



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

**WEDNESDAY, DECEMBER 9, 2015
11:00 A.M.**

***Or immediately following the
Engineering, Operations, and Biosolids Management
Committee Meeting***

CALL TO ORDER

PUBLIC COMMENT

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

ADDITIONS TO THE AGENDA

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

1. CONSENT ITEMS

A. MINUTES

The Committee will be asked to approve the Finance, Legal, and Administration Committee meeting minutes of November 11, 2015.

B. GENERAL DISBURSEMENTS REPORT

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

2. ACTION ITEMS

A. 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.

B. 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.

C. 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.

D. 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 \$450,000; and
1. Authorize the General Manager, or in his absence, his designee to execute the contract.

E. 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.

F. 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.

G. 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.

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.

I. 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.

3. INFORMATION ITEMS

A. FIRST QUARTER BUDGET VARIANCE REPORT FOR FY 2015/16

B. INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY (IERCA) FY 2014/15 FINANCIAL STATEMENTS

C. PARTICIPATION IN THE CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP)

RECEIVE AND FILE INFORMATION ITEM

D. TREASURER'S REPORT OF FINANCIAL AFFAIRS (WRITTEN)

4. GENERAL MANAGER'S COMMENTS

5. COMMITTEE MEMBER COMMENTS

6. COMMITTEE MEMBER REQUESTED FUTURE AGENDA ITEMS

7. ADJOURN

*A Municipal Water District

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

Proofed by: sh

DECLARATION OF POSTING

I, April Woodruff, Board Secretary/Office Manager of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of the agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Ave., Building A, Chino, CA on Thursday, December 3, 2015.

For S. Riley
April Woodruff

**ACTION
ITEM
2B**

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 *JK*
General Manager

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

JK #882 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

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

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
ASSETS		
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
Total current assets	61,009,069	22,783,657
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
Total restricted assets	42,803,704	1,254,993
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
Total capital assets	385,786,330	192,317,364
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
Total other assets	63,179,131	2,565,072
Total noncurrent assets	448,965,461	194,882,436
Total assets	552,778,234	218,921,086
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	1,102,641	0
Deferred outflow related to net pension liability	6,209,683	775,759
Total deferred outflows of resources	7,312,324	775,759

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
LIABILITIES		
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	12,306,184	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
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to net pension liability	5,893,340	736,239
Total deferred inflows of resources	5,893,340	736,239
NET POSITION		
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	21,663,583	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
0	3,425,731	67,080,838
<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
OPERATING REVENUES		
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
OPERATING EXPENSES		
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)
NONOPERATING REVENUES (EXPENSES)		
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)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
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)
(995,857)	(1,472,681)	(7,180,373)
<u>653,822</u>	<u>2,642,472</u>	<u>47,226,135</u>
<u>344,341</u>	<u>(1,544,488)</u>	<u>16,209,763</u>
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
CASH FLOWS FROM OPERATING ACTIVITIES		
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)	(3,485,876)
Net cash provided by (used for) operating activities	(5,175,445)	5,516,541
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
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
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
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)	(14,808,104)
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
CASH FLOWS FROM INVESTING ACTIVITIES		
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
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
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

<u>Water Resources</u>	<u>Non-Major</u>	<u>Totals 2015</u>
\$ 8,617	\$ 132,858	\$ 477,301
0	(61,472)	(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	(3,507,813)	868,025
0	28,503	28,503
25,368	(8,328)	41,886
0	(43,841)	(43,841)
0	(9,172)	(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

<u>Water</u> <u>Resources</u>	<u>Non-Major</u>	<u>Totals</u> <u>2015</u>
\$ 5,998,121	\$ 28,880,155	\$ 86,311,685
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

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 Prepaids

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.

Valuation as on July 1, 2014	2014/15
Annual Required Contribution (ARC)	\$937,681
Interest on Net OPEB Obligation	266,546
Adjustment to ARC	(266,025)
Annual OPEB Costs	\$938,202
IEUA Contribution	(4,002,000)
Percentage Contributed	426%
Increase or Decrease in Net OPEB	(\$3,063,798)
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

Fiscal Year Ending	Annual OPEB Costs	% of OPEB Contributed	Net OPEB Obligation
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>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 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.

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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
Total cash and investments	\$131,302,009
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
Total cash and investments	\$131,302,009

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
Total	\$86,002,997		\$19,010,750	\$3,001,500	\$0	\$63,990,747

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
Total	\$70,003,847	\$4,003,690	\$3,996,700	\$7,998,760	\$86,002,997

(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%
Employee contribution rates	8.0%	7.0%	6.25%

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
Total	650

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)
Balances at June 30, 2013	\$ 145,020,505	\$ 99,445,805	\$ 45,574,700
Changes in the Year:			
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)	-
Net Changes	\$ 9,282,433	\$ 18,149,355	\$ (8,866,922)
Balance at June 30, 2014	\$ 154,302,938	\$ 117,595,160	\$ 36,707,778

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%)
Net Pension Liability	\$ 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 5 year straight-line amortization actual earnings	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
All other amounts	

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)
Total	\$ 8,354,702	\$ (7,929,085)

(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:

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

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)
Unpaid claims, end of fiscal year	\$249,879	\$229,358	\$500,000	\$500,000

(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
Total Jobs in Progress	\$ 45,211,138

(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
Capital Assets-not being depreciated:						
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
Capital Assets-being depreciated:						
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	21,427,470	-	140,607,472	(17,939,453)	122,668,019
Treatment plants, pump stations and office buildings	256,703,973	13,174,659	-	271,878,632	(117,327,511)	154,551,121
Equipment	180,774,493	43,084,943	(309,728)	203,549,708	(98,653,715)	104,895,993
Land Improvement	25,977,548	3,685,507	-	29,663,055	(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
Less accumulated depreciation for:						
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)	(2,998,437)		(17,939,453)		
Treatment plants, pump stations and office buildings	(10,707,427)	(6,620,084)		(17,327,511)		
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		
Total capital assets- Enterprise Funds, Net	\$ 628,740,862	\$ 103,900,935	\$ (88,299,668)	\$ 644,342,229		

(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
Intangible assets-being amortized:						
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 County 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
Total intangible assets being-amortized	\$ 25,562,544	\$ 201,160	\$ -	\$ 25,763,704	\$ (13,524,265)	\$ 12,239,439
Less accumulated amortization for:						
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 County 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)		
Total accumulated amortization	\$ (12,172,075)	\$ (1,352,190)	\$ -	\$ (13,524,265)		
Total intangible assets-Enterprise Funds, Net	\$ 13,390,469	\$ (1,151,030)	\$ -	\$ 12,239,439		
Total capital assets-Enterprise Funds, net	\$ 642,131,331	\$ 102,439,817	\$ (87,989,480)	\$ 656,581,668		

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

(8) 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:

	2015	2014
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	
Total Net Position	65,034,558	63,890,239
Total Revenues	15,228,824	14,329,188
Total Expenses	(14,084,505)	(15,393,664)
Net Change in Net Position	\$ 1,144,319	\$ (1,064,476)

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.

(1.1) 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%
Total	<u>100%</u>

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

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

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>
Bonds Payable:						
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
Revenue Bonds	\$ 228,604,318	\$ -	\$ 22,666,889	\$ 205,937,429	\$ 5,810,000	\$ 200,127,429

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):

2008A 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
Total Debt Service Payable	\$ 205,937,429	\$ 119,952,649	\$ 325,890,078

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
Total Notes Payable	\$ 100,002,599	\$ 24,541,466	\$ 5,443,002	\$ 119,101,063	\$ 6,666,109	\$ 112,434,954

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
Total SAWPA Note	\$ 714,196	\$ 87,367	\$ 801,563

(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
Total SRF Loans	\$ 108,453,732	\$ 15,044,595	\$ 123,498,327

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
Total SRF Loans	\$ 6,486,690	\$ 1,043,432	\$ 7,530,122

(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	\$ 3,446,445

(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:

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

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:		Total
	Regional Wastewater	Non-Major Enterprise Funds	
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
Total Transfers	\$ 1,273,557	\$ 2,185,745	\$ 3,459,302

(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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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>
Total Pension Liability:	
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><u>\$ 154,302,938</u></u>
Plan Fiduciary Net Position:	
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><u>\$ 117,595,160</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ 36,707,778</u></u>
Plan fiduciary net position as a percentage of the total pension liability	76.21%
Covered - employee payroll	\$ 23,048,949
Net pension liability as percentage of covered- employee payroll	159.26%

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^a**

	2015
Actuarially determined contribution	\$ 3,733,583
Contributions in relation to the actuarially determined contributions	(3,733,583)
Contribution deficiency (excess)	\$ -
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

Preliminary Draft

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 DATE.

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.

Irvine, California
DATE

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 DATE, 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.

Irvine, California
DATE

Preliminary Draft

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

Preliminary Draft

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	357,743
Total Water Reclamation and Reuse Program			<u>3,258,904</u>
WaterSMART - Regional Residential Landscape Survey	15.507	R12AP35353	29,882
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	21,240
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 no
- Significant deficiency identified? yes none reported
See Finding 2015-001

Noncompliance material to financial statements noted: yes no

Federal Awards:

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiency identified? yes 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 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?

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 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, was 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.

Preliminary Draft



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

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

- Reporting net pension liability:

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

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
TOTAL DEBT	\$323.9	\$326.5
Total Debt Coverage Ratio	2.89	2.09

FY 2014/15 Highlights

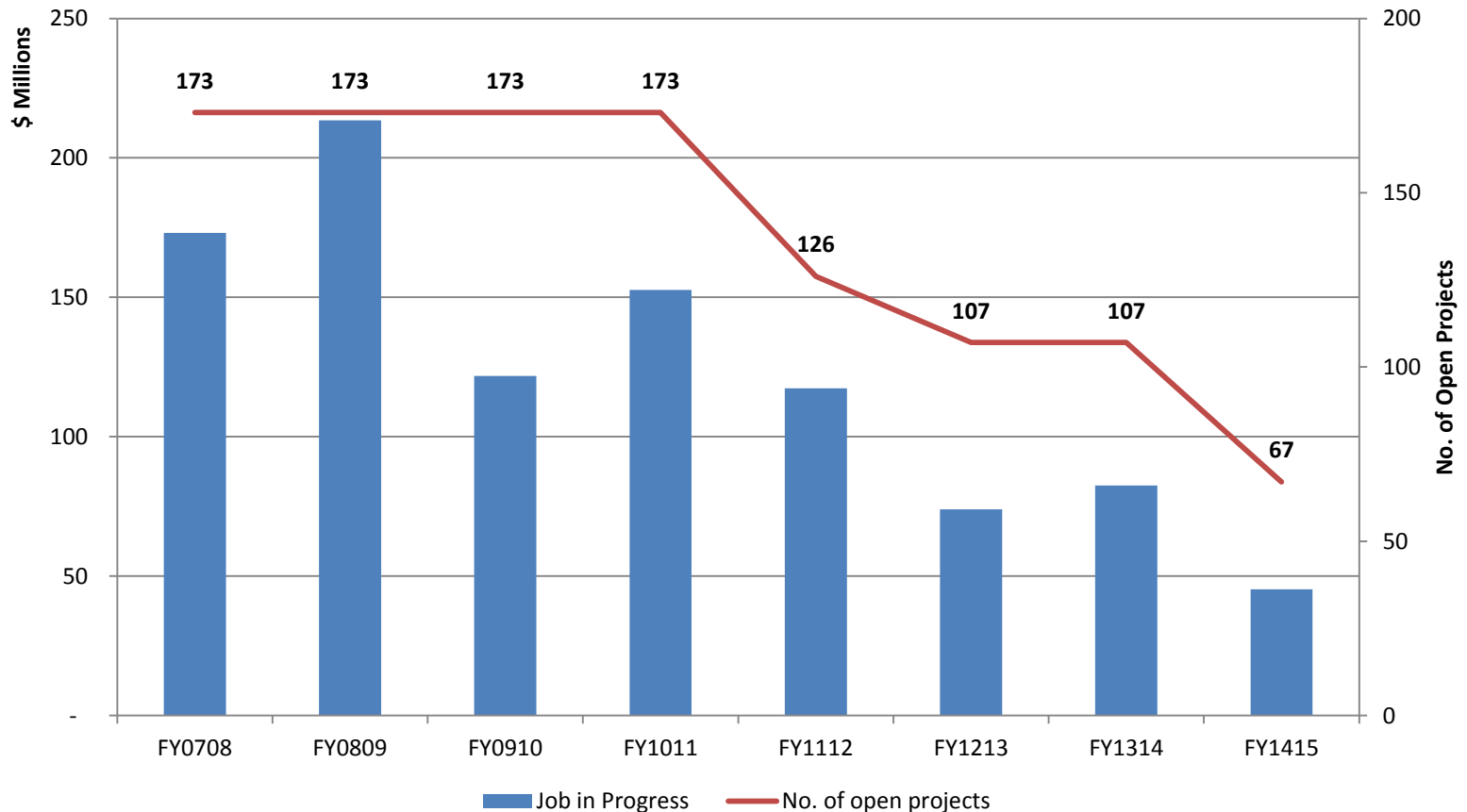


- ❖ External Auditor issued an unqualified “clean” opinion.
 - Agency’s financial statements are fairly presented with GAAP.
 - There were no material weaknesses on Agency’s internal controls.
 - There were no instances of non-compliance under Government Auditing Standards

- ❖ 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



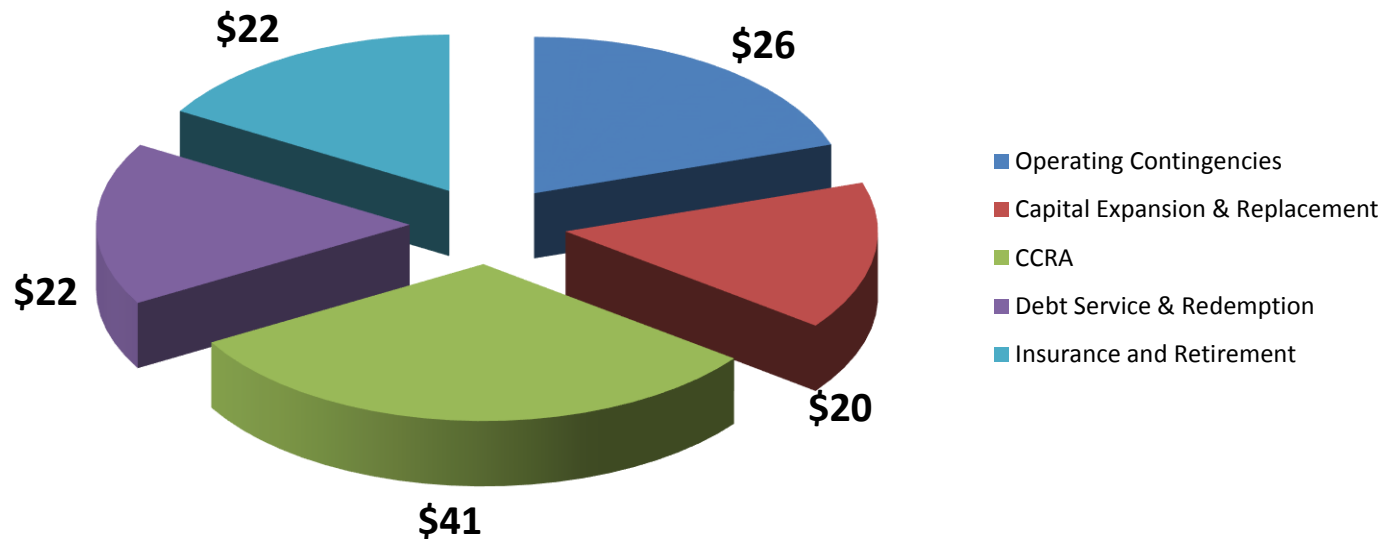
Change in Operating and Non-Operating Activities

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

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.

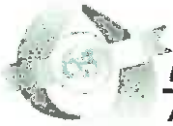
FY 2014/15 CASH POSITION \$131 Million



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

**ACTION
ITEM**

2C





Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT


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:  P. Joseph Grindstaff
General Manager

Submitted by: Chris Berch 
Executive Manager of Engineering/Assistant General Manager

Jason Gu 
Grants Officer

Subject: Fiscal Year (FY) 2014/15 Single Audit Report for Federal Grant Programs

RECOMMENDATION

It is recommended that the Board of Directors:

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 Audit Clearing House, and other interested parties.

BACKGROUND

The Single Audit Act and Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, require each non-Federal entity that expends \$500,000 or more of Federal grants to undergo an annual independent audit.

In FY 2014/15, IEUA incurred \$8,312,242 in federal costs for the three federal programs listed in the table below. The Agency's independent external audit firm, White Nelson Diehl Evans LLP (WNDE), performed the annual single audit for fiscal year ended June 30, 2015.

Grantor	Program Title	Federal Expenditures
United States Bureau of Reclamation (USBR)	Title XVI Desalination Water Reuse Program – Drinking Water	\$3,258,904
United States Bureau of Reclamation (USBR)	WaterSMART Program – Water Conservation	\$ 29,882
United States Environmental Protection Agency (EPA)	Clean Water State Revolving Fund (SRF) Program Recycled Water	\$5,023,456
	TOTAL	\$8,312,242

The objectives of Single Audit are to determine whether there are issues that could have a direct and material effect over:

1. Compliance for each major federal grant award program.
2. Internal control over compliance requirements of federal grant award programs.
3. Eligibility of federal grant award program expenditures.

The Single Audit Report stated that the Agency qualifies as a “Low-Risk Grantee,” and expressed the following opinions:

1. IEUA is in compliance with each major federal grant award program.
2. No significant deficiencies in internal control over major federal award programs.
3. No findings or questioned costs to major federal award programs.

As required by OMB A-133, the Single Audit Report included the Independent Auditor’s Report on Internal Control Over Financial Reporting which states there is a significant deficiency in internal control over financial reporting. The auditor’s recommendation and management’s response are addressed in Agency’s Board letter approving the FY 2014/15 Comprehensive Annual Financial Report and also included in the attached Single Audit Report, under Schedule of Finding and Questioned Costs.

The Single Audit Report is consistent with the Agency’s Business Goal of fiscal responsibility in providing transparent communication regarding federal grant award programs.

PRIOR BOARD ACTION

On December 17, 2014, the Board reviewed the FY 2013/14 Single Audit Report presented to the Audit Committee on December 10, 2014.

IMPACT ON BUDGET

The audit fee for the Single Audit Report is within the Agency’s FY 2015/16 budget in the Administrative Services (GG) fund under professional fees and services category.

INLAND EMPIRE UTILITIES AGENCY

**SINGLE AUDIT OF FEDERALLY ASSISTED
GRANT PROGRAMS**

JUNE 30, 2015

Preliminary Draft

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 DATE.

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.

Irvine, California

DATE

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 DATE, 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.

Irvine, California

DATE

Preliminary Draft

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

Preliminary Draft

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	357,743
Total Water Reclamation and Reuse Program			3,258,904
WaterSMART - Regional Residential Landscape Surveys	15.507	R12AP35353	29,882
Total United States Department of the Interior			3,288,786
<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	21,240
Total United States Environmental Protection Agency			5,023,456
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 8,312,242

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

I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued:

- Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: yes no

Federal Awards:

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiency identified? yes 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 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?

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 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, was 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.

Preliminary Draft

**ACTION
ITEM**


2D





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:

PROJECT PHASE	DATE
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

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

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

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**


2E


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: Janitorial Maintenance Services Contract Award

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve the award of a five-year competitively-let contract to Priority Building Services, LLC, (PBS) 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.

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. The most comprehensive proposal and determined to be the best value for the Agency was submitted by PBS. The PBS proposal addressed all of the requirements in the RFP and was one of two to address the Agency's LEED v4 O+M standards and green cleaning requirements. Golden Touch Cleaning, Inc proposal was

Janitorial Maintenance Services Contract Award

December 16, 2015

Page 2

not as comprehensive, and did not provided the information required for the Agency's LEED v4 O+M standards and green cleaning requirements.

COMPANY	PROPOSAL AMOUNT
Golden Touch Cleaning	\$147,836
Priority Building Services	\$166,593
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; street sweeping for various treatment plants, quarterly cleaning service for 32 refrigerators throughout the Agency's facilities and the addition of service needs at lift stations and treatment plants. Janitorial services are essential in upholding the Agency appearance of its facilities and commitment to provide a safe and sanitary work environment.

Annually, prior to December 1st of each of the next four years, the annual cost of the contract 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 PBS, 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 16th 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

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

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

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 (Date)
 Manager of Contracts
 and Facilities Services

 David Kraushaar (Date)
 Sales Manager


**ACTION
ITEM**


2F


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

Warren T. Green 
Manager of Contracts and Facilities Services

Subject: Courier Services Contract Award

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve the award of a five-year competitively-let contract with PacTrack of Fullerton, CA, 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.

BACKGROUND

The Agency's current competitively-let contract with Valley Couriers for Agency-wide courier and laboratory sample delivery services is due to expire on December 31, 2015. Staff solicited proposals utilizing the Network system. Solicitations were sent to 16 registered contractors. Proposals were solicited for a five-year contract. Six contractors viewed the solicitation document; however, only one contractor, PacTrack, submitted a proposal. The incumbent contractor, Valley Couriers, did not submit a proposal as a result of an administrative oversight within their organization.

PacTrack proposed a rate of \$1.19 per mile for the daily courier service, \$1.15 per mile for the daily laboratory sample delivery service, and \$1.75 per mile for special deliveries; e.g. Board packages, etc. PacTrack's estimated annual costs for the daily mail run and laboratory sample

delivery service are approximately 11 percent below the incumbent's costs. PacTrack's special delivery rates are approximately 15 percent higher than the incumbent's rates. PacTrack's five-year contract includes firm-fixed rates for the first two years and three consecutive one-year rate adjustments equal to the Consumer Price Index (CPI) for All Urban Consumers, in the Los Angeles-Anaheim-Riverside, California area, up to five percent and not less than zero.

As with most product and service contracts, the proposed contract affords the Agency the right to terminate the contract at any time for convenience or cause.

The utilization of a competitively-let contract with PacTrack is consistent with the Agency's Business Goal of *Fiscal Responsibility* by continuing to contain costs for services required to conduct Agency business.

PRIOR BOARD ACTION

On November 17, 2010, the Board approved a five-year competitively-let contract with Valley Couriers, Inc.

IMPACT ON BUDGET

The annual costs of courier service and laboratory sample delivery service of approximately \$54,000 are budgeted in Fiscal Years 2015/16 and 2016/17 in the Administrative Services (GG) fund for courier service and Regional Wastewater Operations & Maintenance (RO) fund for laboratory sample delivery service.



**CONTRACT NUMBER 4600002016
FOR
AGENCY WIDE COURIER SERVICE
AND
LABORATORY SAMPLE DELIVERY SERVICE**

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 Pacific Couriers dba PacTrack of Fullerton, California (hereinafter referred to as "Contractor"), for Agency Wide Courier Service and Laboratory Sample Delivery Service.

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: Rosemary Alvarado
Address: 6075 Kimball Avenue
Chino, CA 91708
Telephone: (909) 993-1681
Email: ralvarado@ieua.org

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

Project Manager: Nageil Hazu
Director of Business Development
Address: 1706 W. Orangethorpe Avenue
Fullerton, CA 92833
Telephone: (714) 278-6100
Facsimile: (714) 278-6105
Email: nshazu@pacificcouriers.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:

1. Amendments to Contract Number 4600002016
 2. Contract Number 4600002016 General Terms and Conditions.
 2. Request for Proposal No. RFP-RA-15-078.
 4. Contractor's Proposal, dated October 22, 2015.
4. **SCOPE OF WORK AND SERVICES:** Contractor's services and responsibilities shall be in accordance with Agency's Request for Proposal No. RFP-RA-15-078, and Contractor's Proposal dated October 22, 2015 which are all incorporated herein and made a part hereof by this reference. Work shall be for Agency wide courier service and Laboratory delivery service to include responsibilities as specified in the Agency's RFP in Section 3 – Technical Specifications.
5. **TERM:** The initial term of this Contract shall be two (2) years. The Contractor shall agree to allow the Agency, at the Agency's sole discretion, to extend this Contract, in twelve-month increments, for an additional period not-to-exceed sixty (60) months, for a total Contract term of seven (7) years. In the event the Agency desires to exercise any or all of the Contract extension options provided for in this Section, the Agency shall provide at least 30 calendar day's written notice to the Contractor, prior to the expiration of the original Contract term or any extension thereof.
6. **PRICE ADJUSTMENTS:** in the event the Agency exercises any of the Contract extensions provided for in Section 5 above, pricing for said extension shall be calculated as follows:

Commencing on January 1, 2017 and continuing on each January 1 thereafter, those prices provided for in Section 7 of this Contract shall be adjusted plus or minus by a sum equal to the percentage change in the Consumer Price Index (CPI) for All Urban Consumers, in the Los Angeles-Anaheim-Riverside, California index area as provided for in this section. The basis for computing the adjustment to those prices provided for in Section 7 of this Contract shall be the percentage change for the twelve month period from November to November, starting with the period of November 2016 to November 2017, and continuing every twelve (12) months thereafter. Despite any changes in the CPI for any given twelve (12) month adjustment period, adjustments to those prices as provided for in Section 7 of this Contract shall not increase or decrease more than five (5) percent during any single twelve (12) month adjustment period.

In the event the CPI is changed so that the base period differed from 1967=100, then the index applied as provided for above shall be corrected in accordance with the conversion factor published the United States Department of Labor, Bureau of Labor Statistics, or their successor. If the CPI is discontinued or revised, such other governmental index or computation with which it is replaced shall be used in order to

obtain substantially the same results as would have been obtained if the CPI has not been discontinued or revised.

7. **PAYMENT, INVOICING AND COMPENSATION:** The Contractor may submit an invoice not more than once per month during the term of this Contract. Agency shall pay Contractor's properly executed invoice, approved by the Project Manager, within thirty (30) days following receipt of the invoice. Payment will be withheld for any service which does not meet the requirements of this Contract, until such service is revised, the invoice resubmitted and accepted by the Project Manager.

In compensation for the services represented by this Contract, the Agency shall pay the following price:

Daily Mail Run	\$ 1.19 / mile
Laboratory Sample Delivery	\$ 1.15 / mile
Special Delivery	\$ 1.75 / mile

Contractor's invoices shall be submitted monthly as follows:

Inland Empire Utilities Agency
Attention: Accounts Payable Department
P.O. Box 9020
Chino Hills, CA 91709

8. **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.

9. **FITNESS FOR DUTY:**

A. **Fitness:** Contractor on the Jobsite:

1. shall report for work in a manner fit to do their job;
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..

1. 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 Commercial 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.
2. 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.

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, volunteers, property owners and any engineers under contract to the Agency are to be covered as insureds, endorsements CG2010 1185 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 form, then it is necessary to issue Form CG 2037 10 01 in addition to the 10 93 or 03 97 Forms.

- 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 by certified mail, return receipt requested, 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 minus: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.

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

Risk Management
Inland Empire Utilities Agency
P.O. Box 9020
Chino Hills, California 91709

2. 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 for a design/build project.
- 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 all existing and future state and federal laws and all county and city ordinances and regulations which in any manner affect the conduct of any services or tasks performed under this Contract, and of all such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same. The Contractor shall at all times observe and comply with all such existing and future 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, 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. For this project subcontractor list law shall apply.
- E. Grant Funded Projects: For grant-funded projects, the Contractor shall be responsible to comply with all grant requirements related to the project. These may include, but shall not be limited to: Davis-Bacon Act, Endangered Species Act, Executive Order 11246 (Affirmative Action Requirements), Equal Opportunity, Competitive Solicitation, Record Retention and Public Access to Records, and Compliance Review.
- 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. To accomplish these goals the Agency has established procedures regarding the implementation and enforcement of the Agency's Harassment Prohibition and Equal Employment Opportunity commitments. Please refer to Agency Policies A-29 (Equal Employment Opportunity) and A-30 Harassment Prohibition for detailed information or contact the Agency's Human Resources Administrator. A copy of either of these Policies can be obtained by contacting the Project Manager for your respective Contract. Please advise any of your staff that believes they might have been harassed or discriminated against while on Agency property, to report said possible incident to either the Project Manager, or the Agency's Human Resources Administrator. Please be assured that any possible infraction will be thoroughly investigated by the Agency.
- H. Non-Conforming Work and Warranty: Contractor represents and warrants that the Work and Documentation shall be adequate to serve the purposes described in the Contract. For a period of not less than one (1) year after acceptance of the completed Work, Contractor shall, at no additional cost to Agency, correct any and all errors in and shortcomings of the Work or Documentation, regardless of whether any such errors or shortcoming is brought to the attention of Contractor by Agency, or any other person or entity. Contractor shall within three (3) calendar days, correct any error or shortcoming that renders the Work or Documentation dysfunctional or unusable and shall correct other errors within thirty (30) calendar days after Contractor's receipt of notice of the error. Upon request of Agency, Contractor shall correct any such error deemed important by Agency in its sole discretion to Agency's continued use of the Work or Documentation within seven (7) calendar days after Contractor's receipt of notice of the error. If the Project Manager rejects all or any part of the Work or Documentation as unacceptable and agreement to correct such Work or Documentation cannot be reached without modification to the Contract, Contractor shall notify the Project Manager, in writing, detailing the dispute and reason for the Contractor's position. Any dispute that cannot be resolved between the Project Manager and Contractor shall be resolved in accordance with the provisions of this Contract.

I. 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 arbitration with the Project Manager within seven (7) calendar days after receiving written notice of the General Manager's decision.
3. In the event of arbitration, the parties 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.

J. Workers' Legal Status: For performance against this Contract, Contractor shall only utilize employees and/or subcontractors that are authorized to work in the United States pursuant to the Immigration Reform and Control Act of 1986.

11. INDEMNIFICATION: Contractor shall indemnify the Agency, its directors, employees and assigns, and shall defend and hold them harmless from all liabilities, demands, actions, claims, losses and expenses, including reasonable attorneys' fees, which arise out of or are related to the negligence, recklessness or willful misconduct of the Contractor, its directors, employees, agents and assigns, in the performance of work under this contract.

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

13. 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 PROJECT.

- 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 Agreement Administrator and/or Agency.

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.

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

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

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

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

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

Contractor: Nabeil Hazu
Director of Business Development
1706 West Orangethorpe Avenue
Fullerton, California 92833

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.

17. **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.

18. **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, including attorneys' fees, in any action or proceeding arising under the Public Records Act.

19. **RIGHT TO AUDIT:** The Agency reserves the right to review and/or audit all Contractors' 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 termination of the Contract. The Contractor shall make all records and related documentation available within three (3) working days after said records are requested by the Agency.

20. **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.

21. **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.

22. **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.

23. **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.
24. **CHANGES**: The Agency may, at any time, make changes to this Contract's Scope of Work; including additions, reductions and other alterations to any or all of the work. However, such changes shall only be made via written amendment to this Contract. The Contract Price and Work Schedule shall be equitably adjusted, if required, to account for such changes and shall be set forth within the Contract Amendment.
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.

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

INLAND EMPIRE UTILITIES AGENCY:

PACIFIC COURIERS dba PACTRACK.:

Warren T. Green
Manager of Contracts and
Facilities Services

(Date)

Nabeil Hazu
Director of Business Development

(Date)

**ACTION
ITEM**

2G

Date: December 16, 2015

To: The Honorable Board of Directors

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

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

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

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

Subject: Unarmed Uniformed Security Services Contract

RECOMMENDATION

It is recommended that the Board of Directors:

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.

BACKGROUND

Since 1999, the Agency has hired private security contractors to provide unarmed mobile patrol services throughout Agency owned facilities. In 2002, the scope of work (SOW) was expanded to include standing guard posts at the main entrance gates of Agency treatment plants during regular business hours. Over the years, the SOW has been reduced with respect to the standing guard posts.

The current contract extension with UPS will expire on December 31, 2015. UPS has provided outstanding service for the last five years. They have been extremely responsive to changes in our service requirements, requests for additional security services, and maintained favorable pricing during the term of the contract. Additionally, through internal discussion, it was found that the UPS were recommended for continued service as a result of their advanced security

Unarmed Uniformed Security Services Contract

December 16, 2015

Page 2 of 2

training program, high retention rate of employees, superior leadership, management and supervision, excellent past experience, and support of Agency operations.

In addition, to retaining strict standards of conduct and appropriate qualifications for security personnel, UPS is required to provide all the necessary material, supplies, and equipment (e.g., cell phones, uniforms, flashlights, night vision binoculars, vehicles and fuel, etc.).

The proposed contract will be for a five-year term, with a two-year fixed price of \$167,000 (2.7 percent over the expiring contracts rates; which were held for last five years) and three optional years with negotiated pricing.

Pending approval of this contract, the Inland Empire Regional Composting Authority, will piggy back under a separate contract for unarmed uniformed security services for their facility that ties into the services provided to the Agency.

The proposed contract is consistent with the Agency's business goal of *Workplace Environment* by ensuring a safe work environment and the safety of the Agency's assets.

PRIOR BOARD ACTION

On September 15, 2010, the Board approved the award of Contract No. 4600000488 with UPS for unarmed uniformed security services.

IMPACT ON BUDGET

The annual costs of unarmed uniformed security services are budgeted annually the under security-related services account, in the Administrative Service (GG) Fund, the Regional Operations O&M (RO) Fund and the Non-Reclaimable Wastewater (NC) Fund.



CONTRACT NUMBER: 4600002018

FOR

UNARMED UNIFORMED SECURITY GUARD AND PATROL SERVICES

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 Universal Protection Service, of Riverside, California (hereinafter referred to as "Contractor") for unarmed uniformed security guard and patrol services.

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: Warren T. Green
Manager of Contracts and Facilities Services
Address: 6075 Kimball Avenue
Chino, California 91708
Telephone: (909) 993-1709
Facsimile: (909) 947-1987
Email: wgreen@ieua.org

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

Contractor: Larry Krininger
Address: 2900 Adams Street, Suite C-10A
Riverside, California 92504
Office Telephone: (951) 343-5817
Cellular Telephone: (951) 538-3127
Facsimile: (951) 343-1858
Email: lkrininger@universalpro.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 4600002018.
- B. Contract Number 4600002018 General Terms and Conditions.
- C. Contractor's proposal dated November 9, 2015, Exhibit A.

4. **SCOPE OF WORK AND SERVICES:** Contractor services and responsibilities shall be in accordance with the following.

The Contractor shall provide uniformed security guard services, including all personnel, supervision, equipment, and supplies (except as identified herein as Agency-provided). These services shall be provided by California-licensed, private, uniformed, unarmed, security guards throughout Agency-operated facilities in western San Bernardino County.

The overall activity at any of the facilities can present potentially hostile, volatile, or hazardous situations which dictate the need for maintaining a calm and peaceful environment. Security guards must provide this level of calm while creating a security presence which deters unlawful activities.

One of the major tasks of providing security at these Agency facilities is adapting to rapidly changing environments. Security guards must use discretion and good judgment in dealing with Agency employees, contractors, visitors, and the general public.

Work Periods and Locations:

- A. Mobile (Roving) Patrols. Unless otherwise directed by the Agency's Security Officer, the following schedule shall be adhered to:

4:00 p.m. – 6:00 a.m.; seven days per week, including all holidays.

- B. Roving Security guard locations include, but are not limited to:

- 1. Regional Plant No. 1 – 2662 E. Walnut Street, Ontario, CA 91761

Located in the City of Ontario, near the intersection of the 60 Freeway and Archibald Avenue

- 2. Regional Plant No. 2 – 16400 El Prado Road., Chino, CA 91708

Located at El Prado Road and Pine Avenue, immediately east of the 71 Expressway in the southern area of the City of Chino

3. Carbon Canyon Wastewater Reclamation Facility – 14950 Telephone Ave., Chino, CA 91708
Located in the City of Chino at the southwest corner of Telephone Avenue and Chino Hills Parkway, west of Central Avenue
4. Regional Plant No. 4 – 12811 Sixth Street, Rancho Cucamonga, CA 91729
Located in the City of Rancho Cucamonga at the intersection of Sixth Street and Etiwanda Avenue
5. Regional Plant No. 5; 6063 Kimball Avenue, Chino, CA 91708
Located in the City of Chino on Kimball Avenue, east of El Prado Road
6. RP-5 Renewable Energy Facility; 16090 Mountain Ave., Chino, CA 91708
Located in the City of Chino, between Kimball Avenue and El Prado Road
7. Administrative Headquarters, Buildings “A” and “B;” 6075 Kimball Avenue, Chino, CA 91708
Located in the City of Chino, east of the intersection of Kimball Avenue and El Prado Road
8. San Bernardino Lift Station; 13707 San Bernardino Avenue, Fontana, CA 92305
Located in the City of Fontana, near the intersection of San Bernardino Road and Cherry Avenue
9. Philadelphia Lift Station; 1818 Philadelphia Avenue, Ontario, CA 91761
Located in the City of Ontario, west of the intersection of Philadelphia Street and Vineyard Avenue
10. Montclair Lift Station; 915 W. Philadelphia Avenue, Ontario, CA 91761
Located in the City of Ontario, east of the intersection of Philadelphia Street and Mountain Avenue
11. Dechlorination Station, El Prado Park; 16500 Johnson Avenue, Chino, CA 91708
Located in the Prado Regional Park, east of the intersection of Pine Avenue and Euclid Avenue

12. Chino Creek Wetlands and Educational Park; 6075 Kimball Avenue, Chino CA 91708

Located in the City of Chino, at the intersection of Kimball Avenue and El Prado Road

- C. Standing guard: RP-1 Walnut Avenue Gate; 6:00 a.m. – 4:00 p.m., Monday through Friday, excluding Agency-recognized holidays; New Year's Day, President's Day, Memorial Day, Fourth of July, Labor Day, Thanksgiving Holiday (two days), and Christmas Day (two days).

Security Contractor Requirements:

1. Shall be licensed by the State of California, Department of Consumer Affairs.
2. Shall provide an operable GPS system for all security vehicles. The system should have real time, on-line, internet tracking capabilities from the contractor's command center. The GPS tracking system shall also be available to the Agency on-line in real time.
3. Shall maintain a functional ~~twenty-four~~ hour operational command center for monitoring all security personnel assigned to the Agency's account.
4. Personnel providing services under this contract are subject to all Federal and State laws, regulations, and rules pertaining to the confidentiality of information contained in any Agency file or communicated with any Agency employee or contractor. Breach of confidentiality and/or conflict of laws, regulations, or rules by an assigned security guard shall be grounds for replacement of that security guard; as well as contract termination for cause.
5. Shall provide a primary point of contact for the general administration of the contract. The primary point of contact (or designee) shall be readily available by telephone, email, or text messaging to respond to service requests made by the Agency on a 24/7/365 days per year basis.
6. Shall enforce a zero tolerance drug testing policy for all security guard personnel assigned to perform services at no additional expense to the Agency.
7. Shall maintain an accurate record, and provide access, with the name of every employee classification, actual hours worked, wages paid, and benefits provided to each employee.

8. Each security guard shall have a system for logging all electronic communications, including; telephone, email, text messaging, videos, and photographs.
9. Shall provide the Agency with all company and employee state and federal registrations.
10. Shall provide current photographs and profile information, of all security personnel assigned to the Agency's account.
11. Shall provide marked vehicles capable of driving over rough and uneven terrain. Each vehicle should have spotlight operable from inside the vehicle, as well as an emergency light bar atop of the vehicle. All vehicles shall have current (California Department of Motor Vehicles) registration, be readily identifiable as "Security" vehicles, be kept clean, and in good condition and repair.

Security Contractor Responsibilities:

1. Assign fully-trained, unarmed and uniformed security guards for each assignment and shift.
2. All assigned security guards must be physically and mentally capable to perform all of the required duties and tasks.
3. All security guards must report on time, remain on duty, and perform their assigned duties throughout the entire shift. Late arrivals or early departures are unacceptable without the prior approval of the Agency's Security Officer.
4. All security guards shall be provided with a cellular telephone to communicate directly with the Agency's Security Officer, management and key staff; as well as police, sheriff, and fire departments.
5. All security guards must be able to operate digital cameras, video-recorders, cellular telephones, two-way radios, pagers, and other communication devices required by the Agency.
6. Prior to beginning any shift, security guards shall receive training:
 - In their capacity as security guards;
 - In the Contractor's protocols, policies, procedures, and standing orders;
 - In the requirements of this contract; and
 - On the policies, procedures, and protocols, and processes included under this contract.

7. Contractor shall immediately remove any security guard from assignment to the Agency's account upon direction from the Agency's Security Officer or designee.
8. Contractor shall provide each security guard with:
 - Salaries, wages, benefits, unemployment taxes, and workers' compensation insurance
 - Supervision to ensure that all policies, procedures, and process are followed
 - All necessary communication equipment; e.g., cellular telephones, backup batteries, etc.
 - Appropriate uniforms and jackets
 - Operable flashlight, rain gear, and necessary night vision optics
 - Appropriate vehicles
 - Appropriate incident report forms (as approved by the Agency's Security Officer)
 - Necessary phone numbers for emergencies and for Agency management
 - A copy of the Contractor's employee policies and procedures; as well as post orders.
 - Necessary keys and access control devices
 - If Agency-provided building keys, gate openers, or proximity cards control devices are lost by the Contractor; the Contractor is responsible for reimbursing the Agency for the expense to re-key the locks and/or replace the lost items
9. Contractor must provide the Agency with an accurate record of every employee at least two business days in advance of their scheduled shift. The record must include;
 - Employee full name
 - Copy of individual - state guard license
 - Color picture (minimum specifications below)
 - Hire date
 - Job title
 - Rate of pay
 - Any current security clearances issued by the Federal Government, including the Department of Defense
10. Contractor must provide color photographs and profiles of all security personnel and ensure that each is current, complete, and on file with the Agency. Photographs must be full face front, head and shoulders only; in two inch by three inch format.
11. Contractor must provide access to an electronic on-line filing system for keeping all communications, reports, logs, text, and photographs.

12. Security guards must be trained in the use of a digital camera for day and night time use. Photographs must be recorded by a multi-mega pixel camera with date and time stamp. All photographs must be attached to the corresponding incident reports. All photographs and incident reports are the sole property of the Agency. If a legal dispute arises for which the Contractor provides indemnification and/or defense, the Agency has an obligation to provide documents relevant to the incident for such defense.
13. Must provide weekly schedule of all security guard shifts to the Agency – not less than one full week in advance. Each shift schedule must include the name and hours that security guards are scheduled to work. If a shift schedule changes for any reason, the Contractor must request permission from the Agency's Security Officer in advance.
14. Within thirty days after contract issuance, the Contractor shall submit their "Post Orders" for review and approval by the Agency's Security Officer. Should the Security Officer determine revisions are required, the Contractor shall have ten calendar days to revise and resubmit the Post Orders for review and reconsideration.

Security Personnel Qualifications:

1. Must be a legal resident of the United States.
2. Must be a high school graduate or have an equivalent GED.
3. Must be at least 21 years of age.
4. Must have at least one year of relevant security work experience. Said experience may be substituted for service in the United States Armed Forces for which the security guard; a) received not less than an honorable discharge, or b) is currently on active duty or is in the reserves.
5. Must have a valid driver's license.
6. Must meet the requirements of California State Department of Consumer Affairs, Bureau of Security and Investigative Service, and possess a valid permit, permanent security guard registration /permit.
7. Must be drug and alcohol-free.
8. Must be courteous to staff, contractor personnel, and the general public at all times.

9. Must be sensitive to a wide range of ethnic diversity of patrons and staff.
10. Must be physically and emotionally capable of performing assigned duties.
11. Must be able to perform all duties quickly, quietly, and with authority in a manner that is not obtrusive, abusive, abrasive, or threatening.
12. Must be familiar with and practice; Agency safety and security procedures, policies, and practices.
13. Must immediately report all illegal and suspicious activity to the proper authority; e.g., police department, sheriff's department, Agency Security Officer and management.
14. Must communicate promptly, effectively, and professionally with the general public and Agency staff.
15. Must check-in on time according to Contractor policy, and be ready to work.
16. Must check out after work according to Contractor policy.
17. Must immediately request assistance from the police or sheriff if any individual or situation becomes abusive, aggressive, or threatening.
18. Must have the ability to read, understand, and apply rules, detailed orders, instructions, and training materials in the English language.
19. Must have the ability to construct and write detailed reports clearly, concisely, and accurately, in the English language.
20. Must respond to all communications from Agency staff, police, sheriff, fire, or other security contractors within four minutes of receipt.
21. Must prepare "Multimedia Incident Reports" for all non-routine occurrences during a shift. This includes but not limited to; broken locks, unarmed alarm systems, breaches, vandalism, burglary, trespassing, building or gates found unlocked, etc. The reports shall include time and date-stamped photographs of any evidence related to the event or occurrence that is documented in the reports.
22. Must prepare a daily activity report (DAR) with any and all activities and communications.

23. Must have all head hair and facial hair neat and groomed, and must have a professional appearance.
24. Must have a complete seasonal and matching uniform that is clean, pressed, and properly fitted consisting of:
 - Dress Trousers
 - Dress Shirt
 - Belt – may be a duty belt if desired
 - Socks
 - Shoes (white tennis or mismatching street shoes are not permitted)
 - Ball cap or visor hat with company insignia or with the wording, "SECURITY" embroidered above the visor
 - Shoulder patch on both shoulders
 - Agency-provided identification (ID) badge – worn above the waist
 - Driver's License
 - Security Guard certification card
 - Name tag – visible on shirt, and on the jacket
 - Professional-grade operational flashlight (e.g., 3 or 4 D-cell Maglite)
 - Cellular telephone with extra battery and charger
 - Multi-mega pixel digital camera with photo and video capability; as well as time and date stamp
 - Key chain – with keys marked
 - Jacket with company insignia – as needed
 - Gloves may be worn as needed
 - Rain gear – as needed
 - Night vision – as needed
 - NOTE 1: No personal pins or jewelry are allowed to be worn on the uniform or ID badge
 - NOTE 2: Body armor may be worn
 - NOTE 3: No guns, knives, holsters, or weapons of any kind may be worn or carried
 - NOTE 4: All expenses for uniforms, including laundering, rental, and delivery services, shall be borne solely by the Contractor, not their employees.

Security Guards shall not:

1. Carry any type of weapon on their person or in their private vehicle or contractor vehicle while on duty - even if the security guard is licensed to carry such weapons. Weapons include, but are not limited to; handguns, knives, batons, mace, clubs, pepper spray, saps, blackjacks, etc.

2. Wear head phones, listen to music, smoke, or read unauthorized materials while on duty. Bluetooth earpiece devices for cellular telephone use are allowed.
3. Conduct personal phone calls – except in the event of an emergency or while on a scheduled break.
4. Enter any designated area “off limits” as designated by the Agency Security Officer or Operations Managers/Supervisors – except in the case of an emergency.
5. Bring any type of electronic device for personal use without the prior written authorization of the Agency’s Security Officer.
6. Bring visitors, including family members and children, onto the worksite.
7. Use any Agency equipment for personal business (e.g., copiers, fax machines, computers, scanners, etc.) or other amenities (showers, locker rooms, etc.) without prior authorization from the Agency’s Security Officer.
8. Use any telephones except as specifically required to perform assigned duties.
9. Attempt to force or enforce corrective action – except during escort actions, as directed by the Agency’s Security Officer or an Executive Manager.
10. Take breaks outside of Agency facilities unless in route between facilities.
11. Fall asleep or nap at any time, including scheduled breaks.
12. Have any felony convictions, outstanding warrants, crimes of moral turpitude, or crimes or domestic violence, including any conviction of offenses with a discernible impact on the business or reputation of the Agency or its employees.
13. Be under the influence or possess any controlled substance. (Except a controlled substance prescribed by a physician that does not affect the safety or performance of the work.)
14. Security guards may not use unreasonable force unless absolutely necessary for self-defense.
15. Accept any gratuities, however immaterial.

Security Services to be provided:

Contractor shall provide continuous, unarmed, security guards to perform the tasks and duties listed below. Contractor shall be responsible for providing uninterrupted coverage should the security guard scheduled for duty fail to report for any reason:

1. Security guards shall regularly patrol and monitor the interior of (assigned) buildings, building exteriors, perimeter of facilities; as well as campuses, parking lots, and other areas designated by the Agency's Security Officer. The frequency of patrols and schedule of patrols shall be determined by the Security Officer and may be changed as conditions and circumstances warrant.
2. Shall maintain orderly log books and files for all security-related documents, including, but not limited to; daily logs, incident reports, and timesheets. These reports shall be available to the Agency's Security Officer via the internet and shall be easily searchable. The format and identification methods for these reports shall be established by the Agency's Security Officer.
3. Security guards shall observe, document, and report any illegal, suspicious, or questionable activity.
4. Security guards shall escort any individual from the premises upon direction by the Agency's Security Officer, Agency Executive Management, or the Manager of Human Resources.
5. Security guards shall check the building lobbies and employee work areas for unauthorized entry, vandalism, or other unusual conditions.
6. Security guards shall randomly check exterior doors to ensure they are closed and locked throughout each shift. Exterior doors to the Administrative Headquarters shall be checked at once per shift.
7. Security guards shall check all exterior lighting to ensure it is operational. Any discrepancies shall be noted by way of an incident report denoting the specific location. Exterior lights found to be nonfunctional shall be tagged with yellow "CAUTION TAPE" provided by the Agency.
8. Security guards shall check to ensure all coffee burners are turned off in the Administrative Headquarters during each shift.
9. Security guards shall promptly report any damage or similar problems to the Agency's Security Officer, photographing said damage.

10. Security guards shall promptly report any condition that appears to be unsafe or hazardous. However, the Contractor shall not be held liable for incidents arising out of Agency property defects, unsafe conditions, or hazardous conditions, whether observed/reported or not.
11. Security guards shall report all security issues according to the escalation procedures as specified in their post orders.
12. Security guards shall record the date/time of each patrol in the daily activity report.
13. Security guards shall write a detailed report of all incidents and shall ensure that the report is clear, concise, and legible. Reports shall be submitted at the end of each shift using the standard, approved incident report form. The form and related date/time stamped photographs shall be scanned, attached, and electronically transmitted to the Agency's Security Officer through email.
14. Security guards shall assist in evacuating individuals from the buildings and facilities during all emergencies and evacuation drills, taking direction from the Agency's Security Officer or management, as required.
15. Security guards shall enforce parking rules and policies around all facilities. Unattended vehicles found parked in fire lanes, handicap (disabled) spaces (without DMV-issued placards), etc. shall receive a violation notice, making distribution as required.
16. At least once per week, Security guards shall check all Agency vehicles to ensure: a) all doors are locked; b) CLUBS are engaged on the steering wheels; c) all windows are closed; and d) orange safety cones are placed adjacent to the rear bumpers (for utility vehicles only when parked nose in or parked paralleled).
17. Security guards assigned to the RP-1 Walnut Street Gate shall: a) monitor ingress and egress of all traffic, including Agency employees, contractors, and deliveries; b) issue visitor and contractor badges, as required and approved; c) report any problems or concerns to the Agency's Security Officer or designee; d) monitor domestic waste hauler ingress and egress and complete the necessary paperwork, and e) perform other security-related duties as requested by the Security Officer and directed by the Contractor.
18. Security guards shall perform other duties as assigned by the Agency's Security Officer subject to the approval of the Contractor.

19. As required, the Security Officer may direct the temporary assignment of additional security personnel or change the duty hours to meet the needs of the Agency.

The Agency shall:

1. Provide access to all buildings and facilities, as required.
 2. Provide access to a break room facility for consuming food and beverages, as well as restrooms.
 3. Provide keys, proximity card access control devices, and gate openers to all required facilities. All keys and equipment will be issued and signed for by the Contractor. These items shall not be surrendered during any shift without authorization and must be secured at all times.
 4. Schedule and facilitate periodic review meetings with security supervisors and/or Contractor management. Unless otherwise agreed upon, said meetings shall take place at the Agency's Administrative Headquarters.
 5. Reserve the right to interview security personnel at any time in the presence of Contractor management
 6. Reserve the right to direct the removal of any security guard who does not adhere to the policies, procedures, and processes of the Agency; or who do not fulfill the requirements of this contract; or who is deemed untrained, careless, insubordinate, or incompatible with the ethics of the Agency, which creates unacceptable risk to the Agency.
 7. Reserves the right to refuse service from any security guard without stating a cause at that time. In such an event, the Contractor shall replace the security guard in question within two hours of receiving the oral request. The Agency will provide a written record stating the cause with fifteen calendar days of the action.
 8. Provide two parking spaces at the Administrative Headquarters, a dedicated workstation, scanner, and computer (for official use only) by duty personnel. Personal use of this equipment is expressly prohibited. Should the Agency determine personal use has occurred (e.g., surfing the internet, etc.), the Contractor will be notified in writing.
5. TERM: The term of this Contract shall extend from the date of the Notice to Proceed, and terminate December 31, 2020, unless agreed to by both parties, reduced to writing, and amended to this contract.

6. **COMPENSATION:** The Contractor may submit an invoice not more than once per month during the term of this Contract. Agency shall pay Contractor's properly executed invoice, approved by the Project Manager, within thirty (30) days following receipt of the invoice. Payment will be withheld for any service which does not meet the requirements of this Contract, until such service is revised, the invoice resubmitted and accepted by the Project Manager.

As compensation for the work performed under this Contract, Agency shall pay Contractor's monthly invoice for all services satisfactorily provided hereunder during the term of this Contract:

1. Monthly Patrol Services : \$9,456.93
2. Standing Security Guard Services for Regional Plant No. 1, Walnut Gate:
 - Hourly rate: \$18.63
 - Overtime rate: \$26.55

In compensation for the work represented by this Contract, Agency shall pay Contractor, up to a maximum total Not-to-Exceed amount of \$858,000.00 for all services and expenses provided during the term of this Contract.

All invoices shall be formulated consistent with the Schedule of Work and Services shown in Exhibit A, and prominently display "Contract Number 4600002018, and PO Number 4500023691" on the first page to qualify for timely processing.

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

Inland Empire Utilities Agency
Re: Contract Number: 4600002018
P.O. Box 9020
Chino Hills, CA 91709

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

To: APGroup@ieua.org

- a. Scan the invoice as a PDF file
- b. Attach the scanned file to an email
- c. IEUA staff will acknowledge receipt of the invoice.

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

If applicable, Contractor shall provide, with their invoice, certified payroll documentation to verify that Contractor (and any sub-Contractor) has paid prevailing wages in accordance with the California Department of Industrial Relations requirements, as stipulated in SB-854. See: (<http://www.dir.ca.gov/DIRNews/2014/2014-55.pdf>).

No Additional Compensation: Nothing set forth in this Contract shall be deemed to require additional 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.

As evidenced by the signature of the Contractor, to execute this Contract, the Contractor is aware, and accepts, the timeline for payment processing. Contractor shall prepare and submit invoices accordingly. In all cases, the Project Manager will review and approve the invoices.

Agency may at any time make changes to the 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 NOT-TO-EXCEED Amount and Work Schedule shall be equitably adjusted, if required, to account for such changes and shall be set forth in the Amendment.

7. FITNESS FOR DUTY:

A. Fitness: Contractor and its Subcontractor personnel on the Jobsite:

1. Shall report for work in a manner fit to do their job;
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.

B. Compliance: Contractor shall advise all personnel and associated third parties of the requirements of this Contract ("Fitness for Duty Requirements") before they enter the Jobsite and shall immediately remove from the Jobsite any employee determined to be in violation of these requirements. Contractor shall impose these requirements on its sub-Contractors. Agency may cancel the Contract if the Contractor violates these Fitness for Duty Requirements.

8. INSURANCE: During the term of this Contract, the Contractor shall maintain at Contractor's 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 CG 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:** \$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.
 4. **Professional Liability insurance** in the amount of \$1,000,000 per claim.
- 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, claims 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, volunteers, property owners and any engineers under contract to the Agency are to be covered as additional insureds, endorsements CG 20 10 11 85, as respects: liability arising out of negligent 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 20 10 10 93 or CG 20 10 03 97 are issued in place of the CG 20 10 11 85, then it is also necessary to issue a Form CG 20 31 10 01 in addition to Form CG 20 10 10 93 or CG 20 10 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

Prior to cancellation of any policy required herein, the policies shall be endorsed to state, 30 days advanced cancellation notice will be mailed to the Agency, except if policies cancelled for non-payment of premium, then 10 days advance notice will be mailed.

- 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 sub-Contractors prior to commencing work or allowing any sub-Contractor 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.
- F. 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

9. 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: Consistent with the standard of skill and care set forth in 9.A, Professional Responsibility, the Contractor shall keep itself fully informed of all relevant existing state and federal laws and all relevant county and city ordinances and regulations which pertain to structural engineering services or tasks performed under this Contract, and of all such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same. The Contractor shall at all times observe and comply with all such existing laws, ordinances, regulations, orders and decrees, and shall to the extent of Contractor's negligence, 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, 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. Hours of Labor: The Contractor shall comply with all applicable provisions of California Labor Code Sections 1810 to 1817 relating to working hours. The Contractor shall, as a penalty to the Agency, forfeit \$25.00 for each worker employed in the execution of the Contract by the Contractor or by any subcontractor for each calendar day during which such worker is required or permitted to work more than eight hours in any one calendar day and forty (40) hours in any one calendar week in violation of the provisions of the Labor Code.
- F. Travel and Subsistence Pay: The Contractor shall make payment to each worker for travel and subsistence payments which are needed to execute the work and/or service, as such travel and subsistence payments are defined in the applicable collective bargaining agreements with the worker.
- G. 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.

- H. 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.
- I. Non-Conforming Work and Warranty: Consistent with the standard of skill and care set forth in Section 10.A, Professional Responsibility, Contractor represents and warrants that the Work and Documentation shall be adequate to serve the purposes described in the Contract. If the Project Manager rejects all or any part of the Work or Documentation as unacceptable, and agreement to correct such Work or Documentation cannot be reached without modification to the Contract, Contractor shall notify the Project Manager, in writing, detailing the dispute and reason for Contractor's position. Any dispute that cannot be resolved between the Project Manager and the Contractor, shall be resolved in accordance with the Dispute Section of this Contract.
- J. Disputes:
1. All disputes arising out of or in relation to this Contract shall be determined in accordance with this section. The 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 arbitration with the Project Manager within seven (7) calendar days after receiving written notice of the General Manager's decision.

3. In the event of arbitration, the parties 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.
10. **INDEMNIFICATION:** Contractor shall indemnify the Agency, its directors, employees and assigns, and shall defend and hold them harmless from all liabilities, demands, actions, claims, losses and expenses, including reasonable attorneys' fees, which arise out of or are related to the negligence, recklessness or willful misconduct of the

Contractor, its directors, employees, agents and assigns, in the performance of work under this contract.

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

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

12. 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.

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

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

14. 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.

15. 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 and Facilities Services

Inland Empire Utilities Agency

Address: 6075 Kimball Avenue, Building A
Chino, California 91708

Contractor: Larry Krininger
Branch Manager

Address: Universal Protection Service
2900 Adams Street, Suite C-10A
Riverside, California 92504

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.

16. **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.
17. **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 Contractor. 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, including attorneys' fees, in any action or proceeding arising under the Public Records Act.
18. **RIGHT TO AUDIT:** The Agency reserves the right to review and/or audit all Contractors' 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.
19. **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.

20. **GOVERNING LAW:** This Contract is to be governed by and constructed in accordance with the laws of the State of California.
21. **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.
22. **CHANGES:** The Agency may, at any time, make changes to this Contract's Scope of Work; including additions, reductions and other alterations to any or all of the work. However, such changes shall only be made via written amendment to this Contract. The Contract Price and Work Schedule shall be equitably adjusted, if required, to account for such changes and shall be set forth within the Contract Amendment.
23. **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.
24. **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*

UNIVERSAL PROTECTION SERVICE:

Warren T. Green (Date)
Manager of Contracts and
Facilities Services

Roger Langner (Date)
Vice President

Exhibit A



PROPOSED PATROL SERVICE REQUIREMENTS & COST

Inland Empire Regional Composting Authority Patrol Services

2016 & 2017

EXHIBIT A

REQUIREMENTS:

- A. Perform exterior and interior patrols of the composting yard. Respond to alarms as necessary.
- B. Deter crime and vandalism.
- C. Remain highly visible throughout each patrol.
- D. Spotlight all dark and vulnerable areas.
- E. Report any problems to IEUA management. Patrol reports will be submitted and posted through CyCop, Universal Protection Service exclusive online internet based reporting system, accessible 24 hours per day for designated property management personnel. Daily reports, incident reports and pictures will be submitted via the internet. CyCop will allow you to access your own account page and view the reports in addition to communicating with a Universal Protection Service representative through a centralized account page. This system is a value added service and the cost is included in the quoted price.

Schedule:

Two random patrols Sunday through Saturday.

Monthly Cost: Patrol property's two (2) times per day, Sunday through Saturday. Total monthly cost inclusive of CyCop: \$920.00 per month.



SECURITY BUDGET
Inland Empire Utility Agency
RP-1 Walnut Avenue
2016 & 2017

Effective January 1, 2016-December 31, 2017

1. **REQUIREMENT:**
 Provide unarmed, uniformed security professionals to enhance the security of the community by being highly visible, deter vandalism/crime and to perform additional duties as may be described in the post orders.

2. **HOLIDAYS:** Universal Protection recognizes the following holidays: New Years Day - Presidents Day - Memorial Day - Independence Day - Labor Day - Thanksgiving Day - Christmas Day. Security officers working on these days will be paid time and one/half. This cost is included in the budget.

3. **PROJECTED SECURITY COSTS**

ITEM	WEEKLY HOURS	BILL RATE	OT/HOLIDAY RATE	MONTHLY COST	ANNUAL COST
Security Officer	40	\$18.63	\$26.55	\$3,237.89	\$38,854.72
Security Officer	10		\$26.55	\$1,153.59	\$13,843.17
TOTAL COST				\$4,390.49	\$52,697.89

The above pricing includes management costs, training, health benefits, vacation, uniforms and security officer awards program.



SECURITY BUDGET
Inland Empire Utility Agency
Roving Patrol
2016 & 2017

Effective January 1, 2016-December 31, 2017

1. REQUIREMENT:

Provide unarmed, uniformed security professionals to enhance the security of the community by being highly visible, deter vandalism/crime and to perform additional duties as may be described in the post orders.

2. HOLIDAYS: Universal Protection recognizes the following holidays: New Years Day - Presidents Day - Memorial Day - Independence Day - Labor Day - Thanksgiving Day - Christmas Day. Security officers working on these days will be paid time and one/half. This cost is included in the budget.

3. PROJECTED SECURITY COSTS

ITEM	WEEKLY HOURS	BILL RATE	OT/HOLIDAY RATE	MONTHLY COST	ANNUAL COST
Site Supervisor	35	\$27.95	\$41.93	\$4,250.49	\$51,005.95
Security Officer	63	\$19.02	\$27.95	\$5,206.43	\$62,477.27
TOTAL COST				\$9,456.93	\$113,483.22

The above pricing includes management costs, vehicle and fuel, training, health benefits, vacation, uniforms and security officer awards program.

**ACTION
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 *Chris Berch*

to Sylvie Lee
Manager of Planning and Environmental Resources *Sylvie Lee*

Subject: Environmental Services Master Contract Amendment

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**

21



Date: December 16, 2015

To: The Honorable Board of Directors

Through: Engineering, Operations, and Biosolids Management Committee (12/09/15)
Finance, Legal, and Administration Committee (12/09/15)

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

Submitted by: *for* Chris Berch *for*
Executive Manager of Engineering/Assistant General Manager

for Shaun J. Stone *for*
Manager of Engineering

Subject: Construction Contract Award for the Fiber Optic Pull Box Upgrades

RECOMMENDATION

It is recommended that the Board of Directors:

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.

BACKGROUND

In 2008, the Agency constructed the San Bernardino Lift Station in coordination with the City of Fontana to convey the sewer flows to Regional Plant No. 4 (RP-4). As part of this project, fiber optic lines and pull boxes were installed between the pump station and RP-4 to complete the communications system. The fiber optic pull boxes were constructed in the City of Rancho Cucamonga and San Bernardino County right-of-way. Recently, several of the fiber optic pull boxes have either failed or are showing signs of deteriorated condition. Staff investigated the cause of the deteriorated condition of these pull boxes and determined that the installation of the access manholes did not meet the traffic loading. The Agency developed this project to ensure that all of the pull boxes along this alignment reliably meet the current traffic load conditions.

On October 21, 2015, Agency staff advertised the subject project for construction to the Pre-Qualified Contractors. On November 19, 2015, the following bid was received:

Fiber Optic Pull Box Upgrades Construction Contract Award

December 16, 2015

Page 2 of 2

Bidder's Name	Bid Amount for EN15030.02
J. F. Shea Construction, Inc.	\$248,500
Engineer's Estimate	\$360,000

The following is the projected project cost:

Project Phase	Total Cost for EN15030.02
Design (In house design)	\$50,000
Construction	\$248,500
Construction Management (IEUA and Labor Augmentation)	\$50,000
Construction Contingency (~20%)	\$60,000
Total Project Cost	\$408,500

The following is the project schedule:

Project Phase	Date
Construction Contract Award	December 2015
Construction Completion	June 2016

This project is part of the Agency's Wastewater Management Capacity Business Goal to maintain capacity within facilities to meet essential service demands and to protect public health and the environment.

PRIOR BOARD ACTION

None

IMPACT ON BUDGET

The award of the construction contract for the Fiber Optic Pull Box Upgrades, Project No. EN15030.02, for the not-to-exceed amount of \$248,500 in the Regional Wastewater Capital (RC) Fund is within the Fiscal Year 2015/16 budget of \$613,075 and the total project budget of \$680,000.

PJG:CB:SS:nm

Fiber Optic Pull Box Upgrades Construction Contract Award

Project No. EN15030.02
December 2015



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Shaun J. Stone, P.E.
Manager of Engineering

Nasrin Maleki, P.E.
Project Manager

Project Background

- 23 fiber optic pull boxes installed in 2008
- 3 manhole failures have occurred within the public right of way
- Safety and liability concerns require prompt action



Failed Manhole



Failed Manhole



Deteriorated Grout

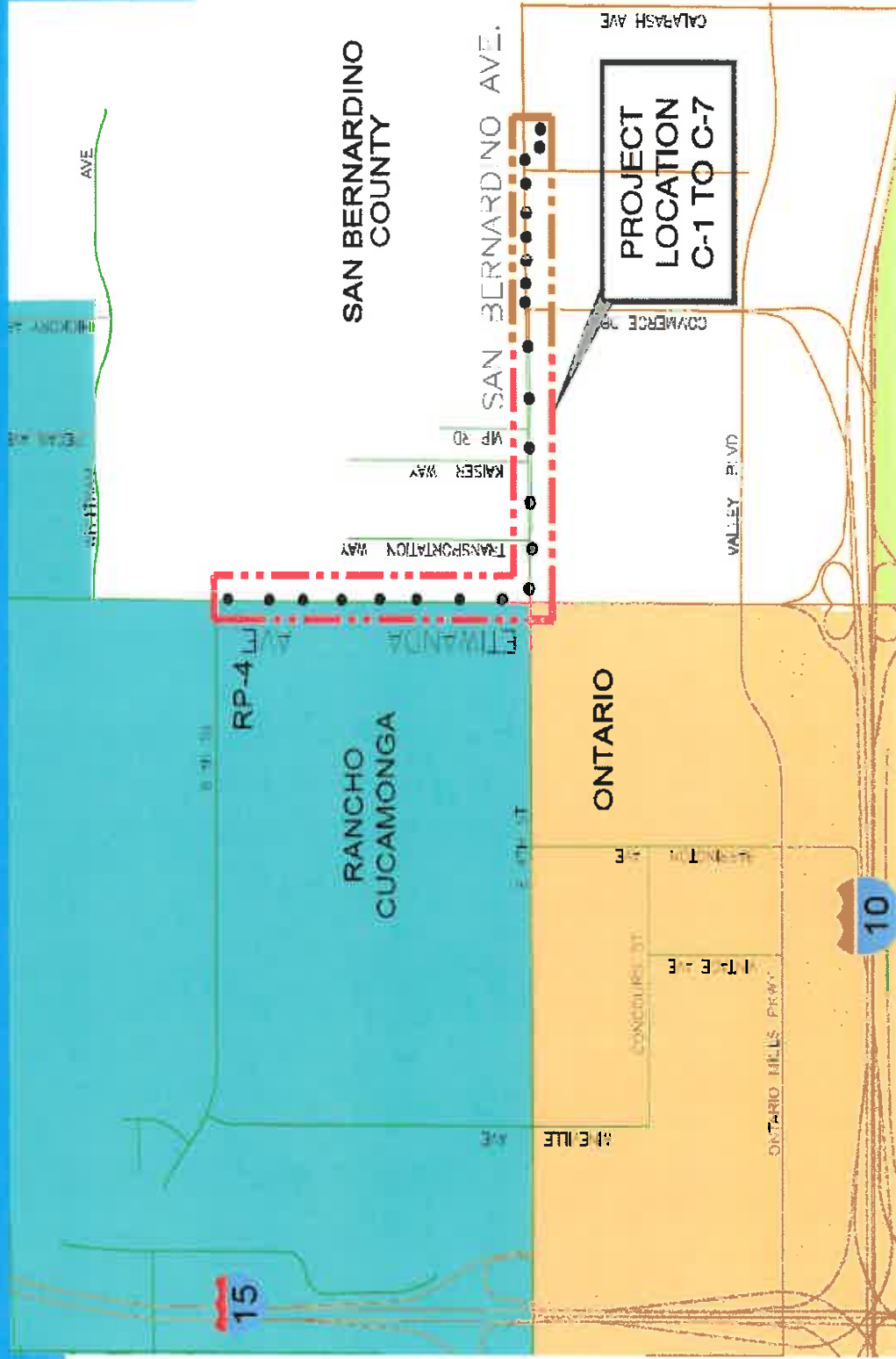


Project Scope

- Remove and upgrade 23 fiber optic manholes
- Installation to meet traffic rated requirements



Project Location



Bid Summary

Bidder's Name	Bid Amount for
J. F. Shea Construction, Inc.	EN15030.02
Engineer's Estimate	\$248,500
	\$360,000

Project Cost and Schedule

Description	Estimated Cost
Design (In house)	\$50,000
Construction Contract	\$248,500
Construction Management (IEUA and Labor Augmentation)	\$50,000
Construction Contingency (~20%)	\$60,000
Total Project Cost	\$408,500
IEUA Approved Budget	\$680,000

Project Milestone	Date
Construction Contract Award	December 2015
Construction Completion	June 2016

Agency Goal/Recommendation

Staff recommends that the Board of Directors approve the construction contract award to J. F. Shea Construction, Inc. for the Fiber Optic Pull Box Upgrades, Project No. EN15030.02 for the not-to-exceed amount of \$248,500 and authorize the General Manager to execute the contract.

Project is part of the Agency's Wastewater Management Capacity Business Goal to maintain capacity within facilities to meet essential service demands and to protect public health and environment

1.0 CONTRACT

THIS CONTRACT, made and entered into this 19th day of November, 2015, by and between J. F. Shea Construction, Inc., hereinafter referred to as "Contractor," and The Inland Empire Utilities Agency, a Municipal Water District, located in San Bernardino County, California, hereinafter referred to as "Agency".

WITNESSETH:

That for and in consideration of the promises and agreements hereinafter made and exchanged, the Agency and the Contractor agree as follows:

1. Contractor agrees to perform and complete in a workmanlike manner, all work required under the bidding schedule of said Agency's specifications entitled SPECIFICATIONS FOR Fiber Optic Pull Box Upgrades, Project No. EN15030.02, in accordance with the specifications and drawings, and to furnish at their own expense, all labor, materials, equipment, tools, and services necessary, except such materials, equipment, and services as may be stipulated in said specifications to be furnished by said Agency, and to do everything required by this Contract and the said specifications and drawings.
2. For furnishing all said labor, materials, equipment, tools, and services, furnishing and removing all plant, temporary structures, tools and equipment, and doing everything required by this Contract and said specifications and drawings; also for all loss and damage arising out of the nature of the work aforesaid, or from the action of the elements, or from any unforeseen difficulties which may arise during the prosecution of the work until its acceptance by said Agency, and for all risks of every description connected with the work; also for all expenses resulting from the suspension or discontinuance of work, except as in the said specifications are expressly stipulated to be borne by said Agency; and for completing the work in accordance with the requirements of said specifications and drawings, said Agency will pay and said Contractor shall receive, in full compensation therefore, the price(s) set forth in this Contract.
3. That the Agency will pay the Contractor progress payments and the final payment, in accordance with the provisions of the contract documents, with warrants drawn on the appropriate fund or funds as required, at the prices bid in the Bidding and Contract Requirements, Section C - Bid Forms and accepted by the Agency, and set forth in this below.

Total Bid Price \$ Two Hundred Forty-Eight Thousand Five Hundred
Dollars

and zero Cents.

If this is not a lump sum bid and the contract price is dependent upon the quantities constructed, the Agency will pay and said Contractor shall receive, in full compensation for the work the prices named in the Bidding and Contract Requirements, Section C - Bid Forms.

4. The Agency hereby employs the Contractor to perform the work according to the terms of this Contract for the above-mentioned price(s), and agrees to pay the same at the time, in the manner, and upon the conditions stipulated in the said specifications; and the said parties for themselves, their heirs, executors, administrators, successors, and assigns, do hereby agree to the full performance of the covenants herein contained.
5. The Notice Inviting Bids, Instructions to Bidders, Bid Forms, Information Required of Bidder, Performance Bond, Payment Bond, Contractors License Declaration, Specifications, Drawings, all General Conditions and all Special Conditions, and all addenda issued by the Agency with respect to the foregoing prior to the opening of bids, are hereby incorporated in and made part of this Contract, as if fully set forth.
6. The Contractor agrees to commence work under this Contract on or before the date to be specified in a written "Notice To Proceed" and to complete said work to the satisfaction of the Agency one hundred fifty (150) calendar days after award of the Contract. All work shall be completed before final payment is made.
7. Time is of the essence on this Contract.
8. Contractor agrees that in case the work is not completed before or upon the expiration of the contract time, damage will be sustained by the Agency, and that it is and will be impracticable to determine the actual damage which the Agency will sustain in the event and by reason of such delay, and it is therefore agreed that the Contractor shall pay to the Agency the amount of Four Thousand (\$4,000) dollars for each day of delay, which shall be the period between the expiration of the contract time and the date of final acceptance by the Agency, as liquidated damages and not as a penalty. It is further agreed that the amount stipulated for liquidated damages per day of delay is a reasonable estimate of the damages that would be sustained by the Agency, and the Contractor agrees to pay such liquidated damages as herein provided. In case the liquidated damages are not paid, the Contractor agrees that the Agency may deduct the amount thereof from any money due or that may become due to the Contractor by progress payments or otherwise under the Contract, or if said amount is not sufficient, recover the total amount.

In addition to the liquidated damages, which may be imposed if the Contractor fails to complete the work within the time agreed upon, the Agency may also deduct from any sums due or to become due the Contractor, liquidated damages in accordance with the Bidding and Contract Requirements, Section B -

Instruction to Bidders, Part 5.0 "Liquidated Damages", for any violation of the General Conditions, Section D - Contractor's Responsibilities, Part 8, "Law and Regulations"; Bidding and Contract Requirements Contract Section D -Contract and Relevant Documents, Part 1.0, Paragraphs 9 through 11; General Conditions , Section D - Contractor's Responsibilities, Part 4.0, "Labor, Materials and Equipment"; General Conditions Section D - Contractor's Responsibilities, Part 12.0, "Safety and Protection" or General Conditions Section H - Legal Responsibilities, Part 8.0, "Disturbance of the Peace".

9. That the Contractor will pay, and will require subcontractors to pay, employees on the work a salary or wage at least equal to the prevailing salary or wage established for such work as set forth in the wage determinations and wage standards applicable to this work, contained in or referenced in the contract documents.
10. That, in accordance with Section 1775 of the California Labor Code, Contractor shall forfeit to the Agency, as a penalty, not more than Fifty (\$50.00) Dollars for each day, or portion thereof, for each worker paid, either by the Contractor or any subcontractor, less than the prevailing rates as determined by the Director of the California Department of Industrial Relations for the work.
11. That, except as provided in Section 1815 of the California Labor Code, in the performance of the work not more than eight (8) hours shall constitute a day's work, and not more than forty (40) hours shall constitute a week's work; that the Contractor shall not require more than eight (8) hours of labor in a day nor more than forty hours of labor in a week from any person employed by the Contractor or any subcontractor; that the Contractor shall conform to Division 2, Part 7, Chapter 1, Article 3 (Section 1810, et seq.) of the California Labor Code; and that the Contractor shall forfeit to the Agency, as a penalty, the sum of Twenty-Five (\$25.00) Dollars for each worker employed in the execution of the work by Contractor or any subcontractor for each day during which any worker is required or permitted to labor more than eight (8) hours in violation of said Article 3.
12. That the Contractor shall carry Workers' Compensation Insurance and require all subcontractors to carry Workers' Compensation Insurance as required by the California Labor Code.
13. That the Contractor shall have furnished, prior to execution of the Contract, two bonds approved by the Agency, one in the amount of one hundred (100) percent of the contract price, to guarantee the faithful performance of the work, and one in the amount of one hundred (100) percent of the contract price to guarantee payment of all claims for labor and materials furnished.
14. The Contractor hereby agrees to protect, defend, indemnify and hold the Agency and its employees, agents, officers, directors, servants and volunteers free and harmless from any and all liability, claims, judgments, costs and demands,

including demands arising from injuries or death of persons (including employees of the Agency and the Contractor) and damage to property, arising directly or indirectly out of the obligation herein undertaken or out of the operations conducted by the Contractor, its employees agents, representatives or subcontractors under or in connection with this Contract.

The Contractor further agrees to investigate, handle, respond to, provide defense for and defend any such claims, demands or suit at the sole expense of the Contractor.

IN WITNESS WHEREOF, The Contractor and the General Manager of Inland Empire Utilities Agency*, thereunto duly authorized, have caused the names of said parties to be affixed hereto, each in duplicate, the day and year first above written.

Inland Empire Utilities Agency,*
San Bernardino County, California.

By _____
General Manager

Contractor
J.F. Shea Construction, Inc.

By  _____
Title
Steven W. Cox, Executive Vice President

**INFORMATION
ITEM**

3A



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

JCL #882 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: First Quarter Budget Variance Report for Fiscal Year (FY) 2015/16

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)

Operating	FY 2015/16 Amended Budget	First Quarter Ended 9/30/15	Actual % of Amended Budget
Operating Revenue	\$131.0	\$27.3	20.8 %
Operating Expense	\$160.1	\$25.4	15.9%
Operating Net Increase/(Decrease)	(\$29.1)	\$1.9	
Non- Operating			
Non-Operating Revenue	\$92.0	\$4.6	5.0%
Non-Operating Expense	\$75.2	\$12.8	17.0%
Non-Operating Net Increase/(Decrease)	\$16.8	(\$8.2)	
Consolidated			
Total Sources of Funds	\$223.0	\$31.9	14.3%
Total Uses of Funds	\$235.3	\$38.2	16.3%
Total Net Increase/(Decrease)	(\$12.3)	(\$6.3)	
Beginning Fund Balance	\$146.8	\$146.8	
Ending Fund Balance	\$134.5	\$140.5	

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.

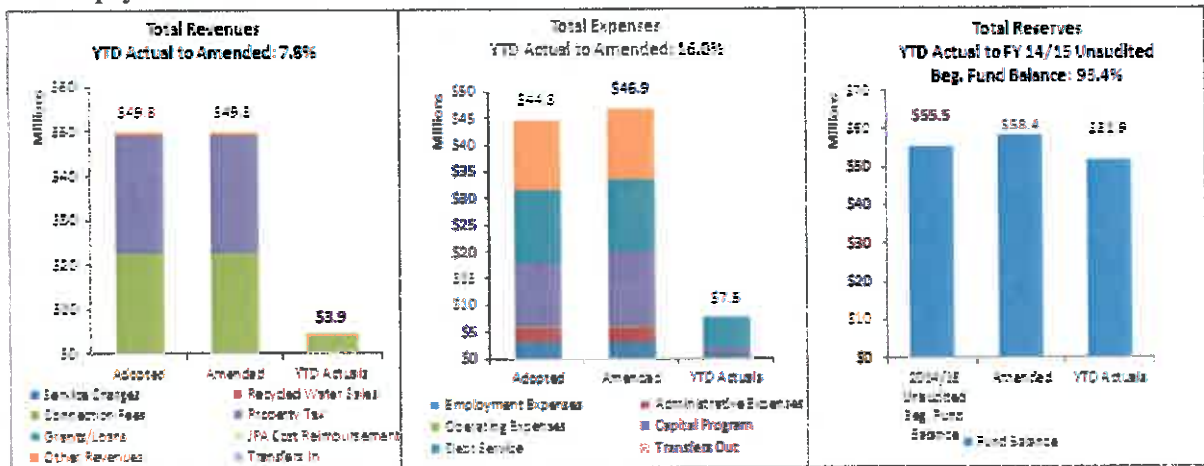
IMPACT ON BUDGET

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

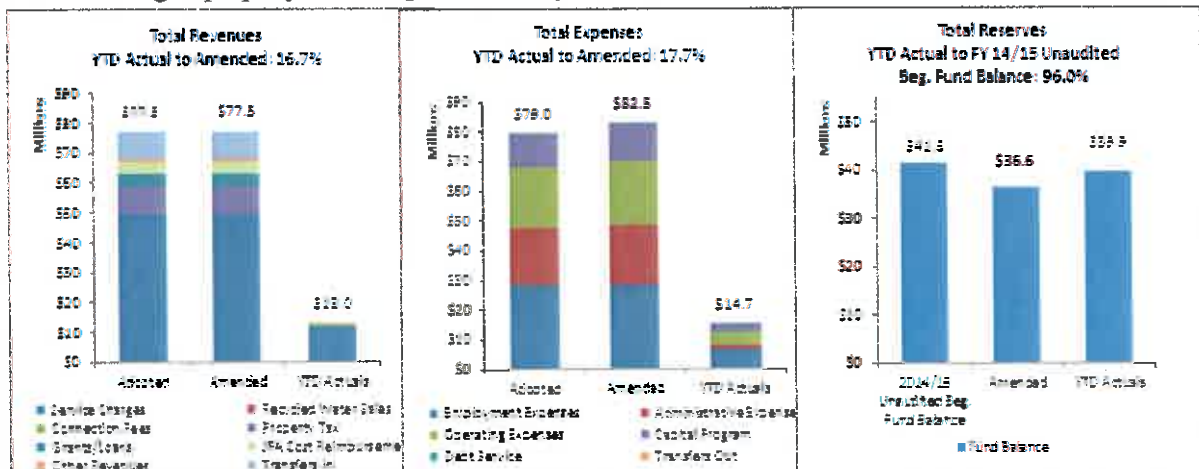
Regional Wastewater Capital Improvement (RC) Fund

- 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.



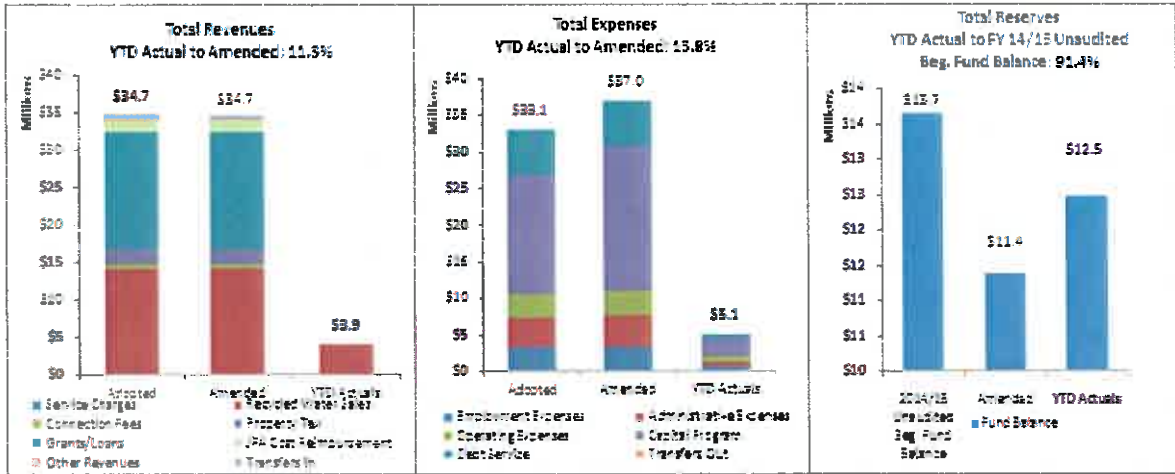
Regional Wastewater Operations and Maintenance (RO) Fund

- 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.



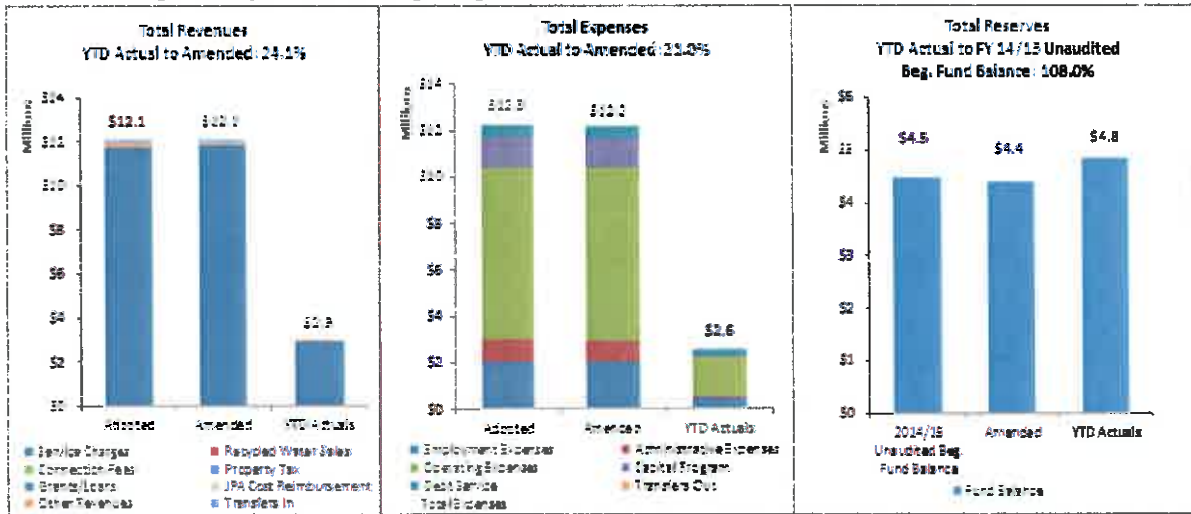
Recycled Water (WC) Fund

- 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.



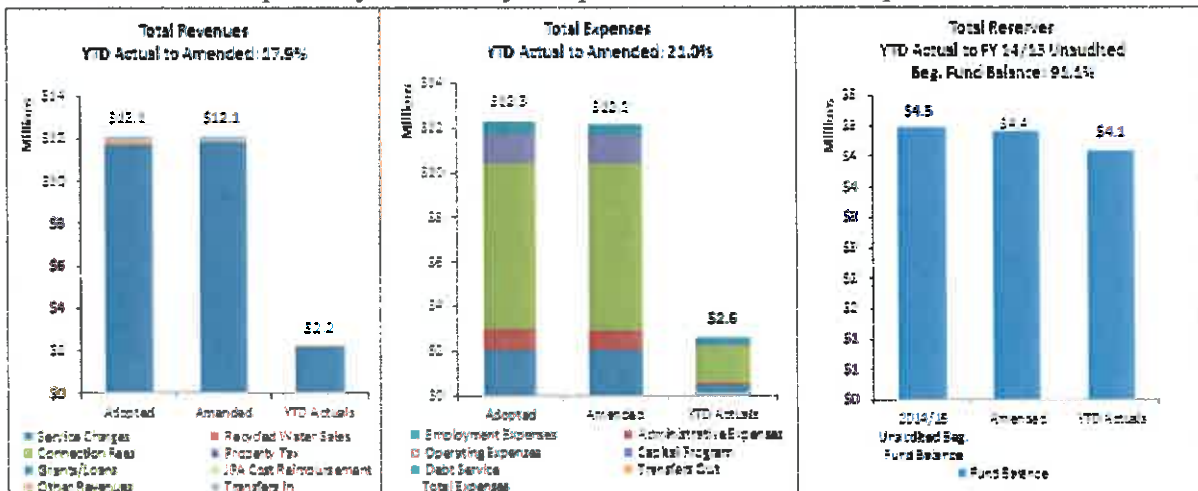
Recharge Water (RW) Fund

- 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.



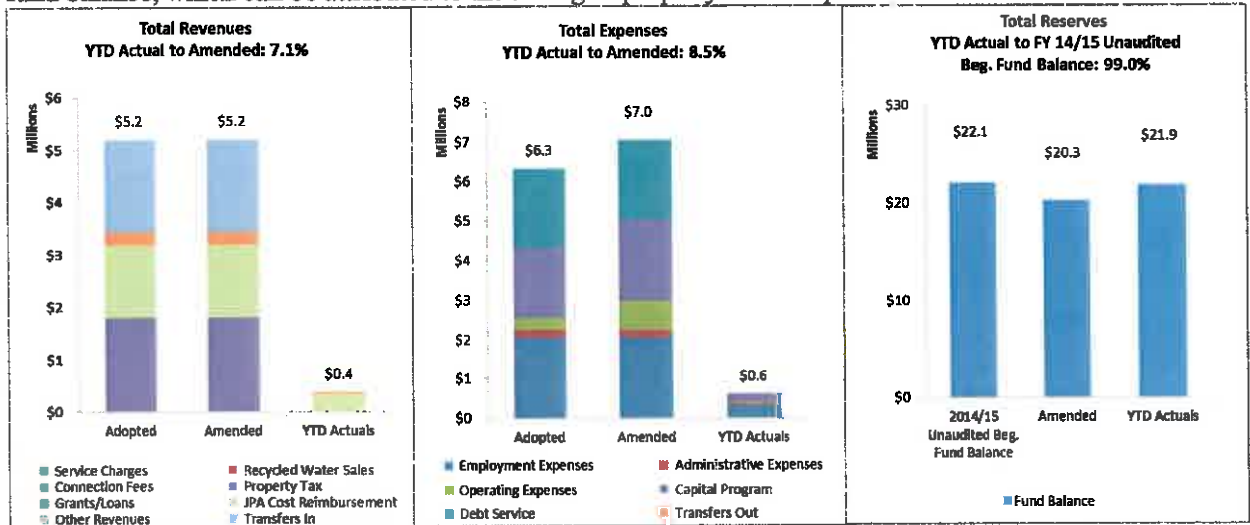
Non-Reclaimable Wastewater (NRW) Fund

- 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.



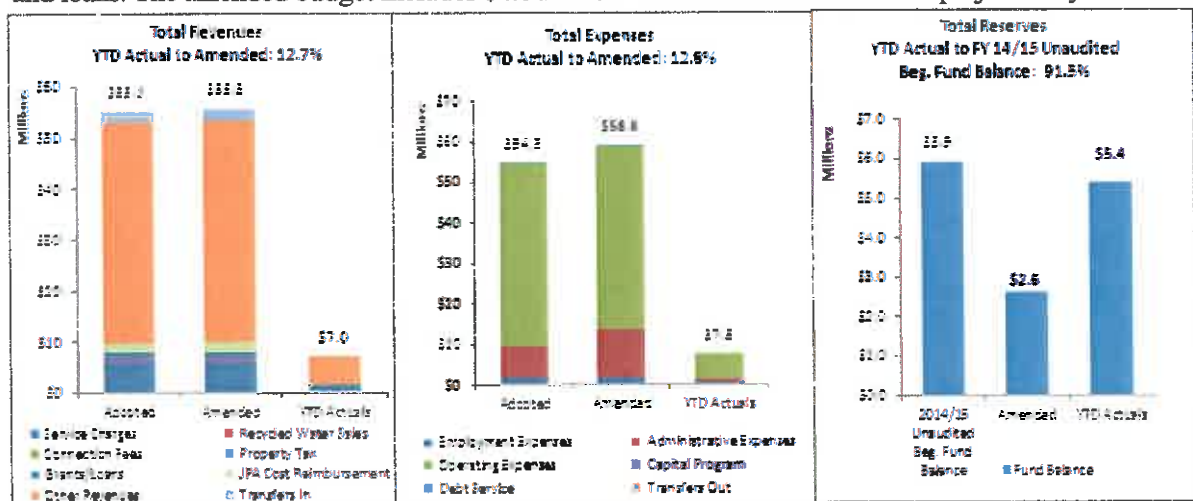
Administrative Services (GG) Fund

- 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.

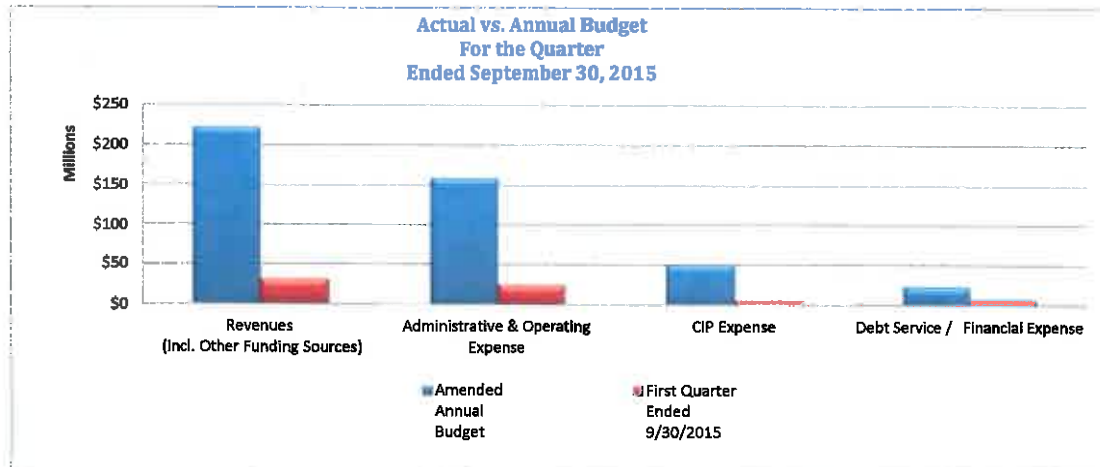


I. Actual vs. Budget Summary:

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%
TOTAL FUNDING SOURCES	222,654,497	223,044,340	31,925,061	(191,119,279)	14.3%
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%
TOTAL USES OF FUNDS	(220,618,681)	(235,300,050)	(38,238,532)	197,061,518	16.3%
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
Operating Revenues:					
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%
OPERATING REVENUES	130,814,725	131,024,725	27,280,697	103,744,028	20.8%
Non-Operating Revenues:					
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%
NON-OPERATING REVENUES	91,839,772	92,019,615	4,644,363	87,375,251	5.0%
Total Revenues	\$222,654,497	\$223,044,340	\$31,925,061	\$191,119,279	14.3%

User Charges 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.

Property Tax/ AdValorem General ad-valorem property tax receipts from the San Bernardino County Tax Assessor will begin in November 2015 as collection of the first instalment from property owners will be due on November 1st. Payment of incremental pass through payments are due from the County in January and June.

Recycled Water Sales 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.

Interest Income 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%.

MWD 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 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.

MWD LPP Rebates 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.

Connection Fees 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.

Grants and Loans 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.

Cost Reimbursements JPA 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
Operating Expenses:					
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%
OPERATING EXPENSES	\$151,572,913	\$160,088,918	\$25,440,572	\$134,648,346	15.9%
Non-Operating Expenses:					
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%
NON-OPERATING EXPENSES	\$69,045,768	\$75,211,132	\$12,797,960	\$62,413,172	17.0%
Total Expenses	\$220,618,681	\$235,300,050	\$38,238,532	\$197,061,518	16.3%

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, \$6.00 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	RP-5 Flow Equalization and Effluent Monitoring	1,445,264	15,288	1,429,975
	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.			
EN13016	SCADA Enterprise System	4,200,000	790,910	3,409,090
	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.			
EN13045	Wineville Extension Recycled Water Pipeline Segment B	2,506,256	363,231	2,143,024
	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.			
EN13001	San Seavine Basin Improvements	3,500,000	26,316	3,473,684
	Project, currently part of the RMPU will evaluate, design and construct basin improvements needed to maximize infiltration and recharge capture at the San Seavine 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 purposed 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.			
EN15008	Water Quality Laboratory	1,700,000	121,963	1,578,037
	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.			
EN13018	Montclair Diversion Structure Improvement	1,203,874	32,277	1,171,598
	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.			

O&M & Reimbursable Projects		Amended FY 2015/16	YTD Expenditure	Budgeted Amount Remaining
WR16024	SAWPA Action SARCUP 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	RP-1/RP-2 Digester Cleaning Project 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	Magnolia Channel Spillway This project will remove an 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	Recycled Water Injection Pilot Study The Agency will utilize the National Water Research Institute (NWRI) will create a panel of technical experts to advice 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
<u>OPERATING REVENUES</u>					
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%
TOTAL OPERATING REVENUES	\$130,814,725	\$131,024,725	\$27,280,697	(\$103,744,028)	20.8%
<u>NON-OPERATING REVENUES</u>					
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	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%
TOTAL NON OPERATING REVENUES	\$91,839,772	\$92,019,615	\$4,644,364	(\$87,375,251)	5.0%
TOTAL REVENUES	\$222,654,497	\$223,044,340	\$31,925,061	(\$191,119,279)	14.3%
<u>ADMINISTRATIVE and OPERATING EXPENSES</u>					
EMPLOYMENT EXPENSES					
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%
TOTAL EMPLOYMENT EXPENSES	\$40,609,906	\$40,609,906	\$8,897,471	\$31,712,435	21.9%
ADMINISTRATIVE EXPENSES					
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	22,106,625	27,162,264	1,201,011	25,961,253	4.4%
Reimbursable Projects	100,000	859,544	151,124	708,420	17.6%
TOTAL ADMINISTRATIVE EXPENSES	\$33,513,738	\$41,359,859	\$2,897,307	\$38,462,552	7.0%

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
OPERATING EXPENSES					
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	4,640,551	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%
TOTAL OPERATING EXPENSES	\$77,449,269	\$78,119,153	\$13,645,794	\$64,473,359	17.5%
TOTAL ADMINISTRATIVE and OPERATING EXPENSES	\$151,572,913	\$160,088,918	\$26,440,572	\$134,648,346	15.9%
<u>NON-OPERATING EXPENSES</u>					
CAPITAL OUTLAY	\$43,886,402	\$51,408,476	\$5,913,757	\$45,494,719	11.5%
FINANCIAL EXPENSES					
Principal, Interest and Financial Expenditur	23,462,656	23,462,656	6,619,644	16,843,012	28.2%
OTHER NON OPERATING EXPENSES	1,696,710	340,000	264,559	75,441	77.8%
TOTAL NON-OPERATING EXPENSES	\$69,045,768	\$75,211,132	\$12,797,960	\$62,413,172	17.0%
TOTAL EXPENSES	\$220,618,681	\$235,300,050	\$38,238,532	\$197,061,518	16.3%
REVENUES IN EXCESS/ (UNDER) EXPENSES	\$2,035,816	(\$12,255,710)	(\$6,313,471)	(\$5,942,239)	
FUND BALANCE SUMMARY					
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)	
ENDING BALANCE, June 30	\$127,671,219	\$134,560,863	140,503,102	\$5,942,239	

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
Agency Management													
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 "Duties and Annual calendar of responsibilities" manual for the Board Secretary position	Completed by June 30, 2015	April Woodruff	September 2015	2015	On Schedule	No	Put on hold until the department is fully staffed and trained.
Business Information Services													
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 Pantayattiwong	September 2015	2015	On Schedule	No	The quarterly budget for SAP support is \$66,877/4 = \$17,219 (\$30K is planned for assistance with major EHF7 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 Pantayattiwong	September 2015	2015	Behind 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.
5	FY 2014/15	Quarterly	Finance and Administration	A	Integrate projects identified in the long range financial planning documents, such as the Facilities Technology Master Plan, Energy Wastewater Master Plan, Energy 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 Pantayattiwong	September 2015	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 Technology Master Plan, Energy 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 Pantayattiwong	September 2015	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 Pantayattiwong	September 2015	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 Pantayattiwong	September 2015	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 information sharing through quarterly GIS User Group meetings	Quarterly	Kanes Pantayattiwong	September 2015	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	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 Pantayatwong	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 staff 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 Pantayatwong	September	2015	On Schedule	No	55% spent on projects between FY2016/Q1. Staff time spent on projects was 2,844 hrs and total staff 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	8/30/2015	100% of managers trained	Kanes Pantayatwong	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 Pantayatwong	September	2015	On Schedule	No	Completed the biosolids project with reduction of days between posting biosolids shipping invoice from 18 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 data for contracts.
49	FY 2014/15 Quarterly	Finance and Administration	C	Provide timely updates to the Regional Committee and the IELUA 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 Pantayatwong	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.
109	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 Pantayatwong	September	2015	On Schedule	No	There were 3 new applications deployed: (1) Commercial Institutional & Industrial for turf removal program; (2) manhole inspection updates; inspection form for Collections, analysis for Tech Services and the dashboard; and (3) new map application for CJFO.
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 Pantayatwong	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 incoming on emergency contracts	April-2015	Electronic signature capability for and approvers	Kanes Pantayatwong	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
149	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, Technology Master Plan, Energy Plan, and the Integrated Resource 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 Pantayattiwong	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, Technology Master Plan, Energy Plan, and the Integrated Resource 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 Pantayattiwong	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 fisher enhancements at the 4-month enhancement press releases	Every January, May and September	3 or more staff recognized per year	Kanes Pantayattiwong	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 Pantayattiwong	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 Pantayattiwong	September	2015	On Schedule	No	No new updates.
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 enhancements that improves cost tracking for projects that qualify for multiple grants – Timeline 15/16 needs; Establish baseline date, develop requirements; implement prototype	Ongoing	< 3 systems in use	Kanes Pantayattiwong	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	Evaluate potential improvements to budgeting process, if appropriate, through enhancing SAP functionality	Ongoing	< 3 systems in use	Kanes Pantayattiwong	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 Pantayattiwong	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 Pantayattiwong	September	2015	On Schedule	No	RIS 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 Start	Reporting Required	Division	Rus. 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 landscape 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 third 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 NCP codes and system for testing in late December.
External Affairs													
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).
152	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 three remaining cities. Are still auditing stores to stop sale of AWS and working with member agencies to distribute collateral.
159	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 or 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/organized 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 (Adam, Rodriguez, Cong. Torres, etc) allowed us to participate and share IEUA's message.

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 need for regional/local independence (water, recycling, wastewater, and renewable energy).	Ongoing in FY 14/15	Present to 6 associations/groups in FY 14/15	Kathryn Besser	September	2015	On Schedule	No	Two chamber of commerce presentations were made on IEJA's services and the current drought challenge/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 IEJA's homepage, and a social media campaign.
Finance and Accounting													
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 CDAC in keeping abreast of State's updates regarding requirements on Investment of public fund
52	FY 2015/16 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/raffle 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 LRFP 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 expenditure, through budget transfer requests
22	FY 2014/15 Quarterly	Finance and Administration	A	Transition to a biennial budget beginning July 1, 2015	Prepare 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 permit program funds in consistent with the FY 2015/16 budget
18	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 2019; Regional Wastewater by July 2018; 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 structures to sufficiently support the COS for NRW system, Regional Wastewater, and Recycled Water programs	FY 2014/15 through 2018/17	Cost of service not to exceed the service rates	Javier Chagoyen -	November	2015	On Schedule	No	On-going

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Goal FY ID	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	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	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
Laboratory													
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 talkgate meeting requirement.	All required topics completed by December.	Document training	Nel Groenewald	November 2015	2015	On Schedule	No	All required topics are on track to be completed by December 2015
Operations													
199	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	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	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	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	2015	On Schedule	No	Deciaz 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 ground/water recharge SCADA improvements that implement storage and delivery strategies by working with the DCS department	Completed by June 2016		Bill Leever	November 2015	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	2015	On Schedule	No	I am on the SCADA Services Sub-Committee
208	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	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	2015	On Schedule	No	Will start working with both Ops and Planning staff to develop written RW storage and delivery strategies.

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Goal FY ID Start	Reporting Required	Division	Bis. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
Planning and Environmental Compliance													
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	2015	On Schedule	No	3DFEEM study completed in September with results used to support increasing RWC at many RW GWR basins.
194	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	2015	On Schedule	No	RW Injection plan provided for review to DDW in September, MWRI 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	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 "drought 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	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 and the goals of the 2010 UWMMP are met	Sylvia Lee	September 2015	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	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 CAH activities of recharge basins	June-2015	Completion of strategy by Jun 2015	Sylvia Lee	November 2015	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"> Complete Integrated Resources Plan Complete Water Use Efficiency Business Plan Complete 2015 Urban Water Management Plan Coordinate the implementation of Recharge Master Plan Update Complete the Recycled Water Program Strategy Complete Wastewater Facilities Master Plan 	<ul style="list-style-type: none"> Dec 2014 June 2015 June 2016 June 2020 Sep 2014 Sep 2014 	Completion and coordination of said documents	Sylvia Lee	November 2015	2015	On Schedule	No	2015 UWMMP Kick-off meeting held November 3

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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 and Science	Planning 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"> Complete Integrated Resources Plan Complete Water Use Efficiency Business Plan Complete 2015 Urban Water Management Plan Coordinate the implementation of Recharge Master Plan Update Complete the Recycled Water Program Strategy Complete Wastewater Facilities Master Plan 	<ul style="list-style-type: none"> June 2014 June 2015 June 2016 June 2020 Sept 2014 Sept 2014 	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 and Science	Planning 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	2015	Behind Schedule	No	Local Limits report submitted to RWQCB in August 2015. RWQCB recommends to amend report to include evaluation of Dixon as a result of Dixon limit being added to recently revised NPDES Permit. Pretreatment to complete source evaluation over the next several months.
20	FY 2014/15 Quarterly	Engineering and Science	Planning A	Initiate discussions to revise and renew the Regional Sewerage Service Contract set to expire in 2023 by January 2018	Update to meet current practices and needs (Priority 1 items)	June-2015	Conceptual agreement with member agencies by Jun 2015	Sylvia Lee	November 2015	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 and Science	Planning 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	2015	On Schedule	No	The Regional Wastewater Ordinance No. 87 was updated and adopted by the Board of Directors on October 16, 2014.
77	FY 2014/15 Quarterly	Engineering and Science	Planning D	Optimize IEUA'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	2015	On Schedule	No	Final RWPS received.
81	FY 2014/15 Quarterly	Engineering and Science	Planning 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	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 and Science	Planning D	Work with other agencies on the implementation of local regional programs to meet the region's goal of reaching 50,000 AFD 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	2015	On Schedule	No	Contract for the preparation of the PEIR awarded to Tom Douson and Associates in August 2015.
80	FY 2014/15 Quarterly	Engineering and Science	Planning D	Conduct research to find new methods to safely recharge more water into Chino Basin by June 2018	Complete the MWD Foundational Action Research Program Develop tertiary injection research project plan	June-2015	Develop the plans	Sylvia Lee	November 2015	2015	On Schedule	No	Meet with DDW to discuss IRP prepared and sent project description letter to DDW in September 2015 after contracting with MWRI for expert panel and with Jerg Drewes for internal technical support.
82	FY 2014/15 Quarterly	Engineering and Science	Planning 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	2015	On Schedule	No	WWFMP complete, final TMs received in April 2015.

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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 WWFMP	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	<ul style="list-style-type: none"> 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 Affairs during complaints 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 SCAQMD 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 & IEUA 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. 6 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 RWPS received. Task complete.
Technical Services													
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 Noelle	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	9/21/15	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
			Total O&M Transfers Out	\$293,379		Total O&M Transfers In	\$293,379		

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	\$400,000		
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
				\$30,000			\$0
				\$70,000	\$400,000		\$470,000

Year-to-date total budget transferred

Remaining budget balances as of

cc: Joe Grindstaff, Christina Valencia

Inland Empire Utilities Agency
 Changes in Total Project Budgets: Inter-Departmental/Division Transfers FY 2015/16

Fund	Capital or Oper Proj	Request Date	Total Proj Budget Change (Y/N)	Amount Proj Change (Y/N)	Project Number	Project Title	Adopted Total Project Budget	Prior FY 2015/16 TP Changes	Current Total Project Budget	Ask of Transfer 1/ (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	9/14/15	Yes	Yes	EN16025	Winnville Ext Recycled Water Pipeline Segment A	\$17,965,518	\$0	\$17,965,518	(\$200,000)	\$17,765,518	\$2,345,354	(\$200,000)	\$2,145,354	EN12014	Transfer from EN16025 to EN12014 for EUA labor costs during construction and close out and any change orders that may occur.	
					EN12014	East Avenue 1600 E RMP Relocation	\$690,108	\$0	\$690,108	\$0	\$690,108	\$200,000	\$890,108	\$488,261	\$200,000		\$698,261
Subtotal Recycled Water (WC)							\$18,655,626		\$18,655,626		\$18,655,626	\$2,788,615		\$2,788,615			
10800	Capital	7/21/15	Yes	Yes	EN15054	CCWRP Lagoon Rip Rap Retrofit	\$125,000	\$0	\$125,000	(\$15,000)	\$110,000	\$50,000	(\$15,000)	\$95,000	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.	
					EN15048	Liquor Inspection and Repair	\$200,000	\$0	\$200,000	\$0	\$200,000	\$15,000	\$215,000	\$0	\$15,000		\$15,000
Subtotal Recycled Water (WC)							\$325,000		\$325,000		\$325,000	\$50,000		\$50,000			
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)	\$835,000	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	\$0	\$65,000	\$0	\$65,000	\$65,000		(EN15012)
Subtotal Recycled Water (WC)							\$2,005,000		\$2,005,000		\$1,940,000	\$600,000		\$835,000			
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	\$585,000	(\$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	\$55,000	\$120,000	\$55,000	\$120,000	\$65,000	\$55,000	\$120,000		(EN15012)
Subtotal Recycled Water (WC)							\$2,005,000		\$2,005,000		\$1,885,000	\$585,000		\$480,000			
Capital	9/29/15	Yes	Yes	IS16014	Install San (Storage) RP	\$20,000	\$0	\$20,000	(\$5,000)	\$15,000	\$15,000	\$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 Device/Net Isolation	\$0	\$0	\$0	\$5,000	\$5,000	\$5,000	\$0	\$5,000	\$5,000	\$5,000		(IS16014)
Subtotal Regional Operations (RO)							\$4,955,000		\$4,955,000		\$4,955,000	\$1,270,000		\$1,270,000			
Capital Total Project Budget							\$4,955,000		\$4,955,000		\$4,955,000	\$1,270,000			\$1,270,000		
Capital Total Project Budget							Adopted		Adopted		Adopted				Adopted		
Capital Total Project Budget							\$23,010,626		\$23,010,626		\$23,010,626	\$4,038,615			\$4,038,615		
Capital Total Project Budget							Amended		Amended		Amended				Amended		
Capital Total Project Budget							\$23,010,626		\$23,010,626		\$23,010,626	\$4,038,615			\$4,038,615		
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	\$219,649	(\$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	\$0	\$0	\$200,000	\$200,000	\$0	\$200,000		\$200,000
Subtotal Administration (GA)							\$1,300,000		\$1,300,000		\$1,300,000	\$219,649		\$219,649			
10800	O&M Proj	8/6/15	Yes	No	EN16025	WRCHRA Interle Recycled Water Interle	\$1,000,000	\$0	\$1,000,000	(\$21,000)	\$979,000	\$504,000	(\$21,000)	\$479,000	WR14020	Transfer from EN16025 to WR14020 due to insufficient funds to cover paving/lockes as labor charged to the project consumed the funds required for the purchase order.	
					WR14020	Recycled Water Interle	\$272,880	\$0	\$272,880	\$0	\$272,880	\$21,000	\$293,880	\$24,959	\$21,000		\$45,959
Subtotal Recycled Water (WC)							\$1,272,880		\$1,272,880		\$1,272,880	\$524,959		\$524,959			



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%
Operating Net Increase (Decrease)	(\$29.1)	\$1.9	
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%
Non-Operating Net Increase (Decrease)	\$16.8	(\$8.2)	

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%
Total Net Increase/(Decrease)	(\$12.3)	(\$6.3)	
Beginning Fund Balance	\$146.8	\$146.8	
Ending Fund Balance	\$134.5	\$140.5	



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**

3B



Date: December 16, 2015

To: The Honorable Board of Directors

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

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

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

JL #882 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: Inland Empire Regional Composting Authority (IERCA) Fiscal Year (FY)
2014/15 Annual Financial Report

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
AUTHORITY



**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 %
(\$ Millions)			
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 %
Assets			
Current Assets	\$4.1	\$7.3	(43.8%)
Restricted Assets	.170	.085	100%
Net Capital & Intangible Assets	88.5	87.5	1.1%
Total Assets	\$92.7	\$94.9	(2.3%)
Liabilities			
Current Liabilities	\$1.3	\$1.8	(27.7%)
Restricted Liabilities	.170	.085	100%
Total Liabilities	\$1.5	\$1.9	(21.1%)
Invested in Capital Assets	\$88.5	\$87.5	1.1%
Unrestricted	2.8	5.5	(49.1%)
Total Net Position	\$91.3	\$93.0	(1.8%)



QUESTIONS?

**INFORMATION
ITEM**

3C



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 *CV*
Chief Financial Officer/Assistant General Manager (CFO/AGM)

Subject: Participation in the California Asset Management Program (CAMP)

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

Steve Dial, President Deputy Executive Director/CFO San Joaquin Council of Governments	Paul S. Gibson, Vice President Director of Finance and City Treasurer City of Palm Desert
Wayne Hammar, Treasurer Treasurer-Tax Collector Siskiyou County	Karen Adams, CPA Treasurer-Tax Collector Merced County
Andre Douzdjian Director of Finance San Diego Association of Governments	Eldon Boone, CPA Assistant General Manager/Treasurer Vista Irrigation District
Duan Wolterstorff, CPA Manager of Fiscal Support Services Modesto City Schools	

Table 2: CAMP Top 10 Shareholders

Agency	Share Balance
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
3D**



Date: December 16, 2015
To: The Honorable Board of Directors
Through: Finance, Legal, and Administration Committee (12/09/15)
From: *PJ* P. Joseph Grindstaff
General Manager *Chloe*
Submitted by: *Chloe* Christina Valencia
Chief Financial Officer/ Assistant General Manager
JCA #882 Javier Chagoyen-Lazaro
Manager of Finance and Accounting
Subject: Treasurer's Report of Financial Affairs

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
Cash, Bank Deposits, and Bank Investment Accounts	\$1,835,211	\$2,389,109
Investments		
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
Total Investments	\$80,611,349	\$79,137,501
Total Cash and Investments Available to the Agency	\$82,446,560	\$81,526,610
Restricted Deposits		
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
Total Restricted Deposits	\$58,482,156	\$53,558,845
Total Cash, Investments, and Restricted Deposits	\$140,928,716	\$135,085,455

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

Other Cash and Bank Accounts

Petty Cash	\$2,250
Subtotal Other Cash	\$2,250

Bank of the West Money Market Account

\$1,051,757

US Bank Pre-Investment Money Market Account

\$35,067

Total Cash and Bank Accounts

\$1,835,211

Investments

CBB Repurchase (Sweep) Investments

Federal Home Loan	\$25,814,216
Subtotal CBB Repurchase (Sweep)	\$25,814,216

Local Agency Investment Fund (LAIF)

LAIF Non-Restricted Fund	\$18,950,427
LAIF Insurance Sinking Fund	5,922,825
Subtotal Local Agency Investment Fund	\$24,873,252

CalTrust

Short Term	\$4,545,413
Subtotal CalTrust	\$4,545,413

Certificates of Deposit

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

<u>Investments Continued</u>		
Municipal Bonds		
State and Local Municipal Bonds		\$1,000,069
Subtotal State Municipal Bonds		<u>\$1,000,069</u>
Medium Term Notes		
JP Morgan Securities	1,000,162	
John Deere Capital Corp	1,001,619	
JP Morgan Chase & Co.	999,106	
Subtotal Medium Term Notes		<u>\$3,000,887</u>
U.S. Treasury Notes		
Treasury Note		\$999,798
Subtotal U.S. Treasury Notes		<u>\$999,798</u>
U.S. Government Sponsored Entities		
Fannie Mae Bank		\$5,999,464
Freddie Mac Bank	3,001,234	
Federal Farm Credit Bank	3,000,000	
Federal Home Loan Bank	4,999,016	
Subtotal U.S. Government Sponsored Entities		<u>\$16,999,714</u>
Total Investments		<u>\$80,611,349</u>
<u>Restricted Deposits</u>		
Debt Service Reserves		
08A Debt Service Accounts		\$3,125,000
08B Debt Service Accounts		\$2,544,710
10A Debt Service Accounts		18
Subtotal Debt Service Reserves		<u>\$5,669,728</u>

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>
<i>Total Monthly Increase (Decrease)</i>	<u><u>\$5,843,261</u></u>

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 October 31, 2016

	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									
Cash, Bank Deposits, and Bank Investment Accounts													
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	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 US Bank 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
Total Cash, Bank Deposits and Bank Investment Accounts					\$1,835,211	\$1,835,211			\$1,835,211				\$1,835,211
<i>*Negative demand checking balance is offset by the Daily Repurchase (Sweep) Account balance</i>													
Investments													
CBB Daily Repurchase (Sweep) Accounts													
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
LAIF Accounts													
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
CALTRUST Accounts													
Short-Term					\$4,545,413	\$4,545,413	N/A	N/A	\$4,545,413		0.49%	N/A	\$4,545,413
Subtotal CallTrust 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									
Investments (continued)													
Brokered Certificates of Deposit													
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%	2.51%	07/29/20	243,597
JPM Chase NA Step	N/A				244,000	244,000	1810		244,000	1.25%	2.32%	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
Subtotal Brokered CDs					\$3,378,000	\$3,378,000		\$0	\$3,378,000		1.470%		\$3,377,600
US Treasury Note													
US Treasury Note	N/A	AAA			\$1,000,000	\$999,463		15	\$999,798	0.62%	0.64%	12/15/16	\$1,001,420
Subtotal Treasuries					\$1,000,000	\$999,463		\$15	\$999,798		0.64%		\$1,001,420
U.S. Government Sponsored Entities													
(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	0.38%	0.38%	06/20/16	\$1,999,300
Freddie Mac Bond	AA+	AAA			2,000,000	2,001,500	722		2,001,234	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	(64)	2,000,000	1.51%	1.63%	12/28/18	2,013,740
Fannie Mae Bond	AA+	AAA			4,000,000	3,999,400	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%	3.00%	07/29/19	1,001,110
Federal Home Loan Bank	AA+	AAA			1,000,000	999,000	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	999,360
Subtotal U.S. Gov't Sponsored Entities					\$17,000,000	\$16,999,900		(\$51)	\$16,999,714		1.348%		\$17,031,140
Municipal Bonds													
California State General Obligation Bond	A-	A1	A+	AA3	\$1,000,000	\$1,089,000	1,285		\$1,000,069	3.95%	1.35%	11/01/15	\$1,000,050
Subtotal State and Local Municipal Bonds					\$1,000,000	\$1,089,000		(\$2,147)	\$1,000,069		1.35%		\$1,000,050
Medium Term Notes													
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
Subtotal Medium Term Notes					\$3,000,000	\$3,004,500		(\$84)	\$3,000,887		1.28%		\$2,997,450
Total Investments					\$80,610,881	\$80,703,744			\$80,611,349				\$80,640,541
Source of Investment Market Values: 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									
Restricted Deposits													
Debt Service and Arbitrage Accounts													
08A Debt Service Accounts													
US Bank Payment Fund					\$3,125,000	\$3,125,000	N/A	N/A	\$3,125,000		0.00%	N/A	\$3,125,000
Subtotal '08A Debt Service Accts					\$3,125,000	\$3,125,000			\$3,125,000		0.00%		\$3,125,000
08B Debt Service Accounts													
US Bank Debt Serv. Accounts					\$2,544,710	\$2,544,710	N/A	N/A	\$2,544,710		0.00%	N/A	\$2,544,710
Subtotal '08B Debt Service Accts					\$2,544,710	\$2,544,710			\$2,544,710		0.00%		\$2,544,710
10A Debt Service Accounts													
US Bank Debt Serv. Accounts					\$18	\$18	N/A	N/A	\$18		0.00%	N/A	\$18
Subtotal '10A Debt Service Accts					\$18	\$18			\$18		0.00%		\$18
Total Debt Service Accounts					\$5,669,728	\$5,669,728			\$5,669,728				\$5,669,728
CCRA Deposits Held by Member Agencies													
City of Chino					\$12,231,063	\$12,231,063	N/A	N/A	\$12,231,063		N/A	N/A	\$12,231,063
Cucamonga Valley Water District					7,882,245	7,882,245	N/A	N/A	7,882,245		N/A	N/A	7,882,245
City of Fontana					7,608,638	7,608,638	N/A	N/A	7,608,638		N/A	N/A	7,608,638
City of Montclair					2,556,155	2,556,155	N/A	N/A	2,556,155		N/A	N/A	2,556,155
City of Ontario					8,733,037	8,733,037	N/A	N/A	8,733,037		N/A	N/A	8,733,037
City of Chino Hills					3,388,015	3,388,015	N/A	N/A	3,388,015		N/A	N/A	3,388,015
City of Upland					3,456,700	3,456,700	N/A	N/A	3,456,700		N/A	N/A	3,456,700
Subtotal CCRA Deposits Held by Member Agencies					\$45,857,853	\$45,857,853			\$45,857,853				\$45,857,853
(Totals as reported through September 31, 2015)													
CalPERS Deposits													
OPFB (CERBT) Account					\$7,000,000	\$7,000,000	N/A	N/A	\$6,954,575		N/A	N/A	\$6,954,575
Subtotal CalPERS Deposits					\$7,000,000	\$7,000,000			\$6,954,575				\$6,954,575
Escrow Deposits													
Forestar/EUA Holding Escrow (RP-1 Outfall)					\$0	\$0	N/A	N/A	\$0		N/A	N/A	\$0
GSE Construction					-	0	N/A	N/A	0		N/A	N/A	-
Subtotal Escrow Deposits					\$0	\$0			\$0				\$0
Total Restricted Deposits					\$58,527,581	\$58,527,581			\$58,482,156				\$58,482,156
Total Cash, Investments, and Restricted Deposits as of October 31, 2015													
					\$140,973,673	\$141,066,535			\$140,928,716				\$140,957,908

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%
Total Purchases				\$ 2,240,000	

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%
Total Maturities, Calls & Sales				\$ 1,000,000	

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
 October 31, 2015

Directed Investment Category	Amount Invested	Yield
CBB Repurchase (Sweep)	\$25,814,216	0.300%
Local Agency Investment Fund	24,873,252	0.357%
CalTrust	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%
	\$77,233,349	0.616%
Bank Deposit and Investment Accounts		
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%
	\$4,717,735	1.111%
	\$81,951,084	0.645%
Total Investment Portfolio		
Investment Portfolio Rate of Return		0.645%
Restricted/Transitory/Other Demand Accounts		
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 OPEB (CERBT) Account	6,954,575	N/A
Other Accounts*	420,529	N/A
	\$58,977,632	0.000%
Total Other Accounts		
Average Yield of Other Accounts		0.000%
Total Agency Directed Deposits	\$140,928,716	

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

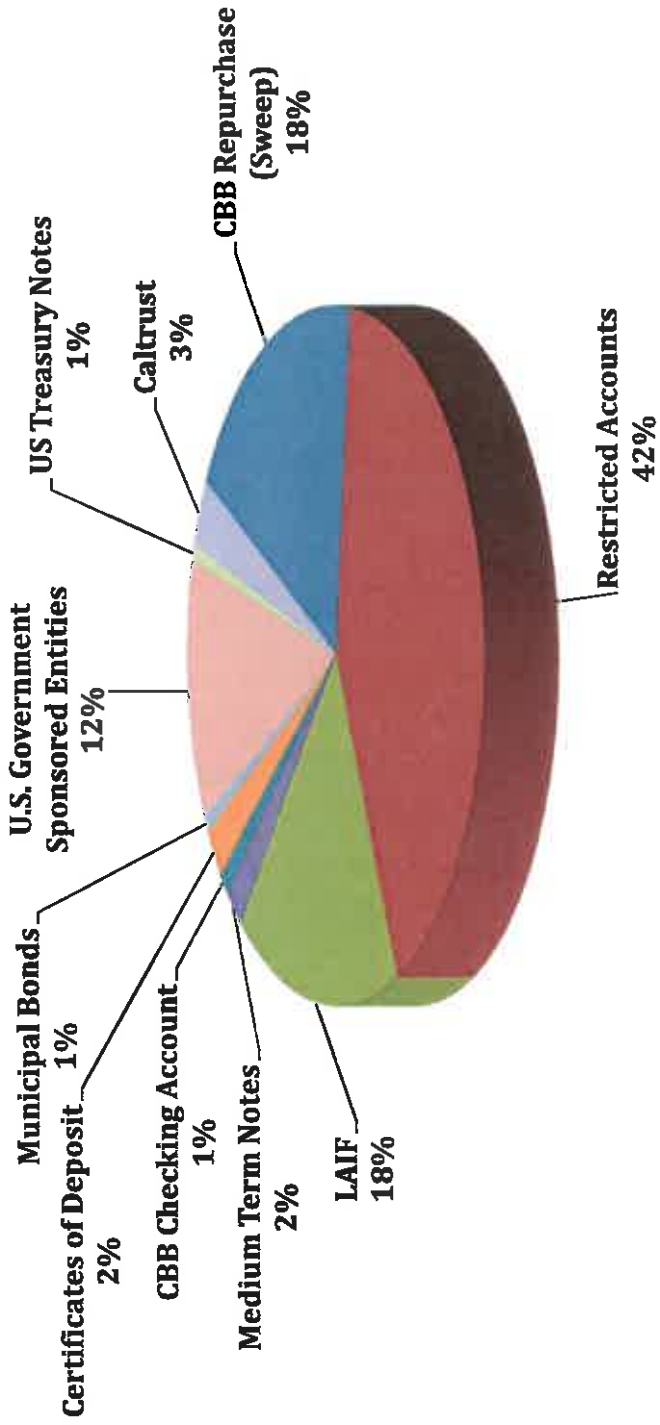
Inland Empire Utilities Agency

Treasurer's Report of Financial Affairs

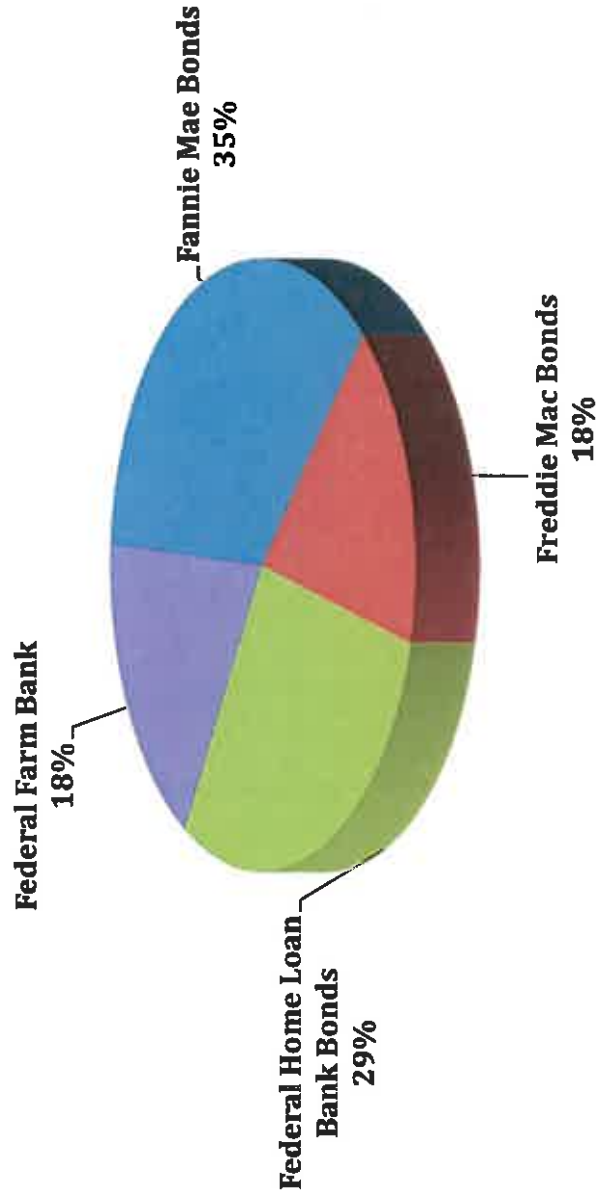
For the Month Ended October 31, 2015

Combined Agency Portfolio (net of escrow deposits)

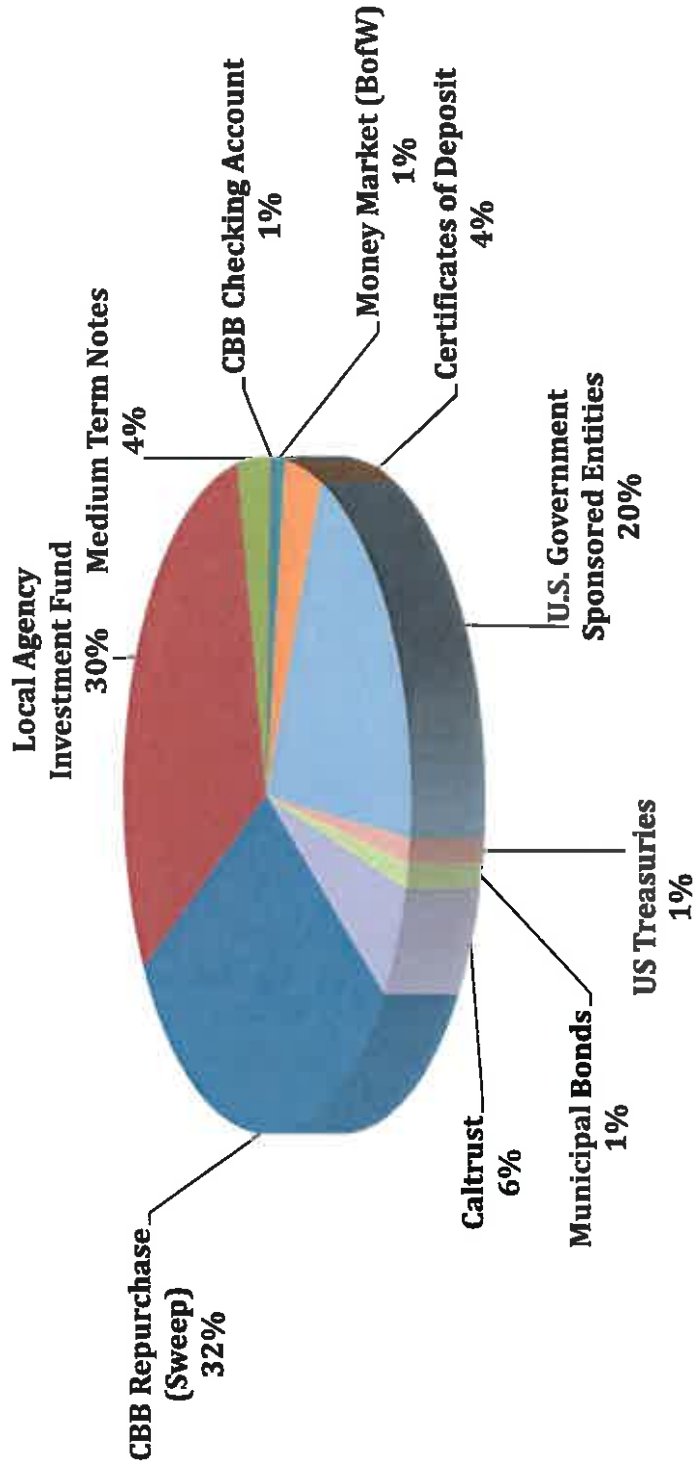
\$140,928,716



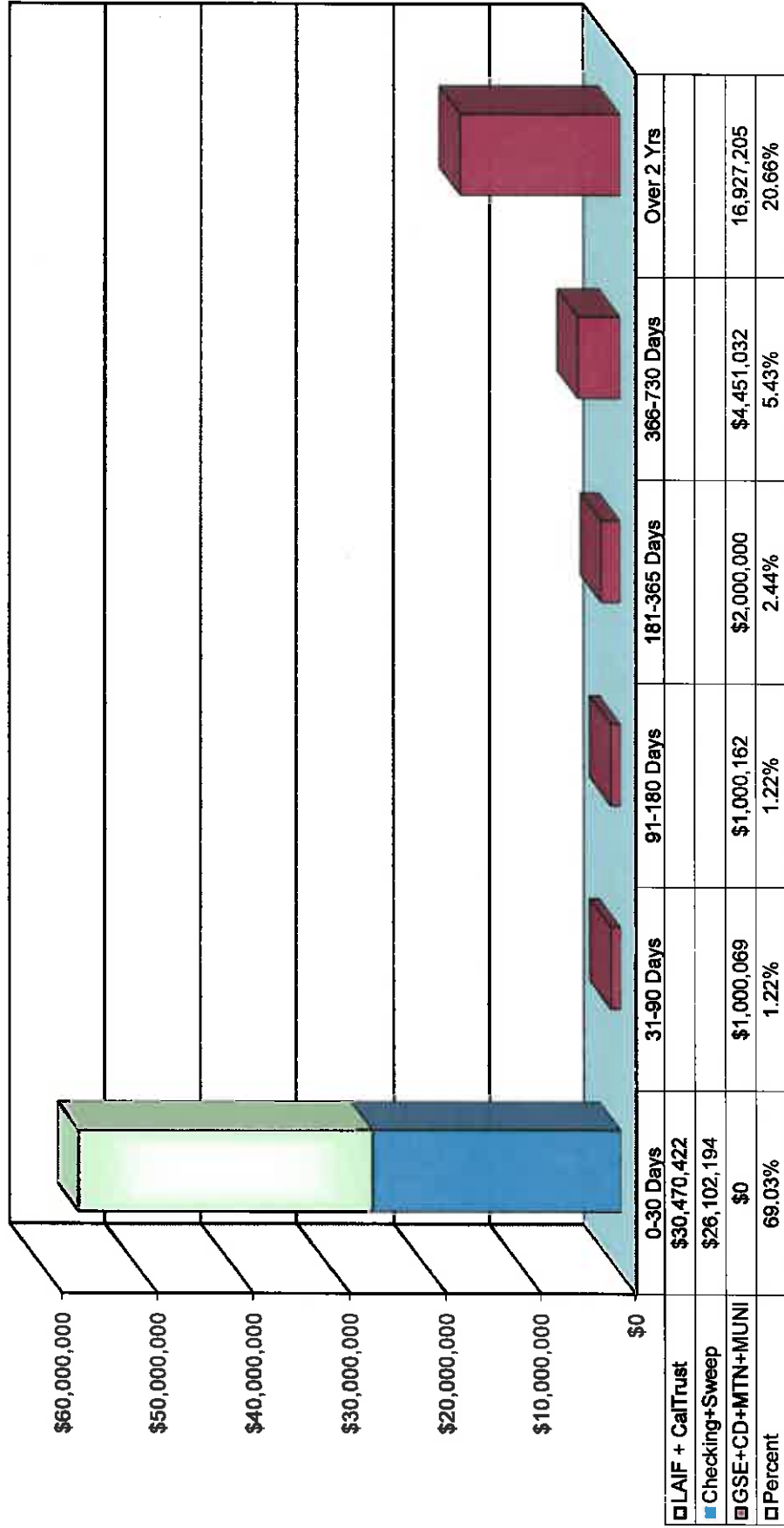
Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended October 31, 2015
U.S. Government Sponsored Entities Portfolio
\$16,999,714



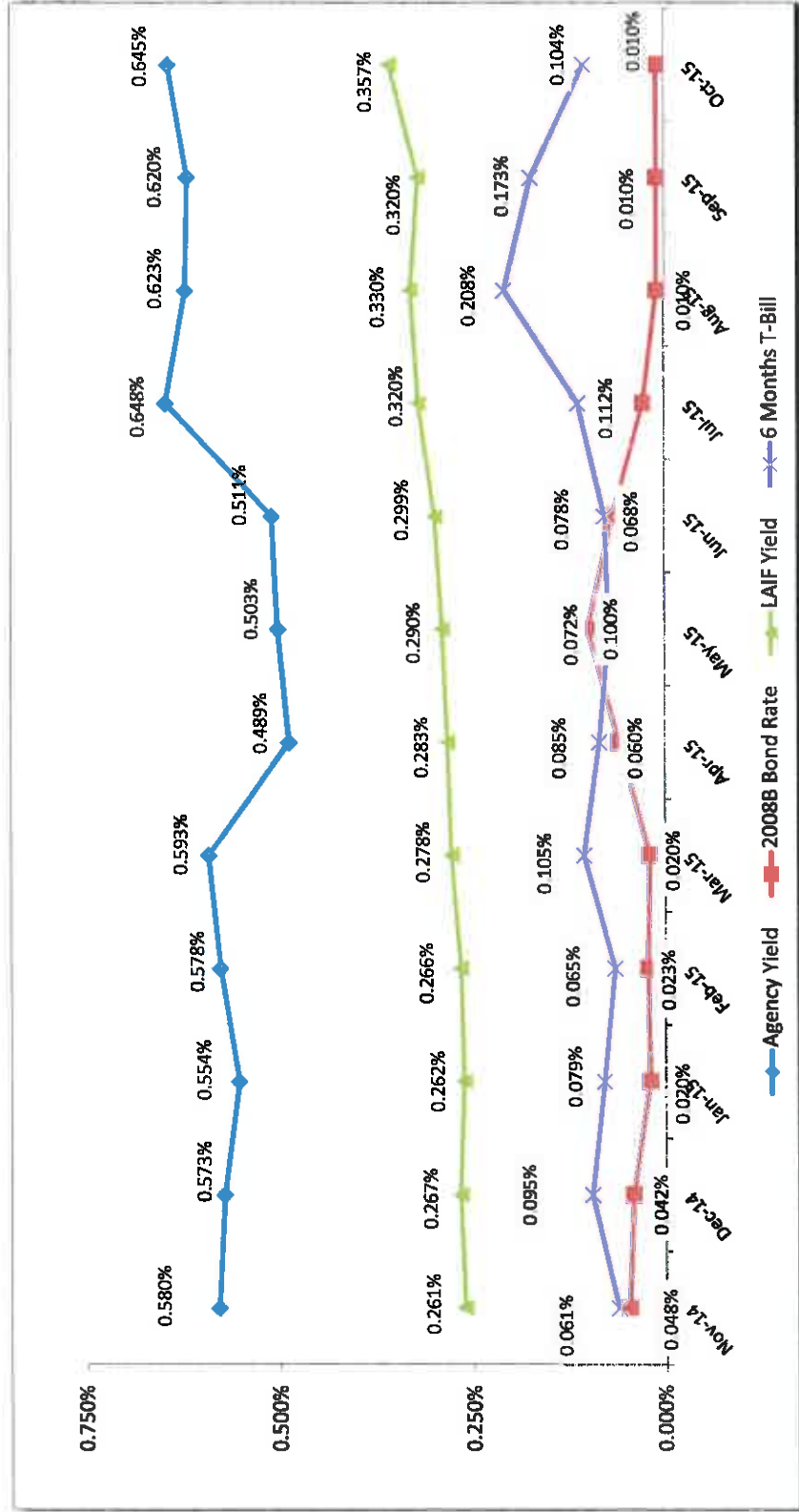
Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
 For the Month Ended October 31, 2015
 Unrestricted Agency Investment Portfolio
\$81,951,084



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





Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

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

December 2015

Board Meeting

Report of Financial Affairs

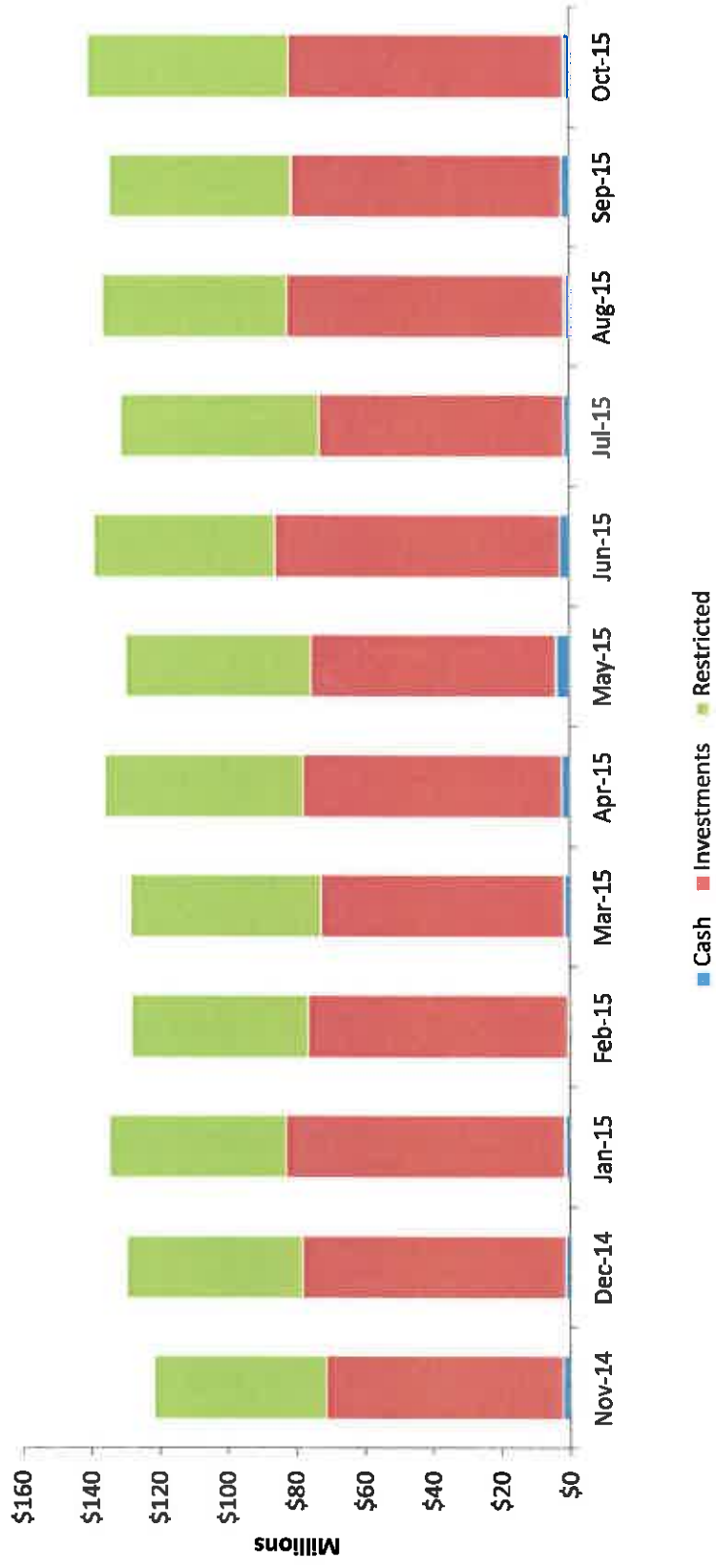
Liquidity

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

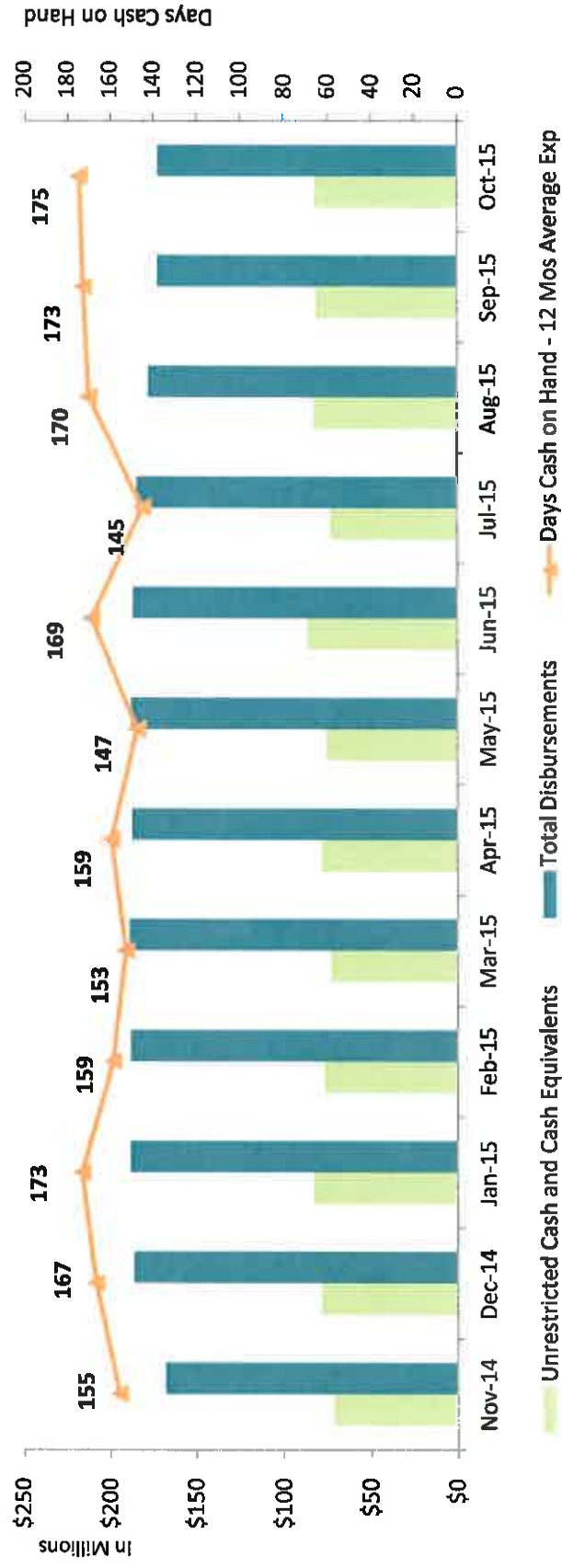
Portfolio

Term	Description	Allowable Threshold	Investment Value (\$ million)	Yield	Current Portfolio %
Short Term, Under 1 Year:	LAIF	\$50M	\$24.8	0.36%	30%
	CallTrust	\$20M	\$4.5	0.49%	6%
	Citizens Business –Sweep	40%	\$25.8	0.30%	32%
	Bank of the West – MMA	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%
1 to 3 Years:	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%
Over 3 Years:	Brokered CDs	30%	\$0.7	2.36%	1%
	US Government Securities	n/a	\$11.0	1.65%	14%

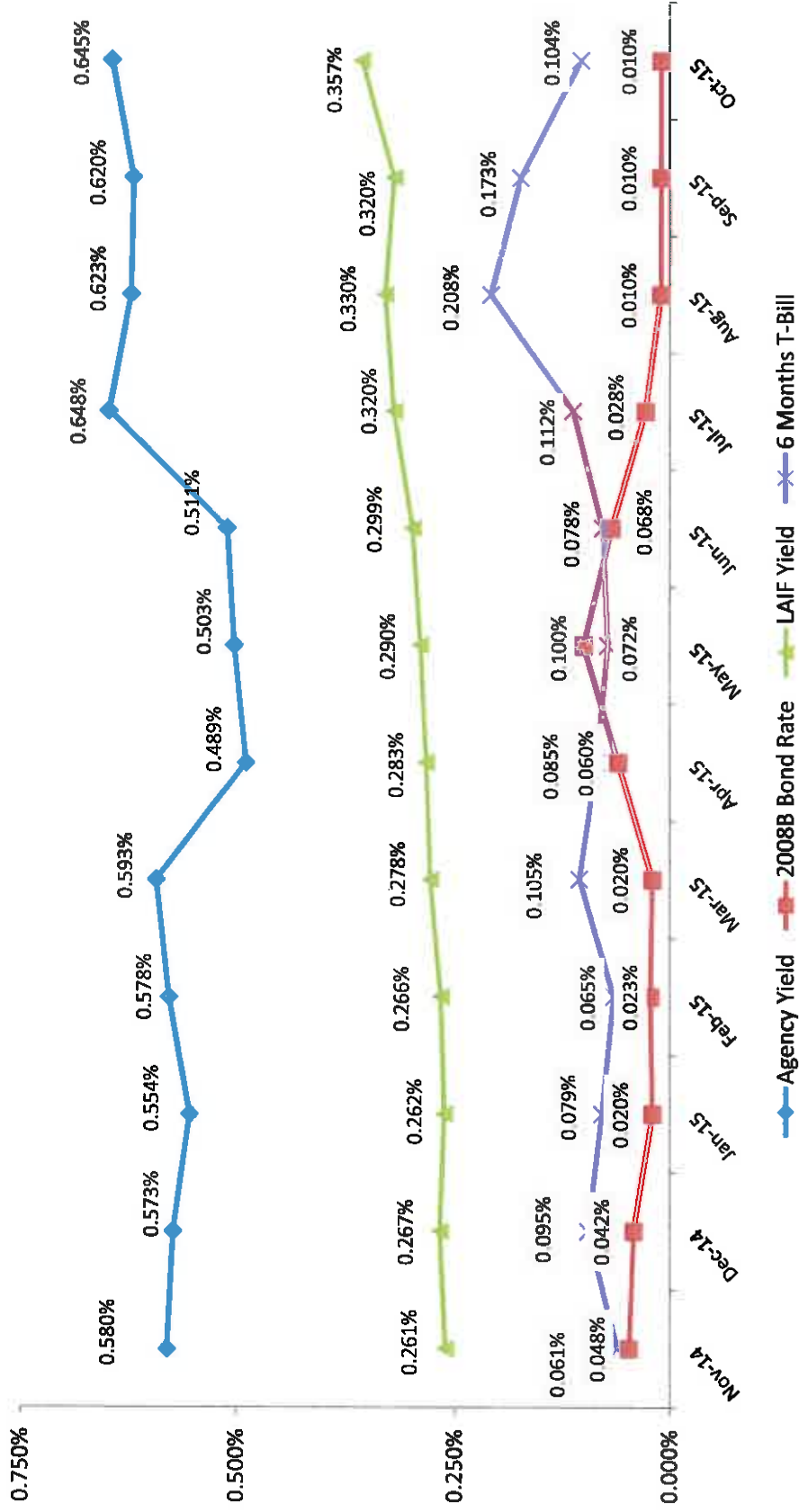
Cash, Investments and Restricted Deposits



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