restrooms, warming, etc.	Summer 2013	\$0	\$23,000	\$67,000
City of Ontario	Ontario High School	New classroom building, restrooms, football stadium & pool	Under construction	\$0	\$23,000	\$43,000
City of Upland	Upland H.S	New Gymnasium	2013	\$22,506	Collected	Collected
<b>Estimated Connection Fees: Conservative vs. Comparable</b>					<b>\$230,000</b>	<b>\$643,000</b>

**Attachment 5 - Results: Connection Fees (Community College)**

Exhibit J of the Regional Contract requires that Connection Fees be assessed to any Public Service Facilities that have new construction or expansions. Chaffey College, a two-year public Community College, has three campuses located within IEUA's service area. Based on IA's review, there were construction projects that resulted in new buildings and facilities being added at each of the campuses. Of the three with construction, only one Contracting Agency assessed and collected Connection Fees. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. IA attempted to perform a physical survey of the accessible areas of the three buildings at the Chino Campus (not including science laboratories or the banquet facility) and determined that Connection Fees would have exceeded \$55,000. At the main campus facility in Rancho Cucamonga, IA noted that ten new buildings have been added since 2008. IA was not able to perform a physical survey, however, using the approximately \$18,000 per building (\$55k / 3) at the Chino Campus, IA conservatively estimates that at a minimum \$180,000 in Connection Fees should have been collected (10 x \$18,000), but it is likely that it is much higher.

Contracting Agency	Location	Year Place in Operation	Minimum Estimated Connection Fees	Connection Fees Collected
CVWD	Rancho Cucamonga ~ Main Campus (10 buildings)	Various since 2007	Unable to estimate	\$ 0
City of Chino	Chino ~ Satellite/Off-site Campus (3 Buildings: Main Instructional, Health Sciences, and Community Center )	2008	\$ 55,000	\$ 0
City of Fontana	Fontana ~ Satellite/Off-site Campus (1 Building: Academic Center, two-story and approximately 30,000 square feet)	2011	N/A	\$ 52,845



**Attachment 6 - Results: Connection Fees (Hospitals)**

IA identified the large scale hospitals and medical facilities that had new construction or expansions and reside within IEUA's service area. Connection Fees were collected for two of the three hospitals. For the City of Fontana Kaiser Hospital expansion, IA calculated the minimum possible Connection Fees based on the number of patient rooms (and not including cafeterias, surgical facilities, etc.). IA conservatively estimates that at a minimum \$1,300,000 in Connection Fees should have been collected, but it is likely that it is much higher.

Contracting Agency	Hospital	Year Fees Collected	Connection Fees collected
City of Upland	San Antonio Community Hospital – Addition	2011	\$ 1,370,197
City of Ontario	Kaiser Permanente – New Facility	2012	\$1,409,106
City of Fontana	Kaiser Permanente – Hospital and Inpatient Tower	N/A (Replacement Hospital Opened: 2013)	\$ 0



**Attachment 7 - Results: Connection Fees (Categorization Differences)**

IA identified the following governmental entities classified as commercial rather than public by Contracting Agencies. In some cases the rationale was used that although the buildings are publicly owned they are not publicly used, but rather offices and administrative spaces. The varying interpretations create differences in categorization and Connection Fees collected from Public Service Facilities:

<b>Contracting Agency</b>	<b>Description</b>	<b>Category Used</b>	<b>Fees Collected</b>	<b>Alternative Category</b>	<b>Possible Fees</b>	<b>Difference/ Shortage</b>
Fontana	Caltrans Facility (SRL Building)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 46,343	VI: Public Facility	\$ 65,756	\$ 19,413
Fontana	Caltrans Facility (Independent Assurance Building)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 14,178	VI: Public Facility	\$ 20,117	\$ 5,939
Fontana	Police Department	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 14,183	VI: Public Facility	\$ 21,018	\$ 6,835
Fontana	Police Department	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 622	VI: Public Facility	\$ 883	\$ 261
Montclair	Community Center (Bathrooms)	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 18,962	VI: Public Facility	\$ 26,906	\$ 7,944
Montclair	Splash Pad	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 1,308	VI: Public Facility	\$ 1,856	\$ 548
Upland	Animal Shelter	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 36,761	VI: Public Facility	\$ 52,108	\$ 15,347
Upland	Fire Station	I: Retail, Office, Motel/Hotel, Fast Food, etc.	\$ 18,277	VI: Public Facility	\$ 25,907	\$ 7,630
<b>TOTALS FOR ITEMS TESTED</b>			<b>\$ 150,634</b>		<b>\$ 214,551</b>	<b>\$63,917</b>

For each instance above, Connection Fees were collected and at the time of assessment, they were classified as a Commercial Category I according to Exhibit J; however, they could have been classified as Category VI Public Facility and this would have resulted in greater Connection Fees collected.

**Attachment 8 - Results: Connection Fees (Commercial Fixture Unit Differences)**

IA identified that the fixture unit values utilized by the Contracting Agency may not always coincide with the descriptions and/or fixture unit values as outlined in Table 1 of Exhibit J of the Regional Contract. This issue was noted at least at two Contracting Agencies. The Connection Fees that have been over/under collected amounted to the following:

**Fixture Unit Value Differences**

<b>Contracting Agency</b>	<b>Description</b>	<b>Fees Collected</b>	<b>Fee per Audit Results</b>	<b>(Over)/Under Collected</b>
Montclair	Fixture Unit Value Differences: 4 businesses identified with different values	\$187,865	\$180,403	(\$7,462)
Ontario	Fixture Unit Value Differences - 2013/14: 10 businesses tested with different values	\$88,006	\$104,556	\$16,550

Additionally, the city of Ontario Calculation Worksheet is missing 15 categories from Exhibit J, yet includes three category types that are not part of Exhibit J. IA extrapolated the \$16,550 under-collection above to determine an impact of approximately \$80,000 in Connection Fees in only one fiscal year.



**Attachment 9 - Results: Connection Fees (Industrial Businesses)**

According to Exhibit J of the Regional Sewerage Service Contract, Industrial businesses that engage in production, manufacturing or processing of material are required to pay Connections Fees and those fees are assessed differently than Commercial businesses enterprises. In addition to the Connection Fees calculated based on fixture units, Industrial entities pay a variable component based on a wastewater analysis that includes: type of wastewater (domestic or non-domestic), sewage flow, Biochemical Oxygen Demand (BOD), and Total Suspended Solids (TSS).

**Existing Fixtures Units**

For any commercial and industrial businesses that have expansions or additions, a credit is given for any demolished existing fixtures that were already located within the facility, and fees are only assessed on the net new fixture units added to the facility. This provision applies for all enterprises, regardless whether commercial or industrial.

IA noted that Contracting Agencies usually have supporting documentation to validate that there are existing fixtures and a credit should be applied. Evolution Fresh, an Industrial Entity in IEUA's service area received a credit for existing fixture units; however the Contracting Agency could provide no supporting documentation to validate that the credit was appropriately applied:

**Unsupported Credit for Existing Fixture Units**

<b>Contracting Agency</b>	<b>Description</b>	<b>Fees Collected</b>	<b>Fee per Audit Results</b>	<b>(Over)/Under Collected</b>
CVWD	Evolution Fresh – Juice Manufacturer	\$561,643	\$1,148,510	(\$586,687)

**Industrial Fees**

During the Regional Contract Review, IA received feedback from the Contracting Agencies regarding Connection fees for Industrial Users. They included the following:

- Cost of Industrial Connection fees “deter businesses” from coming to the region
- Cost and proximity of the NRWS lines can impact costs to a business about deciding where to connect.
- Connection Fees based on BOD and TSS are not related to Fixture Units and guidance about transferability is unclear, and IEUA does not verify BOD and TSS reports.
- Value of Capacity Rights is unclear if an SIU is declassified.

**Attachment 10 - Results: Industrial (Connection and Monthly Sewer Fees)**

City of Ontario evaluation of Connection Fees and Sewer Fees:

Business	Description	Connection Fees Noted	Monthly Billing Example	April 2014	Ontario Comment
Niagara Bottling(a)	Water bottling company	Commercial from 3/2006 to 6/2013: \$33,331	April 2014: Fixed 66 EDUs rate	\$883.74	Fixed EDU determined by permit, measurement and inspection. If use the NRW, then usually use a fixed factor.
New-Indy Ontario llc(a)	Paperboard Mill	In existence for extended period	April 2014: Fixed 47 EDUs rate	\$629.33	Same as above.
Greif	Packaging supply	In existence for extended period	No April 2014 billing for water or wastewater.	\$0.00	Part of a master meter.
Zurn Industries	Liquid waste disposal systems supplier	Per building permit fixtures established in 2001	April 2014: 2 meters: one with 5 HCF @ .0401 Factor & other with 0.	\$2.68	Use landscape factor (55%). Recently converted to recycled water.
Jogue, Inc.	Flavoring Syrups & Concentrates	June 2013: Domestic Industrial- \$10,313 Industrial-\$63,884	April 2014: 88 HCF @ .0202 Factor	\$23.80	Monthly based on 68% flow to sewer, 2,100 BOD and 31 TSS per lab data.
Wing Hing Foods	manufacturer of Chinese foods & noodles	March 2007: \$5,967 (originally purchased by Haliburton) April 2013: Industrial \$31,518	April 2014: 221 HCF @ .0087 Factor	\$25.74	Monthly based on lab data showing BOD=530mg/l, TSS=50mg/l and water to waste factor of 8.25%.
Haliburton	Manufacturer of soups & sauces	Commercial and Domestic industrial purchased from 2011 – 2013 \$69,043	April 2014: Fixed 186 EDU rate	\$2,490.54	Fixed industrial EDU was determined for monthly billing.
Tropicale Foods	Manufacturer of fresh fruit & ice cream bars	Commercial connections from 2007 – 2010: \$6,177	April 2014: 2,651 HCF @ .5902 factor (August 2014: 3,984 HCF @ .0411 factor reducing bill to \$2,356.25)	\$20,950.26	Industrial assessment was conducted between April and August to reassess based on new pretreatment activities and "SOPs" regarding discharge.
American Jerky	Manufacturer of chicken based pet treats.	2014: Domestic industrial and industrial: \$168,070.72	May 2014: First month billed for 91 HCF at office/commercial factor of .0729	\$88.78 (May – 1st month available)	New industrial not in production yet.

### **Attachment 11 - Results: Monthly Sewer Fees**

The Contracting Agencies assess and collect recurring fees from users (residential, commercial and industrial) that discharge into the IEUA's Regional Sewage System. The methodology used for assessing the Monthly Sewer Fees is based on a memorandum, which outlines the monthly/bi-monthly billing processes.

IA tested all items sampled to determine whether sewer billing is occurring and to ensure the appropriate business categories and rates are applied for the Monthly Sewer Fees. Based on IA's review, the following was noted:

- 1997 Memorandum entitled "Procedures for Establishing a Regional Sewer Billing Formula" was adopted by Regional Technical Committee. No evidence of IEUA's Board approval.
- Categories are inconsistent with those used in Exhibit J for Connection Fees.
- No guidance for "Master Meters".
- No minimum billing threshold established for commercial businesses (minimum 1 EDU).
- Billing classification differences that can result in under collected Monthly Sewer Fees paid to IEUA.
- Sampled Commercial businesses could not always be identified in the Utility Billing System .
- One Contracting Agency's EDUs for their own facilities were not included in the monthly EDUs reported to IEUA.
- One Contracting Agency relies on flow information provided by another agency and completeness of the information is questionable.
- Monthly Sewer Fees can be collected through the County's Property Tax Roll. One Contracting Agency uses this approach for residential properties.
- Monthly Sewer Fees can be assessed and collected based on Connection EDUs, rather than water consumption. One Contracting Agency uses this approach.
- EDUs reported to IEUA are generally based on the Monthly Sewer Fees billed. One Contracting Agency reports EDUs based on fees collected.

**Attachment 11 - Sewer Service Fees - continued**

Contracting Agency	Business	Billing Factor Applied	Billing Factor Should have been (Monthly/Bimonthly)	Actually Billed Amount	Estimated Sewer Fees Should Have Been	Estimated Amount (under-collected) and (under-paid) to IEUA for 12 months
Chino	Canabru Coffee			\$ 28.05	\$ 41.02	(\$ 155)
Chino	Min's Dumpling House			\$ 48.78	\$ 55.79	(\$ 84)
Chino	McDonald's			\$ 54.88	\$ 78.75	(\$ 286)
Chino	Subway			\$ 14.63	\$ 21.33	(\$ 80)
Chino	Mountain Mike's Pizza		Restaurant: 0.1042	\$ 19.51	\$ 27.90	(\$ 101)
Ontario	Fast 5 Pizza	Commercial: 0.0729		\$ 16.60	\$ 23.72	(\$ 86)
Ontario	Home Pie Bakery/Cafe			\$ 256.69	\$ 366.95	(\$ 1,323)
Ontario	Miguel's Jr.			\$ 132.69	\$ 189.75	(\$ 685)
Ontario	J & R Deli			\$ 43.92	\$ 62.79	(\$ 226)
Ontario	Continental Funeral Home	Commercial: 0.0729	Mortuary: 0.1052	\$ 74.18	\$ 107.06	(\$ 395)
Ontario	Office/Medical Building	Commercial: 0.0729	Doctor/Dental: .0671	\$ 125.91	\$ 115.87	\$ 121
Ontario	Camacho's Bakery	Laundry/Car Wash: 0.0626	Bakery: 0.1042	\$ 113.95	\$ 189.75	(\$ 910)
Upland	ARCO AM/PM	Not entered to billing system	Commercial/Car Wash: 0.0364/0.0626	\$ 0.00	\$ 375.00	(\$ 2,089)
Upland	Crossfit Saber	Used: 0.0073	Commercial: 0.0364	\$ 50.11	\$ 250.00	(\$ 1,199)
Upland	Choice Market	Used: 0.0091	Commercial: 0.0364	\$ 63.14	\$ 253.00	(\$ 1,139)
Upland	Body Rituals	Used: 0.0164	Commercial: 0.0364	\$ 66.24	\$ 147.00	(\$ 485)
<b>Total Amount of Sewer Service Fees Under Collected for a selection of Sample items (only 16 items and only 1 year)</b>						<b>(\$ 9,122)</b>

**Attachment 12 - Recommendations by Process**

**REGIONAL CONTRACT REVIEW  
 CONNECTION FEES  
 RECOMMENDATIONS**

<b>OVERALL RECOMMENDATIONS</b>	
Consider legal, political and financial impacts of governing by ordinance vs. contract	Major
Review and revise EDU formula	Major
Resolve identified differences of over/under collected amounts of Connection Fees and identified differences of over/under collected amounts of unreported monthly sewerage fees	Major

<b>CONNECTION FEES RECOMMENDATIONS</b>	
1. Centralize the permitting process OR IEUA provides final sign-off and plumbing permit approval for all nonresidential entities	Major
2. IEUA should establish monitoring program to inspect random facilities and those where there is a suspected discrepancy	Moderate
3. Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees	Moderate
4. Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Moderate
5. IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly Building Activity Reports.	Moderate
6. Two tier connection fees process that distinguishes between common features and unique features (ie., a toilet always costs the same regardless of type of business)	Minor
7. Update Exhibit J regularly to include new/evolving business types	Minor
8. Update & clarify Fixture Unit descriptions of Exhibit J regularly	Minor
9. Standardize calculation worksheet to ensure it is consistent with Exhibit J and consistent region-wide	Minor
10. IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly Building Activity Reports.	Minor
11. Regular workshops, meetings, plant tours, etc. with staff in Building, Plan Check and Utility Billing/Financial Departments	Other
12. IEUA develop fixture count expertise and provide regular/ongoing training for Contracting Agencies - Building Departments	Other
13. Contracting Agency internal review of Connection Fees as part of preparing the Building Activity Report.	Other

**Attachment 12 - continued  
 Recommendations by Process**

**REGIONAL CONTRACT REVIEW  
 MONTHLY SEWER SERVICE FEES  
 RECOMMENDATIONS**

<b>OVERALL RECOMMENDATIONS</b>	
Consider legal, political and financial impacts of governing by ordinance vs. contract	Major
Review and revise EDU formula	Major
Resolve identified differences of over/under collected amounts of Connection Fees and identified differences of over/under collected amounts of unreported monthly sewerage fees	Major

<b>MONTHLY SEWERAGE BILLING RECOMMENDATIONS</b>	
1. Collect monthly sewerage fees for the entire region through County's property tax roll.	Major
2. Evaluate methodology used for billing monthly sewerage fees (residential and commercial) and consider alternatives by water consumption, EDUs purchased or other methodology	Major
3. Standardize monthly report to provide IEUA automated, itemized listings of non-residential monthly sewerage charges	Moderate
4. Establish contract for monthly sewerage payments from Contracting Agencies rather than IEUA issuing monthly invoices	Moderate
5. IEUA exercise inspection, verification and recourse rights for under-collected/under-reported monthly sewerage fees	Moderate
6. Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Moderate
7. Update 1997 billing memorandum regularly for new business types to provide detailed definitions and descriptions	Minor
8. Create a correlation between monthly sewerage fees and Connection Fees	Minor
9. Add billing guidance for locations with multiple types of businesses serviced by a master meter	Minor
10. Bill commercial businesses at least a minimum of one EDU per month	Minor

**Attachment 12 - continued  
 Recommendations by Process**

**REGIONAL CONTRACT REVIEW  
 PUBLIC SERVICE FACILITIES  
 RECOMMENDATIONS**

<b>OVERALL RECOMMENDATIONS</b>	
Consider legal, political and financial impacts of governing by ordinance vs. contract	Major
Review and revise EDU formula	Major
Resolve identified differences of over/under collected amounts of Connection Fees and identified differences of over/under collected amounts of unreported monthly sewerage fees	Major

<b>PUBLIC SERVICE FACILITY RECOMMENDATIONS</b>	
1 Consider legal, political and financial impacts of excluding Public Service Facilities from Connection Fees and monthly sewerage charges.	Major
2 Consider legal, political and financial impacts of IEUA assuming responsibility for Connection Fees calculations, collections and CCRA accounts	Major
3 Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees	Moderate
4 Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	Moderate
5 Address difference between "Publicly Owned" vs. "Publicly Used"	Minor
6 Consider cross-departmental approach to the development review process as a regional model	PSF

**Attachment 13 - Recommendations by Business Model**

**MAJOR CHANGES TO BUSINESS MODEL:**

<p>Consider legal, political and financial impacts of governing by ordinance vs. contract Review and revise EDU formula</p> <p>Resolve identified differences of over/under collected amounts of Connection Fees and unreported monthly sewerage fees</p> <p>Centralize the permitting process OR IEUA provide final sign-off and plumbing permit approval for all nonresidential entities</p> <p>Collect monthly sewerage fees for the entire region through County's property tax roll.</p> <p>Evaluate methodology used for billing monthly sewerage fees (residential and commercial) and consider alternatives by water consumption, EDUs purchased or other methodology</p> <p>Consider legal, political and financial impacts of excluding Public Service Facilities from Connection Fees and monthly sewerage charges.</p>	<p>All</p> <p>All</p> <p>All</p> <p>Connections Monthly</p> <p>Connections Monthly</p> <p>PSF</p>
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**Moderate Changes to Business Model:**

<p>IEUA should establish monitoring program to inspect random facilities and those where there is a suspected discrepancy</p> <p>Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Fees</p> <p>Contract should include IEUA right to audit, full cooperation and access to records and documents upon request</p> <p>IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly BAR</p> <p>Standardize monthly report to provide IEUA automated, itemized listings of non-residential monthly sewerage charges</p> <p>Establish contract for monthly sewerage payments from Contracting Agencies rather than IEUA issuing monthly invoices</p> <p>IEUA exercise inspection, verification and recourse rights for under-collected/under-reported monthly sewerage fees</p> <p>Contract should include IEUA right to audit, full cooperation and access to records and documents upon request</p>	<p>Connections</p> <p>Connections</p> <p>Connections</p> <p>Connections</p> <p>Monthly</p> <p>Monthly</p> <p>Monthly</p> <p>Monthly</p>
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**Minor Changes to Business Model:**

<p>Two tier connection fees process that distinguishes between common features and unique features (ie., a toilet always costs the same regardless of type of business)</p> <p>Update Exhibit J regularly to include new/evolving business types</p> <p>Update &amp; clarify Fixture Unit descriptions of Exhibit J regularly</p> <p>Standardize calculation worksheet to ensure it is consistent with Exhibit J and consistent region-wide</p> <p>Update 1997 billing memorandum regularly for new business types to provide detailed definitions and descriptions</p> <p>Create a correlation between monthly sewerage fees and Connection Fees</p> <p>Add billing guidance for locations with multiple types of businesses serviced by a master meter</p> <p>Bill commercial businesses at least a minimum of one EDU per month</p> <p>Address difference between "Publicly Owned" vs. "Publicly Used"</p>	<p>Connections</p> <p>Connections</p> <p>Connections</p> <p>Connections Monthly</p> <p>Connections Monthly</p> <p>Connections Monthly</p> <p>Connections Monthly</p> <p>PSF</p>
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**Attachment 14 - Background Financial Information**

**IEUA's Board-Approved Rates  
 Fiscal Year**

Rate	2014/15	2013/14	2012/13	2011/12
Connection Fee	\$5,107	\$5,007	\$4,909	\$4,766
Sewer Service Fee	\$14.39	\$13.39	\$12.39	\$11.14

**Connection Fees collected by Contracting and Deposits Held in CCRA <sup>(1)</sup> account**

Contracting Agency	CCRA <sup>(1)</sup> Balance	Connection Fees		
	As of June 30, 2015	FY 2014/15	FY 2013/14	FY 2012/13
Chino	\$ 11,588,998	\$ 4,968,822	\$ 2,620,202	\$ 5,170,311
Chino Hills	2,994,978	587,139	1,985,132	207,452
CVWD	7,155,091	860,230	1,901,701	4,054,981
Fontana	6,756,345	2,527,708	830,226	1,675,004
Montclair	2,641,382	300,819	262,500	2,066,303
Ontario	8,759,593	4,824,272	1,674,395	770,709
Upland	2,493,009	1,001,277	514,478	600,987
<b>TOTAL</b>	<b>\$ 42, 839,396</b>	<b>\$ 15,070,267</b>	<b>\$ 9,788,634</b>	<b>\$ 14,545,747</b>

(1) = from the Building Activity Reports.

**Sewer Service Fees and EDU's Reported By Contracting Agency**

Contracting Agency	Fiscal Year					
	2014/15		2013/14		2012/13	
	EDU's	Fees	EDU's	Fees	EDU's	Fees
Chino	344,326	\$ 4,954,854	343,012	\$ 4,592,930	338,269	\$ 4,191,152
Chino Hills	290,117	4,174,785	290,726	3,892,815	288,891	3,579,355
CVWD	819,522	11,792,929	768,353	10,288,244	769,392	9,532,767
Fontana	626,168	9,010,561	612,143	8,196,601	605,834	7,506,286
Montclair	145,037	2,087,075	147,955	1,981,117	144,095	1,785,337
Ontario	705,341	10,149,854	711,899	9,532,321	707,904	8,770,935
Upland	324,329	4,667,090	320,752	4,294,863	320,624	3,972,526
<b>TOTAL</b>	<b>3,254,840</b>	<b>\$46,837,148</b>	<b>3,194,840</b>	<b>\$42,778,891</b>	<b>3,175,009</b>	<b>\$39,338,358</b>

**Percentage of IEUA's Regional Wastewater Program to Total Revenue:**

	FY 2014/15	FY 2013/14	FY 2012/13
Total of Connection and Sewer Service Fees:	\$61,907,415	\$52,567,525	\$53,884,105
Total Revenues, including Grants and Subsidies:	\$145,819,497	\$124,841,232	\$134,287,194
Percentage to Total Agency Revenue:	46%	42%	40%

**Attachment 15 - Excerpts from Comparable Survey Report**  
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**Attachment 15  
 Excerpts from the Internal Audit Report: Regional Contract Review - External Comparable Survey**

	IEUA	SRCSD	LACSD	OCSD	EMWD
Number of agencies/ cities served:	7	4	23 independent special districts	23 cities, unincorporated areas and related special districts	8
Member agencies/cities served:	Chino, Chino Hills, Fontana, Montclair, Ontario, Upland, and Cucamonga Valley Water District	Sacramento Area Sewer District, City of Folsom, City of Sacramento, and City of West Sacramento	78 cities and unincorporated territory within the County, excluding majority of the City of Los Angeles.	(Northern and Central Section of Orange County) 1 Consolidated District – 2 Revenue Areas	Hemet, Menifee, Moreno Valley, Murrieta, Perris, San Jacinto, Temecula, Wildomar, and unincorporated areas in Riverside County.
Service area:	242 square miles	375 square miles	800 square miles	479 square miles	555 square miles
Population served:	860,000	1.45 million	5.5 million	2.5 million	777,000
Average domestic household flow rate (Based on a Single-Family Residential)	270 gallons-per-day per EDU	310 gallons-per-day per ESD <i>Note: SRC is currently conducting a Class Study to update the flow and waste strength of an ESD.</i>	260 gallons-per-day	253 gallons-per-day <i>Note: Flow factors are assumed for each land use and the model was calibrated using flow data collected over a five year period.</i>	235 gallons-per-day per EDU
Unit of Measure Connection Fees Single-Family Residential	1 EDU	1 ESD	One single family home is 1 Dwelling Unit	Number of bedrooms per unit Single Family Residential is 3-bedroom unit with base unit of 1.0.	1 EDU
Collection of Fees	Contracting Agency Collects	District Collects The District's PSU or County of Sacramento Building Department collects the fees directly (Commercial and Residential Subdivision), and Internal Services Department records the payment.	District Collects LACSD will verify all the data submitted, process the application forms, and collect all payments. <i>Residential, Commercial, Institutional, and Industrial applicants can pay for connection fees by mail or on-site at the District's Connection Fee counter.</i>	Member Agencies Collect Member agencies remit fees (from Residential, Commercial, and Industrial) on a monthly basis.	District Collects EMWD holds the connection fee funds. An applicant pays the fees upon occupancy or when service commences.

Attachment 15 - continued

	IEUA	SRCSD	LACSD	OCSO	EMWD
Collection of fees from PSF	<p>Connection Fees are collected when the contracting agency becomes aware of a new facility or improvements that have been made.</p>	<p>The intent is to charge them if the District knows about them. There are several commercial categories, such as office buildings, schools, parks, that cover public service buildings.</p>	<p>They are exempt from Connection Fees as long as meet exemption requirements in Ordinance. Schools, City Administration Offices, Courthouses, Libraries, etc. are all exempt. But, a City Power Plant or Water Treatment Facility would have to pay industrial surcharge and connection fees.</p> <p>Majority of the service charges (Residential and Commercial) are collected through the Los Angeles County Property Tax Billing system. The County provides payment to the District's Accounting department upon receipt of payment, usually twice per year.</p> <p>For industrial users the Wastewater Surcharges are collected quarterly as described in the Ordinance.</p>	<p>The fee is collected by the member agency.</p>	<p>Yes</p>
Collection of Sewer Service Fees	<p>Each contracting agency collects the fees directly from Residential, Commercial, and Industrial users. Billing for the fees varies by each contracting agency:</p>	<p><b>Residential and Commercial:</b>          Each member agency has a billing department that is responsible for the billing and collecting of the charges.</p> <p>For Industrial users, the District's Waste Source Control Section monitors the flow and load from each user and determines the charges and bills the industrial users accordingly.</p>	<p>Majority of the service charges (Residential and Commercial) are collected through the Los Angeles County Property Tax Billing system. The County provides payment to the District's Accounting department upon receipt of payment, usually twice per year.</p> <p>For industrial users the Wastewater Surcharges are collected quarterly as described in the Ordinance.</p>	<p>The sewer service fees for Residential, Commercial, and Industrial are collected annually on the property tax bill for each parcel.</p> <p>Note: Industrial Waste Discharges who require a discharge permit are invoiced separately.</p>	<p>If <b>EMWD bills</b> residential, commercial, and industrial users for potable water use, sewer fees are also billed to these customers on a monthly basis.</p> <p>If <b>member agencies</b> provide the billing for potable water and are also connected to EMWD's sewer system, the member agency bills for sewer and remits the collected fees to EMWD on a monthly basis.</p>
Remittance of Sewer Service Fees	<p>Contracting Agencies provide the EDU information during the first 15 days after the close of the month. An</p>	<p>Depends on the contributing agencies - payment is made monthly, but some are</p>	<p><b>Residential:</b> Service charges are collected through the Los Angeles County Property Tax Billing system.</p>	<p>OCSO Regional sewer service fees are placed on the Secured Property Tax Roll each year by the Orange</p>	<p>Sewer connection fees (non-remitted by our member agencies within the 2nd or 3rd week following the end</p>

Attachment 15 - continued

	IEUA	SRCSD	LACSD	OCSD	EMWD
	<p>invoice is generated to bill each contracting agency on an EDU volumetric basis. Payment is due 45 days from the invoice date to the Agency.</p>	<p>bimonthly. City of Roseville, a contracting agency, makes payment annually, but the revenue from Roseville is very small.</p>	<p>Commercial: Service charges are collected through the Los Angeles County Property Tax Billing system.  Industrial: charges are quarterly based on the August statement.</p>	<p>County Auditor/Controller's office and are apportioned to OCSD throughout the fiscal year. The Auditor/Controller's office charges a fee based upon the amount apportioned.</p>	<p>of the month.</p>
<p>Program structure – Advantages</p>		<p>The new rate and fee structure that the District adopted recently provides a more sustainable and equitable structure. <i>The rate and fee structure is based on cost of service.</i> Regional San is one of the few utilities that adopt a structure with costs linked to pathogen and total kjeldahl nitrogen.</p>	<p>The Joint Outfall System (which handles about 90% of customer base) is large with shared expenses and good economies of scale. The billing of most of these customers through property taxes is very cost effective.</p>	<p>By placing our fee on the property tax bill, this program saves time and money. We do not have to spend staff time invoicing our customers or on collections.</p>	<p>Direct bill/payment to beneficiary and control over collections.</p>
<p>Program structure – Disadvantages</p>	<p>The commercial user billing structure has 43 categories and a simpler structure with less categories is desired. There are billing inconsistencies that require reconciliation between District's staff and contributing agencies.</p>		<p>The service charge program uses assumed loadings rather than actual usage and there are inherent winners and losers. The simplicity of having a flat fee added to the property tax and maintaining rates well below national averages has always outweighed those concerns.</p>	<p>Our fees are based upon averages and not actual water consumption. We have a program for non-residential customers to submit their actual consumption for a rebate.</p>	<p>Administrative charges are higher due to tracking and collection efforts.</p>

**Attachment 16 - Exhibit A**

**Recommendations provided with Interim Reports**

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Attachment 16 - continued  
 Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
<b>OVERALL RECOMMENDATIONS</b>								
1	Consider legal, political and financial implications of governing by ordinance vs. contract	X	X	X	X	X	X	X
2	Review and revise EDU formula from current 270 gallons per day	X	X	X	X	X	X	X
3	Resolve identified differences of over/under collected amounts of Connection Fees and unreported service fees discovered during the Regional Contract Reviews and determine/establish working relationship with Contracting Agencies. IA identified businesses that are not reported to IEUA and fees not paid for the services provided by IEUA as well as classification errors and formula mistakes	X	X	X	X	X	X	X
<b>CONNECTION FEES RECOMMENDATIONS and FEES: 2013/2014</b>		\$505,462	\$262,500	\$830,228	\$2,620,202	\$1,901,701	\$1,995,132	\$1,728,501
1	IEUA and the Contracting Agencies should consider centralizing the Connection Fee and wastewater permitting process or as part of the permitting and plan check process, establishing a requirement that an IEUA representative provide final sign-off and approval prior to the Contracting Agency issuing a permit to a nonresidential entity and allowing a connection to the regional system. This added approval step will ensure IEUA agrees with the interpretation of the contract and the appropriate category type and sewage factor have been applied so correct connection fees are assessed and collected	X	X	X	X	X	X	X
2	IEUA Planning and Pretreatment groups should take the lead to exercise the authority provided under Regional Contract Section 26 Inspection of Facilities, and establish an on-going monitoring program to inspect random facilities or those where there is a suspected discrepancy in order to ensure the intent of the Regional Contract is applied and ensure the integrity of the Regional Program	n/a	n/a	X	n/a	X	n/a	X
3	IEUA and the Contracting Agencies should add language to the Regional Contract regarding IEUA's inspection and verification rights for connection fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported connection fees.	n/a	X	X	X	X	X	X
4	Regional Contract should be updated to include IEUA right to audit, full cooperation and access to records and documents upon request	X	X	X	X	X	X	X
5	IEUA should consider a two tier process of determining connection fees as part of Exhibit J that distinguishes between common features that are part of any commercial facility such as restroom toilets and sinks and those features that are unique to a specific site, such as a fire hub drain, butcher shop drain, a restaurant dishwasher or washing sink, etc. This would create consistency in the treatment of same-type and same-use fixture units.	X	n/a	n/a	X	X	X	X

Attachment 16- continued  
 Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
6.	Exhibit J was recently updated and now provides detailed definitions for many business types, yet there is still room for varying interpretation and application. Businesses continue to evolve and new types of businesses emerge. Exhibit J should be updated regularly to provide additional language, definitions and guidance to ensure all types of commercial businesses are classified consistently. IEUA should consider documenting additional definitions and descriptions to the classification of businesses in Exhibit J. This would reduce the risk of misclassification of businesses and the potential under-collection of IEUA fees. Examples include fast-casual restaurants (where orders are placed at a register near the entrance but the restaurant provides table service for the food and beverage service), animal hospitals or shelters, community centers at newer residential communities and facilities that provide rehabilitative services.	X	X	X	X	n/a	X	X
7.	IEUA and the Contracting Agencies should develop and provide additional clarification and descriptive information for the various types of appliances, appurtenances or fixtures in the descriptions included in Exhibit J. Examples include defining the nature of an emergency drain, classification of a hub drain, clarifying differences between lavatories, wash fountains, receptors, sinks and mop basins and whether a drinking fountain that includes a separate basin for handicapped access consists of one or two fountains. The review revealed differences in interpretation.	X	n/a	X	X	X	X	X
8.	IEUA and the Contracting Agencies should consider developing a standardized calculation worksheet to assist Contracting Agencies in the connection fee calculations. Currently, each Contracting Agency has its own unique calculation worksheet and it is not always consistent with the Regional Contract Exhibit J. A standardized calculation worksheet should mirror the fixture unit types in Exhibit J and provide additional clarification and uniformity to the fixture count process. The worksheet should be flexible enough to allow for multiple components of a business to be calculated at different commercial categories when there is more than one type of business at the same location (for example, a gas station/minimart with a car wash). A standardized calculation worksheet would provide assistance in computing the connection fees so that Contracting Agencies would not each need to develop their own tools, creating a lack of consistency and uniformity. IA noted varying application of fixture counts because the Contracting Agencies' calculation worksheets are not consistent.	X	X	(Calculation worksheet follows Exhibit J)	X / (Calculation worksheet now follows Exhibit J)	(Calculation worksheet follows Exhibit J)	X / (Calculation worksheet now follows Exhibit J)	X
9.	IEUA should require that Contracting Agencies provide copies of the connection calculation worksheets for all nonresidential entities included on their monthly Building Activity Reports. Calculation worksheets would provide additional support for the connections reported and the connection fees collected. This would provide IEUA staff greater visibility and documented support for the application of the category types and fixture counts utilized. IEUA staff would have the necessary information to contact the Contracting Agency if any questions or discrepancies are noted at the time that connections are reported.	X	X	(Calculation worksheets provided with the BAR)	X	X	X	X



Attachment 16- continued  
 Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
10	rather than identifying these later on. In addition to the regular meetings of the Regional Technical and Regional Policy Committees, IEUA has already begun to provide ad-hoc meetings and training as needed for things such as the updated excel Building Activity Report and the Exhibit J subcommittee. IA noted that great variability and understanding of IEUA, the Regional Contract and Exhibit J exists amongst Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing. In order to develop greater consistency and uniformity throughout the region, IEUA should consider taking the lead in holding quarterly or more regular workshops, meetings, plant tours and similar activities as an avenue where Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing and/or others as well can discuss and ask questions about the application of the Regional Contract and Program. The workshops would provide a forum to discuss questions about category types to apply, definitions, other questionable items and individual situations, and foster cooperation and collaboration among all. A Contracting Agency may encounter questions or situations that could apply to other Contracting Agencies. Frequent and on-going dialogue about the application of the Regional Contract would benefit all Contracting Agencies and the Regional Program to ensure consistent application of the Regional Contract and that issues are addressed on a timely basis.	X	X	X	X	X	X	X
11	IEUA should consider developing expertise in fixture count techniques and providing regular and ongoing training at the Building Departments of Contracting Agencies to develop consistency in the IEUA fixture count process across the region, including obtaining IEUA's guidance on the treatment of commercial businesses whose type is unique or does not fall into categories established in Exhibit J.	X	n/a	X	X	n/a	X	X
12	Contracting Agencies should consider adopting an internal review process for Connection Fees as part of preparing the Building Activity Report	n/a	n/a	✓ (Use I/R)	n/a	✓ (Use I/R)	n/a	n/a



Attachment 16- continued  
 Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
8.	<p>all types of commercial businesses are classified consistently. Examples include pet related businesses such as pet shops, pet rescue locations, veterinarians and pet hospitals and clinics and spa related businesses such as spas, massage parlors, salons, foot spas and waxing businesses</p> <p>Evaluate and consider the relationship between monthly sewer fees and Connection Fees and determine the need to create a correlation between the two. For example, fast-food restaurants and full-service restaurants are both included in Category 8 for monthly sewerage billing purposes and pay at the same rate. However, for purposes of Connection Fees fast-food restaurants are grouped with office, retail and similar uses (which are Category 1 for monthly sewerage billing). Therefore, fast-food restaurants incur lower Connection Fees, but pay monthly sewer fees at the higher rates charged to full-service restaurants</p>	X	X	X	X	X	X	X
9.	IEUA and the Contracting Agencies should consider the need for additional billing guidance for locations with multiple business types serviced by master meter, either blended, highest applicable or other methodology	n/a	n/a	n/a	n/a	n/a	X	
10	IEUA and the Contracting Agencies should consider billing commercial businesses that do not consume or discharge a minimum of one EDU at least that amount under the rationale that no business should pay less than the amount charged to a single family residence	X	✓	X	X	✓	X	X

Attachment 16 - continued  
 Exhibit A

No	Recommendations	Upland	Montclair	Fontana	Chino	CVWD	Chino Hills	Ontario
	<b>PUBLIC SERVICE FACILITIES RECOMMENDATIONS</b>							
	<b>Examples of recent Public Service Facilities with NO Connection Fees collected</b>							
1	IEUA and the Contracting Agencies should consider the exclusion of Public Service Facilities from the charge for Connection Fees and Monthly Sewerage Charges. As documented under the audit report "Comparison of the Regional Sewerage Service Contract and Program with similar contracts and programs", IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public K - 14 schools and City governments from both Connection Fees and Monthly Sewerage Charges.	None noted, per audit sample	Moreno Elem. classroom building (OMSD) Montclair H. S. classroom building (C-JUHSD)	None noted, per audit sample (City made conscious choice not to charge Kaiser Fontana)	Howard Cottle Elem. classroom building (CVUSD) Chaufey College - Chino - Kaiser multiple buildings	Los Angeles Elementary HS classrooms, part arts complex, athletic field Rancho Curran HS auditorium, athletic field Chaufey College - buildings	Chino Hills H. S. Swimming Facility, Showers and Locker Room (CVUSD)	Richard Haynes Elem (OMSD) Multipurpose Ray Wilsey classroom building (OMSD) Ontario H. S. Classroom building, football stadium, pool (C-JUHSD)
2	IEUA and the Contracting Agencies should consider the legal, political and financial impact of centralizing the Connection Fee calculation, connection, CGRA account and wastewater permitting process for Public Service Facilities	n/a	x	n/a	x	x	x	x
3	IEUA should add language to the Regional Contract regarding IEUA's inspection and verification rights for Public Service Facilities as to connection and monthly sewer fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported such fees	n/a	x	n/a	x	x	x	x
4	Regional Contract should be updated to include IEUA right to audit, full cooperation and access to records and documents upon request	x	x	x	x	x	x	x
5	Exhibit J was recently updated and now provides detailed definitions, yet there is still room for varying interpretation and application. Exhibit J should be updated regularly to provide additional language, definitions and guidance to consider clarification and descriptive information for categorizing public service facilities to expand and address the differences between publicly owned and publicly used.	x	x	x	x	x	x	x
6	Consider the City of Upland's cross-departmental approach to the development review process as a regional model for Contracting Agencies to follow. The City of Upland has formed an inclusive group from all city departments that meets regularly to review new development. The group includes representatives from the Planning, Building, Public Works, and Police and Fire departments. Since planning for fire safety is required for new construction to ensure access and egress, Fire department representatives are often the first to know about new PSI construction. This will trigger Public Works and Building department representatives to be involved resulting in the reassessment of connection fees, including those for IEUA in accordance with Exhibit J	✓ (Uses cross-departmental approach)	x	n/a	x	n/a (Not a city, water agency only)	x	x

### **Attachment 17 - Current and Prior Audit Reports Completed**

The following reports have been submitted as information items to the IEUA Board of Directors:

#### **Current Review**

2014-2015:

- Interim Audit Report for the City of Ontario (September 2015)
- Interim Audit Report for the City of Chino Hills (June 2015)
- Interim Audit Report for the Cucamonga Valley Water District (March 2015)
- Interim Audit Report for the City of Chino (December 2014)
- Interim Audit Report for the City of Fontana (December 2014)
- Interim Audit Report for the City of Montclair (September 2014)
- Interim Audit Report for the City of Upland (September 2014)
- "Survey of Comparative Information of the Seven Contracting Agencies" (September 2014)
- "Regional Contract Review – Comparable Survey" (June 2014)
- "Regional Contract Review – Ten Year Capacity Demand Forecast" (June 2014)

#### **Previous Reviews**

IEUA's Internal Audit Department and other external auditors have performed previous evaluations of the application and administration of the Regional Contract by the Contracting Agencies to ensure the contract provisions and requirements are being applied in a consistent manner:

- 2009 and 2010 Chino Basin Regional Sewage Service Contract Audit (Interim and Final)
- 2007 Sewage and Connection Fee Audit
- 2006 Independent Accountant's Report on Agree-Upon Procedures Performed
- 1999 Review of the Procedures on computing Equivalent Dwelling Units
- 1998 Agreed Upon Procedures Engagement: Equivalent Dwelling Unit Reporting and Compliance
- 1995 Agreed Upon Procedures Engagement pertaining to the Monthly Equivalent Dwelling Unit Computation and Reporting


**INFORMATION  
ITEM**

**40**

Date: December 16, 2015

To: The Honorable Board of Directors

Through: Audit Committee (12/09/15)

From: Teresa V. Velarde   
Manager of Internal Audit

Subject: Internal Audit Department (IAD) Status Report for December 2015

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### **RECOMMENDATION**

This is an information item for the Board of Directors to review.

### **BACKGROUND**

The Audit Committee Charter requires that a written status report be prepared and submitted each quarter. The IAD status report includes a summary of significant internal and external audit activities for the reporting period. Attached is the status report for December 2015.

The status report is consistent with the Agency's Business Goals of *Fiscal Responsibility*, Workplace Environment and Business Practices by describing IA's progress in providing independent evaluations of Agency financial and operational activities and suggesting recommendations for improvements.

### **PRIOR BOARD ACTION**

On September 16, 2015, the Board of Directors approved the Annual Audit Plan for Fiscal Year 2014/15.

On December 18, 2013, the Board of Directors reconfirmed the approved Audit Committee Charter.

### **IMPACT ON BUDGET**

None.

## Internal Audit Department Status Report for December 2015

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### Projects Completed This Period

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**Audit:      Regional Contract Review**

**Scope:**

The objectives of the Regional Contract review include:

- Evaluate how each of the seven Contracting Agencies apply the Regional Contract provisions
- Determine if the seven Contracting Agencies comply with the Regional Contract requirements
- Determine opportunities to improve processes and procedures
- Identify opportunities and make recommendations for consideration as part of the Regional Contract renegotiation

**Final Report                      COMPLETE**

Internal Audit staff has documented the recommendations resulting from the comprehensive review and completed a comprehensive Final Report. The comprehensive Final Report provides recommendations to IEUA's Executive Management for moving forward. It provides several scenarios for management to consider in determining the best alternatives and methods for implementing the intent of the Regional Contract and the potential renegotiation of its terms. The scenarios range from current "Best Practices" that should already be taking place to a potential Total Restructuring of the Agency's business model.

**Additional Audit Reports related to the Regional Contract Review include:**

City of Chino Hills	Complete	June 2015
Cucamonga Valley Water District	Complete	March 2015
City of Chino	Complete	December 2014
City of Fontana	Complete	December 2014
City of Montclair	Complete	September 2014
City of Upland	Complete	September 2014
City of Ontario	Complete	September 2015
Review of the Ten-year Forecast	Complete	June 2014
Comparable Agency Survey Report	Complete	June 2014
Survey of Comparative Information	Complete	September 2014

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**Project:      Review of Internal Audit Department Charter and Audit Committee Charter**

**Scope:**      As required by the Internal Audit Department Charter and the IIA Standards, IA must review both Charters annually and recommend any necessary updates to ensure the Charters meet the objectives of the Agency and the Board and address best practices as recommended by the Institute of Internal Auditors according to the *Standards*.

**Status:                      COMPLETE**

The Audit Committee Charter defines and documents the Audit Committee's purpose, composition, authority, and responsibilities. The Internal Audit Department Charter defines and documents the Internal Audit Department's (IA) purpose, mission, authority, and responsibilities. IA staff researched the IIA guidelines for any changes to best practices and also requested input from the Audit Committee Advisor and the External Auditors. The charters are presented in draft form in a separate item with this Agenda, with proposed changes for Audit Committee and Board review, discussion and further direction.

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## Internal Audit Department Status Report for December 2015

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### On-going Projects

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**Audit:      Master and Rotating Contracts Audit**

**Scope:**      To evaluate the Agency's Master and Rotating Contracts to ensure these follow the required Agency policies and procedures and ensure controls exist that enforce proper contracting and procurement for transactions are in place.

**Status:                      IN PROGRESS**

IA has obtained listings of all Master Service contracts managed by the Engineering and Construction Management Department and all Master Contracts administered by the Contracts and Programs Department. IA has also obtained a listing of all 43 contractors prequalified by the Engineering and Construction Management Department for Capital Projects less than \$2,000,000. And, IA has obtained example contracts for each of the trade and service categories.

IA has begun reviewing and selecting information in SAP to examine contract activity and will coordinate an audit kick-off meeting in the next month with responsible managers/supervisors. IA will perform surveys, additional planning, interviewing and inquiries of Agency personal in relation to the areas of the audit as part of the anticipated fieldwork, as well as testing transactions to verify their compliance with contract terms and Agency policies and procedures. The anticipated date for completion is March 2016

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**Audit:      Follow up of Outstanding Recommendations: Information Technology Equipment**

**Scope:**

IA is in the progress of performing a follow-up evaluation to determine the status of the 18 outstanding recommendations provided in the Information Technology (IT) Equipment audit reports dated August 21, 2012 and November 14, 2012.

**Status:                      IN PROGRESS**

There are 18 recommendations that require follow-up evaluation with various Agency departments. IA is currently in the fieldwork phase of this project and follow-up procedures will be performed to verify if corrective actions have been implemented. IA met with Integrated Systems Services (ISS), Human Resources (HR), and Contracts and Procurement (CAP) to discuss the outstanding recommendations with the assigned representatives. Any recommendations related to the Finance and Accounting Department (FAD) will be postponed until the Agency's Comprehensive Annual Financial Report (CAFR) has been completed finalized.

IA will report on the status of each outstanding recommendation and the anticipated date for completion is March 2016.

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**Project:      Management Requests**

**Scope:**

Assist Agency Management with requests for analysis, evaluations and verification of information, assist with the interpretation of policies and procedures, or providing review and feedback on new policies or procedures. These services are provided according to the IA Charter, the Annual Audit Plan, and best practices.

The management request projects are short-term projects, typically lasting no more than 60 – 75 hours each where IAD determines it has the necessary staff, skills and resources to provide assistance without

## Internal Audit Department Status Report for December 2015

having to delay/defer scheduled audits and priority projects. The scope of each review is agreed upon between the department manager requesting the evaluation/review/analysis/assistance and the Manager of IA and when deemed appropriate by Executive Management.

During this quarter, IA was working on the following "Management Requests":

- Provided workshops and closed session reports to Executive Management and the Board on options for moving forward with the Regional Contract Review recommendations. Continue to be involved with possible collection of the identified uncollected Connection Fees.
- Currently assisting and working with the Environmental Planning and Resources Department on the Water Connection process as well as the Waste Water process for centralizing billing at IEUA. Prepared flowchart and analysis documenting the Water Fee Connection process highlighting potential risk areas.

**Project:** Request for Proposal for External Financial Audit Services

**Scope:**

To secure a professional services accounting firm to perform the annual financial audit and single audit of IEUA to ensure compliance with all regulatory requirements and the Agency's Financial Ordinance.

**Status:** **IN PROGRESS**

The current contract for External Financial Audit Services will expire on December 31, 2015. In accordance with preferred practices and good internal controls it is in the best interests of the Agency to request proposals from capable certified public accounting firms for the external financial audit services contract. The current financial auditors, White Nelson Diehl Evans, have been the Agency's external auditors since 2011. The Internal Audit Department will work closely with the Contracts and Procurement Department to ensure the RFP is issued to qualified firms and will coordinate the RFP process, including ensuring there is a knowledgeable evaluation panel. The new audit firm should be established by Spring 2016 to ensure that preliminary audit work begins on a timely basis, shortly thereafter.

### ***Internal Audit Department***

**Internal Audit Department Staffing:**

The Internal Audit Department is staffed as follows:

- 1 Manager of Internal Audit
- 2 Full-time Senior Internal Auditors

**Internal Audit Staff Professional Development Activities:**

As required by the *International Standards for the Professional Practice of Internal Auditing*, auditors should continue to enhance their knowledge, skills, and other competencies through continuing professional development.

During the past quarter, IA staff has continued to stay abreast of industry developments through review of industry periodicals. All Staff attended a seminar on the CIA Review Course. Manager of IA attended a 2-day conference on Business Acumen and Critical Thinking. Three IA members are preparing for the third exam of the 3-part Certified Internal Auditor (CIA) certification examination. The CIA is the only globally-recognized certification for internal audit professionals and is the highest certification that can be attained by an internal auditor. One Senior Auditor is a Certified Public Accountant (CPA). One Senior Auditor is a Certified Government Audit Professional (CGAP).

**Future Audit Committee Meetings:**

- Wednesday, March 9, 2016 – Regularly Scheduled Audit Committee Meeting
- Wednesday, June 8, 2016 – Regularly Scheduled Audit Committee Meeting

**INFORMATION  
ITEM**

**4P**



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Date: December 16, 2015

To: The Honorable Board of Directors

Through: Engineering, Operations, and Biosolids Management Committee  
(12/09/2015)

From: P. Joseph Grindstaff *CB for JG*  
General Manager

Submitted by: Chris Berch *CB*  
Executive Manager of Engineering/Assistant General Manager

Shaun Stone *SS*  
Manager of Engineering

Subject: RP-1/RP-5 Preliminary Design Report (PDR) RFP

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### RECOMMENDATION

This is an informational item for the Board of Directors.

### BACKGROUND

Beginning in June 2013, Inland Empire Utilities Agency (IEUA) started a planning initiative to update the Agency's Wastewater Facilities Master Plan (WFMP). The WFMP incorporated the wastewater flow projections developed by the Integrated Water Resources Plan (IRP) and operational knowledge of the existing treatment systems to develop a comprehensive facilities and operations plan. According to the WFMP, influent wastewater flows are projected to increase as a result of population growth in the service area. By the year 2060 influent flows at RP-1 are projected to increase as much as 20 percent and more than double at RP-5. The following table provides the current facility treatment capacities, forecasted 2035 and 2060 influent flows, and the year the existing facility treatment capacity is anticipated to be exceeded:

Forecasted Influent Sewer Flows for RP-1 & RP-5				
Facility	Current Capacity	2035 Flow	2060 Flow	Capacity Exceeded
RP-1	32 MGD	33.1 MGD	36.3 MGD	2030
RP-5	15.0 MGD	20.2 MGD	27.2 MGD	2025

In addition, due to the United States Army Corps of Engineers (USACE) project to raise the Prado Dam Spillway, the RP-2 solids treatment facility will need to be decommissioned and a new RP-5 solids treatment facility constructed with a design capacity to treat the projected flows.

The Agency created a project to develop one Preliminary Design Report (PDR) for the RP-1 Liquids Treatment Expansion, RP-1 Solids Treatment Expansion, RP-5 Liquids Treatment Expansion, and RP-5 Solids Treatment Facility. The PDR will consist of three separate volumes, which include: RP-1 Liquids & Solids Treatment Expansion, RP-5 Liquids Treatment Expansion, and RP-5 Solids Treatment Facility. The project will determine the necessary size of the required treatment capacity expansions at each of the facilities, provide the schedule for completion of design and construction, and provide the project costs (design, construction, internal labor, & contingency).

The project is currently in the project development phase with the Agency seeking professional engineering services for the creation of the PDR. The Agency issued a Request for Proposal (RFP) for Engineering Preliminary Design Services on November 3, 2015. Agency Staff has conducted a pre-proposal meeting and multiple site visits with interested engineering consulting firms to disseminate operational information concerning each of the facilities. Proposals will be received by the Agency on December 10, 2015. It is anticipated interviews with all proposing engineering consulting firms and selection of the successful proposal will be completed by January 8, 2016. It is Agency Staff's objective to return to the Board on January 20, 2016, for the Award of Contract for Engineering Preliminary Design Services for the RP-1 Liquids & Solids Treatment System Expansion, RP-5 Liquids Treatment System Expansion, and RP-5 Solids Treatment Facility. The PDR is scheduled to be completed within 12 months with delivery in February 2017.

The total project budget for EN16025, RP-1 Expansion PDR, and EN16028, RP-5 Expansion PDR, has been set at \$3,000,000 with \$2,500,000 allocated for consulting engineering services and \$500,000 allocated for internal labor. In addition, the Agency has been preliminary approved for a \$3,000,000 Planning SRF Loan to fund the project.

Projects EN16025, RP-1 Expansion PDR, and EN16028, RP-5 Expansion PDR, are part of the Agency's Wastewater Management Capacity Business Goal objective that IEUA will maintain capacity within systems and facilities to meet essential service demands and to protect public health and environment.

### **PRIOR BOARD ACTION**

There has been no previous Board action.

### **IMPACT ON BUDGET**

There are no impacts on the budget.

PJG:CB:SS:jm

**AGENCY  
REPRESENTATIVES'  
REPORTS**

**5A**



# S A W P A

SANTA ANA WATERSHED PROJECT AUTHORITY  
11615 Sterling Avenue, Riverside, California 92503 • (951) 354-4220

## REGULAR COMMISSION MEETING TUESDAY, DECEMBER 15, 2015 – 9:30 A.M.

### AGENDA

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE (Thomas P. Evans, Chair)

2. ROLL CALL

3. PUBLIC COMMENTS

Members of the public may address the Commission on items within the jurisdiction of the Commission; however, no action may be taken on an item not appearing on the agenda unless the action is otherwise authorized by Government Code §54954.2(b).

4. CONSENT CALENDAR

All matters listed on the Consent Calendar are considered routine and non-controversial and will be acted upon by the Commission by one motion as listed below.

A. APPROVAL OF MEETING MINUTES: NOVEMBER 17, 2015 ..... 5  
**Recommendation:** Approve as posted.

B. TREASURER’S REPORT – NOVEMBER 2015 ..... 15  
**Recommendation:** Approve as posted.

5. NEW BUSINESS

A. QUITCLAIM EASEMENT – APNs 0260-221-02 and -03 (CM#2015.106) ..... 21  
**Presenter:** Carlos Quintero

**Recommendation:** Quitclaim an easement on Assessor’s Parcel Numbers 0260-221-02 and 0260-221-03 to AMB Holdco, LLC, located in the City of Colton, County of San Bernardino.

B. JUSTIFICATION FOR TWO FULL TIME POSITIONS (CM#2015.100) ..... 67  
**Presenter:** Celeste Cantú

**Recommendation:** Consider approving and filling two positions and direct staff to advertise, conduct a competitive process and fill the vacancies to assist in the increased loans and grants implementation and monitoring.

C. QUARTERLY ACTIVITY REPORT – SOCIAL MEDIA SERVICES ..... 95  
**Presenter:** Mark Norton | Liselle DeGrave, DeGrave Communications

**Recommendation:** Receive a quarterly activity report on social media services covering September through December, 2015.

**6. INFORMATIONAL REPORTS**

**Recommendation:** Receive and file the following oral/written reports/updates.

- A. CASH TRANSACTIONS REPORT – OCTOBER 2015 ..... 107  
 Presenter: Karen Williams
- B. INTER-FUND BORROWING – OCTOBER 2015 (CM#2015.102) ..... 113  
 Presenter: Karen Williams
- C. PERFORMANCE INDICATORS/FINANCIAL REPORTING – OCTOBER 2015 (CM#2015.103) ..... 117  
 Presenter: Karen Williams
- D. BUDGET VS. ACTUAL VARIANCE REPORT – FYE 2016 FIRST QUARTER – SEPTEMBER 30, 2015 (CM#2015.104) ..... 139  
 Presenter: Karen Williams
- E. FINANCIAL REPORT FOR THE FIRST QUARTER ENDING SEPTEMBER 30, 2015 ..... 143
  - Inland Empire Brine Line (IEBL)
  - SAWPA
 Presenter: Karen Williams
- F. GENERAL MANAGER’S REPORT
- G. SAWPA GENERAL MANAGERS MEETING NOTES ..... 163
  - November 10, 2015
  - December 8, 2015
- H. CHAIR’S COMMENTS/REPORT
- I. COMMISSIONERS’ COMMENTS
- J. COMMISSIONERS’ REQUEST FOR FUTURE AGENDA ITEMS

**7. CLOSED SESSION**

- A. PUBLIC EMPLOYEE ANNUAL PERFORMANCE EVALUATION – PURSUANT TO GOVERNMENT CODE SECTION 54957  
 Title: General Manager
- B. CONFERENCE WITH LEGAL COUNSEL – EXPOSURE TO LITIGATION – PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(2)  
 Number of Potential Cases: Two

**8. ADJOURNMENT**

**PLEASE NOTE:**

Americans with Disabilities Act: Meeting rooms are wheelchair accessible. If you require any special disability related accommodations to participate in this meeting, please contact (951) 354-4220 or [kberry@sawpa.org](mailto:kberry@sawpa.org). 48-hour notification prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility for this meeting. Requests should specify the nature of the disability and the type of accommodation requested.

Materials related to an item on this agenda submitted to the Commission after distribution of the agenda packet are available for public inspection during normal business hours at the SAWPA office, 11615 Sterling Avenue, Riverside, and available at [www.sawpa.org](http://www.sawpa.org), subject to staff’s ability to post documents prior to the meeting.



**Declaration of Posting**

I, Kelly Berry, Clerk of the Board of the Santa Ana Watershed Project Authority declare that on Wednesday, December 9, 2015, a copy of this agenda has been uploaded to the SAWPA website at [www.sawpa.org](http://www.sawpa.org) and posted in SAWPA's office at 11615 Sterling Avenue, Riverside, California.

/s/

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Kelly Berry, CMC

**2016 - SAWPA Commission Meetings/Events**

First and Third Tuesday of the Month

(NOTE: Unless otherwise noted, all Commission Workshops/Meetings begin at 9:30 a.m., and are held at SAWPA.)

<b>January</b> 1/5/16 Commission Workshop 1/19/16 Regular Commission Meeting	<b>February</b> 2/2/16 Commission Workshop-OCSD Facilities Tour 2/16/16 Regular Commission Meeting
<b>March</b> 3/1/16 Commission Workshop 3/15/16 Regular Commission Meeting	<b>April</b> 4/5/16 Commission Workshop 4/19/16 Regular Commission Meeting
<b>May</b> 5/3/16 Commission Workshop 5/17/16 Regular Commission Meeting	<b>June</b> 6/7/16 Commission Workshop 6/21/16 Regular Commission Meeting
<b>July</b> 7/5/16 Commission Workshop 7/19/16 Regular Commission Meeting	<b>August</b> 8/2/16 Commission Workshop 8/16/16 Regular Commission Meeting
<b>September</b> 9/6/16 Commission Workshop 9/20/16 Regular Commission Meeting	<b>October</b> 10/4/16 Commission Workshop 10/18/16 Regular Commission Meeting
<b>November</b> 11/1/16 Commission Workshop 11/15/16 Regular Commission Meeting	<b>December</b> 12/6/16 Commission Workshop 12/20/16 Regular Commission Meeting

**AGENCY  
REPRESENTATIVES'  
REPORTS**

**5B**



**REVISION 3**

**Regular Board Meeting**

**December 8, 2015**

**12:00 p.m. – Board Room**

Tuesday, December 8, 2015 Meeting Schedule		
7:00-8:00 a.m.	Rm. 1-101	Dir. Computer Training
9:00 a.m.	Rm. 2-145	L&C
10:30 a.m.	Rm. 2-456	OP&T
12:00 p.m.	Board Room	Board Meeting

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MWD Headquarters Building

• 700 N. Alameda Street

• Los Angeles, CA 90012

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**1. Call to Order**

- (a) Invocation: Paula Hubbard, Accounting Technician II, Chief Financial Officer Group
- (b) Pledge of Allegiance: Director Brett Barbre

**2. Roll Call**

**3. Determination of a Quorum**

4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code § 54954.3(a))

**5. OTHER MATTERS**

- A. Approval of the Minutes of the Meeting for November 10, 2015. (A copy has been mailed to each Director)  
Any additions, corrections, or omissions
- B. Report on Directors' events attended at Metropolitan expense for month of November

- Added**
- C. Induction of new Director Lorraine Paskett, from City of Los Angeles
    - (a) Receive credentials
    - (b) Report on credentials by General Counsel
    - (c) File credentials
    - (d) Administer Oath of Office
    - (e) File Oath
  - D. Approve committee assignments
  - E. Chairman's Monthly Activity Report

## 6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of Metropolitan's activities for the month of November
- B. General Counsel's summary of Legal Department activities for the month of November
- C. General Auditor's summary of activities for the month of November
- D. Ethics Officer's summary of activities for the month of November

## 7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Appropriate \$1.87 million; and authorize replacement of hydraulic control valves at Garvey Reservoir (Approp. 15480). E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination that the proposed action is categorically exempt from CEQA, and**

- a. Appropriate \$1.87 million; and
- b. Authorize replacement of two hydraulic control valves at Garvey Reservoir.

- 7-2** Appropriate \$1.83 million; and authorize design and procurement to complete the La Verne Shops Upgrades (Approp. 15395). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination that the proposed action has been previously addressed in the certified EIR, SOC, MMRP, Addendum No. 1, and Addendum No. 7, and that no further environmental analysis or documentation is required, and**

- a. Appropriate \$1.83 million; and**
- b. Authorize design and procurement to complete the La Verne Shops Upgrades.**

- 7-3** Approve Administrative Code amendments to increase the competitive procurement threshold amount and the membership approval authority. (L&C)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination that the proposed actions are not defined as projects and are not subject to CEQA, and approve the amendments to the Administrative Code set forth in Attachment 2 of the board letter to reflect the change recommended in the letter.**

Revised

- 7-4** Authorize amendments to the Administrative Code to eliminate provisions relating to the Replenishment Service and Interim Agricultural Water Programs, and to modify a provision relating to Estimates of Water Requirements. (L&C)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and approve amendments to the Administrative Code to reflect the elimination of the Replenishment Service Program and Interim Agricultural Water Program, and to modify the timing of delivery estimates.**

- 7-5** Appropriate \$500,000; and authorize condition assessment and design to replace employee housing along the Colorado River Aqueduct (Approp. 15495). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination that the proposed action is categorically exempt, and**

- a. Appropriate \$500,000; and**
- b. Authorize a condition assessment of employee housing along the Colorado River Aqueduct and design of eight new houses.**

**(END OF CONSENT CALENDAR)**

**8. OTHER BOARD ITEMS — ACTION**

- 8-1** Appropriate \$23.9 million; award \$15.8 million contract to Morrow-Meadows Corporation for the Stage 1 electrical upgrades at the Joseph Jensen Water Treatment Plant; and approve the Jensen Solar Power Plant project for purposes of the California Environmental Quality Act (Approps. 15442 & 15391). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determinations that the proposed actions are categorically exempt from CEQA, approve the Jensen Solar Power Plant project, and**

- a. Appropriate \$23.9 million; and**
- b. Award \$15.8 million contract to Morrow-Meadows Corporation for the Stage 1 electrical upgrades at the Jensen plant.**

- 8-2** Appropriate \$4.9 million; and authorize design of Stage 2 repairs to the Lakeview Pipeline (Approp. 15480). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the Mitigated Negative Declaration for the proposed project, adopt the Mitigation Monitoring and Reporting Program, approve the project, and**

- a. Appropriate \$4.9 million; and**
- b. Authorize design of Stage 2 repairs to the Lakeview Pipeline.**

- 8-3** Appropriate \$4.1 million; and authorize agreement with Southern California Edison International, LLC to coordinate relocation of the Middle Feeder within the city of Monterey Park (Approp. 15480). (E&O)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination that the proposed action is not defined as a project and is categorically exempt, and**

- a. Appropriate \$4.1 million; and**
- b. Authorize the General Manager to execute an agreement with SCE for relocation of the Middle Feeder, in accordance with the provisions contained in the board letter and In a form approved by the General Counsel.**

Revised

- 8-4** Adopt Legislative Priorities for 2016. (C&L)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination that the proposed action is not defined as a project under CEQA and is not subject to CEQA, and adopt the revised Legislative Priorities for 2016.**

- 8-5** Express opposition to the “No Blank Checks” initiative. (C&L)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and authorize the General Manager to oppose the No Blank Checks initiative.**

- 8-6** Report on *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Superior Court Case Nos. CPF-10-510830, CPF-12-512466 and CPF-14-514004; and in connection with these matters authorize an increase in maximum amount payable under contracts for legal services with Quinn Emanuel Urquhart & Sullivan, LLP in the amount of \$450,000 for a total amount not to exceed \$5,950,000, and authorize increase in maximum amount payable under contract for legal services with Horvitz & Levy, LLP by \$200,000 to an amount not to exceed \$300,000. (L&C)  
**[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]**

- 8-7 Report on Metropolitan's involvement in the Omega Chemical Corporation Superfund Site, request authority to enter into a consent decree for a partial settlement with the U.S. Environmental Protection Agency as part of a group of potentially responsible parties, and delegate authority to the General Manager with the approval of the General Counsel to enter into future partial settlements. (L&C)  
**[Conference with legal counsel—anticipated litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(2)]**

- Added** 8-8 Report on *Bradley Wayne Nutt v. Metropolitan Water District of Southern California*, Los Angeles Superior Court Case No. BC550863; and authorize an increase in the maximum amount payable under contract with Atkinson, Andelson, Loya, Ruud & Romo for legal services by \$250,000 to an amount not to exceed \$350,000.  
**[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]**

## 9. BOARD INFORMATION ITEMS

None

## 10. FUTURE AGENDA ITEMS

## 11. ADJOURNMENT

**NOTE:** At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parentheses at the end of the description of the agenda item e.g., (E&O, F&I). Committee agendas may be obtained from the Board Executive Secretary.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.



**AGENCY  
REPRESENTATIVES'  
REPORTS**

**5D**

**CHINO BASIN WATERMASTER  
WATERMASTER BOARD MEETING**

11:00 a.m. – November 19, 2015

**WITH**

*Mr. Steve Elie – Chair*

*Mr. Paul Hofer – Vice-Chair*

**At The Offices Of**

**Chino Basin Watermaster**

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

**AGENDA**

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**PUBLIC COMMENTS**

**AGENDA - ADDITIONS/REORDER**

**I. CONSENT CALENDAR**

**Note: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by one motion in the form listed below. There will be no separate discussion on these items prior to voting unless any members, staff, or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.**

**A. MINUTES**

1. Minutes of the Watermaster Board Meeting held October 22, 2015

**B. FINANCIAL REPORTS**

1. Cash Disbursements for the month of September 2015
2. Watermaster VISA Check Detail for the month of September 2015
3. Combining Schedule for the Period July 1, 2015 through September 30, 2015
4. Treasurer's Report of Financial Affairs for the Period September 1, 2015 through September 30, 2015
5. Budget vs. Actual Report for the Period July 1, 2015 through September 30, 2015

**C. ANNUAL FINDING OF SUBSTANTIAL COMPLIANCE WITH THE RECHARGE MASTER PLAN**

Adopt the finding that Watermaster is in substantial compliance with the Recharge Master Plan.

**II. BUSINESS ITEMS**

**A. CHINO BASIN WATERMASTER INTERIM 2015/2016 ASSESSMENTS**

Approve the Assessment Year 2015/2016 Interim Assessments as presented, with the balance to be assessed when the Assessment Package is completed after the Safe Yield Reset Agreement is considered by the Court.

**B. LEVYING INTERIM 2015/2016 ASSESSMENTS**

Approve Resolution 2015-08 as presented.

**C. WATERMASTER REAPPOINTMENT**

Recommend future Watermaster appointment and direct Legal Counsel to prepare and file motion with the Court.

**D. CBWM ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Receive and file (1) the Chino Basin Watermaster Annual Financial Report for the Fiscal Year Ended June 30, 2015 dated November 19, 2015; and (2) the Chino Basin Watermaster Management Report for June 30, 2015 dated November 19, 2015.

**E. BASIN BOUNDARY REVISION RECOMMENDATION**

Provide direction to staff to work with affected local agencies to pursue a revision of the Bulletin 118 boundaries to conform to the adjudicated boundaries to the extent allowed under the recently adopted basin boundary revision regulations.

**III. REPORTS/UPDATES**

**A. LEGAL COUNSEL REPORT**

1. Motion for Approval of Temporary Substitute Rate, Receipt and File of OBMP Status Report
2. Motion re 2015 Safe Yield Reset Agreement, Amendment of Restated Judgment

**B. ENGINEER REPORT**

1. MZ3 Water Levels (Follow-Up on Director Galleano's Request)

**C. CFO REPORT**

None

**D. GM REPORT**

1. Proposed Change to the Nitrate Concentration Objective for the Chino-South Groundwater Management Zone
2. Exhibit "G" Physical Solution Transfers
3. Stormwater Recharge Update
4. Holiday Schedule
5. Other

**IV. INFORMATION**

1. Cash Disbursements for October 2015

**V. BOARD MEMBER COMMENTS**

**VI. OTHER BUSINESS**

**VII. CONFIDENTIAL SESSION - POSSIBLE ACTION**

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster Board meeting for the purpose of discussion and possible action.

**VIII. FUTURE MEETINGS AT WATERMASTER**

- |          |     |            |   |
|----------|-----|------------|---|
| 11/17/15 | Tue | 9:00 a.m.  | Groundwater Recharge Coordinating Committee (GRCC)      |
| 11/17/15 | Tue | 1:30 p.m.  | Appropriative Pool Meeting (Rescheduled from 11/12/15)  |
| 11/19/15 | Thu | 9:00 a.m.  | Advisory Committee                                      |
| 11/19/15 | Thu | 9:30 a.m.  | Recharge Investigations and Projects Committee (RIPCom) |
| 11/19/15 | Thu | 11:00 a.m. | Watermaster Board (Rescheduled from 11/26/15)           |


**NOTE:** There will be no regularly scheduled meetings at Watermaster in December 2015

**ADJOURNMENT**

**GENERAL  
MANAGER'S  
REPORT**

Date: December 16, 2015

To: The Honorable Board of Directors

From: P. Joseph Grindstaff, General Manager 

Subject: General Manager's Report Regarding Agency Activities

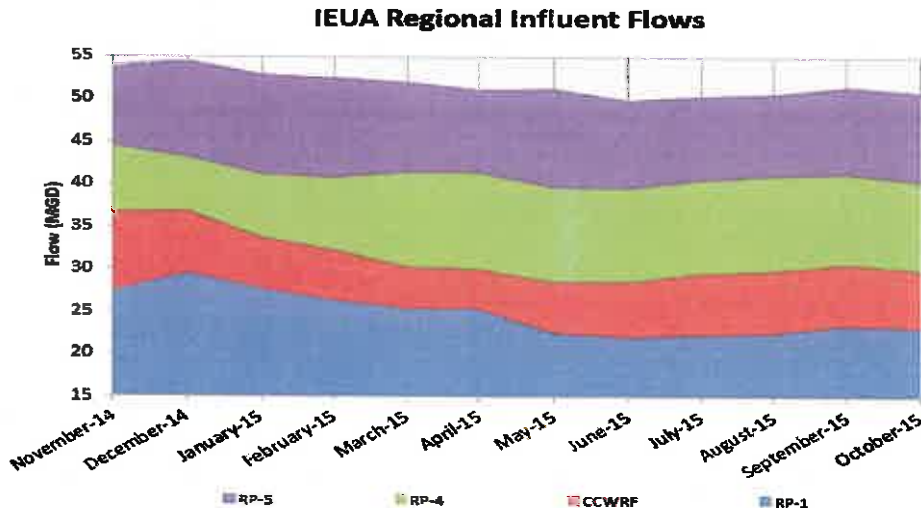
**PLANNING & ENVIRONMENTAL RESOURCES**

Member Agencies drought summary versus State Board requirement.

Water Tracker			
Agency	Target Savings	Cumulative Savings (Jun-Sep 2015)	Monthly Savings (Sep 2015)
Chino	24%	24%	24%
Chino Hills	28%	31%	34%
CVWD	32%	30%	32%
FWC	28%	31%	35%
MVWD	24%	29%	25%
Ontario	24%	23%	25%
Upland	36%	43%	38%

**OPERATIONS UPDATE**

Regional Plant influent flows during the month of October was consistent with the flow received during the previous months. Agency-wide average daily influent flow for the month of October was approximately 50 million gallons per day.



## General Manager's Report Regarding Agency Activities

December 16, 2015

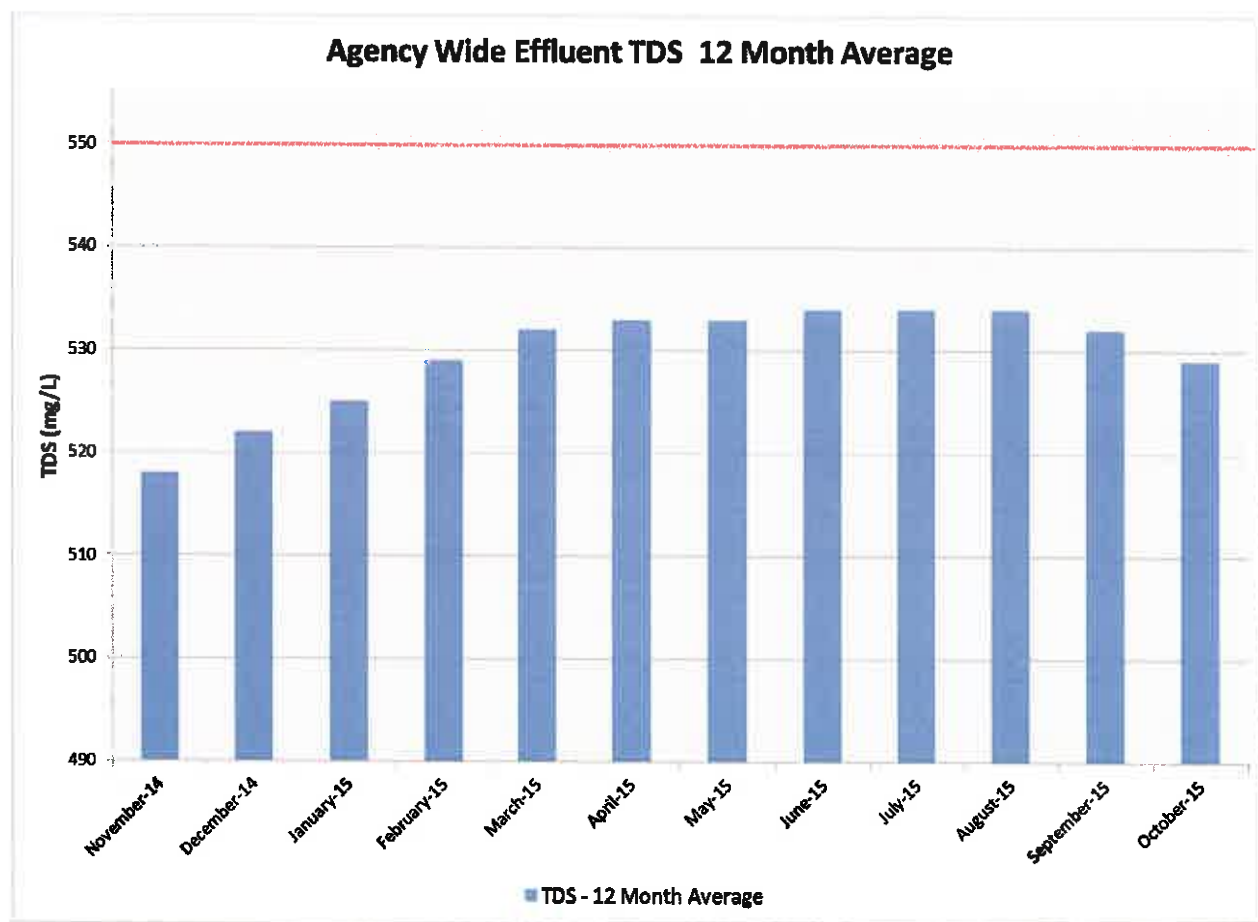
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October 2015, Regional Plant sodium hypochlorite consumption averaged 123 gallons per million gallons of treated flows.

The National Pollutant Discharge Elimination System (NPDES) permit limit for Agency-wide 12 month flow-weighted running average of Total Inorganic Nitrogen (TIN), is 8 mg/L. The value for October 2015 TIN was 5.7 mg/L.

The 12-month running average for TDS from the Agency's treatment plants has been on an incline, and has reached 534 mg/L. The increase in salinity can be contributed to a combination of conservation efforts which increases the wastewater strength received at the treatment plants, and increased salinity from the State Water Project. If the TDS trend continues to increase, the Agency will have to plan for added treatment in order to meet NPDES permit requirement of 550 mg/L, and in the long term to meet salinity objectives for the Chino Basin.

We have asked for the time over which, we calculate our compliance to be extended and should that happen the immediate pressure will be relieved. The Regional Board executive officer has indicated a willingness to consider this, but no formal response has been received.



The Agency has maintained 100% NPDES Permit Compliance for 35 consecutive months. There was one Air Quality Management District (AQMD) NOV exceedance at RP-5 in September 2015.

**IERCF UPDATE**

**Operational Comments** – Facility throughput for November averaged approximately 88% of permitted capacity at an average of 378 tons per day of biosolids and 144 tons per day of amendments (based on a 30-day month). The facility is operating well with no violations or lost time incidents. This was because the AQMD had not upgraded our RP-5 permit from 12 to 15 MGD to be consistent with the Regional Board permit, even though we requested it several years ago. We flowed slightly over 12 MGD in September.

**Facility Throughput**

POTW	Wet Tons Month	Wet Tons Year to Date
LACSD	6,834.27	75,201.87
IEUA	4,501.46	52,565.75
OCSD	0	2,907.92
<b>Total</b>	<b>11,335.76</b>	<b>130,675.50</b>

**Compost Sales** – November sales increased over last year during the same period as the agriculture market demand increased after harvest. Increased sales are expected through December into January. Compost inventory in the storage facility is at 14,000 cubic yards and is anticipated to be reduced to approximately 5,000 cubic yards by the end of the year in preparation for a potentially wet winter.

**Monthly Sales Summary November 2015**

Month	Product	Cubic Yards	Avg. \$/CYD	Total \$
November	Premium	25,589.93	\$0.95	\$24,278.68
	Base	3,466.69	\$0.29	\$1,002.22
<b>Total</b>		<b>29,056.62</b>	<b>\$0.87</b>	<b>\$25,280.90</b>

**YTD Sales Summary through November 2015**

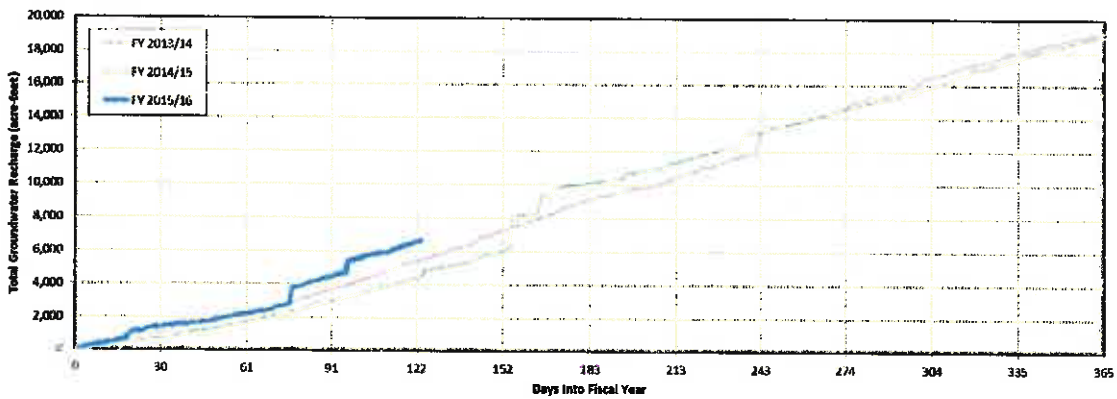
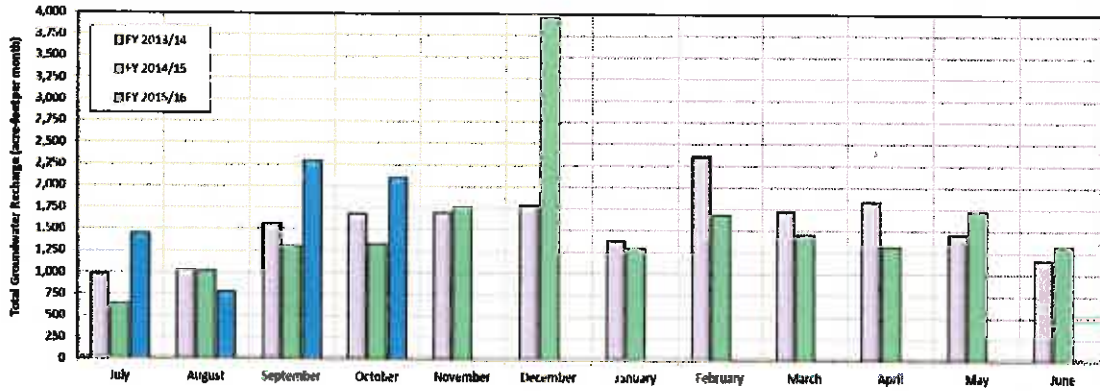
Month	Total Cyds 2015/2016	Total Cyds 2014/2015	Total \$ 2015/2016	Total \$ 2014/2015
July	21,389.25	23,882.49	\$34,657.16	\$39,474.57
August	16,919.04	25,689.52	\$30,461.07	\$27,575.69
September	16,750.02	33,184.26	\$24,655.71	\$37,732.49
October	27,394.30	31,487.37	\$33,401.74	\$31,552.56
November	29,056.62	22,348.31	\$25,280.90	\$32,957.02
<b>Total</b>	<b>111,509.23</b>	<b>136,591.95</b>	<b>\$148,456.58</b>	<b>\$169,292.33</b>
<b>Average</b>	<b>22,301.85</b>	<b>27,318.39</b>	<b>\$29,691.32</b>	<b>\$33,858.47</b>



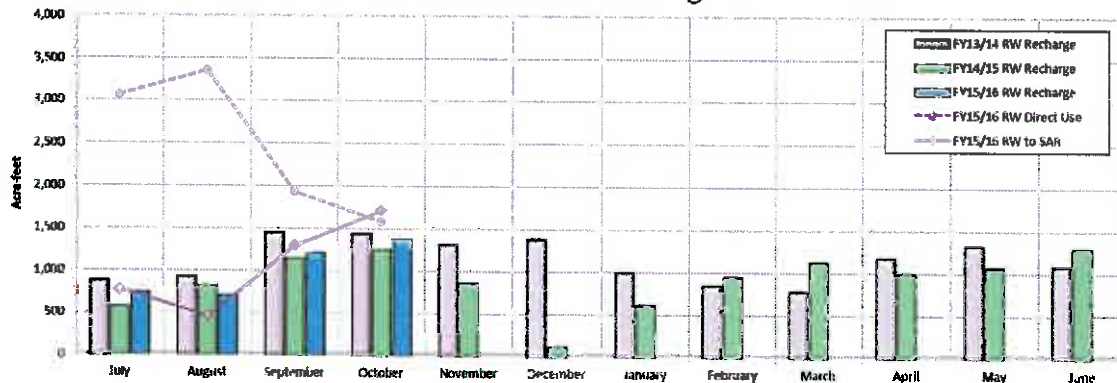
### GROUNDWATER RECHARGE

During October 2015, recycled water recharge totaled 1,354 acre-feet. There was no imported water delivered. The capture of dry weather creek flows totaled 42 acre-feet. There was one rain event spanning two days during this period that generated a total of approximately 270 acre-feet of captured storm water. A detailed summary of the Chino Basin Groundwater Recharge Operations can be found at <http://www.ieua.org/category/reports/groundwater-recharge-reports>.

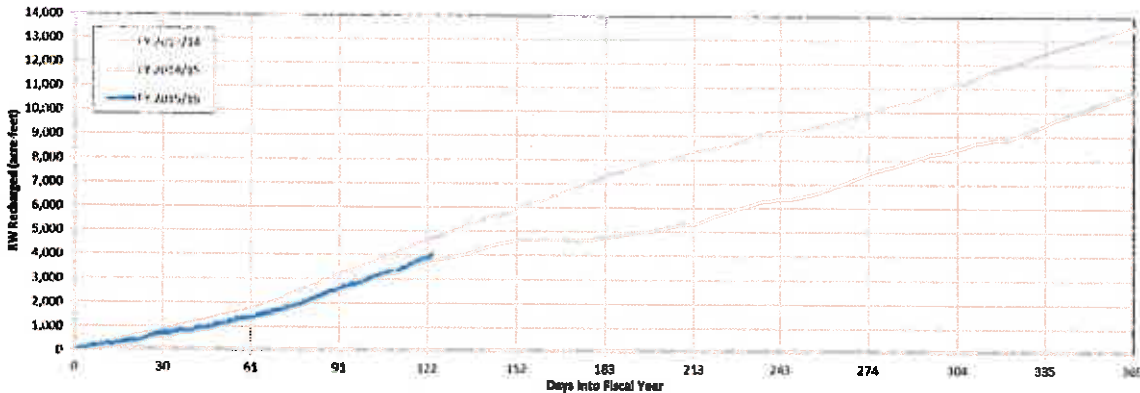
#### Total Groundwater Recharge



#### Recycled Water Delivered to Groundwater Recharge

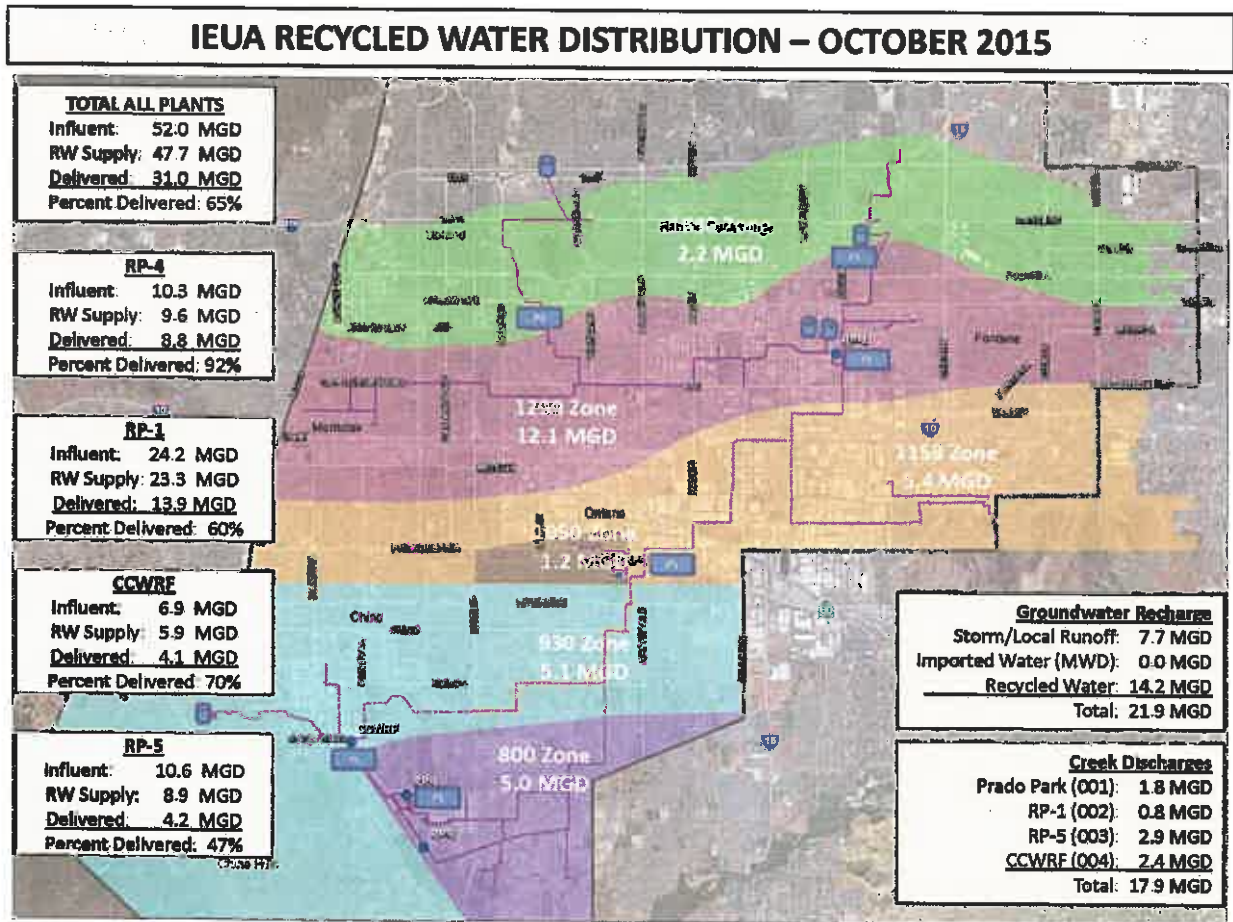


**Recycled Water Delivered to Groundwater Recharge (continued)**



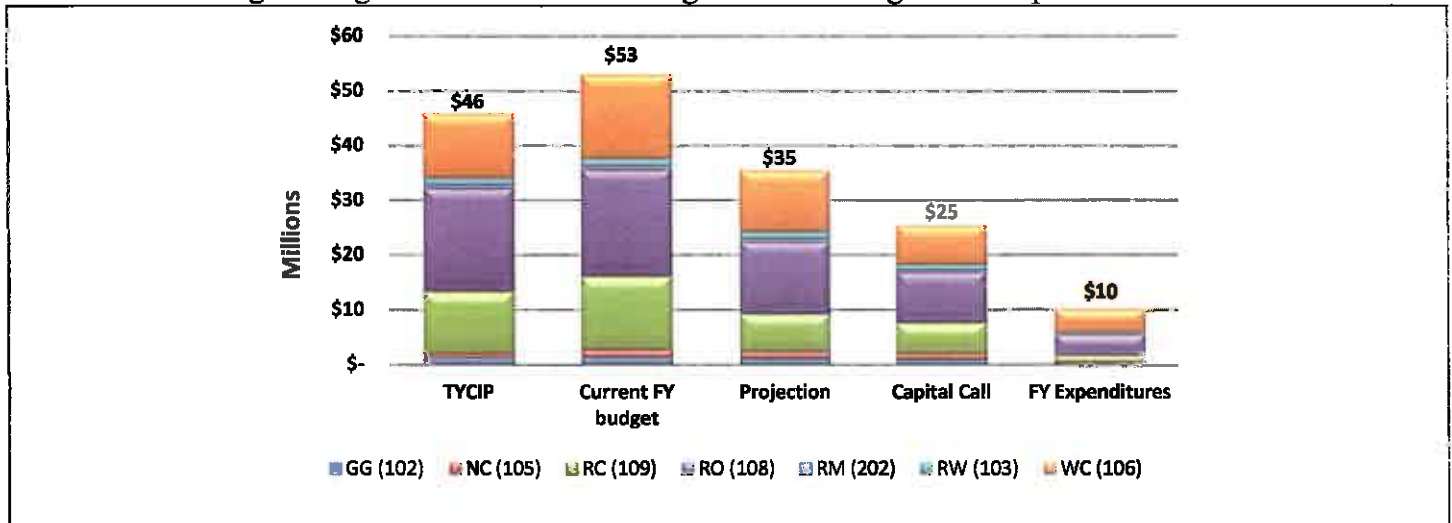
**RW DISTRIBUTION**

During October 2015, 65% (31.0 MGD) of IEUA recycled water supply (47.7 MGD) was delivered into the distribution system for both direct use customers (16.8 MGD) and groundwater recharge (14.2 MGD). Plant discharge to creeks feeding the Santa Ana River averaged 17.9 MGD.



**ENGINEERING AND CONSTRUCTION MANAGEMENT**

Engineering and Construction Management's FY15/16 budget is \$52,956,235. As of November 30<sup>th</sup>, staff has projected to spend \$35,433,872 during FY15/16 of which \$10,099,343 has been spent. The following chart summarizes the Engineering and Construction Management FY Budget status update.

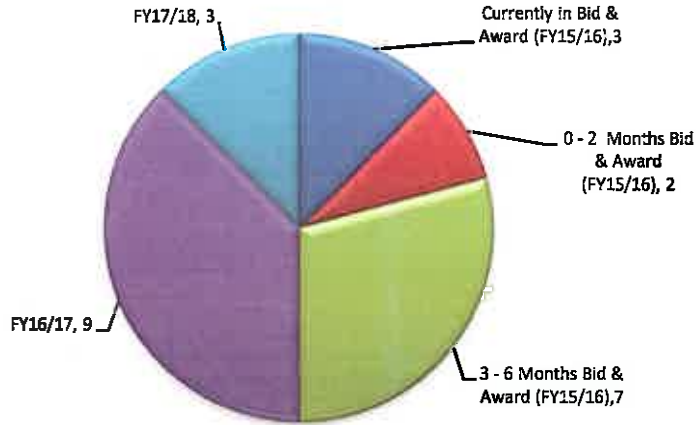


The ten projects listed below represent \$11, 093,971 of the variance between the current FY budget and the FY projections. The reasons for their FY variances are as follows. (Note: Only projects with a variance greater than \$500,000 are listed below):

Project	Description	FY 15/16 forecast	FY 15/16 Budget	Variance (FY Bud - FY Forecast)	Reason for Variance
EN06025	Wineville Ext RW PL Seg A	1,084,293	2,135,354	1,051,061	Project finished under budget with a 4% change order ratio.
EN13001	San Savaine Basin Improvements	2,590,760	3,500,000	909,240	A majority of the expense is within construction which will begin later in the fiscal year. The capital call was reduced to reflect major expenses occurring in the following fiscal year.
EN13045	Wineville RW Extension Segment B	1,273,847	2,506,256	1,232,409	The project is nearly complete and will finish below the fiscal year budget.
EN13048	RP-1 930-Zone RW Pump Station Load Analysis	305,459	1,000,000	694,541	An extensive analysis of the RP-1 existing load is required prior to launching the design. The majority of the budget will be consumed in FY16/17.
EN13016	SCADA Enterprise System	3,489,309	4,200,000	710,691	The project is progressing with less than anticipated manpower and with minimal change orders. Contract negotiations resulted in \$400,000 of savings. Additionally, work on Phase 2 requires upfront as-built research prior to design.
EN15008	New Water Quality Laboratory	849,855	1,700,000	850,145	Construction phase which will begin in FY16/17. Capital call projections will be refined during the next round; therefore, variance will be much smaller
EN16021	Chino Basin Groundwater Supply Wells and Raw Water Pipelines	6,055,939	9,000,000	2,944,061	The project work has been delayed due to the ongoing settlement negotiations with the Regional Board. CDA has initiated project management with Michael Baker International, but design and construction will not begin until Regional Board settlement is complete, per IEUA's agreement with CDA. The Regional Board is expected to present the proposed settlement to their Board of Directors in January 2016.
EN11031	RP-5 Flow Equalization and Effluent Monitoring	89,673	1,445,264	1,355,590	Project scope was modified to meet Agency operating requirements. Contract modifications are underway and resulted in delays.
EN14019	RP-1 Headworks Gate Replacement	16,586	700,000	683,414	Project evaluation period was extended based on review of project expectations and Stakeholder requirements.
EN16024	RP-1 Mixed Liquor Return Pumps	337,183	1,000,000	662,817	Project evaluation period was extended based on review of project expectations and Stakeholder requirements.
		16,092,902	27,186,873	11,093,971	

**Active Projects in Design**

*24 Active Project in Design*



Three Projects Currently in Bid & Award

- EN13056.01 RP-4 MCC - Power Center Five Roof Access
- EN15055.00 1630 W. Recycled Water Pump Station - Surge Tank Installation
- EN15030.02 San Bernardino Lift Station Fiber Optic Vault Upgrades

Two Projects 0 - 2 Months Bid & Award

- EN14047.00 GWR and RW SCADA Control Upgrades
- EN16055.00 Headquarters Back Up Generator

**Active Projects in Construction**

Project ID	Project Title	Description	Total Project Budget (\$)	Total Cost to Date (\$)	FY Budget (\$)	FY Cost thru 12/31/15 (\$)	Total Project CO2 (\$)	% Project Complete	Original Op. Date	Estimate of Op. Date
1	EN06023-06	RP1 Primary Clarifier 2015 Rehab Proj	890,108	687,790	666,116	161,788	25.67%	83.39%	12/31/2015	1/28/2016
2	EN12014-00	East Avenue 1630 E RWP Relocation	1,594,400	181,240	633,261	9,294	0	93.66%	8/30/2015	1/04/2016
3	EN12019-00	GWR and RW Comm. Sys. Upgrades	477,503	143,204	477,503	1,832	11.74%	76.83%	11/30/2015	1/12/2016
4	EN12020-00	Chino Creek Invert Repair	10,309,546	3,794,899	4,200,000	7,897	0.32%	83.62%	2/15/2016	3/01/2016
5	EN13016-00	SCADA Enterprise System	3,030,095	373,394	1,203,874	59,162	0	83.60%	7/16/2016	6/15/2016
6	EN13018-00	Montclair Diversion Structure Improvements	356,265	262,921	223,987	130,642	0	92.11%	1/29/2016	1/20/2016
7	EN13040-00	Prado Dechlor Communication System	387,918	207,972	303,566	123,619	0	91.63%	1/29/2016	1/20/2016
8	EN13042-00	Philly Pump Station Communication System	571,281	406,255	447,614	282,588	0	91.63%	1/29/2016	1/20/2016
9	EN13043-00	Montclair Lift Station Communication System	11,880,300	10,315,473	2,506,256	1,223,847	0.34%	93.31%	6/26/2015	12/03/2015
10	EN13045-00	Wineville RW Extension Segment B	3,600,000	432,202	487,622	290,212	0	89.88%	9/30/2015	12/08/2016
11	EN13046-00	RP1 Flare System Improvements	160,000	105,625	109,328	6,257	0	37.31%	3/31/2016	7/07/2016
12	EN14012-01	RP-2 Drying Beds Rehab Tractor	1,112,000	992,873	65,020	46,530	0	109.96%	6/30/2014	12/15/2015
13	EN14038-00	CB20 Noise Mitigation Measures	1,200,000	163,020	1,009,250	68,744	0	57.08%	8/31/2015	11/20/2015
14	EN14057-00	RP1 Primary Clarifier W. Effluent Pipeline Repl.	620,000	168,422	512,340	62,956	0	74.68%	4/30/2016	6/06/2016
15	EN15032-00	Agency-Wide HVAC Improvements Pkg No. 3	436,086	109,204	350,000	30,729	0	73.55%	2/09/2016	4/05/2016
16	EN15045-00	Collection System Manhole Upgrades FY 15/16	120,000	6,208	120,000	6,208	0	55.56%	4/30/2016	4/04/2016
17	EN15046-00	NRW Manhole Upgrades FY 15/16	36,745,502	19,238,707	13,620,184	5,969,620	264,248			
18	EN16067-00	RP-1 DAFs Plug Valve Replacement								

• Total construction contract payments for work completed in November: \$702,212

**Completed Construction Projects - Notice of Completion Filed in November 2015**

Project ID	Project Title	Description	Total Project Budget (\$)	Total Cost to Date (\$)	FY Budget (\$)	FY Cost thru 10/31/15 (\$)	Total Project CO2 (\$)	% Project Complete	Original Op. Date	Notice of Completion Filed
1	EN13016-01	CCWRF Control and Server Rooms Modifications	241,260	241,260	159,764	159,764	0.00	100	7/29/2015	11/05/2015
		Convert control and workrooms into a new SCADA server and control room					0.00	0%		

**Emergency Projects Awarded in November 2015**

Project ID	Contractor	Task Order Description	TO #	Amount	Date
1	W.A. Resic Construction	RW Blow Off Repair in Chino Ave	TO-22	17,000	11/12/2015
2	W.A. Resic Construction	36-inch RW Pipeline Repair	TO-23	50,000	11/23/2015
				67,000	

General Manager's Report Regarding Agency Activities

December 16, 2015

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**Active Office Engineering Projects in November 2015**

Project ID	Project Title	Status	% Complete	Actual Costs
1	CW16003.01 Ontario Reg Comms to ETS Group 1	No new activities	56.2%	194.36
2	CW16003.02 Chino Reg Conn C-30	The connection design was taken w/no exceptions. Mylars were signed 8/12/15.	30.9%	54.81
3	CW16102.01 CVWD RW Conn CVRW-43	The revised final design was submitted for review w/no exceptions. Mylars were signed 10/29/15.	48.6%	247.56
4	CW16102.02 Ontario RW Comms ORW-57 & ORW-68	The revised final design was submitted for review w/no exceptions. Waiting for mylars	24.3%	0.00
5	CW16102.03 CVWD RW Conn CVRW-42	The revised final design was taken with no exceptions and mylars were signed	34.2%	29.08
6	CW16102.04 CVWD RW Conn CVRW-44	The final design has yet to be submitted for review.	34.2%	29.08
				<b>554.89</b>

## **GRANTS ADMINISTRATION SIGNIFICANT EVENTS**

### **Board Activities**

Since the last General Manager's report, Grants Administration has processed the following Board item:

- FY 2014/15 Single Audit Report. It is anticipated that this item will be presented to the Audit Committee and Finance, Legal, and Administration Committee, both on December 9, 2015, and presented to the IEUA Board on December 16, 2015.

### **Grant/Loan Opportunities and Applications**

The Agency's Grant Administration group is continuing to pursue additional grant opportunities as they become available to offset project costs, including;

#### **State Water Resources Control Board (SWRCB)**

Three applications will be submitted under the 2015 Drought Relief 1%, 30-year SRF loan and Prop 1 Grant Opportunity. One application will be submitted via IEUA, and two of these applications will be submitted under the Chino Basin Regional Financing Authority (CBRFA):

1. 2015 Drought Relief Recycled Water Supply Optimization Project (\$53M, IEUA)
2. Joint IEUA-Pomona-MVWD Recycled Water Intertie Project (\$51M, CBRFA)
3. Joint IEUA-JCSD Recycled Water Intertie Project (\$52M, CBRFA)

Staff is also working with the SWRCB on the Regional Plant No. 1 (RP-1) and Regional Plant No. 5 (RP-5) Expansion Preliminary Design Report (PDR) SRF loan application (\$3M).

#### **United States Bureau of Reclamation (USBR)**

IEUA is preparing two applications under the USBR Title XVI Water Reuse and Program that are due December 10, 2015:

1. CVWD Recycled Water Project application will serve customers within the cities of Rancho Cucamonga and Fontana with recycled water as well as improve the reliability of the regional recycled water system (\$2M).
2. CDA Expansion application will request additional funding for the Title XVI authorization for the Lower Chino Dairy Area Desalination Project (\$12M).

### **Grant Reimbursements and Reporting Activities**

The following is a status update on several existing contracts for various grants and loans:

- SAWPA/DWR San Sevaine Grant – Invoicing is complete for costs through October 31, 2015 for \$90,554.53.
- SAWPA/DWR Regional Residential Landscape Retrofit Grant – Invoicing is complete for costs through October 31, 2015 for \$42,528.50.
- SAWPA/DWR Wineville Recycled Water Pipeline/SCADA Grant – Invoicing is complete for remaining contract amount of \$110,658.39, which now captures the entire \$1 million contract award. Payment from SAWPA is pending.