



**AGENDA
MEETING OF THE
INLAND EMPIRE UTILITIES AGENCY
BOARD OF DIRECTORS**

**WEDNESDAY, DECEMBER 21, 2016
9:00 A.M.
(PLEASE NOTE CHANGE IN TIME)**

*Or immediately following the
Joint CBRFA Commission and IEUA Board Meeting*

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

CALL TO ORDER OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS MEETING

FLAG SALUTE

PUBLIC COMMENT

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

ADDITIONS TO THE AGENDA

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

1. CONSENT ITEMS

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

A. MINUTES

The Board will be asked to approve the minutes from the November 16, 2016 Board meeting.

B. REPORT OF GENERAL DISBURSEMENTS

It is recommended that the Board approve the total disbursements for the month of October 2016, in the amount of \$17,069,654.56.

C. ADOPTION OF 2016 IEUA BUSINESS GOALS

It is recommended that the Board review and adopt the 2016 IEUA Business Goals.

D. CONTRACT AWARD FOR CCWRF ODOR CONTROL BLEACH AND AIR PIPING REPLACEMENT

It is recommended that the Board:

1. Award Contract No. 4600002127 to E.R. Block Plumbing, Inc. for the Carbon Canyon Water Facility (CCWRF) odor control bleach and air piping replacement for a firm fixed price of \$119,850; and
2. Authorize the General Manager to execute the contract.

E. CONTRACT AMENDMENT TO O.C. VACUUM, INC.

It is recommended that the Board:

1. Approve Contract Amendment No. 46000001912-001 to O.C. Vacuum, Inc., which increases the contract by \$100,000; and
2. Authorize the General Manager to execute the contract amendment.

F. EAST END AVENUE NRW FLOWMETER CONSULTING ENGINEERING SERVICES CONTRACT AWARD

It is recommended that the Board:

1. Award the consulting engineering services contract for the East End Avenue NRW Flowmeter Replacement, Project No. EN22002 to Civiltec Engineering Inc., for the not-to-exceed amount of \$213,554; and

2. Authorize the General Manager to execute the consulting engineering services contract.

G. RP-5 FLOW EQUALIZATION & EFFLUENT MONITORING CONTRACT AWARDS

It is recommended that the Board:

1. Award a construction contract for the RP-5 Flow Equalization & Effluent Monitoring Project No. EN11031, to SCW Contracting in the amount of \$945,029;
2. Approve a contract with Lee & Ro, Inc., to provide engineering services during construction for the not-to-exceed amount of \$68,452; and
3. Authorize the General Manager to execute the construction contract and contract amendment.

H. APPROVAL OF CITY OF UPLAND'S EXTRA-TERRITORIAL REQUEST FOR THE SYCAMORE HILLS DEVELOPMENT

It is recommended that the Board adopt the resolution approving the extra-territorial request for sewer service from the City of Upland for the Sycamore Hills Development.

2. INFORMATION ITEMS – (to be continued after Action Items)

A. SUMMARY OF THE SOUTH ARCHIBALD PLUME CLEANUP PROJECT

3. ACTION ITEMS

A. RESOLUTION NO. 2016-12-1, AUTHORIZING AGENCY ORGANIZATIONAL MEMBERSHIPS AND AFFILIATIONS

It is recommended that the Board:

1. Approve the Agency-wide memberships and affiliations for FY 2017/18, in the amount of \$225,382 (includes 5% contingency); and
2. Adopt Resolution No. 2016-12-1, authorizing Agency organizational memberships and affiliations.

B. RESOLUTION FOR THE USBR TITLE XVI WATER RECLAMATION AND REUSE PROGRAM FUNDING

It is recommended that the Board:

1. Adopt Resolution No. 2016-12-3, authorizing the Agency to enter into financial assistance agreements with the U.S. Department of Interior – Bureau of Reclamation (USBR) WaterSMART: Title XVI Water Reclamation and Reuse Program Funding for Fiscal Year 2017; and
2. Authorize the General Manager, or in his absence, his designees,

to execute the financial assistance agreement, any amendments, and any grant related documents thereto.

C. IEUA FISCAL YEAR 2015/16 COMPREHENSIVE ANNUAL FINANCIAL REPORT

It is recommended that the Board:

1. Approve the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year (FY) ended June 30, 2016; and
2. Direct staff to distribute the report as appropriate, to the various federal, state, and local agencies, financial institutions, bond rating agencies, and other interested parties.

3. INFORMATION ITEMS - continued

B. ENGINEERING AND CONSTRUCTION MANAGEMENT PROJECT UPDATES (POWERPOINT)

C. MWD AND DROUGHT UPDATE - STATE WATER PROJECT (POWERPOINT)

D. UPDATE ON GOVERNOR BROWN'S EXECUTIVE ORDER B-37-16 (POWERPOINT)

RECEIVE AND FILE INFORMATION ITEMS

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

F. FY 2016/17 FIRST QUARTER BUDGET VARIANCE, PERFORMANCE GOALS UPDATES, AND BUDGET TRANSFERS (WRITTEN)

G. FUNDING OF ESTIMATED WORKERS' COMPENSATION LIABILITIES (WRITTEN)

H. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)

I. LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN)

J. LEGISLATIVE REPORT FROM WEST COAST ADVISORS (WRITTEN)

K. LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES (WRITTEN)

L. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN)

M. INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR DECEMBER 2016 (WRITTEN)

- N. MASTER SERVICE CONTRACTS AUDIT (WRITTEN)
- O. UPDATES FOR THE AUDIT COMMITTEE AND THE INTERNAL AUDIT DEPARTMENT CHARTERS (WRITTEN)
- P. FOLLOW-UP REVIEW – INFORMATION TECHNOLOGY EQUIPMENT AUDIT (WRITTEN)
- Q. AUDIT COMMITTEE FINANCIAL ADVISOR CONTRACT EXTENSION (WRITTEN)
- R. REPORT OF OPEN AUDIT RECOMMENDATIONS (WRITTEN)
- S. ANNUAL ENERGY REPORT (WRITTEN/POWERPOINT)
- T. CONTRACTS AND FACILITIES SERVICES LAWN CONVERSION IMPROVEMENTS (POWERPOINT)

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

- 4. AGENCY REPRESENTATIVES' REPORTS
 - A. SAWPA REPORT
 - B. MWD REPORT (WRITTEN)
 - C. REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT
 - D. CHINO BASIN WATERMASTER REPORT
- 5. GENERAL MANAGER'S REPORT (WRITTEN)
- 6. BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS
- 7. DIRECTORS' COMMENTS
 - A. CONFERENCE REPORTS

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

- 8. CLOSED SESSION
 - A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
 - 1. Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010

2. Martin vs. IEUA, Case No. CIVRS 1000767

3. Mwembu vs. IEUA, Case No. CIVDS 1415762

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

Supplemental Water Transfer/Purchase

Negotiating Party: General Manager P. Joseph Grindstaff

Under Negotiation: Price and Terms of Purchase

**C. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION;
INITIATION OF LITIGATION**

Two (2) Cases

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

Manager of Internal Audit

Board Secretary/Office Manager

9. ADJOURN


*A Municipal Water District

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

Proofed by: 

Declaration of Posting

I, April Woodruff, Board Secretary of the Inland Empire Utilities Agency*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, December 15, 2016.


April Woodruff


**ACTION
ITEM**


3A

Date: December 21, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs and Water Resources Committee (12/14/16)

From: P. Joseph Grindstaff
General Manager 

Submitted by: Kathy Besser 
Manager of External Affairs

Subject: Resolution No. 2016-12-1, Authorizing Agency Organizational Memberships and Affiliations

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve the Agency-wide memberships and affiliations for FY 2017/18, in the amount of \$225,382 (includes 5% contingency); and
2. Adopt Resolution No. 2016-12-1, authorizing Agency organizational memberships and affiliations.

BACKGROUND

Each year in preparation for IEUA's fiscal year budget, the Board of Directors, by four-fifths vote, approves a resolution authorizing memberships and affiliations with certain organizations (California Water Code – Section 71597).

A listing of the proposed Agency-wide memberships greater than \$5,000, along with a brief summary of the benefits associated, is attached for the Board's review. The attached membership dues are estimates provided by the organizations. Agency-wide memberships are due throughout the fiscal year and can fluctuate from the provided estimates. Due to unknown fluctuations in renewal costs, staff proposes that a 5% contingency be included in the Board's approval. Any individual membership renewal with an increase greater than 5% will be brought back to the Board for approval.

PRIOR BOARD ACTION

On April 20, 2016, the Board of Directors approved the Agency-wide memberships and affiliations for FY 2016/17 in the amount of \$238,250 through adoption of Resolution No. 2016-4-8.

IMPACT ON BUDGET

The proposed membership fees in the amount of \$225,382 (which includes the 5% contingency) will be appropriated in the Agency's FY 2017/18 Administrative Services Fund Budget, under account number 10200-112100-100000-514010, Agency-wide Memberships.

Attachments: Agency-wide membership benefit summary and details

**AGENCY-WIDE MEMBERSHIPS BENEFIT SUMMARY
 FY 2017/2018**

Membership	Board Representative	Estimated Dues
Association of California Water Agencies		\$31,295 (5% increase)
California Association of Sanitation Agencies (CASA)	Jasmin A. Hall	\$20,440 (3% increase)
California Special Districts Association (CSDA)	Jasmin A. Hall	\$6,907 (6.5% increase)
Isle Utilities		\$12,000
National Association of Clean Water Agencies (NACWA)		\$31,782 (4% increase)
National Water Research Institute (NWRI)	Steven J. Elie	\$50,000
Southern Cal. Alliance of Publicly Owned Treatment Works (SCAP)		\$15,001
Southern California Water Committee (SCWC)	Steven J. Elie	\$5,000
Southern California Salinity Management Coalition		\$10,000
WaterReuse Association	Jasmin A. Hall	\$9,630 (11.7% increase)
Water Environment and Reuse Foundation (WE&RF)		\$16,560 (20% increase)
Alliance for Water Efficiency		\$1,540
Association of San Bernardino County Special Districts	Steven J. Elie	\$275
Chino Valley Chamber of Commerce		\$295
Fontana Chamber of Commerce		\$400
Montclair Chamber of Commerce		\$325
National Safety Council		\$787
Ontario Chamber of Commerce		\$395
Public Agency Risk Management Association (PARMA)		\$200
Rancho Cucamonga Chamber of Commerce		\$290
Upland Chamber of Commerce		\$155
Water Education Foundation (WEF)		\$1,372
Total memberships (includes 5% contingency):		\$225,382

**AGENCY-WIDE MEMBERSHIPS BENEFIT DETAILS
FY 2017/2018**

Association of California Water Agencies (ACWA):

ACWA is the lead water policy advocacy organization in California and provides members with cost savings through an additional voice in state and federal legislative and regulatory arenas.

ACWA's federal affairs, legislative and regulatory activities advance bills and issues of concern to members, while halting potentially damaging measures. Initiatives include determining components of newly-passed water bond legislation, Bay Delta Conservation Plan and Delta Plan advocacy, long term water infrastructure financing, and renewable energy policy.

Dues: \$31,295 (Estimated 5% increase)

California Association of Sanitation Agencies (CASA):

CASA serves as the lead advocacy group for wastewater agencies in California on legislative and regulatory issues. Since CASA employs legal representation, it is extremely effective on regulatory issues, particularly before the State Water Resources Control Board (SWRCB) and California Department of Health Services (CDPH), and has, in recent years, saved association members costs of individually having to address such issues as the proposed Whole Effluent Toxicity policy (WET) and draft SWRCB monitoring policy for Constituents of Emerging Concern in recycled water.

CASA maintains lobbyists in Sacramento and Washington, D.C., in addition to a Director of Regulatory Affairs. Priorities include adoption by SWRCB of acceptable WET policy, development with SWRCB of alternative approaches to nutrient issues to cost-effectively reduce impairments, and promotion of biosolids as a renewable energy resource.

Dues: \$20,440 (Estimated 3% increase)

California Special Districts Association (CSDA):

CSDA is a statewide association of various independent special districts whose primary function is legislative advocacy. In the past year, CSDA played a vital role in coordinating responses to major legislative initiatives that impacted special districts, including redevelopment agency reform, proposed property tax shifts, and pension reform, successfully pushing back on changes that would have been harmful or increased costs to special districts.

The Agency was awarded the Transparency Certificate in 2015. The organization is very

active on the legislative front working closely with our lobbyist on critical legislation that impacts the Agency. In 2015, CSDA continued to track and engage Agency staff on property tax and rate related issues. CSDA provides timely and essential training, including, but not limited to: Ethics, Board Secretary, Brown Act, and Proposition 26 and 218 requirements. CSDA also acts as a great resource for the Agency's self-insured programs.

Dues: \$6,907 (Estimated 6.5% increase)

Isle Utilities:

A Technology Approval Group (TAG) membership will serve as a valuable tool for IEUA staff to learn about new wastewater technologies that have the potential to provide significant benefits to the Agency. TAG gives its members access to a portfolio of new technologies while allowing its members to stay focused on their core businesses. TAG searches out technologies which are innovative and ready for potential trials, and then presents these technologies to its members. Members then have a vote on the top prospects, allowing those that align best with the members needs to take precedence.

The TAG membership also provides a forum for IEUA to request technology searches that relate to the Agency's specific needs and challenges. TAG members also have access to global industry trials, online support, and interactive workshops. Some of the southern California wastewater agencies that are members of TAG include Orange County Sanitation District, Irvine Ranch Water District, and the city of Escondido. IEUA's participation in TAG has provided value to staff in identifying technologies that can benefit future Agency projects and initiatives.

Quarterly TAG meetings were attended by Agency staff at Orange County Sanitation District. These all-day meetings provided valuable information relating to wastewater treatment (e.g., process optimization, reducing energy use, and resource recovery), and provided a forum to initiate further discussions with technology providers. The Technical Services Department's investigations on aeration performance and on-line nutrient analyzers have benefited significantly from the TAG membership.

Dues: \$12,000

National Association of Clean Water Agencies (NACWA):

IEUA became a member of NACWA last year (FY 16/17). The association will have a lot of influence on any reauthorization on the Clean Water Act, which none of the other current memberships or affiliations that IEUA is associated with are specifically involved in. Over the next few years, staff will determine the benefits of this membership and bring it back to the Board for assessment.

NACWA's active membership and close working relationship with Congress and the U.S. Environmental Protection Agency (EPA) allow members to interact with national policy makers and shape the course of America's environmental protection legislation.

Today's increasingly complex threats to water quality present many legislative and regulatory challenges to the wastewater treatment community. NACWA is responding to these challenges through heightened involvement in a broadening array of clean water concerns, such as advocating increased funding, developing enforceable controls on nonpoint sources, and working to improve the total maximum daily load (TMDL) program, in addition to a host of other clean water priorities.

Since its founding in 1970, NACWA has emerged as a nationally recognized leader in both the legislative and regulatory arenas and as a sought-after technical resource on water quality and ecosystem protection.

Dues: \$31,782 (Estimated 4% increase)

National Water Research Institute (NWRI):

NWRI provides valuable research and policy guidance to the industry on important issues affecting the usage of water, wastewater, and recycled water. NWRI is highly regarded by the environmental regulatory community and often collaborates with regulators such as the California Division of Drinking Water and the Regional Water Quality Control Board at their request to provide expert panel support on water quality related issues. Through strategic partnerships with leading organizations in the water and wastewater industries, NWRI sponsors projects and programs focused on ensuring safe, reliable, sources of water for current and future generations. Notable areas of focus are treatment technology and regulatory aspects of recycled water use.

IEUA Board Member Steven J. Elie currently serves on NWRI's Board of Directors. NWRI is active in research in the field of water reuse and has produced guidelines for such projects as development of direct and indirect potable reuse projects. NWRI provides technical expertise and is a respected venue for development of technical review panels, both of which assist the Agency to advance its programs. Specifically, IEUA will utilize an NWRI expert panel for its recycled water injection effort and has previously used an expert panel to further its recycled water recharge program. NWRI includes IEUA staff in its formation of technical panels, as appropriate, giving IEUA an opportunity to provide leadership in selected fields.

Dues: \$50,000

Southern California Alliance of Publicly Owned Treatment Works (SCAP):

SCAP is organized under the "strength-in-numbers" concept in order to ensure that environmental regulations applied in southern California are appropriate, reasonable and

cost-effective. Through the committee efforts information is gathered and disseminated to all members using the SCAP Monthly Update, published committee reports and periodic SCAP Alerts. SCAP provides specific leadership on key regulatory focus areas, such as air, water, energy, biosolids and collection systems, and works closely with CASA to communicate these issues at the state and federal level. Specialized committees have played an integral part in proactively affecting the outcome of proposed regulations that would have had significant economic impacts to the Agency.

Dues: \$15,001

Southern California Water Committee (SCWC):

SCWC - is a nonprofit, nonpartisan public education partnership dedicated to informing Southern Californians about our water needs and our state's water resources. Though measured advocacy, SCWC works to ensure the health and reliability of Southern California's water supply.

Dues: \$5,000

Southern California Salinity Management Coalition:

Formed in 2000, IEUA is a founding member of the Coalition, which addresses the complex problems of salt management in southern California. The Southern California Salinity Coalition has financially assisted IEUA on the water softener reduction project and regional board regulatory issues and continues to sponsor new research that will support the Chino Basin in addressing long term salt management issues.

Agency staff actively participates and serves on the Board of Directors for this organization. The meetings are very productive and cover a lot of ground in the area of salinity management within the southern California region. The coalition does not hold conferences, but periodically holds workshops for various stakeholders in which the Agency participates. The coalition membership includes agencies such as LACSD, OCWD, MWD, EMWD, and SDCWA to name a few. Some of the past efforts of this organization included assistance in the development of public outreach materials on salt management and water softeners and contributing funding to help with IEUA's water softener study. The main focus of this group is to coordinate salinity management strategies for water and wastewater agencies throughout southern California.

Dues: \$10,000

WaterReuse Association:

WaterReuse Association is the lead advocate for water recycling in the nation. Membership in WaterReuse includes state section membership. Regarding the use of recycled water, WaterReuse Association has proactive programs, legislation, government relations,

regulatory agency oversight, technology transfer and public education/outreach. At the national level, WateReuse Association is an advocate for Title XVI funding, and works closely with IEUA to ensure continued federal support for recycled water programs. The California section is active in legislative and regulatory affairs, and played a pivotal role in securing passage of IEUA's historic water softener legislation (AB1366). Ongoing priorities include protection of Title XVI funding, support of programs at the federal level and promoting legislation that advances potable reuse along with indirect potable reuse.

IEUA benefits from membership in the WateReuse Association. Martha Davis serves on the Board of Trustees for WateReuse California. The WateReuse Inland Empire chapter, the State and regional associations provide opportunities for IEUA participation in conferences and regional meetings. Many IEUA staff and board members have attended WateReuse conferences over the past few years. IEUA staff have presented at regional chapter meetings and State conferences, providing staff with invaluable leadership, networking and training opportunities. At various times, IEUA staff have made presentations for WateReuse regarding the IEUA recycled water distribution and recharge programs. WateReuse is an advocate of IEUA's goal of increased use of recycled water.

Dues: \$9,630 (11.7% increase)

Water Environment and Reuse Foundation (WE&RF):

In May 2016, the Water Environment Research Foundation (WERF) and the WateReuse Research Foundation (WRRF) merged to create the Water Environment & Reuse Foundation (WE&RF). WE&RF is a charitable corporation seeking to identify, support, and disseminate research that enhances the quality and reliability of water for natural systems and communities with an integrated approach to resource recovery and reuse; while facilitating interaction among practitioners, educators, researchers, decision makers, and the public.

This organization supports research that enhances water quality and reliability. Agencies that practice resource recovery, especially water recycling, benefit from such integrated research that guides practitioners and regulators

In FY 2016/17, WE&RF membership dues totaled \$13,800, a decrease of approximately \$24,000 from the estimated amount. The decrease can be attributed to the merger of WERF and WRRF.

Dues: \$16,560

RESOLUTION NO. 2016-12-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, AUTHORIZING AGENCY-WIDE ORGANIZATIONAL MEMBERSHIPS AND AFFILIATIONS

WHEREAS, the Board of Directors of Inland Empire Utilities Agency* authorized Agency-wide memberships in and affiliations with various organizations which benefit the Agency; and

WHEREAS, Section 71597 of the California Water Code requires that Agency-wide memberships must be approved by at least four-fifths (4/5) majority of its Directors.

NOW, THEREFORE, the Board of Directors of Inland Empire Utilities Agency* does hereby RESOLVE, DETERMINE, AND ORDER as follows:

Section 1. That this Board of Directors does hereby approve and authorize the fiscal year Agency-wide annual memberships in and affiliation with, and authorize the General Manager to execute payment of membership fees to these organizations (see attachment).

Section 2. That this Board of Directors does hereby approve and authorize the General Manager, or in his absence, his designee, to approve all Agency-wide annual memberships in and affiliation with, and payment of membership fees to these organizations less than \$5,000.00.

Section 3. That the appropriation of funds necessary for the dues and/or fees associated with the Agency-wide memberships is hereby authorized.

Section 4. That the appropriation of funds necessary for the dues and/or fees associated with the Agency-wide memberships and employee professional memberships be authorized by the Board of Directors in the budget each fiscal year.

Section 5. Upon adoption of this resolution, Resolution No. 2016-4-8 is hereby rescinded in its entirety.

ADOPTED this 21st day of December, 2016.

Michael Camacho
Vice-President of the Inland Empire
Utilities Agency* and the Board
of Directors thereof

ATTEST:

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

*A Municipal Water District

STATE OF CALIFORNIA)
)SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the foregoing Resolution being No. 2016-12-1, was adopted at a regular
meeting on December 21, 2016, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary/Treasurer

(SEAL)

* A Municipal Water District

**AGENCY-WIDE MEMBERSHIPS BENEFIT SUMMARY
FY 2017/2018**

Membership	Board Representative	Estimated Dues
Association of California Water Agencies		\$31,295 (5% increase)
California Association of Sanitation Agencies (CASA)	Jasmin A. Hall	\$20,440 (3% increase)
California Special Districts Association (CSDA)	Jasmin A. Hall	\$6,907 (6.5% increase)
Isle Utilities		\$12,000
National Association of Clean Water Agencies (NACWA)		\$31,782 (4% increase)
National Water Research Institute (NWRI)	Steven J. Elie	\$50,000
Southern Cal. Alliance of Publicly Owned Treatment Works (SCAP)		\$15,001
Southern California Water Committee (SCWC)	Steven J. Elie	\$5,000
Southern California Salinity Management Coalition		\$10,000
WaterReuse Association	Jasmin A. Hall	\$9,630 (11.7% increase)
Water Environment and Reuse Foundation (WE&RF)		\$16,560 (20% increase)
Alliance for Water Efficiency		\$1,540
Association of San Bernardino County Special Districts	Steven J. Elie	\$275
Chino Valley Chamber of Commerce		\$295
Fontana Chamber of Commerce		\$400
Montclair Chamber of Commerce		\$325
National Safety Council		\$787
Ontario Chamber of Commerce		\$395
Public Agency Risk Management Association (PARMA)		\$200
Rancho Cucamonga Chamber of Commerce		\$290
Upland Chamber of Commerce		\$155
Water Education Foundation (WEF)		\$1,372
Total memberships (includes 5% contingency):		\$225,382


**ACTION
ITEM**


3B


Date: December 21, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (12/14/16)
Finance, Legal, and Administration Committee (12/14/16)

From: P. Joseph Grindstaff
General Manager 

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

Jason Gu 
Grants Officer

Subject: Resolution for the USBR Title XVI Water Reclamation and Reuse
Program Funding

RECOMMENDATION

It is recommended that the Board of Directors:

1. Adopt Resolution No. 2016-12-3, authorizing the Agency to enter into financial assistance agreements with the U.S. Department of Interior - Bureau of Reclamation (USBR) WaterSMART: Title XVI Water Reclamation and Reuse Program Funding for Fiscal Year 2017; and
2. Authorize the General Manager, or in his absence, his designees, to execute the financial assistance agreement, any amendments, and any grant related documents thereto.

BACKGROUND

USBR WaterSMART: WaterSMART: Title XVI Water Reclamation and Reuse Program:

In October 2016, the USBR announced the WaterSMART: Title XVI Water Reclamation and Reuse Program Funding for Fiscal Year 2017 to provide assistance to sponsors of authorized Title XVI Projects on competitive basis in the seventeen west states.

In 2009, IEUA received an authorization for the Lower Chino Dairy Area Desalination Demonstration and Reclamation Project in the amount of \$26,000,000. IEUA has been participating in the competitive grant funding program since 2011. Five grant awards have been

participating in the competitive grant funding program since 2011. Five grant awards have been received in the past, and the remaining balance under the Title XVI authorization is currently \$5,248,905. Prior awards received under this authorization are as follows:

Contract Number	Project Name	Amount	Date
R11AC35306	Chino Creek Well Field Wells 1, 2, and 3	\$1,551,095	9/26/2011
R12AC35339	1010 Zone Pump Station and Product Water Pipelines	\$4,000,000	9/24/2012
R14AC00049	Groundwater Supply Wells and Raw Water Pipelines	\$3,000,000	9/17/2014
R15AC00059-1	Brine Concentrate Reduction Facility	\$5,000,000	9/14/2015
R15AC00059-2	Lower Chino Dairy Area Desalination Demonstration and Reclamation Project	\$7,200,000	9/15/2016
	Grant Award Received	\$20,751,095	
Authorization	Lower Chino Project	\$26,000,000	
	Authorization Balance	\$5,248,905	

PRIOR BOARD ACTION

In 2007, the Board of Directors approved Resolution No. 2007-11-5, authorizing IEUA to apply and manage grants for CDA related projects.

IMPACT ON BUDGET

Contract Nos. R14AC00049 and R15AC00059-2 will aid in the reduction of IEUA’s approved budgeted costs for the South Archibald TCE Plume Cleanup Project, Project No. EN16021, which is currently listed in the approved Ten-Year Capital Improvement Plan (TYCIP) and FY16/17 budget. Upon approval of the Proposition 1 Groundwater Quality funding in the amount of \$11.5 million, the TYCIP will be aligned with the grant.

Attachment:
 Resolution No. 2016-12-3

RESOLUTION NO. 2016-12-3

THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, AUTHORIZING THE INLAND EMPIRE UTILITIES AGENCY TO ENTER INTO A FINANCIAL ASSISTANCE AGREEMENT UNDER THE WATERSMART: 2017 WATER RECLAMATION AND REUSE PROGRAM FUNDING FOR FISCAL YEAR 2017 WITH THE U.S. DEPARTMENT OF INTERIOR - BUREAU OF RECLAMATION AND DESIGNATING A REPRESENTATIVE TO EXECUTE THE FINANCIAL ASSISTANCE AGREEMENT, AND ANY AMENDMENTS THERETO

WHEREAS, the United States Department of the Interior, Bureau of Reclamation under the WaterSMART: Title XVI Water Reclamation and Reuse Program will make funding available to qualifying applicants; and

WHEREAS, the Board of Directors of the Inland Empire Utilities Agency has identified a project that exemplifies the objectives of the WaterSMART Grant in the Lower Chino Dairy Area Project.

BE IT RESOLVED, that the Inland Empire Utilities Agency* is authorized to enter into a financial assistance agreement under the WaterSMART: Title XVI Water Reclamation and Reuse Program Funding for Fiscal Year 2017;

BE IT RESOLVED, the General Manager has reviewed and supports the application being submitted;

BE IT RESOLVED, that the Inland Empire Utilities Agency* Board of Directors authorizes the General Manager, Assistant General Managers, or his/her designees to execute the financial assistance agreement, any amendments, and any grant related documents thereto;

BE IT RESOLVED, that the Inland Empire Utilities Agency, along with the Chino Basin Desalter Authority and its member agencies, are capable of providing the amount of funding and/or in-kind contributions specified in the grant application funding plan; and

BE IT RESOLVED, that the Inland Empire Utilities Agency will work with the Bureau of Reclamation to meet established deadlines for entering into a cooperative agreement.

ADOPTED this 21st day of December, 2016.

Michael Camacho, Vice President of the Inland Empire Utilities Agency* and of the Board of Directors thereof

ATTEST:

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

STATE OF CALIFORNIA)
)SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the foregoing Resolution being No. 2016-12-3, was adopted at a regular
meeting on December 21, 2016, of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary/Treasurer

(SEAL)

* A Municipal Water District

Grant Application for the Title XVI Water Reuse and Reclamation Program



U.S. Department of Interior, Bureau of Reclamation (USBR)



Jason H. Gu
Grants Officer

Title XVI Grant Program Background

- * A Federal Program for Water Reuse, Desalination and Reclamation in the 17 Western States, pays for 25% eligible project costs
- * \$590M was authorized for Southern California projects between 2007-2009, including three IEUA projects:
 1. RW Distribution System - \$20M (\$20M awarded)
 2. GW Desalination & Reclamation - \$26M (\$20.8M awarded)
 3. WW Satellite Treatment Plant in CVWD area - \$10M
- * USBR announces the funding opportunity annually
- * Authorized projects must compete for awards

GW Authorization Status

- Lower Chino Dairy Area Desalination Demonstration & Reclamation Project
- Known as CDA II Expansion & South Archibald TCE Plume Cleanup Projects

- **\$20.8M has been awarded in five grant contracts**

- **This application is for the final part (\$5.2M) of the GW Desalination & Reclamation Authorization**

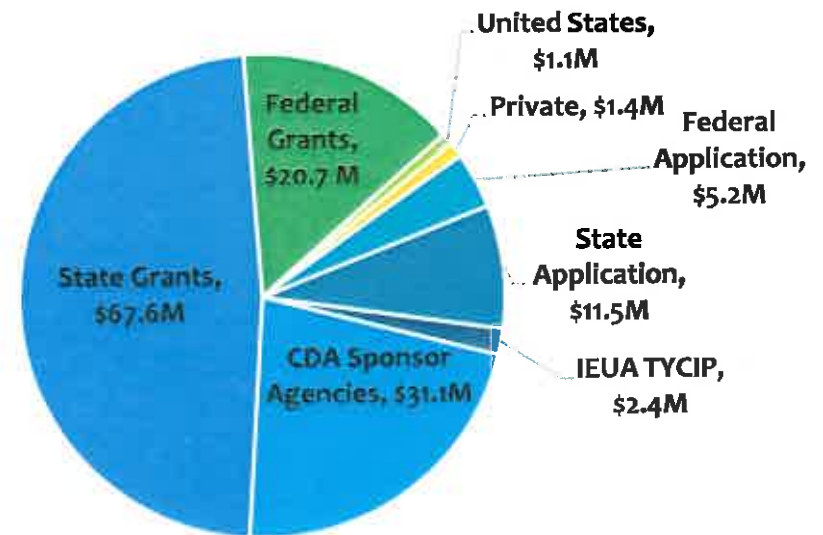
Contract Number	Project Name	Amount	Date
R11AC35306	Chino Creek Wellfield Wells	\$1,551,095	9/26/2011
R12AC35339	Pump Station and Product Water Pipelines	\$4,000,000	9/24/2012
R14AC00049	Groundwater Supply Wells and Raw Water Pipelines	\$3,000,000	9/17/2014
R15AC00059-1	Brine Concentrate Reduction Facility	\$5,000,000	9/14/2015
R15AC00059-2	Lower Chino Dairy Area Desalination Demonstration and Reclamation	\$7,200,000	9/15/2016
Current Application		\$5,248,905	
Total Title XVI Authorization		\$26,000,000	

Funding Sources

CDA II Expansion & South Archibald TCE Plume Cleanup Projects

Funding Sources	(Million)	%
State Grants	\$ 67.6	
Federal Grants	\$ 20.8	
United States (TCE Cleanup)	\$ 1.1	
Private Parties (TCE Cleanup)	\$ 1.4	
State Prop 1 GWQ (TCE Cleanup) *	\$ 11.5	
Federal (Title XVI for GW) *	\$ 5.2	
Total External Funding	\$ 107.6	76%
CDA Member Agencies	\$ 31.1	
IEUA TYCIP Budget	\$ 2.4	
Total Regional Funding	\$ 33.5	24%
Total Project Cost	\$ 141.1	100%

* Grant application pending



Recommendation

- * Adopt Resolution No. 2016-12-1, authorizing the Agency to enter into a financial assistance agreement with the USBR for the grant application to be submitted in December 2016
- * Authorize the General Manager to execute the financial assistance agreements, and any grant associated documents related thereto

This action supports the Agency's mission to increase sustainability through the development of reliable local water supplies and is consistent with the Agency's mission of pursuing grants and low-interest financing.


**ACTION
ITEM**


3C





Date: December 21, 2016

To: The Honorable Board of Directors

Through:  Audit Committee (12/14/16)
Finance, Legal, and Administration Committee (12/14/16)

From:  P. Joseph Grindstaff
General Manager

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

 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: IEUA Fiscal Year 2015/16 Comprehensive Annual Financial Report

RECOMMENDATION

It is recommended that the Board of Directors:

1. Approve the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year (FY) ended June 30, 2016; 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

On March 16, 2016 the Board approved a contract with Lance, Soll & Lunghard, LLP (LSL), an independent CPA firm, for professional annual financial and single audit services for three fiscal years, with the option for an additional two fiscal years, beginning in FY 2015/16. The agreement covers the audit of the Inland Empire Utilities Agency (Agency) financial statements, review of the annual appropriations limit calculation, and audit of the Agency's federal awards in accordance with Office of Management and Budget (OMB) Circular A-133 (Single Audit).

Comprehensive Annual Financial Report (CAFR)

The Agency' CAFR for fiscal year ended June 30, 2016 was prepared in conformity with generally accepted accounting principles 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 is accurate in all material respects, and reported in a manner designed to fairly present the financial position and results of operations for the various 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. Exhibit A is a copy of the Agency CAFR in substantially final form presented to the Audit and Finance, Legal and Administrative Committees on December 14, 2016.

FY 2015/16 Financial Highlights

The Agency's statement of net position for FY ended June 30, 2016, reflects \$530.6 million, an increase of \$37.3 million compared to the prior FY. The gain is primarily due to higher operating revenues resulting from the rates and charges adopted by the Board structured to achieve cost of service over multiple years. A higher number of new connections to the regional wastewater system, higher property tax receipts from enhanced assessed values in the Agency's service area, and lower operating expenses contributed to the increase in net position.

Water Inventory

On February 17, 2015, the Board approved the Water Storage Agreement between the Agency and Cucamonga Valley Water District (CVWD) for the purchase of up to 5,000 acre-feet (AF) of supplemental water. As of June 30, 2016, the Agency had over 2,200 AF of water inventory under the CVWD account. These water purchases will help CVWD maintain minimum Metropolitan Water of Southern California (MWD) turnout flow rate, as well as maintain the Agency's regional allocation of Tier 1 water from MWD.

Additionally, the Agency holds 225 AF of water rights per the Agreement for the Provision of Sewer and Recycled Water Service (Agreement) with the California Speedway Corporation (Speedway) executed on November 24, 2015. The Agreement was the result of a cooperative effort with the City of Fontana, Fontana Water Company, and Speedway to extend wastewater treatment and recycled water services to unincorporated areas in the vicinity of the Agency service area. Pursuant to the Agreement, Speedway can assign water rights to the Agency to pay for its share of any capital costs and connection fees for both wastewater and recycled water systems. Assuming, Speedway continues to exercise this option, water rights will increase in the future years.

Imported Water Pass-Through Sales and Purchases

FY 2015/16 is the second year the Agency is reporting the purchase and resale of imported water from MWD. This change in accounting treatment will provide a more complete account of the Agency's water related activities under the Water Resources (WW) fund. The ongoing drought and the Governor's mandatory water conservation cutbacks resulted in historically low MWD imported water deliveries of 31,714 AF; a decrease of 27,194 AF with respect to FY 2014/15. The

decrease reflects the Region's successful conservation efforts in partnership with our contracting agencies in meeting the mandatory cutbacks.

Project Closures

An important part of the accuracy in the financial statements resides in the proper classification of cost between capital and non-capital expenses. The reclassification of project costs incorrectly included as "capital projects" in the Agency's jobs in progress was noted in the FY 2014/15 by the external auditors as a significant deficiency in internal control. A significant deficiency is less severe than a material weakness, yet important enough to merit attention. Staff's ongoing analysis of the job in progress category to ensure capitalization principles are appropriately applied was a key emphasis throughout FY 2015/16 and resulted in the closure of over 80 capital projects by the end of FY 2015/16. As of June 30, 2016 the total value of jobs in progress of slightly under \$18 million: a historic low for the Agency.

External Auditors' Independent Audit

The Agency's independent audit firm, Lance, Soll & Lunghard, LLP (LSL) performed the annual financial audit. LSL issued an unmodified ("clean") opinion over the financial statements for the Fiscal Year ended June 30, 2016, indicating that the financial statements are presented fairly and in accordance with GAAP.

LSL found no material deficiency in internal controls over financial reporting.

The Single Audit Report is performed on a cash basis, and has been postponed until the beginning of 2017 to allow for all pending billing activity for Fiscal Year 2015/16 to be processed by the Federal Clearing House. The Single Audit will be completed to meet the March 2017 due date.

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 2015/16 CAFR is December 31, 2016.

The IEUA FY 2015/16 Comprehensive Annual Financial Report is consistent with the Agency's Business Goal of Fiscal Responsibility in providing transparent communication of the Fiscal Year activity and the net position of the different programs of the Agency.

PRIOR BOARD ACTION

On December 16, 2015, the Board of Directors approved the Agency's Comprehensive Annual Financial Report for FY 2014/15 reviewed by the Audit Committee & Finance and Administration Committee on December 9, 2015.

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

IMPACT ON BUDGET

There is no impact on the Agency's FY 2016/17 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 2015/16 Comprehensive Annual Financial Report
- Exhibit B – LSL's Management Letter
- Exhibit C – LSL Report on Internal Control
- Exhibit D – LSL's Report of Agreed-Upon Procedures Applied to Appropriations Limit Worksheets for fiscal year ending June 30, 2016

Exhibit A

Exhibit B



CPA & FINANCIAL ADVISORS

_____, 2016

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

We have audited the financial statements of the each major fund, and the aggregate remaining fund information of the Inland Empire Utilities Agency (the "Agency") for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 12, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in the notes to the financial statements. Statement of Governmental Accounting Standards (GASB Statement No. 72), *Fair Value Measurement and Application* was implemented in fiscal year 2015-2016. This implementation is noted in Note 3, Cash and Investments, in the Comprehensive Annual Financial Report.

We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Agency's financial statements were:

Management's estimate of its net pension liability is based on actuarial valuation specialist assumptions. We evaluated the key factors and assumptions used to develop the proportionate share of the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of its other post-employment benefit annual required contribution is based on actuarial valuation specialist assumptions. We evaluated the key factors and assumptions used to develop the other post-employment benefit annual required contribution in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.





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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were found.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of contributions, and the other post-employment benefit plan funding progress schedule which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



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

We were engaged to report on the non-major enterprise fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

New Auditing Standard No. 130

This new auditing standard is effective for financial periods ending on or after December 15, 2016; for most California municipalities it is effective for the period July 1, 2016 through June 30, 2017 and future periods thereafter. The standard allows CPA firms to issue an opinion on the financial statements conformity with generally accepted accounting principles, as well as an opinion on the operating effectiveness of internal controls over financial reporting through an integrated audit. This standard does not change the objectives of a financial statement audit, it only enhances the value and scope of a financial statement audit and increases the level of assurance provided by CPA firms on financial controls. Municipalities should look to perform an integrated audit for more assurance on the operating effectiveness of internal controls over financial reporting.

New Accounting Standards

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2015-2016 audit:

GASB Statement No. 72, Fair Value Measurement and Application.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

The following Governmental Accounting Standards Board (GASB) pronouncements are effective in the following fiscal year audit and should be reviewed for proper implementation by management:

Fiscal year 2016-2017

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

GASB Statement No. 77, Tax Abatement Disclosures.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.



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

GASB Statement No. 80, Blending Requirements for Certain Component Units-an Amendment of GASB Statement No. 14.

GASB Statement No. 82, Pension Issues an Amendment of GASB Statements No. 67, No. 68, and No. 73.

Fiscal year 2017-2018

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

GASB Statement No. 81, Irrevocable Split Interest Agreements

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Inland Empire Utilities Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Solt & Lughard, LLP

Brea, California

DRAFT

Exhibit C



CITY AND COUNTY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund, and the aggregate remaining fund information of the Inland Empire Utilities Agency (the "Agency"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated _____, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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





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

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.

Lance, Solt & Lingham, LLP

Brea, California
_____, 2016

DRAFT

Exhibit D



INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON
PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS

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

We have performed the procedures enumerated below to the accompanying Appropriations Limit Worksheet No. 6 (or other alternative computation) of the Inland Empire Utilities Agency (the "Agency"), for the year ended June 30, 2016. These procedures, which were agreed to by the Agency and the League of California Cities (as presented in the publication entitled Agreed-Upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution), were performed solely to assist the Agency in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. The Agency's management is responsible for the Appropriations Limit Worksheet No. 6 (or other alternative computation).

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Worksheets No. 1 through No. 7 (or other alternative computations) and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Board of Directors.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Worksheet No. 6, we multiplied line A, last year's limit, by line D, ratio of change, and agreed the resulting amount to line E, this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Worksheet No. 6 to the other worksheets described in No. 1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the Board of Directors for the prior year.

Finding: No exceptions were noted as a result of our procedures.





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

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by the League publication entitled Article XIIB Appropriations Limitation Uniform Guidelines.

This report is intended solely for the use of the Inland Empire Utilities Agency and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Lance, Soll & Lughard, LLP

Brea, California
May 20, 2016

INLAND EMPIRE UTILITIES AGENCY
2015-2016
APPROPRIATIONS LIMIT CALCULATION

A.	2014-2015 APPROPRIATIONS LIMIT:	\$ 152,041,486
B.	2015-2016 CHANGE IN PER CAPITA PERSONAL INCOME:	1.08320
C.	2015-2016 CHANGE IN POPULATION:	1.01090
D.	RATIO OF CHANGE (1.08320 X 1.01090):	<u>1.04952</u>
E.	2015-2016 APPROPRIATIONS LIMIT: (\$152,041,486 X 1.04952)	<u>\$ 159,570,580</u>



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016

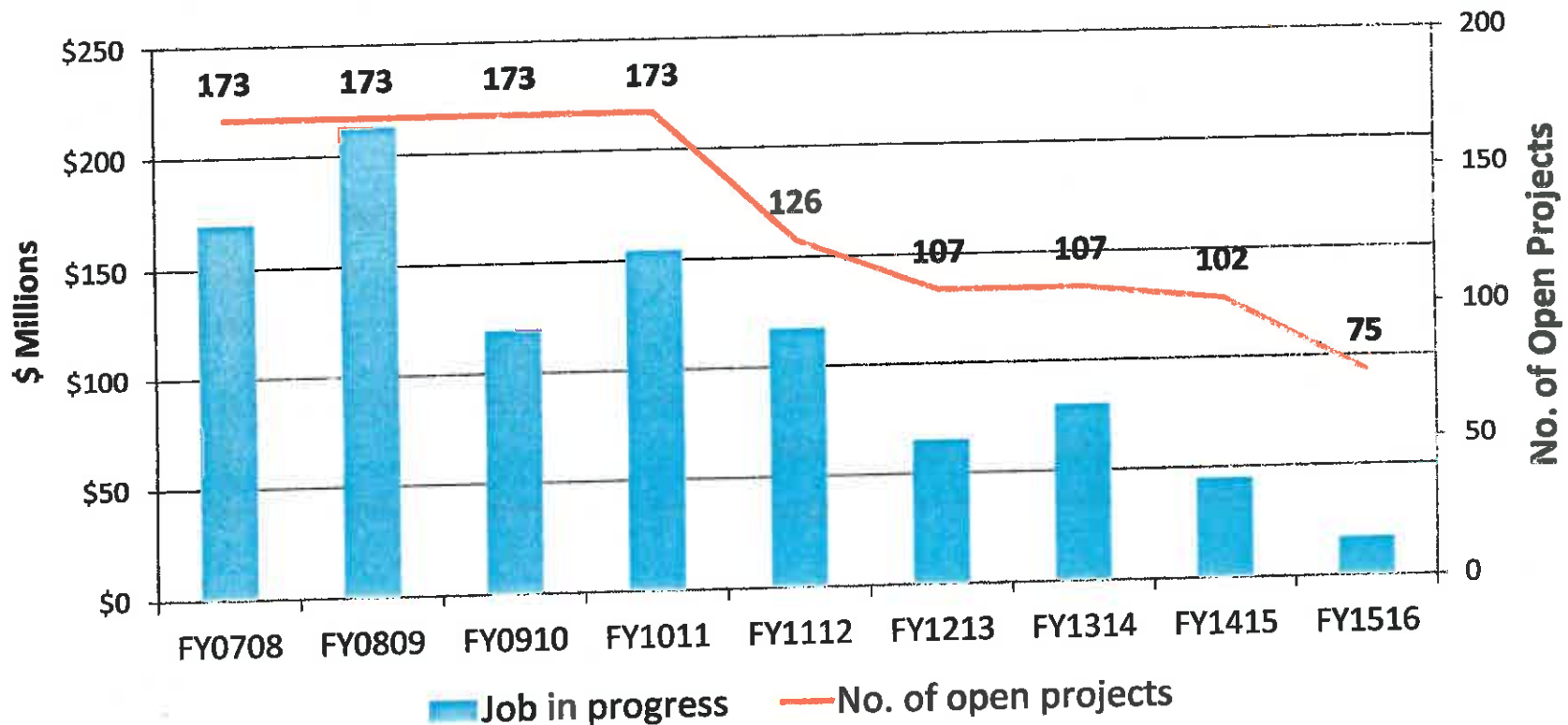
**December 2016
Board Meeting**

FY 2015/16 Highlights

- ❖ Established water inventory
 - Over 2,200 AF purchased from Cucamonga Valley Water District
 - 225 AF water rights from California Speedway
- ❖ Water Connection fee started January 1, 2016, \$0.9 million.
- ❖ Wastewater Connection fees activity, \$24.9 million
- ❖ Imported water deliveries 31,714 AF year low
- ❖ Continued funding of employee retirement liabilities
- ❖ External Auditors unmodified (“clean”) opinion
- ❖ Single audit postponed until January 2017

FY 2015/16 Highlights

- ❖ 30% reduction in number of open projects
- ❖ Project closures reduced Jobs in Progress to a 9 year low



Change in Operating and Non-Operating Activities

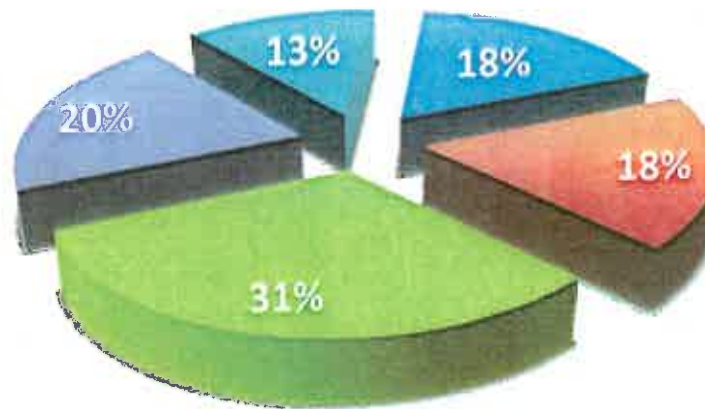
In \$ million	FY 2015/16	FY 2014/15	change	
			Amount	%
Operating revenues	\$ 99	\$ 110	\$ (11)	-9.8%
Operating expenses	\$ (130)	\$ (141)	\$ 11	-7.7%
Net operating activities	\$ (31)	\$ (31)	\$ 0	-0.1%
Non Operating revenues	\$ 93	\$ 70	\$ 23	32.9%
Non Operating expenses	\$ (25)	\$ (17)	\$ (8)	46.8%
Net Non Operating activities	\$ 68	\$ 53	\$ 15	28.5%
Total increase (decrease) in net position	\$ 37	\$ 22	\$ 15	68.6%
Beginning net position	\$ 493	\$ 471		
ending net position	\$ 531	\$ 493	\$ 37	7.6%

Operating expenses includes \$36.9 million depreciation and amortization.

FY 2015/16 ENDING CASH POSITION

- ❖ \$44.4 million increase from prior fiscal year
 - Higher connection fees and property taxes
 - Lower than anticipated project expenditures

\$175 million



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



Questions?

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

**INFORMATION
ITEM**

2B

Engineering and Construction Management Project Updates

December 21, 2016



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

John Scherck
Acting Deputy Manager of Engineering

EN18006 – RP-1 Flare Improvements

- Engineering Consultant: TBD
- Current Contract (Design): TBD
- Total Project Budget: \$4 M
- Project Completion: March 2019
- Scope of Work:
 - Replacement of existing candlestick flare with high efficiency flare(s)
 - Evaluate existing iron sponges and provide upgrade
 - Assess existing digester gas piping condition for relocation
- Current Activities:
 - Advertised RFP for solicitation on November 1, 2016
 - Preproposal briefing/site walk on November 15, 2016
 - Consultant proposal due November 29, 2016



RP-1 Candlestick Flare



RP-1 Flare Gas Piping

RW15003 – RMPU Projects

- Engineering Consultant: Stantec Consulting
- Current Contract (Design): \$778 K
- Total Project Budget: \$7.5 M (IEUA only)
- Project Completion: December 2017
- Scope of Work:
 - Pre-design of the approved recharge basin improvements
 - Provide additional stormwater and recycled water yield for groundwater recharge
- Current Activities:
 - Complete the preliminary design phase
 - Stormwater unit cost of \$380 per AF

Project #	Project	Acres	Recharge Water	Storm Water Unit Cost to IEUA/Agency	Capital Cost (Total Project)	Total Project Cost (Total Project)
Recommended 2013 Projects						
23a	2013 Proposed RPS Improvements ¹ 2013 RMPU Proposed Wineville 2013 RMPU Proposed Jurupa 2013 Wineville PS to Jurupa, Expanded Jurupa PS to RPS Basin	2,921	2,906	\$ 406	\$ 723,000 \$ 3,574,000 \$ 1,413,000 \$ 10,019,000	\$ 51,331 \$ 292,686 \$ 118,683 \$ 721,558
Total M23		2,921	2,906	\$ 406	\$ 13,727,000	\$ 1,184,828
Recommended 2022 Projects						
11	Victoria Basin ⁴	75	120	\$ 111	\$ 86,000	\$ 8,338
7	San Serrano Basins ⁵	669	4,100	\$ 384	\$ 3,430,000	\$ 257,199
12	Lower Day Basin (2010 RMPU)	995	0	\$ 285	\$ 3,779,000	\$ 282,579
Total M22		1,739	4,220	\$ 316	\$ 7,095,000	\$ 948,125
Recommended 2023 Projects						
2	Monterey Basins	235	0	\$ 540	\$ 1,802,000	\$ 125,844
Total M23		235	0	\$ 540	\$ 1,802,000	\$ 125,844
Total Recommended Projects		4,891	7,126	\$ 880	\$ 24,674,000	\$ 1,838,792

Approved List of RMPU Projects



Lower Day Basin

EN17042 – RP-1 Digester 6&7 Roof Repairs

- Engineering Consultant: TBD
- Current Contract (Design): TBD
- Total Project Budget: \$3.8 M
- Project Completion: January 2019
- Scope of Work:
 - Repair roof as needed
 - Clean Digesters 6 & 7 for inspection
 - Investigate, evaluate, and quantify any gas leaks
 - Evaluate existing gas mixing system performance
 - Replace/coat heavily corroded mechanical piping
- Current Activities:
 - Preparing RFP for engineering services
 - Preparing RFP for digester cleaning



Gas Mixing System on Roof



Digester Roof Foam Spray Damage

EN16071 – San Bernardino Avenue Gravity Sewer

- Contractor: Ferreira Construction
- Current Contract (Construction): \$992 K
- Total Project Budget: \$1.5 M
- Project Completion: February 2017
- Scope of Work:
 - Install 1,300 lf of 18" gravity sewer pipe
- Current Activities:
 - Potholing along San Bernardino Avenue
 - 10-week nightly full road closure under review with the County of San Bernardino Public Works Department
 - Shop drawings and submittals review and approval



Potholing in San Bernardino Avenue



Backfill after Potholing

EN14019 – RP-1 Headworks Primary and Secondary Upgrades

- Engineering Consultant: RMC Water and Environment
- Current Contract (Design): \$751 K
- Total Project Budget: \$10.4 M
- Project Completion: April 2018
- Scope of Work:
 - Rehabilitate the grit removal systems
 - Replace gates and scum pumps
 - Design a bypass for System C flow meter
- Current Activities:
 - Complete the 85% design by December 21, 2016



Concrete Degradation at RP-1 Headworks



Primary Gallery Scum Pump

EN15012 – RP-1 Primary Effluent Conveyance Improvements

- Engineering Consultant: TBD
- Current Contract (Design): TBD
- Total Project Budget: \$1.8 M
- Project Completion: March 2019
- Scope of Work:
 - Rehabilitation of the RP-1 east primary effluent system
 - RP-1 Primary Clarifier Conveyance corrosion protection
 - Trickling filter/Plant 2 wet well decommissioning pre-design
 - Analysis for localized improvement of foul air system
- Current Activities:
 - Consulting Contract Award



Exposed rebar in grating in support beam



Valve Stem Support Bracket Corrosion

**INFORMATION
ITEM**

2C



State Water Project

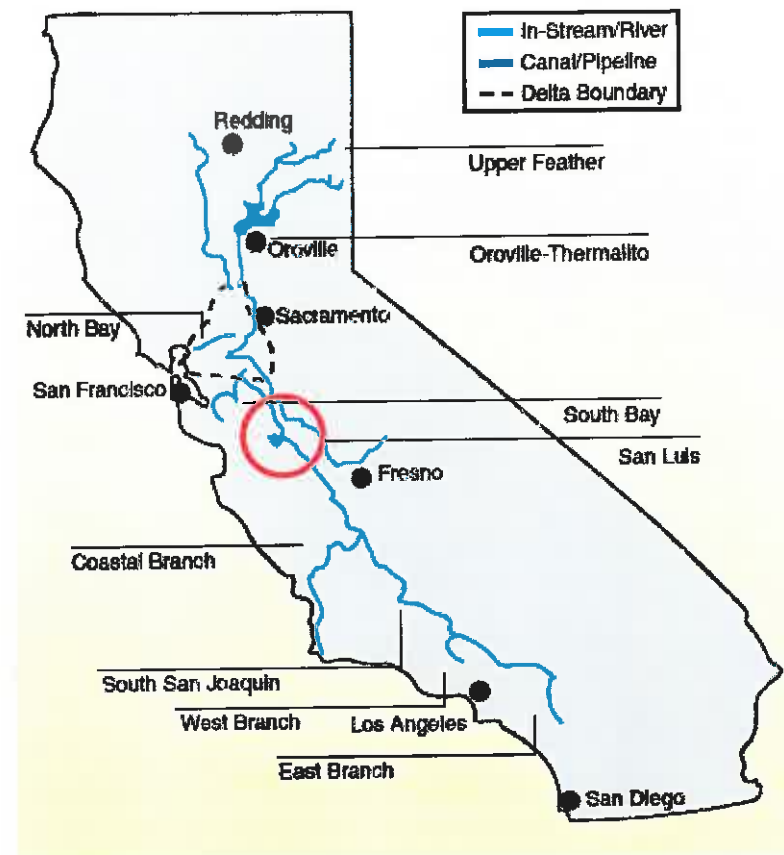
Connecting California's Water



Facility Tour

Key SWP facilities:

- Lake Oroville
- Bay Delta
- **San Luis Reservoir ←**
- Edmonston Pumping Plant
- Pearblossom Pumping Plant
- Rialto Pipeline to IEUA



Journey to San Luis



San Luis Reservoir



FAQs

- Largest off-stream reservoir in U.S.
- Joint facility between SWP and CVP
- Operated and maintained by Dept. Water Resources
- Water is pumped into the Reservoir, ~ 250 feet lift
- Capacity of 2.0 million AF (55% allocated to SWP)
- Current storage 38% of capacity – 0.76 million AF
- Produces up to 424 megawatts (~7% of SWP needs)
- Water has traveled X miles and pumped X feet high

**INFORMATION
ITEM**

2D

UPDATE ON GOVERNOR BROWN'S EXECUTIVE ORDER B-37-16



“Making Conservation a California Way of Life”



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

December 21, 2016

Martha Davis
Executive Manager of Policy
Development/Assistant General Manager

Recent Droughts Driving Reassessment of Conservation

- Drought(s) since 2007 (punctuated by two wet years)
- Governor Brown 2014 Water Action Plan – need for more water efficiency, more local water supplies, more regional resiliency, and Delta solutions
- 2013-2016 record breaking Drought
 - 2014 Governor calls for voluntary conservation
 - 2015 Governor mandates conservation – 25% statewide
 - 2016 State retains 25% conservation goal, allows “stress test” for reduction targets
- California Response successful (over 24% urban water use reduction statewide) – but arbitrary % cut backs hard on most Retail Water Agencies

Governor Brown Leading New Statewide Water Efficiency Policy

- May 16 Executive Order B-37-16 – make conservation a California way of life
 - Fundamental shift in statewide water management and use of data to inform water efficiency targets and programs
- Four key policy areas, 13 directives:
 - **Use water more wisely – State efficiency standards and continued reporting by Urban Water suppliers**
 - Eliminate Water Waste – permanent prohibition on Potable water waste
 - **Strengthen local drought resilience – requirements for urban water suppliers to improve water shortage contingency plans and drought planning**
 - Improve agricultural water use efficiency and drought planning
- Multiple state agencies required to work together with public advisory committees to develop a recommended conservation framework by January 10, 2017

Use Water More Wisely

Conservation Framework Recommendations

- Sets statewide water efficiency standards (2018-2020)
 - Uses existing indoor, outdoor and leak reduction requirements (commercial, industrial, institutional sector will be developed through collaborative process with industry)
- Customizes water efficiency targets for each supplier based on local conditions
 - Adjustments rely on local data: population, temperature, landscape area, etc.
- Provides local water suppliers control over how targets will be achieved
 - Supplier compliance target is a “roll-up” of the four efficiency sector customized targets – Suppliers decide on where to focus conservation initiatives
- Compliance deadline: 2025 (to be reported in 2025 Urban Water Management Plans)
 - Annual water use reporting to SWRCB continues

Strengthen Local Drought Resilience

Conservation Framework Recommendations

- Requires Water suppliers to:
 - Update Water shortage contingency plans every 5 years -- specific elements
 - Annual water budget forecast (including assessment methodology)
 - Shortage levels (including evaluation criteria)
 - Shortage response actions
 - Communication plan
 - Customer compliance enforcement
 - Implementation Authorities
 - Financial plan for drought conditions
 - Monitoring and reporting requirements
 - Conduct a 5-year drought risk assessment every five years as part of the Urban Water Management Plan
 - Provide the State with an annual water “budget” forecast results including an indication of shortage that may be anticipated and actions that the supplier will take

Next Steps

- Comment deadline on Draft Framework: December 19
- Final Recommendations for Draft Framework to be submitted Governor Brown: January 10th
- Final Framework to be issued by Governor January/February 2017
- 2017 Legislation will likely be needed to implement provisions of the Conservation Framework


**INFORMATION
ITEM**


2E


Date: December 21, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (12/14/16)

From:  P. Joseph Grindstaff
General Manager

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

 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: Treasurer's Report of Financial Affairs

RECOMMENDATION

The Treasurer's Report of Financial Affairs for the month ended October 31, 2016 is an informational item for the Board of Director's review.

BACKGROUND

The Treasurer's Report of Financial Affairs for the month ended October 31, 2016 is submitted in a format consistent with State requirements. The monthly report denotes investment transactions that have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2016-5-1).

Total cash, investments, and restricted deposits of \$178,779,415 reflects a decrease of \$3,043,177 compared to the total reported for September 2016. The decrease can be attributed to payment of grant receipts passed-through to the Chino Basin Desalter Authority. As a result, the average days of cash on hand for the month ended October 31, 2016 decreased to 276 days from 287 days as reported in September 2016. 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 are excluded from the days of cash on hand calculation.

The Agency's investment portfolio average rate of return in October 2016 was 0.881%, a slight increase of 0.052% compared to the average yield of 0.829% reported in September 2016. The

increase can be attributed to cash deposits into LAIF and CalTrust, local government investment pool accounts, with yields of 0.654% and 0.929% respectively. Deposits are in preparation of the refinancing of the 2008A Revenue Bonds.

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

None.

IMPACT ON BUDGET

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

Attachment: October 2016 Treasurer's Report of Financial Affairs

TREASURER'S REPORT OF FINANCIAL AFFAIRS

For the Month Ended October 31, 2016



All investment transactions have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2016-5-1) adopted by the Inland Empire Utilities Agency's Board of Directors during its regular meeting held on May 18, 2016.

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, 2016

	October	September
<u>Cash, Bank Deposits, and Bank Investment Accounts</u>	\$560,011	\$819,185
<u>Investments</u>		
Citizens Business Bank (CBB) Repurchase (Sweep)	\$11,581,992	\$27,085,624
Local Agency Investment Fund (LAIF)	29,584,481	25,542,452
CalTrust	16,068,774	16,069,016
California Asset Management Program (CAMP)	13,022,781	8,016,570
Certificates of Deposit	3,630,000	3,630,000
Medium Term Notes	9,600,082	9,602,066
U.S. Treasury Notes	999,978	999,963
U.S. Government Sponsored Entities	28,429,033	29,428,799
Total Investments	\$112,917,121	\$120,374,490
Total Cash and Investments Available to the Agency	\$113,477,132	\$121,193,675
<u>Restricted Deposits</u>		
Debt Service Accounts	\$5,669,810	\$2,544,810
CCRA Deposits Held by Member Agencies	50,244,301	48,569,971
OPEB (CERBT) Account	9,358,604	9,514,136
Escrow Deposits	29,568	0
Total Restricted Deposits	\$65,302,283	\$60,628,917
Total Cash, Investments, and Restricted Deposits	\$178,779,415	\$181,822,592

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
October 31, 2016

Cash, Bank Deposits, and Bank Investment Accounts

CBB Demand Account (Offset by CBB Sweep Balance)	\$370,673
CBB Workers' Compensation Account	32,755
Bank of America (BoFA) Payroll Account	37,664
BoFA Payroll Taxes Account	34,840
Subtotal Demand Deposits	\$475,932
Other Cash and Bank Accounts	
Petty Cash	\$2,250
Subtotal Other Cash	\$2,250
US Bank Pre-Investment Money Market Account	\$81,829
Total Cash and Bank Accounts	\$560,011

Investments

CBB Repurchase (Sweep) Investments	
Fannie Mae	\$3,407,228
Freddie Mac	8,174,764
Subtotal CBB Repurchase (Sweep)	\$11,581,992
Local Agency Investment Fund (LAIF)	
LAIF Non-Restricted Fund	\$29,584,481
Subtotal Local Agency Investment Fund	\$29,584,481
CalTrust	
Short Term	\$10,110,119
Medium Term - Restricted	5,958,655
Subtotal CalTrust	\$16,068,774
California Asset Management Program (CAMP)	
Pool	\$13,022,781
Subtotal CAMP	\$13,022,781

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
October 31, 2016

Investments Continued

Certificates of Deposit

Brokered Certificates of Deposit	<u>\$3,630,000</u>
Subtotal Certificates of Deposit	\$3,630,000

Medium Term Notes

John Deere Capital Corp.	\$1,000,785
Toyota Motor Credit Corp.	2,000,000
JP Morgan Chase & Co.	999,459
Johnson & Johnson	2,020,136
Microsoft	2,069,565
Wells Fargo Bank N.A.	<u>1,510,137</u>
Subtotal Medium Term Notes	\$9,600,082

U.S. Treasury Notes

Treasury Note	<u>\$999,978</u>
Subtotal U.S. Treasury Notes	\$999,978

U.S. Government Sponsored Entities

Fannie Mae Bank	\$7,749,526
Freddie Mac Bank	7,481,413
Federal Farm Credit Bank	10,198,094
Federal Home Loan Bank	<u>3,000,000</u>
Subtotal U.S. Government Sponsored Entities	\$28,429,033

Total Investments

\$112,917,121

Restricted Deposits

Debt Service Reserves

08A Debt Service Accounts	\$3,125,000
08B Debt Service Accounts	\$2,544,719
10A Debt Service Accounts	<u>91</u>
Subtotal Debt Service Reserves	\$5,669,810

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
October 31, 2016

CCRA Deposits Held by Member Agencies

City of Chino	\$11,398,481
Cucamonga Valley Water District	10,465,707
City of Fontana	8,617,283
City of Montclair	2,209,297
City of Ontario	10,081,457
City of Chino Hills	4,485,378
City of Upland	2,986,698
Subtotal CCRA Deposits Held by Member Agencies	\$50,244,301

CalPERS

OPEB (CERBT) Account	\$9,358,604
Subtotal CalPERS Accounts	\$9,358,604

Escrow Deposits

Kemp Brothers Construction	\$29,568
Subtotal Escrow Deposits	\$29,568

Total Restricted Deposits

\$65,302,283

Total Cash, Investments, and Restricted Deposits as of October 31, 2016

\$178,779,415

Total Cash, Investments, and Restricted Deposits as of 10/31/16

\$178,779,415

Less: Total Cash, Investments, and Restricted Deposits as of 9/30/16

181,822,592

Total Monthly Increase (Decrease)

(\$3,043,177)

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 (CBB)													
Demand Account*					\$370,673	\$370,673	N/A	N/A	\$370,673		N/A	N/A	\$370,673
Workers' Compensation Account					32,755	\$32,755	N/A	N/A	\$32,755		N/A	N/A	\$32,755
Subtotal CBB Accounts					\$403,428	\$403,428			\$403,428				\$403,428
Bank of America (BoFA)													
Payroll Checking					\$37,664	\$37,664	N/A	N/A	\$37,664		N/A	N/A	\$37,664
Payroll Tax Checking					34,840	34,840	N/A	N/A	34,840		N/A	N/A	34,840
Subtotal B of A Accounts					\$72,504	\$72,504			\$72,504		N/A		\$72,504
US Bank (USB)													
Federated Automated MMA					\$81,829	\$81,829	N/A	N/A	\$81,829		0.02%	N/A	\$81,829
Subtotal USB Account					\$81,829	\$81,829			\$81,829		0.02%		\$81,829
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					\$560,011	\$560,011			\$560,011				\$560,011
<i>*Negative demand checking balance is offset by the Daily Repurchase (Sweep) Account balance</i>													
Investments													
CBB Daily Repurchase (Sweep) Accounts													
Fannie Mae					\$3,407,228	\$3,407,228	N/A	N/A	\$3,407,228		0.40%	N/A	\$3,407,228
Freddie Mac					8,174,764	8,174,764	N/A	N/A	8,174,764		0.40%		8,174,764
Subtotal CBB Repurchase Accounts					\$11,581,992	\$11,581,992			\$11,581,992		0.40%		\$11,581,992
LAIF Accounts													
Non-Restricted Funds					\$25,584,481	\$25,584,481	N/A	N/A	\$25,584,481		0.654%	N/A	\$25,584,481
LAIF Sinking Fund					4,000,000	4,000,000	N/A	N/A	4,000,000		0.654%	N/A	4,000,000
Subtotal LAIF Accounts					\$29,584,481	\$29,584,481			\$29,584,481		0.654%		\$29,584,481
CALTRUST Accounts													
Short-Term					\$10,110,119	\$10,110,119	N/A	N/A	\$10,110,119		0.87%	N/A	\$10,110,119
Medium-Term (Self Insurance Reserves)					5,958,655	5,958,655	N/A	N/A	5,958,655		1.03%	N/A	5,958,655
Subtotal CalTrust Accounts					\$16,068,774	\$16,068,774			\$16,068,774		0.929%		\$16,068,774
CAMP Accounts													
Short-Term					\$8,022,781	\$8,022,781	N/A	N/A	\$8,022,781		0.66%	N/A	\$8,022,781
CAMP Sinking Fund					5,000,000	5,000,000			5,000,000		0.66%		5,000,000
Subtotal CAMP Accounts					\$13,022,781	\$13,022,781			\$13,022,781		0.66%		\$13,022,781

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									
Investments (continued)													
Brokered Certificates of Deposit (CDs)													
Ally Bank	N/A				\$245,000	\$245,000	551		\$245,000	0.80%	0.80%	01/17/17	\$245,130
Capital One National Association	N/A				240,000	240,000	552		240,000	0.80%	0.80%	01/17/17	240,127
Compass Bank	N/A				245,000	245,000	552		245,000	0.85%	0.85%	01/17/17	245,186
Comenity Capital Bank	N/A				240,000	240,000	731		240,000	1.15%	1.15%	07/13/17	240,674
Discover Bank	N/A				240,000	240,000	552		240,000	1.15%	1.15%	07/17/17	240,936
Medallion Bank	N/A				240,000	240,000	733		240,000	1.20%	1.20%	07/17/17	240,665
Sallie Mae Bank	N/A				248,000	248,000	743		248,000	1.15%	1.15%	11/06/17	249,086
Key Bank National Association	N/A				248,000	248,000	732		248,000	1.10%	1.10%	11/13/17	249,123
Capital One Bank	N/A				240,000	240,000	916		240,000	1.35%	1.35%	01/16/18	241,598
Goldman Sachs Bank USA	N/A				240,000	240,000	916		240,000	1.40%	1.40%	01/16/18	241,742
BMW Bank of North America	N/A				240,000	240,000	915		240,000	1.40%	1.40%	01/17/18	241,745
American Express Bank	N/A				240,000	240,000	1097		240,000	1.70%	1.70%	07/16/18	242,417
American Express Centurion	N/A				240,000	240,000	1097		240,000	1.70%	1.70%	07/16/18	242,417
HSBC Bank USA, NA Step	N/A				244,000	244,000	1827		244,000	1.25%	2.51%	07/29/20	244,886
Synchrony Bank	N/A				240,000	240,000	1827		240,000	2.25%	2.25%	10/02/20	248,719
Subtotal Brokered CDs					\$3,630,000	\$3,630,000		\$0	\$3,630,000		1.366%		\$3,654,451
US Treasury Note													
US Treasury Note	N/A	AAA			\$1,000,000	\$999,463	1092	15	\$999,978	0.63%	0.64%	12/15/16	\$1,000,450
Subtotal US Treasuries					\$1,000,000	\$999,463		15	\$999,978		0.64%		\$1,000,450
U.S. Government Sponsored Entities													
Federal Farm Credit Bank (<i>Sinking Fund Reserves</i>)	AA+	AAA			\$5,195,000	\$5,199,431	447	(303)	\$5,198,094	0.75%	0.68%	09/13/17	\$5,198,325
Freddie Mac Bond	AA+	AAA			2,000,000	2,000,000	714		2,000,000	1.05%	1.05%	05/10/18	2,000,040
Fannie Mae Bond	AA+	AAA			2,000,000	2,000,000	1,097		2,000,000	1.20%	1.20%	11/28/18	2,000,620
Fannie Mae Bond	AA+	AAA			2,000,000	2,000,000	1,459		2,000,000	1.63%	1.63%	12/28/18	2,002,660
Federal Farm Credit Bank	AA+	AAA			3,000,000	3,000,000	1,079		3,000,000	1.15%	1.15%	02/22/19	3,000,270
Freddie Mac Bond	AA+	AAA			1,000,000	1,003,132	1,023	(95)	1,002,648	1.25%	1.14%	03/15/19	1,005,710
Federal Home Loan Bank	AA+	AAA			3,000,000	3,000,000	1,186		3,000,000	1.50%	1.50%	04/26/19	3,002,790
Federal Farm Credit Bank	AA+	AAA			2,000,000	2,000,000	1,460		2,000,000	1.52%	1.52%	06/24/19	2,020,600
Freddie Mac Bond	AA+	AAA			1,500,000	1,500,000	1,080		1,500,000	1.15%	1.15%	07/26/19	1,492,755
Fannie Mae Step Bond	AA+	AAA			1,500,000	1,500,000	1,080		1,500,000	0.88%	1.33%	07/26/19	1,494,315
Fannie Mae Bond	AA+	AAA			900,000	899,460	1,153	14	899,526	1.25%	1.25%	08/23/19	898,587
Fannie Mae Bond	AA+	AAA			1,350,000	1,350,000	1,157		1,350,000	1.25%	1.25%	08/26/19	1,348,110
Freddie Mac Bond	AA+	AAA			3,000,000	2,972,928	1,359	618	2,978,765	1.25%	1.50%	10/02/19	3,015,360
Subtotal U.S. Gov't Sponsored Entities					\$28,445,000	\$28,424,951		\$234	\$28,429,033		1.211%		\$28,480,142

(As of August 2011, all US GSE's have been downgraded to AA+ Rating by S&P)

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
October 31, 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									
Medium Term Notes													
John Deere Capital Corp	A	A2			\$1,000,000	\$1,004,000	1,754	(71)	\$1,000,785	1.20%	1.11%	10/10/17	\$1,001,620
Toyota Motor Credit Corp	AA-	AA3			2,000,000	2,000,000	1,045		2,000,000	1.10%	1.10%	04/25/18	1,978,920
JP Morgan Chase & Co	A-	A3			1,000,000	999,000	1,037	30	999,459	1.63%	1.66%	05/15/18	1,001,690
Johnson & Johnson	AAA	AAA			2,000,000	2,027,480	1,044	(816)	2,020,136	1.65%	1.16%	12/05/18	2,021,180
Microsoft	AAA	AAA			2,050,000	2,076,691	1,045	(792)	2,069,565	1.63%	1.16%	12/06/18	2,075,359
Wells Fargo Bank	AA-	Aa2			1,500,000	1,511,655	1,061	(336)	1,510,137	1.75%	1.48%	05/24/19	1,505,835
Subtotal Medium Term Notes					\$9,550,000	\$9,618,826		(\$1,985)	\$9,600,082		1.25%		\$9,584,604
Total Investments					\$112,883,028	\$112,931,268			\$112,917,121				\$112,977,675
<i>(Source of Investment Market Value: US Bank)</i>													
Restricted Deposits													
Debt Service and Arbitrage Accounts													
08A Debt Service Accounts					\$3,125,000	\$3,125,000	N/A	N/A	\$3,125,000		0.00%		\$3,125,000
08B Debt Service Accounts					\$2,544,719	\$2,544,719	N/A	N/A	\$2,544,719		0.00%		\$2,544,719
10A Debt Service Accounts					91	91	N/A	N/A	91		0.10%		91
Total Debt Service Accounts					\$5,669,810	\$5,669,810			\$5,669,810		0.00%		\$5,669,810
CCRA Deposits Held by Member Agencies													
City of Chino					\$11,398,481	\$11,398,481	N/A	N/A	\$11,398,481		N/A	N/A	\$11,398,481
Cucamonga Valley Water District					10,465,707	10,465,707	N/A	N/A	10,465,707		N/A	N/A	10,465,707
City of Fontana					8,617,283	8,617,283	N/A	N/A	8,617,283		N/A	N/A	8,617,283
City of Montclair					2,209,297	2,209,297	N/A	N/A	2,209,297		N/A	N/A	2,209,297
City of Ontario*					10,081,457	10,081,457	N/A	N/A	10,081,457		N/A	N/A	10,081,457
City of Chino Hills					4,485,378	4,485,378	N/A	N/A	4,485,378		N/A	N/A	4,485,378
City of Upland					2,986,698	2,986,698	N/A	N/A	2,986,698		N/A	N/A	2,986,698
Subtotal CCRA Deposits Held by Member Agencies					\$50,244,301	\$50,244,301			\$50,244,301				\$50,244,301
<i>Reported total as of October 31, 2016 - net of received Capital Call proceeds. (Anticipated 1st Qtr. Call receipts will be deducted from total when received.)</i>													
<i>* Has not reported for October.</i>													
CalPERS Deposits													
OPEB (CERBT) Account					\$9,000,000	\$9,000,000	N/A	N/A	\$9,358,604		N/A	N/A	\$9,358,604
Subtotal CalPERS Deposits					\$9,000,000	\$9,000,000			\$9,358,604				\$9,358,604
Escrow Deposits													
Kemp Brothers Construction Escrow					\$29,568	\$29,568	N/A	N/A	\$29,568		N/A	N/A	\$29,568
Subtotal Escrow Deposits					\$29,568	\$29,568			\$29,568				\$29,568
Total Restricted Deposits					\$64,943,679	\$64,943,679			\$65,302,283				\$65,302,283
Total Cash, Investments, and Restricted Deposits as of October 31, 2016					\$178,386,718	\$178,434,958			\$178,779,415				\$178,839,969

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
October 31, 2016

October Purchases

No.	Date	Transaction	Investment Security	Par Amount Purchased	Investment Yield
			None	\$ -	
Total Purchases				\$ -	

October Investment Maturities, Calls & Sales

No.	Date	Transaction	Investment Security	Par Amount Matured/Sold	Investment Yield to Maturity
1	10/27/16	Full Call	Federal Farm Credit Bank Bond	\$ 1,000,000	1.420%
Total Maturities, Calls & Sales				\$ 1,000,000	

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
October 31, 2016

Directed Investment Category

	Amount Invested	Yield
CBB Repurchase (Sweep)	\$11,581,992	0.400%
LAIF	29,584,481	0.654%
CalTrust	16,068,774	0.929%
CAMP	13,022,781	0.660%
Medium Term Notes	9,600,082	1.245%
US Treasury Notes	999,978	0.640%
U.S. Government Sponsored Entities	28,429,033	1.211%
	\$109,287,121	0.865%

Bank Deposit and Investment Accounts

Various Banks - Brokered Certificates of Deposit	\$3,630,000	1.366%
	\$3,630,000	1.366%

Total Investment Portfolio

Investment Portfolio Rate of Return

\$112,917,121
0.881%

Restricted/Transitory/Other Demand Accounts

	Amount Invested	Yield
CCRA Deposits Held by Member Agencies	\$50,244,301	N/A
CalPERS OPEB (CERBT) Account	9,358,604	N/A
US Bank - 2008B Debt Service Accounts	2,544,719	0.000%
Citizens Business Bank - Demand Account	370,673	N/A
US Bank - 2010A Debt Service Accounts	91	0.100%
US Bank - Pre-Investment Money Market Account	81,829	0.020%
Citizens Business Bank - Workers' Compensation Account	32,755	N/A
Other Accounts*	74,754	N/A
	\$65,832,726	

Total Other Accounts

Average Yield of Other Accounts

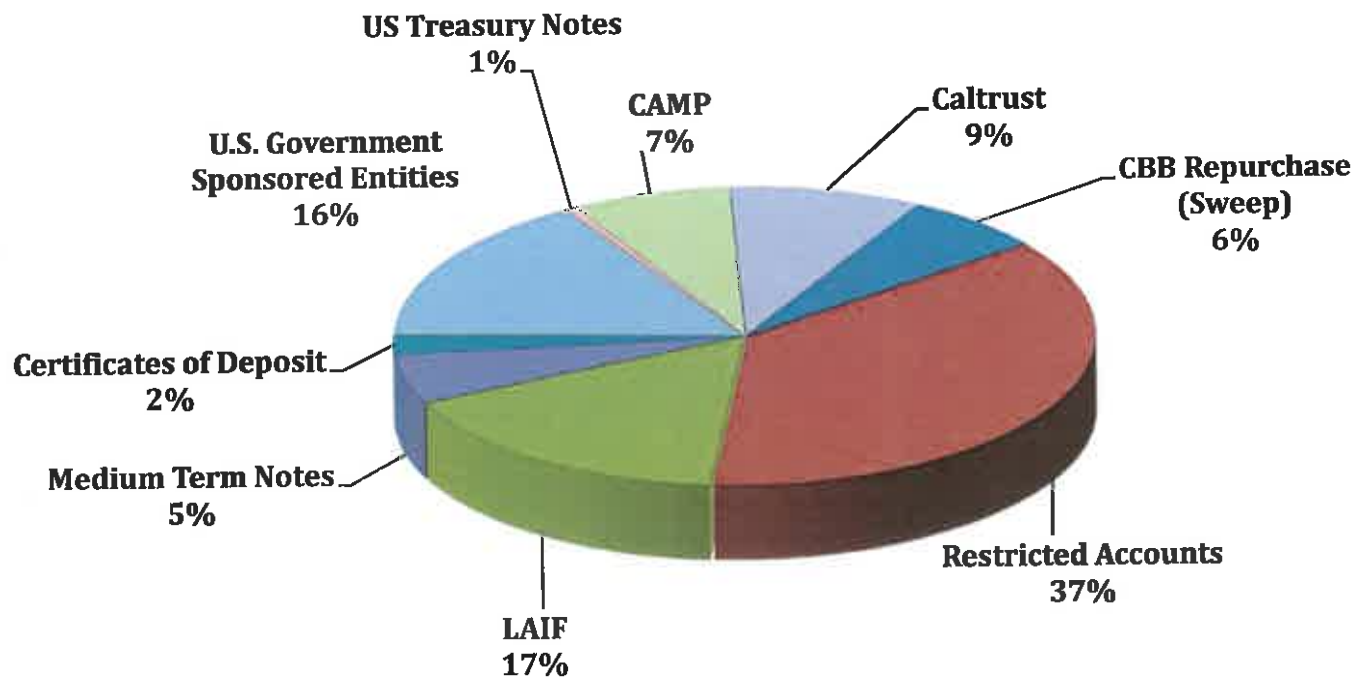
0.001%

Total Agency Directed Deposits

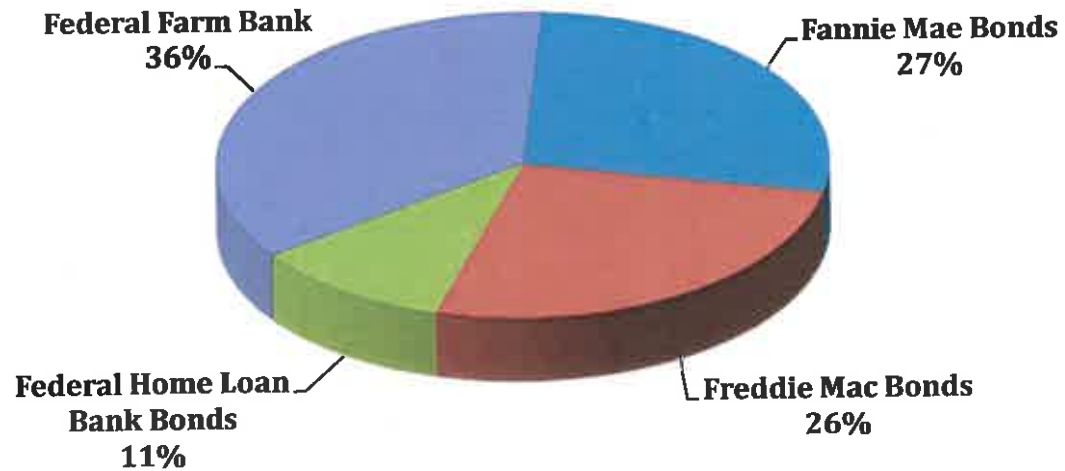
\$178,749,847

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

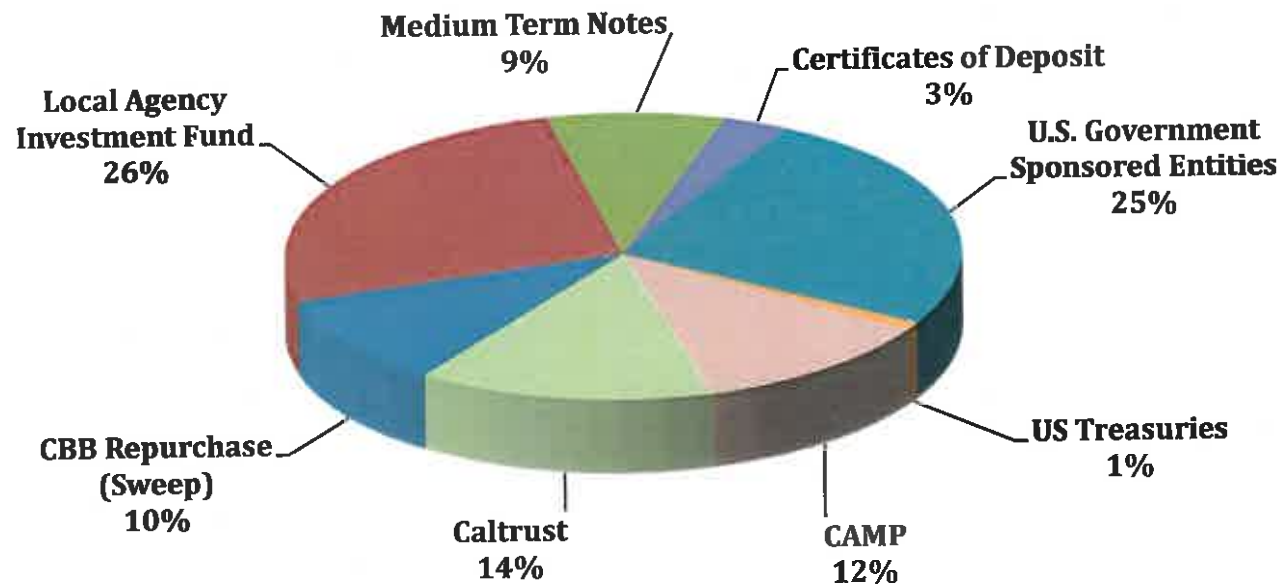
Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended October 31, 2016
Agency Investment Portfolio (net of escrow accounts)
\$178,749,847



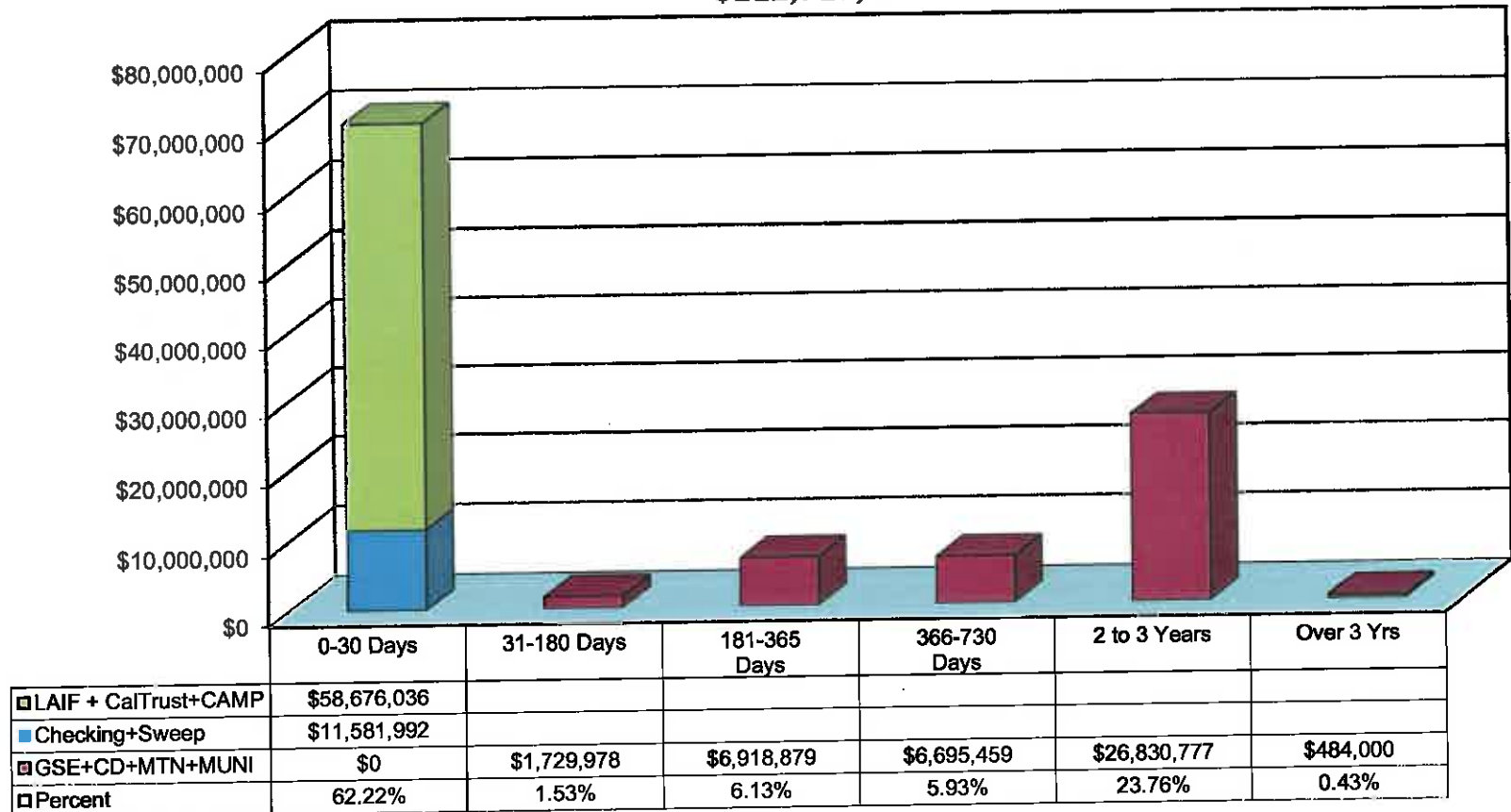
Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended October 31, 2016
U.S. Government Sponsored Entities Portfolio
\$28,429,033



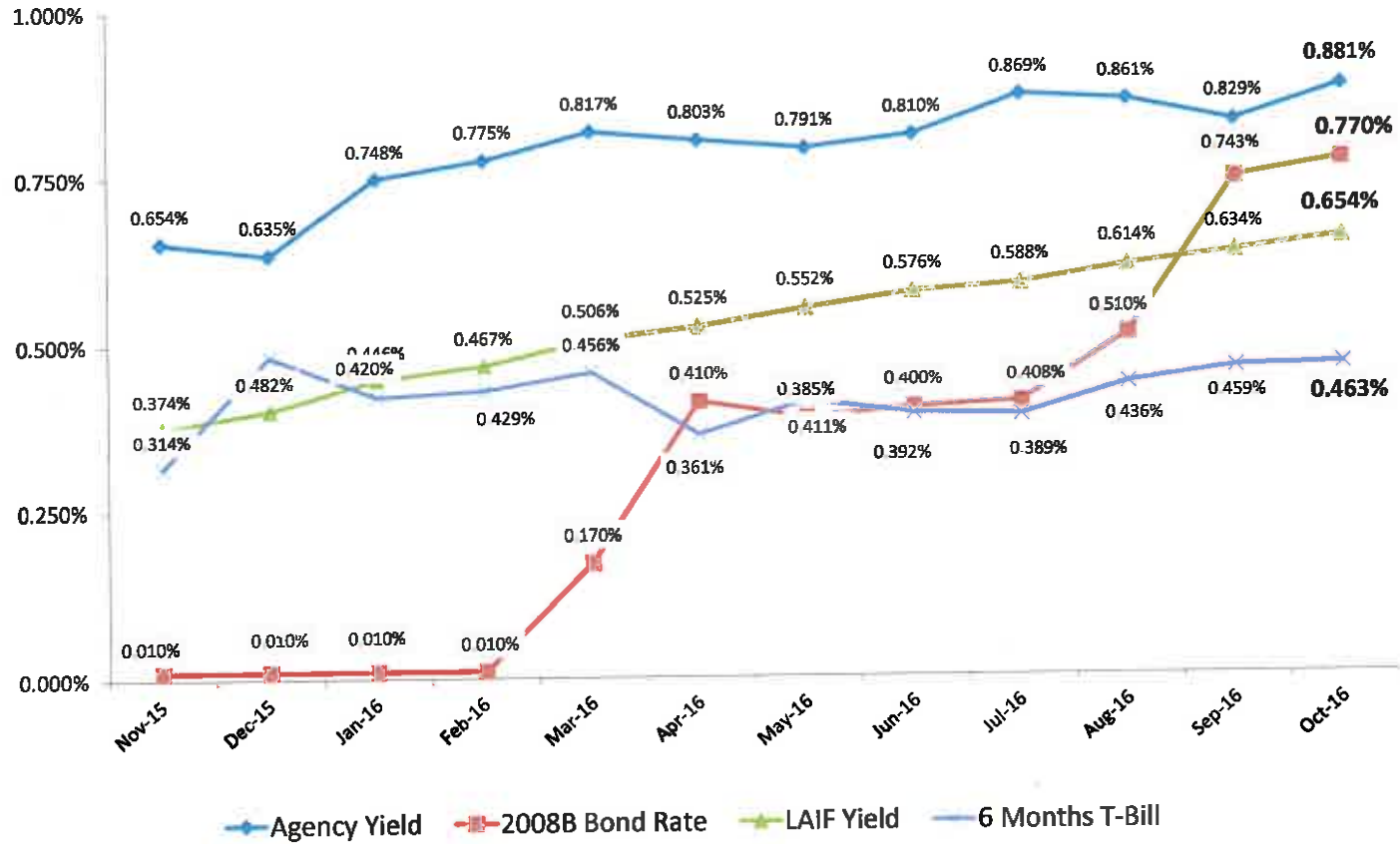
Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended October 31, 2016
Unrestricted Agency Investment Portfolio
\$112,917,121



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended October 31, 2016
Agency Investment Portfolio Maturity Distribution
\$112,917,121



**Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
Agency Investment Portfolio Yield Comparison**



Treasurer's Report of Financial Affairs for October 31, 2016

**December 2016
Board Meeting**

Report of Financial Affairs

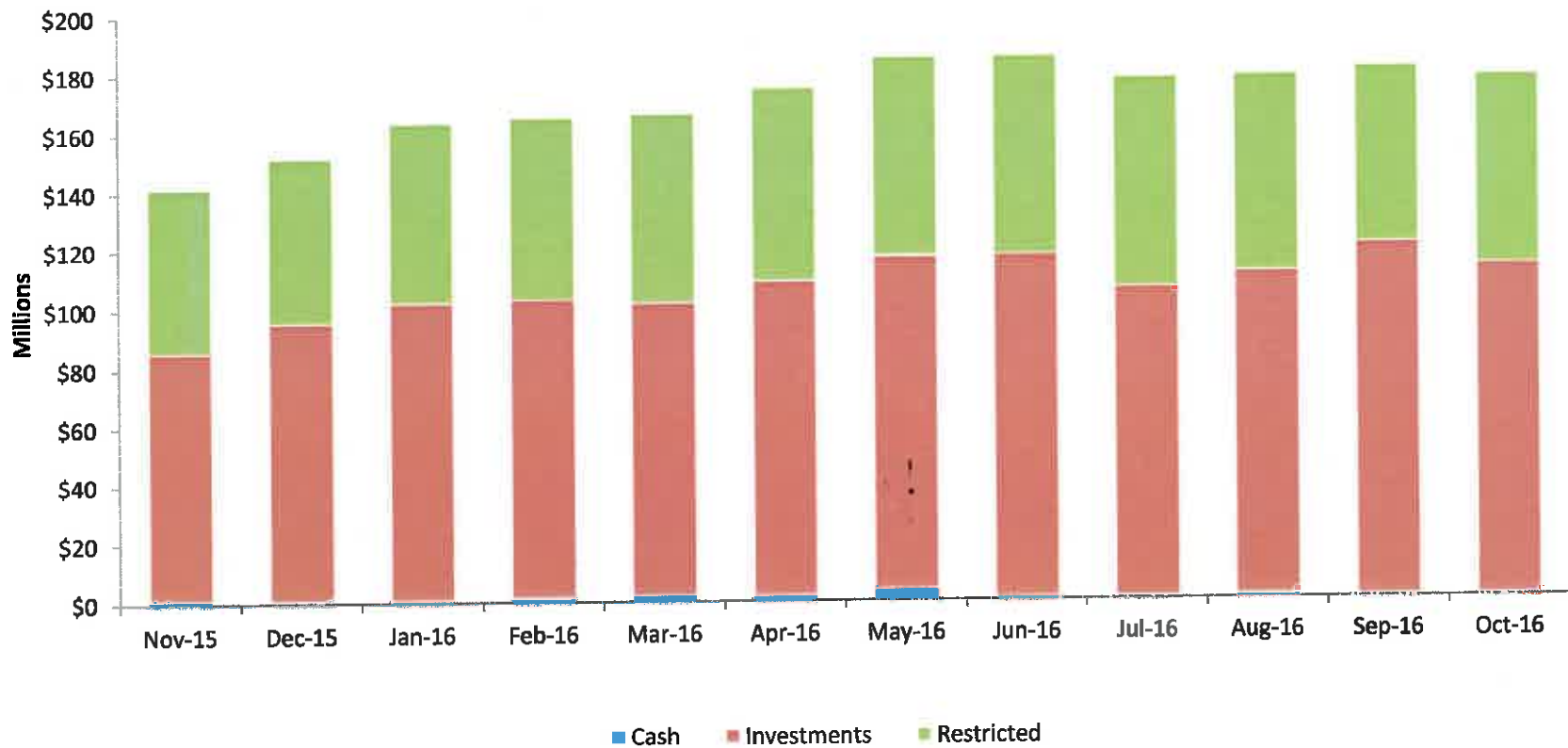
Liquidity

Description	October 2016 (\$ million)	September 2016 (\$ million)	Increase (Decrease) (\$ million)
Total Cash, Investments, and Restricted Deposits	\$178.8	\$181.8	(\$3.0)
Total Investment Portfolio	\$112.9	\$120.4	(\$7.5)
Investment Portfolio Yield	0.881%	0.829%	0.052%
Weighted Average Duration (years)	0.70	0.78	(0.08)
Average Cash on Hand (days)	276	287	(11)

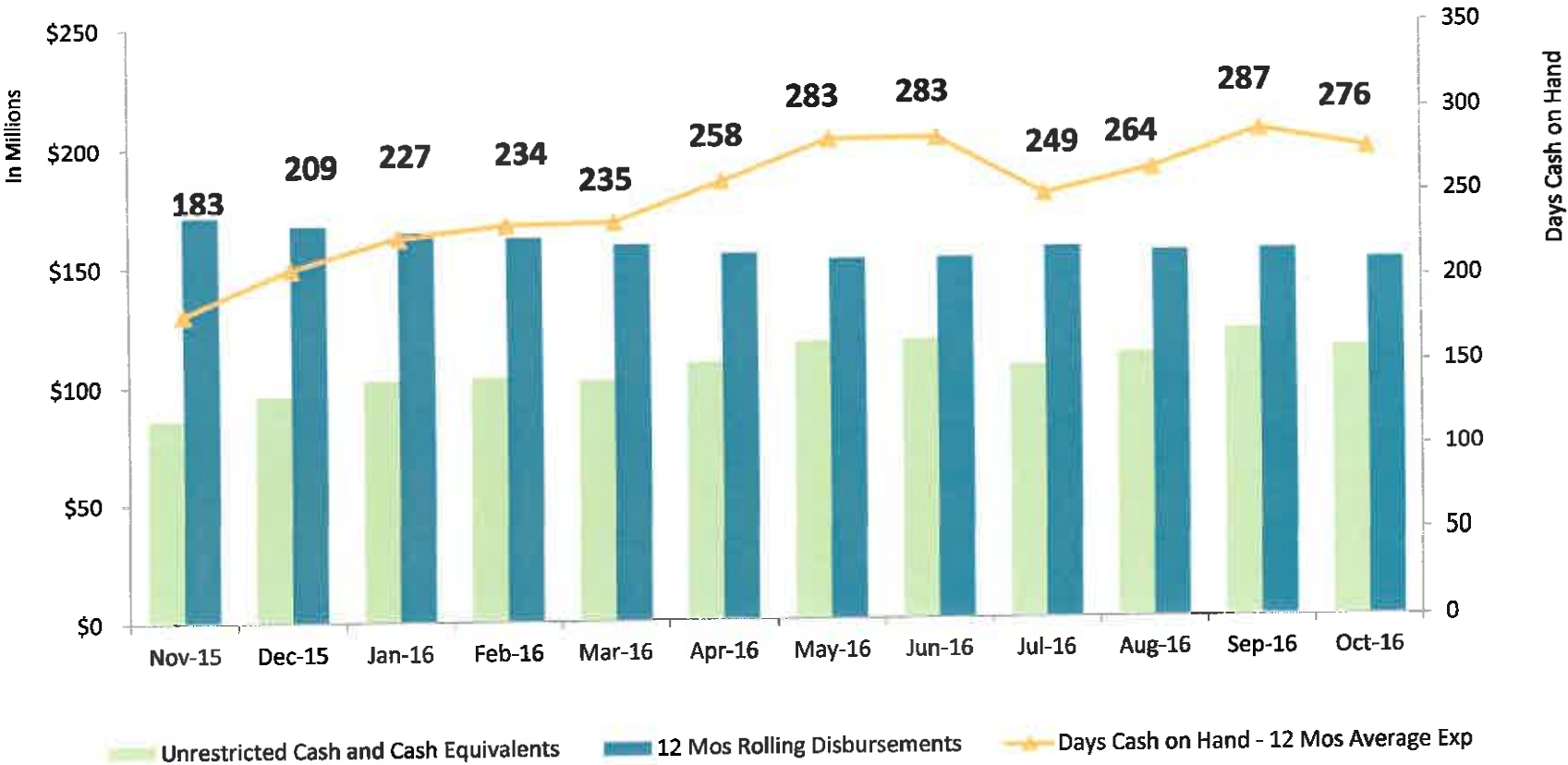
Portfolio

Term	Description	Allowable Threshold (\$ million)	Investment Value (\$ million)	Yield	Current Portfolio %
Short Term, Under 1 Year:	LAIF	\$65	\$29.6	0.654%	26.2%
	CalTrust	\$20	\$16.1	0.929%	14.2%
	Citizens Business – Sweep	40%	\$11.6	0.40%	10.3%
	CAMP	\$20	\$13.0	0.66%	11.5%
	Brokered CD's	30%	\$1.4	0.99%	1.3%
	Medium Term Notes	10%	\$1.0	1.11%	0.9%
	US Treasury Note	n/a	\$1.0	0.64%	0.9%
	US Government Securities	n/a	\$5.2	0.68%	4.6%
1 to 3 Years:	Brokered CDs	30%	\$1.7	1.40%	1.5%
	US Government Securities	n/a	\$23.2	1.33%	20.6%
	Medium Term Notes	10%	\$8.6	1.26%	7.6%
Over 3 Years:	Brokered CDs	30%	\$0.5	2.38%	0.4%

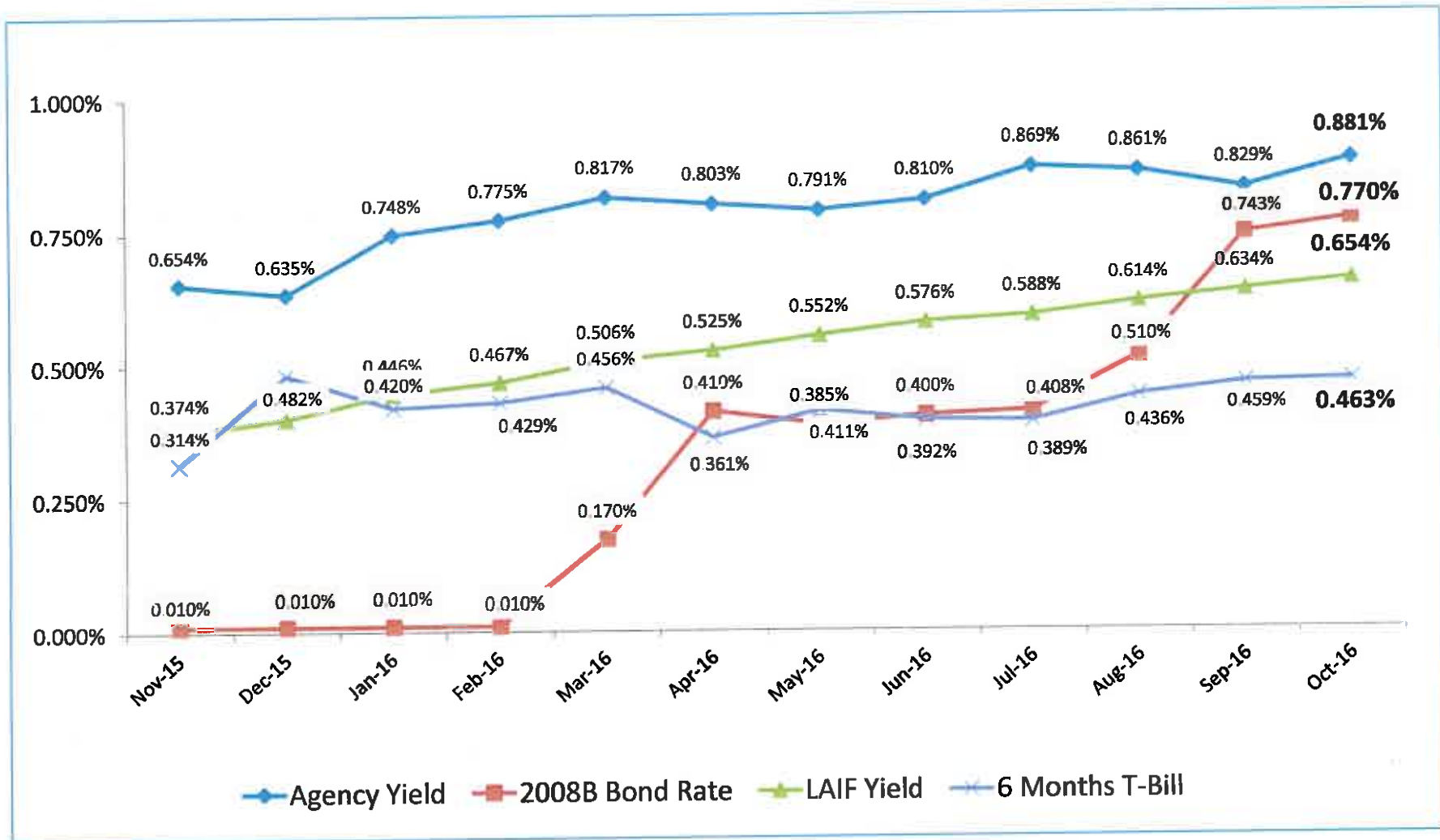
Cash, Investments and Restricted Deposits



Day Cash On Hand 12 Months Rolling Average



Month End Portfolio Yield Comparison





Questions?

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

**INFORMATION
ITEM**


2F





Date: December 21, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (12/14/16)

From:  P. Joseph Grindstaff
General Manager

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

 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: FY 2016/17 First Quarter Budget Variance, Performance Goals Updates,
and Budget Transfers

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, 2016, includes various analyses in the following attachments:

- Exhibit A provides a comparison of actual revenues and expenses against the current FY 2016/17 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 2016/17 amended budget.
- Exhibit C-1 presents a summary of Operations and Maintenance (O&M) budget transfers approved by management during the first quarter.
- Exhibit C-2 presents a summary of the GM contingency account activity.
- Exhibit D lists Board approved budget amendments and management approved budget transfers for capital and O&M projects.
- Attachment A provides a FY 2016/17 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 2016/17 of \$38.5 million, or 17.1% of the amended budget (Exhibit A detail). The following section highlights key variances:

- **User Charges** – User charges were \$18.2 million or 25.3% of amended budget. This category includes \$14.6 million from equivalent dwelling unit (EDU) volumetric charges, \$2.2 million for non-reclaimable wastewater fees, \$1.4 million for imported potable water meter service charges, and associated surcharge and other fees.
- **Recycled Water Sales** – Recycled water sales at the end of first quarter were \$4.8 million, or 30.9% of the amended budget. Direct sales were \$3.4 million at 8,499 acre feet (AF) and groundwater recharge sales were \$1.4 million at 2,996 AF. Total year to date deliveries of 11,495 AF compared to the 37,100 AF projected for the fiscal year accounts for the favorable variance. Sales demand for direct use and groundwater recharge varies depending on weather pattern, water use conservation efforts, and reuse supply and basin availability.
- **MWD Imported Water Sales** – Total MWD pass-through imported water revenue was \$9.1 million or 31.9% of amended budget. A total of 15,382 AF of pass through water was delivered compared to 50,000 AF budgeted for the fiscal year.
- **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. Rebate is expected to be received at the second quarter. The MWD LPP rebate is set to expire at the end of June 2017.
- **Property Taxes** –General ad-valorem property tax receipts from the San Bernardino County Tax Assessor (County) will commence in November 2016 as collection on the first installment from property owners will be due on November 1st to the County. Payment of incremental pass through taxes are due from the County in January and June.
- **Wastewater/ Water Connection Fees** – Total connection fee receipts were \$3.8 million, or 18.8% of the amended budget. This category includes \$3.4 million for 529 new EDU connection through September 2016, compared to the 3,000 new EDU budgeted for the fiscal year. This category also includes water connection fees implemented in this fiscal year. Amount received during the first quarter was \$0.4 million, or 10% of the \$2.9 million budget. Water connection fees are a one-time fee paid directly to the Agency for any new or upsized water meter connection to the Agency’s regional water distribution system.
- **Grants & Loans** – Amended budget is comprised of \$10.7 million of grants and \$17.3 million of State Revolving Fund (SRF) loan proceeds. Grants and loans proceeds are

primarily reimbursable in nature thus are dependent on related capital projects expenditures.

- *Grants budget* at \$10.7 million consists of: \$3.1 million for the Regional Recycled Water Distribution System; \$3.0 million plume cleanup project; \$2.8 million for Central/Wineville project; \$0.5 million new water quality laboratory (RO fund); \$0.4 million for San Sevaine; \$0.9 million for SARCUP projects; and \$60 thousand for ground water supply wells and basins.
- *SRF loan budget* at \$17.3 million includes \$7.6 million for the new water quality laboratory, \$4.6 million for the Wineville area project, \$2.9 million for the RP-1 and RP-5 Expansion, \$0.9 million for Napa lateral, Speedway and CSI projects, \$0.7 million for the Northeast area project, and \$0.6 million for Jurupa recycled water connection project.
- ***Cost Reimbursements from JPA*** – Total cost reimbursements were \$1.7 million, or 29.5% of the amended budget. Reimbursements include \$0.9 million from the Inland Empire Regional Composting Authority (IERCA) and \$0.3 million from Chino Basin Desalter Authority (CDA) for the Agency’s operation & maintenance of the IERCA composter and CDA Desalter facilities. Also included is \$0.5 million from Chino Basin Watermaster (CBWM) for the operations & maintenance cost related to the groundwater recharge basins; net of the Agency pro-rata share for recycled recharge costs. Total cost reimbursement budget of \$5.9 million includes; \$3.5 million from IERCA, \$1.5 million from CDA, and \$0.9 million from CBWM.
- ***Other Revenues*** – Total other revenues were \$0.8 million, or 9.6% of the amended budget, include reimbursements of project cost which are still in the early design phase, lease revenue and energy rebates.

TOTAL EXPENSES AND USES OF FUNDS

The Agency’s total expenses and uses of funds through the first quarter were \$41.8 million, or 17.3% of the amended budget.

The amended budget includes \$12.5 million of encumbrances and commitments carried forward from FY 2015/16 comprised of \$1.5 million for O&M expenses, \$6.5 million for special projects (non-capital), and \$4.5 million for capital projects. In accordance with Agency Policy A-81 (Fiscal Year-End Carry Forward of Encumbrances and Related Budget), carry forward encumbrances, commitments and related budget not expended by December 31st are subject to cancellation unless otherwise approved by Executive Management.

Key expense variance highlights are:

- **Employment Expenses** – Employment expenses were \$11.6 million or 27.2% of amended budget. In addition to the extra pay period processed during the month of September for \$1 million, actual expenses also include approximately \$850,000 for floating holiday issued in July 2016. These were partially offset by savings in wages and benefits from a higher than anticipated vacancy factor of 9%, equivalent to 21 full-time (FTE) positions, compared to budgeted vacancy rate of 2% (6 FTEs). Recruitment of key positions as part of the Agency's succession planning effort will lower the vacancy factor going forward.
- **Professional Fees & Services** – Total expenses were \$1.3 million, or 11.6% of the amended budget. The positive variance can be attributed to the timing of contracts and services that are anticipated to be executed in the subsequent months by outside contractors and consultants, for example, calibration of critical compliance equipment and treatment process improvements; conservation research studies, system analysis technical studies, and water use investigation; financial services for bond refinancing; grant application support to secure water bonds; and software and licensing support cost for business continuity efforts.
- **Chemicals** – Chemicals through the first quarter were \$1.1 million, or 23.0% of the amended budget. An increase in *polymer* was used to the primary clarifier to enhance solids settling and to the sludge to achieve the desired thickening and dewatering process. The increase was partially offset by a decrease in the use of *sodium hypochlorite and ferric chloride*. Bypassed sewer flows caused a reduction in the amount of raw waste water treated due to the rehabilitation of critical aeration equipment.
- **Utilities** – Expenses in this category were \$2.3 million or 20.1% of the amended budget. *Natural gas* was favorable due to a lower rate averaging \$0.4105/therm compared to the budgeted rate of \$0.80/therm and less usage measured at 35,083 therms of annual agency average of 1,200,000 therms. *Fuel cell* has been offline since July 2016 and electricity was pulled from Southern California Edison to make up for the loss in output, resulting in higher use of imported electricity.
- **MWD Imported Water Purchases** – Total MWD pass-through imported water purchases were \$9.1 million for 15,382 AF or 28.7% of 50,000 AF budgeted for the fiscal year.
- **Special and Reimbursable Projects** – O&M project costs were \$0.8 million or 3.0% of the amended budget. Favorable variance is due to lower actuals related to the Chino Basin Groundwater Wells and Raw Water Pipeline, agency-wide aeration projects, SAWPA Action Santa Ana River Conservation & Conjunctive Use Program (SARCCUP), and intertie projects budgeted at \$11 million.
- **Capital Projects** – Total capital project expenditures were \$2.7 million or 4.6% of the amended budget of \$59.4 million which includes \$4.5 million carry forward from prior fiscal year. Regional wastewater projects account for approximately 61% of total capital project budget, and 23% were related to recycled water projects. Spending levels are

largely driven by changes in project scope and schedule, construction bid results, regulatory issues, and available resources associated with such undertakings.

- **Debt Service** – Total principal, interest, and financial expenses for the first quarter were \$7.8 million or 35.6% of the amended budget. Actual costs included \$5.6 million in principal payment (\$4.1 million for the 2010A Bonds) and \$2.2 million in interest and other financial administration fees.

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 \$3.3 million in total fund balance, resulted in an ending fund balance of \$186.5 million. The timing of receipts such as property tax commencing in November and payment of certain debt obligations account for the unfavorable variance. Table 3 provides an overview of the first quarter budget variance in revenue, expense, and fund balance.

Table 3: First Quarter Revenues, Expenses, and Fund Balance (\$Millions)

Operating	FY 2016/17 Amended Budget	First Quarter Ended 9/30/16	Actual % of Amended Budget
Operating Revenue	\$126.8	\$33.9	26.8%
Operating Expense	\$158.9	\$30.9	19.4%
Operating Net Increase/(Decrease)	(\$32.1)	\$3.0	
Non-Operating			
Non-Operating Revenue	\$99.0	\$4.6	4.6%
Non-Operating Expense	\$82.1	\$10.9	13.3%
Non-Operating Net Increase/(Decrease)	\$16.9	(\$6.3)	
Consolidated	FY 2016/17 Amended Budget	First Quarter Ended 9/30/16	Actual % of Amended Budget
Total Sources of Funds	\$225.8	\$38.5	17.1%
Total Uses of Funds	\$241.0	\$41.8	17.3%
Total Net Increase/(Decrease)	(\$15.2)	(\$3.3)	
Beginning Fund Balance (Unaudited)	\$189.8	\$189.8	
Ending Fund Balance	\$174.6	\$186.5	

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 first quarter. The goals and objective indicators are used to track the volume and complexity of work by type and to track the effort invested to accomplish that work. Staff will use the indicators to track productivity and to justify current resource allocations, re-allocation and requests for additional staff.

BUDGET TRANSFERS AND AMENDMENTS

O&M budget transfers for this quarter accounted for \$62,200 as detailed in Exhibit C-1.

General Manager (GM) Contingency Account budget for \$700,000 includes \$400,000 in the Regional Wastewater Operations & Maintenance (RO) Fund and \$300,000 in the Administrative Services (GG) Fund. At the end of the first quarter, \$20,000 from RO Fund and \$23,700 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 \$2.0 million, including changes in total project budget of approximately \$0.5 million approved by management during the second 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

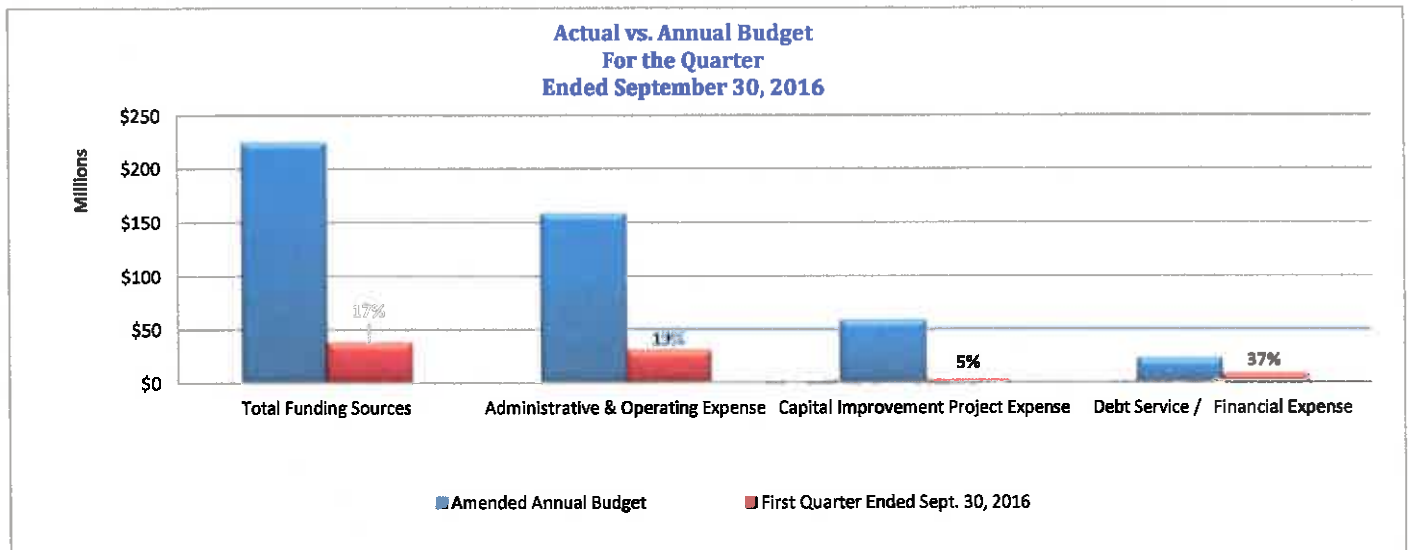
The net change in total revenues over total expenses in the amount of \$3.3 million resulted in a total estimated fund balance of \$186.5 million, for the first quarter ended September 30, 2016.

I. Actual vs. Budget Summary:

First Quarter Ended September 30, 2016

% of the Year Elapsed: 25%

	Adopted Annual Budget	Amended Annual Budget	First Quarter Ended Sept. 30, 2016	Amended vs. Actual	% of Amended Budget
Operating Revenues	\$145,491,867	\$126,771,084	\$33,957,868	(\$92,813,216)	26.8%
Non-Operating (Other Sources of Fund)	110,412,477	99,057,672	4,558,091	(94,499,581)	4.6%
TOTAL FUNDING SOURCES	255,904,344	225,828,756	38,515,960	(187,312,797)	17.1%
Administrative & Operating Expense	(149,735,902)	(158,966,965)	(30,870,928)	128,096,037	19.4%
Capital Improvement Project Expense	(52,529,527)	(59,718,635)	(2,746,786)	56,971,849	4.6%
Debt Service / Financial Expense	(23,474,188)	(22,358,268)	(8,166,385)	14,191,883	36.5%
TOTAL USES OF FUNDS	(225,739,617)	(241,043,867)	(41,784,098)	199,259,769	17.3%
Surplus/(Deficit)	\$30,164,727	(\$15,215,112)	(\$3,268,139)	\$11,946,972	21.5%



2. Actual Revenue vs. Budget:

% of the Year
Elapsed: 25%

	Adopted Annual Budget	Amended Annual Budget	First Quarter Ended Sept. 30, 2016	Amended vs. Actual	% of Amended Budget
Operating Revenues:					
User Charges	\$76,664,709	\$71,872,436	\$18,197,800	\$53,674,636	25.3%
Recycled Water Sales	15,735,000	15,734,996	4,859,045	10,875,950	30.9%
MWD Water Sales	42,062,442	28,670,598	9,137,088	19,533,510	31.9%
MWD LPP Rebate	2,079,000	2,079,000	0	2,079,000	0.0%
Property Tax - O&M	1,891,306	1,891,306	0	1,891,306	0.0%
Cost Reimbursement	5,738,121	5,913,343	1,745,799	4,167,544	29.5%
Interest	1,321,289	609,405	18,135	591,270	3.0%
OPERATING REVENUES	145,491,867	126,771,084	33,957,868	92,813,216	26.8%
Non-Operating Revenues:					
Property Tax - Debt, Capital, Reserves	\$40,500,022	\$42,813,494	\$0	\$42,813,494	0.0%
Connection Fees	30,636,200	20,068,020	3,768,221	16,299,799	18.8%
Grants & Loans	31,351,635	28,008,655	3,684	28,004,971	0.0%
Other Revenue	7,924,620	8,167,503	786,186	7,381,317	9.6%
NON-OPERATING REVENUES	110,412,477	99,057,672	4,558,091	94,499,581	4.6%
Total Revenues	\$255,904,344	\$225,828,756	\$38,515,960	\$187,312,797	17.1%

- User Charges, 25.3%** User charges were \$18.2 million, or 25.3% of the Amended Budget. The category includes equivalent dwelling unit (EDU) volumetric charges of \$14.6 million, \$2.2 million Non-Reclaimable wastewater fees paid by industrial and commercial users connected to the brine line system; \$1.4 million monthly meter charge (MEU) imposed on all potable water connections and water meter service charge to meet our Readiness-to-Serve obligation from MWD and water use efficiency programs.
- Property Tax/ AdValorem, 0%** General ad-valorem property tax receipts from the San Bernardino County Tax Assessor will commence in November 2016 as collection on the first installment from property owners will be due on November 1st to the County. Payment of incremental pass through taxes are due from the County in January and June.
- Recycled Water Sales, 30.9%** Recycled water actual direct and groundwater recharge sales were \$3.4 million (8,499 AF) and \$1.4 million (2,996 AF) respectively, for a combined total \$4.8 million. Total year to date deliveries are 11,495 AF compared to the 37,100 AF (24,200 AF Direct and 12,900 AF Recharge) budgeted for the fiscal year. Sales demand for direct use and groundwater recharge varies depending on weather pattern, water use conservation efforts, and reuse supply and basin availability.
- Interest Income, 3%** Interest Income is \$0.01 million or 3% of the annual budget. The current low interest rate environment accounts for low interest earnings.
- MWD Water Sales, 31.9%** Total MWD pass-through imported water revenue was \$9.1 million or 31.9% of amended budget. A total of 15,382 AF of pass through water was delivered at the end of the first quarter compared to 50,000 AF budgeted for FY 2016/17.
- MWD LPP Rebates, 0%** 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. Rebate is expected to be received at the second quarter. The MWD LPP rebate is set to expire in June 2017.
- Connection Fees, 18.8%** Total connection fees were \$3.8 million, or 18.8% of the amended budget. This category includes \$3.4 million for 529 new EDU connections compared to the 3,000 budgeted for the fiscal year. This category also includes water connection fees implemented in this fiscal year. Amount received during the first quarter was \$0.4 million, or 10% of the \$2.9 million budget. Water connection fees are a one-time fee paid directly to the Agency for any new or upsized water meter connection to the Agency's regional water distribution system.

Grants and Loans, 0%

Grants and loans proceeds are primarily reimbursable in nature and thus are dependent on related capital projects expenditures and are reimbursable.

Grants Budget at \$10.7 million consists of: \$3.1 million for the Regional Recycled Water Distribution System; \$3.0 million plume cleanup project; \$2.8 million for Central/Wineville project; \$0.5 million new water quality laboratory (RO fund); \$0.4 million for San Sevaine; \$0.9 million for SARCUP projects; and \$60 thousand for ground water supply wells and basins.

State Revolving Fund (SRF) Loan Budget at \$17.3 million includes: \$7.6 million new water quality laboratory; \$4.6 million Wineville area project; \$2.9 million RP-1 and RP-5 Expansion PDR; \$0.9 million Napa lateral/ Speedway and CSI; \$0.7 million Northeast area; and \$0.6 million Jurupa recycled water connection.

**Cost Reimbursements
JPA, 29.5%**

Total cost reimbursements were \$1.7 million, or 29.5% of the amended budget. Category actuals include reimbursements of \$0.9 million from the Inland Empire Regional Composting Authority (IERCA) and \$0.3 million from Chino Basin Desalter Authority (CDA) for the Agency's operation & maintenance of the IERCA Composter and CDA Desalter facilities. Also included is \$0.5 million from Chino Basin Watermaster (CBWM) for operations & maintenance costs related to the groundwater recharge basins; net of the Agency's pro-rata share for the recycled water recharge costs. Total cost reimbursement budget of \$5.9 million includes: \$3.5 million from IERCA, \$1.5 million from CDA, and \$0.9 million from CBWM.

Other Revenues, 9.6%

Total other revenues were \$0.8 million, or 9.6% of the amended budget. Budget at \$8.2 million include:

*\$0.7 million from lease revenue and energy rebates

* \$7.3 million in project reimbursements. Delays in the reimbursable projects from recycled water and water resources programs accounted for the lower revenue.

3. Actual Operating and Capital Expense vs. Budget:

% of the Year
Elapsed: 25%

	Adopted Annual Budget	Amended Annual Budget	First Quarter Ended Sept. 30, 2016	Amended vs. Actual	% of Amended Budget
Operating Expenses:					
Employment	\$42,737,341	\$42,601,461	\$11,586,882	\$31,014,579	27.2%
Admin & Operating	106,998,561	116,365,503	19,284,046	\$97,081,458	16.6%
OPERATING EXPENSES	\$149,735,902	\$158,966,965	\$30,870,928	\$128,096,037	19.4%
Non-Operating Expenses:					
Capital	52,529,527	59,718,635	2,746,786	\$56,971,849	4.6%
Debt Service and All Other Expenses	23,474,188	22,358,268	8,166,385	\$14,191,883	36.5%
NON-OPERATING EXPENSES	\$76,003,715	\$82,076,903	\$10,913,171	\$71,163,732	13.3%
Total Expenses	\$225,739,617	\$241,043,867	\$41,784,098	\$199,259,769	17.3%

Employment Expense **Employment , 27.2%**
 Employment expenses were \$11.6 million or 27.2% of the Amended Budget. In addition to the extra pay period processed during the month of September for \$1 million, actual expenses also include approximately \$850,000 for floating holiday issued in July 2016. These were partially offset by savings from a higher than anticipated vacancy factor of 9% (21 positions) compared to the budgeted vacancy rate of 2% (6 positions). Recruitment of key positions as part of the Agency's succession planning effort will lower the vacancy factor going forward.

Administrative & Operating Expense **Office and Administrative, 9.9%**
 The favorable variance was due to the inclusion of \$646,300 (23% of budget) for the GM contingency and election expense for \$300k (11% of budget). Staff continues to assess future training needs and priorities such as in-house training versus hiring consultants; efficient use of collaboration and communication tools to engage in online conferences and meetings; and use of less expensive advertising campaign through social and digital media, radio and some outdoor advertising.

Professional Fees & Services , 11.6%
 Favorable variance is attributed to the timing of contracts and services that were deferred and anticipated to be executed in the subsequent months for costs associated with work performed by outside contractors and consultants, for example, calibration of critical compliance equipment and treatment process improvements; conservation research studies, system analysis technical studies, and water use investigation; financial services for bond refinancing; grant application support to secure water bonds; and software and licensing support costs for business continuity efforts.

Materials & Supplies/Leases/Contribution , 17.6%
 The favorable variance was primarily due to staff's effort to monitor operational equipment usage to ensure maximum use from supplies, replacement parts and consumables used by treatment plants/facilities such as pumps, conveyors, process analyzer, mechanical & electrical devices for motor, control panels and valve actuators. The lease and rental reflects the current cost for reprographic equipment and roll off bin for refuse.

Biosolids Recycling , 19.4%
 Residual disposal is under budget due to the optimization of the RP-1 centrifuge and the continuous use of the solar pad at RP-2 to further dry biosolids which helps reduce operating costs. Total tonnage shipped to IERCA was 14,231 tons at \$55 per ton. Total tonnage hauled was 12,879 tons at a blended rate of \$5.80 per ton which is lower than the budgeted transportation blended cost of \$8.29 per ton.

Chemicals , 23%
 Chemicals were \$1.1 million or 23% of budget. An increase in polymer was used to the primary clarifier to enhance solids settling and to the sludge to achieve the desired thickening and dewatering process. This increase was partially offset by a decrease in the use of sodium hypochlorite and ferric chloride. Bypassed sewer flows caused a reduction in the amount of raw waste water treated due to the rehabilitation of critical aeration equipment.

Operating Fees - 23%

Favorable variance in this category was contributed by lower strength and imbalance charges (pass through) in the Non Reclaimable Waste (NRW) system. In addition to industries being proactive in treating their water before discharging to the system helped reduced the strength charges. This category also includes readiness-to-serve obligation collected by MWD budgeted at \$3.1 million.

MWD Water Purchases , 28.7%

Total MWD pass-through imported water purchases were \$9.1 million for 15,382 AF or 31% of 50,000 AF budgeted for the fiscal year.

Utilities , 20.1%

Natural gas expense was low due to the lower rate averaging \$0.4105/therm compared to the budgeted rate of \$0.80/therm and less usage measured at 35,083 therms of the annual agency average of 1,200,000 therms.

Fuel cell has been offline since July 2016 and electricity was pulled from Southern California Edison to make up for the loss outpost resulting in higher use of imported electricity. The increase in electricity was offset by the decrease in fuel cell and natural gas.

Special and Reimbursable Projects , 2.4% and 2.2%

The combined special and reimbursable project costs were \$0.8 million or 3% of the amended budget. The favorable variance is mainly due to lower actuals related to the Chino Basin Groundwater Wells, Agency-wide aeration projects, SAWPA Action Santa Ana River Conservation & Conjunction Use Program (SARCCUP), various planning documents, and Intertie projects budgeted at \$11 million or 38% of the category's amended budget, of which only \$1.1 million has been spent. A total of \$6.5 million of the amended budget has been identified to be carried forward to FY 2016/17. The table below provides a summary of the major projects and current status.

Financial Expenses

Financial Expense , 35.6%

Total financial expenses were \$7.8 million or 35.6% compared to budget through the end of the first quarter. Actual costs included \$5.6 million in principal payments (*\$4.1 million for 2010A Bond paid In August 2016*) and \$2.2 million in interest, and other financial administration fees.

Capital Expense

Capital Costs , 4.6%

Capital expenditures through the end of first quarter were \$2.7 million or 4.6% when compared to the amended budget of \$59.7 million which includes encumbrances of \$4.5 million of capital project budget carried forward from FY 2015/16 budget. Favorable variances in spending are largely driven by changes in project scope and schedule, construction bid results, regulatory issues, and external resources associated with such undertakings. Budgeted amount related to regional wastewater projects were \$36.2 million or 61% of budget, and \$13.6 million or 23% of the budget 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, 2016

Capital Project		Amended FY 2016/17	YTD Expenditure	Budgeted Amount Remaining
EN13001	San Sevaine Basin Improvements As part of the 2013 Amendment to the 2010 Recharge Master Plan Update (RMPU), this project will evaluate, design, and construct basin improvements needed to maximize infiltration and recharge capture at the San Sevaine basins. The final recommendation from the preliminary development report proposes to implement, a new stormwater/recycled water pump station in Basin 5, directly tie it into all existing RW pipeline, place new pipelines and headwalls in Basins 1, 2 and 3, and install monitoring wells and lysimeters. The proposed improvements will add 642 AF per year of stormwater and 4,100 AF per year of recycled water for groundwater recharge.	3,250,000	45,068	3,204,932
EN15008	Water Quality Laboratory Construct new, state of the art, 17,000 sq. laboratory and expand existing central plant to supply chilled water for the laboratory air conditioning and heating system. Completed the environmental biological survey (nesting birds) in compliance with CEQA requirements. Issued the notice to proceed to the contractor for mobilization and commencement of the construction work. Shopped for drawings and submittal review and approval, building information modeling, underground utilities exploration and layout, duct bank RFD review and finalization, geotechnical excavation finalization, schedule of values completion, and project control schedule.	7,000,000	264,231	6,735,769
RW15003	Recharge Master Plan Update Projects The scope for this project is to implement only the soft cost efforts such as: preliminary design, environmental review, permitting, and final design. All construction efforts (hard cost) will be implemented separately under a later project.	3,100,000	263,755	2,836,245
EN16024	RP-1 Mixed Liquor Return Pumps The required volume to perform sufficient biological nutrient removal to meet current NPDES and GWR permits is at or near capacity. Additional recirculation of nitrates/nitrites to the feed source at the inlet of the aeration basin will improve removal efficiencies. Issues the notice to award contract and the conditional notice to proceed to J.F. Shea Construction. Held a kick-off meeting and pre-construction meeting on September 26, 2016.	2,850,000	134,586	2,715,414

O&M & Reimbursable Projects		Amended FY 2016/17	YTD Expenditure	Budgeted Amount Remaining
EN16021	Chino Basin Groundwater Wells Project work was delayed because the Agency's agreement with CDA is contingent upon final project approval from the Regional Board. The Regional Board recently issued a draft Cleanup and Abatement Order (CAO), which is expected to be approved in September 2016. Design and construction work on the project is expected to begin immediately upon Regional Board approval.	7,481,073	307,441	7,173,632
WR15009	CII Rebate Incentives The project provides funding for any Commercial, Industrial, and Institutional (CII) rebates available for customers. The Agency is currently awaiting invoices from MWD upon completion of the turf removal rebate projects for both residential and CII customers. A total of \$1.1 million of the amended budget has been carried forward to FY 2016/17	1,129,389	-	1,129,389
WR16024	SAWPA Action SARCCUP The Santa Ana River Conservation & Conjunctive Use Program is known as SARCCUP. It was created with various other water agencies to utilize funds from SAWPA Prop 84 grants to develop a watershed-scale conjunctive use program. IEUA cost sharing for the SARCCUP project has yet to be initiated. A total of \$355 thousand of the amended budget has been carried forward to FY 2016/17	1,854,492	15,343	1,839,149

INLAND EMPIRE UTILITIES AGENCY*Fiscal Year 2016/17***CONSOLIDATED BUDGET VARIANCE ANALYSIS REPORT***First Quarter Ended September 30, 2016*

	Adopted FY 2016/17 Annual Budget	Amended FY 2016/17 Annual Budget	YTD Actual	YTD Variance	YTD % Budget Used
<u>OPERATING REVENUES</u>					
User Charges	\$76,664,709	\$71,872,436	\$18,197,800	(\$53,674,636)	25.3%
Recycled Water	15,735,000	15,734,996	4,859,045	(10,875,951)	30.9%
MWD Water Sales	42,062,442	28,670,598	9,137,088	(19,533,510)	31.9%
MWD LPP Rebates	2,079,000	2,079,000	-	(2,079,000)	0.0%
Property Tax - O&M	1,891,306	1,891,306	-	(1,891,306)	0.0%
Cost Reimbursement from JPA	5,738,121	5,913,343	1,745,799	(4,167,544)	29.5%
Interest Revenue	1,321,289	609,405	18,135	(591,270)	3.0%
TOTAL OPERATING REVENUES	\$145,491,867	\$126,771,084	\$33,957,868	(\$92,813,216)	26.8%
<u>NON-OPERATING REVENUES</u>					
Property Tax - Debt, Capital, Reserves	\$40,500,022	\$42,813,494	\$0	(\$42,813,494)	0.0%
Connection Fees	30,636,200	20,068,020	3,768,221	(16,299,799)	18.8%
Grants	7,710,189	10,715,256	3,684	(10,711,572)	0.0%
SRF Loan Proceeds	23,641,466	17,293,399	0	(17,293,399)	0.0%
Project Reimbursements	5,418,539	7,292,963	478,580	(6,814,383)	6.6%
Other Revenue	2,506,081	874,540	307,606	(566,934)	35.2%
TOTAL NON OPERATING REVENUES	\$110,412,477	\$99,057,672	\$4,558,091	(\$94,499,581)	4.6%
TOTAL REVENUES	\$255,904,344	\$225,828,756	\$38,515,960	(\$187,312,797)	17.1%
<u>ADMINISTRATIVE and OPERATING EXPENSES</u>					
EMPLOYMENT EXPENSES					
Wages	\$23,102,187	\$22,966,307	\$7,037,095	\$15,929,212	30.6%
Benefits	19,635,154	19,635,154	4,549,786	15,085,367	23.2%
TOTAL EMPLOYMENT EXPENSES	\$42,737,341	\$42,601,461	\$11,586,882	\$31,014,579	27.2%
ADMINISTRATIVE EXPENSES					
Office & Administrative	\$2,465,005	\$2,806,064	\$277,906	\$2,528,158	9.9%
Insurance Expenses	840,500	840,498	216,301	624,197	25.7%
Professional Fees & Services	8,539,414	11,447,439	1,324,463	10,122,976	11.6%
O&M Projects	15,952,815	33,307,674	800,949	32,506,724	2.4%
Reimbursable Projects	164,185	466,272	10,056	456,216	2.2%
TOTAL ADMINISTRATIVE EXPENSES	\$27,961,919	\$48,867,946	\$2,629,675	\$46,238,271	5.4%

INLAND EMPIRE UTILITIES AGENCY*Fiscal Year 2016/17***CONSOLIDATED BUDGET VARIANCE ANALYSIS REPORT***First Quarter Ended September 30, 2016*

	Adopted FY 2016/17 Annual Budget	Amended FY 2016/17 Annual Budget	YTD Actual	YTD Variance	YTD % Budget Used
OPERATING EXPENSES					
Material & Supplies/Leases	\$2,882,838	\$3,516,528	\$617,874	\$2,898,654	17.6%
Biosolids Recycling	4,299,648	4,407,405	853,820	3,553,585	19.4%
Chemicals	4,524,371	4,674,015	1,072,803	3,601,212	23.0%
MWD Water Purchases	42,062,442	31,856,220	9,137,088	22,719,132	28.7%
Operating Fees/RTS Fees/Exp. Alloc.	13,650,700	11,435,343	2,635,094	8,800,249	23.0%
Utilities	11,616,643	11,608,046	2,337,691	9,270,355	20.1%
TOTAL OPERATING EXPENSES	\$79,036,642	\$67,497,557	\$16,654,370	\$50,843,187	24.7%
TOTAL ADMINISTRATIVE and OPERATING EXPENSES	\$149,735,902	\$158,966,965	\$30,870,928	\$128,096,037	19.4%
<u>NON-OPERATING EXPENSES</u>					
CAPITAL OUTLAY	\$52,529,527	\$59,718,635	\$2,746,786	\$56,971,849	4.6%
FINANCIAL EXPENSES					
Principal, Interest and Financial Expenditure	22,718,386	22,016,968	7,835,332	14,181,636	35.6%
OTHER NON OPERATING EXPENSES	755,802	341,300	331,053	10,247	97.0%
TOTAL NON-OPERATING EXPENSES	\$76,003,715	\$82,076,903	\$10,913,171	\$71,163,732	13.3%
TOTAL EXPENSES	\$225,739,617	\$241,043,867	\$41,784,098	\$199,259,769	17.3%
REVENUES IN EXCESS/ (UNDER) EXPENSES					
	\$30,164,727	(\$15,215,112)	(\$3,268,139)	\$11,946,972	
FUND BALANCE SUMMARY					
Unaudited Beginning Balance, July 01	\$127,671,218	189,770,404	\$189,770,404	\$0	
Surplus/ (Deficit)	30,164,727	(15,215,112)	(3,268,139)	11,946,972	
ENDING BALANCE, June 30	\$157,835,945	\$174,555,292	\$186,502,265	\$11,946,972	

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL
Report Months: July, August, September : Year: 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
11/15/2016														
Agency Management														
217	FY 2016/17	Quarterly	Agency Management	C	Continue to apply Lean Management principles to streamline current business processes and systems and eliminate waste and redundancies	Develop and implement a standardized procedure for writing and processing committee/board letter	Completed by June 30, 2017	Implement two procedures per quarter until completed	April Woodruff	November	2016	On Schedule		First draft written and under review
219	FY 2016/17	Quarterly	Agency Management	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Develop and implement a standardized procedure for writing and processing committee/board letter	Completed by June 30, 2017	Implement two procedures per quarter until completed	April Woodruff	November	2016	On Schedule		Same notes as above
220	FY 2016/17	Quarterly	Agency Management	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Develop a standard operating procedure handbook for the Executive Management Department area	Completed by June 30, 2017	Implement two procedures per quarter until completed	April Woodruff	November	2016	On Schedule		4 Standard Operating Procedures for the Department written and under review
221	FY 2016/17	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 or Responsibilities" manual for the Board Secretary position	Completed by June 30, 2017	Update 25% per quarter	April Woodruff	November	2016	On Schedule		Ongoing as time permits
222	FY 2016/17	Quarterly	Agency Management	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Increase the efficiency of the executive administrative group through streamlining processes	Ongoing	Review and improve two processes per quarter	April Woodruff	November	2016	On Schedule		Agency Management staff works to continually improve procedures within the department to further streamline processes.
Business Information Services														
177	FY 2016/17	Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Determine requirements for new SAP enhancement that improves cost tracking for projects that qualify for multiple grants – Timeline 15/16 ready: Establish baseline date; develop requirements; implement prototype	Ongoing	< 3 systems in use	Kanes Pantayatiwong	September	2016	On Schedule	No	A combination of both Grants department transitioning to a different division and BIS analyst, specialized in grants management in SAP, being occupied with payroll retro analysis and GU MOU changes, this project was deferred until resources can be available. Various discussion sessions took place in Q1 with planned training classes scheduled for Q2 of FY2017.
178	FY 2016/17	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 Pantayatiwong	September	2016	On Schedule	No	BIS and Accounting & Finance will team up to work on the SAP Finance roadmap, which will address this needs along with other finance-related needs by all users. Also, as part of the ECMS project, there will be a new process for submitting a budget transfer electronically. The feedback from this enhancement can help expanding the use of ECMS process flow for other areas.
179	FY 2016/17	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 Pantayatiwong	September	2016	On Schedule	No	Due to resource constraint with emphasis on improving the payroll process, BIS staff was allocated to assist with the improvements (through process changes and system enhancements). This project was reassessed and scheduled to be completed by May 2017, with the intent of issuing the RFP by that date.

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL
Report Months: July, August, September : Year: 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
180	FY 2016/17	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 Pantayatiwong	September	2016	On Schedule	No	This project will be driven by business process owner (Planning Department). At this time, there is no active activity.
249	FY 2016/17	Quarterly	Finance and Administration	B	Ensure staff understands and upholds their role in achieving the Agency's Mission, Vision, and Values	Release new enhancements to Agency's various software applications at fixed intervals (every 4 months).	Ongoing by June 2016	100% of enhancements released plus or minus two calendar weeks from scheduled release date	Kanes Pantayatiwong	September	2016	On Schedule		Completed a major upgrade for SAP, from Enhancement Pack 5 (EHP5) to EHP8. The enhancements will allow the Agency to begin implementing new functionality provided by SAP, minimizing the need to purchase third-party solutions. Explored new methods for developing dashboard that enabling shorter development time and with greater user experience. Developed a pilot solution for converting existing paper/manual process for Operations Log Book to digital format within SAP. Developed the Maintenance dashboard using SharePoint, scheduled to go live in November.
251	FY 2016/17	Monthly	Finance and Administration	B	Prepare and implement a Disaster Preparedness Plan and conduct periodic emergency response drills by July 2017	Implement recommended disaster plan per TMP.	Ongoing	BIS to lead the Business Continuity / Disaster Recover Subcommittee	Kanes Pantayatiwong	September	2016	On Schedule		Coordinated with ISS team to perform disaster recovery test for both on Agency's premise as well as offsite location. Worked with ISS to establish requirements for disaster recovery of SAP systems. These requirements will be used in evaluating the proposals for new services planned for FY2017 that may potentially replace the existing services provided by current vendor.
39	FY 2016/17	Quarterly	Finance and Administration	B	Prepare and implement a Disaster Preparedness Plan and conduct periodic emergency response drills by July 2017	Implement recommended disaster plan per TMP	Per TMP schedule	Plan adoption and in place	Kanes Pantayatiwong	September	2016	On Schedule	No	Coordinated with ISS team to perform disaster recovery test for both on Agency's premise as well as offsite location. Worked with ISS to establish requirements for disaster recovery of SAP systems. These requirements will be used in evaluating the proposals for new services planned for FY2017 that may potentially replace the existing services provided by current vendor.
Contracts and Facilities Services														
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	2016	On Schedule	No	We continue to analyze the purchase requests we receive in order to maximize the best value to the Agency. We utilize direct quotes and Planet Bids to solicit competition.
173	FY 2016/17	Quarterly	Finance and Administration	B	Promote a safer work environment by administering and monitoring required safety and regulatory trainings	Conduct Agency training on department processes that are in line with the Agency's MVV	Ongoing		Warren Green	November	2016	On Schedule	No	This is an ongoing goal for the department. We conducted external vendor training on 10/27. Additionally, Risk training regarding security was presented to Engineering on 10/18.
174	FY 2016/17	Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Maintain average processing time within CFS's published service level objectives =95%	Ongoing		Warren Green	November	2016	On Schedule	No	Staff continues to monitor their ME5A as well as the dashboard that provides CAP staff with PR's and contract times.

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: All.
Report Months: July, August, September; Year: 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
175	FY 2016/17	Quarterly	Finance and Administration	C	Provide timely updates to the Regional Committees and the IEUA Board on long term planning needs	Identify and participate in organizations that advance the Agency MV and key initiatives	Ongoing		Warren Green	November	2016	On Schedule	No	Staff participated in ISM/NCMA/CPFM training in Riverside, additionally we participated in a webinar "What Procurement Orgs need Most - Flexibility & Agility" on 9/28.
176	FY 2015/16	Quarterly	Finance and Administration	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.	Ensure all current and future landscaping, as well as new facilities, are in cooperation with current LEED and water-efficiency programs and advancements	complete by June 2016	Increase educational signage for Agency facilities where accessible by the public by 15%.	Warren Green	November	2016	On Schedule	No	Signs were added to the park and to Regional Plant No. 5 to provide educational value to tours.
242	FY 2016/17	Quarterly	Finance and Administration	C	Replace the legacy Document Management System to ensure it meets Agency-wide and regulatory public records requirement and eliminates redundant archiving systems	Implement the new ECM System, Agency taxonomy project, and legal holds process	Ongoing	Will conduct inventory of both paper and electronic records by October 15, 2016	Linda Johnson	October	2016	On Schedule		The Implementation of the ECM Systems is continuing. Departmental taxonomies are scheduled to be completed within a week. The schedule for inventory of Agency records was changed to compliment the completion on departmental taxonomies.
243	FY 2016/17	Annual	Finance and Administration	C	Replace the legacy Document Management System to ensure it meets Agency-wide and regulatory public records requirement and eliminates redundant archiving systems	In collaboration with BIS, implement an email or Electronic Data Interchange (EDI) solution for purchase order transmission to the vendors.	Ongoing	Transmission of purchase orders to vendors via direct email or EDI by January 2017.	Warren Green	November	2016	On Schedule		We have limitations on the ability to send PO's via EDI with our vendors as there are fees. We will continue to explore functionality of SAP with respect to e2P.
244	FY 2016/17	Annual	Finance and Administration	C	Replace the legacy Document Management System to ensure it meets Agency-wide and regulatory public records requirement and eliminates redundant archiving systems	In collaboration with BIS, establish purchase requisition accessible Open Catalog Interface (OCI) catalogs for end user.	Ongoing	Add two new OCI vendors, open for use by all staff through the PR process, by June 2017	Warren Green	November	2016	On Schedule		We have added several vendors to our OCI list. Until additional vendors are available, we will hold this goal.
245	FY 2016/17	Quarterly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Maintain average processing time within CFS's published service level objectives = 95%	Ongoing	Run quarterly staff and department service level reports and publish in the General Manager's quarterly report	Warren Green	November	2016	On Schedule		We continue to review the processing time for delays and overall effectiveness to our customers. We meet every two weeks with Maintenance to ensure their needs are addressed in a timely manner.
246	FY 2016/17	Monthly	Finance and Administration	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Provide exceptional and responsive customer service.	Continuous	Increase facilities services response time for support services by 15%.	Warren Green	November	2016	On Schedule		Facilities continues to monitor the activities associated with the Track It system in response to the level of service. There are times where staff is dependent upon other departments for support.
247	FY 2016/17	Quarterly	Finance and Administration	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	Identify educational opportunities for environmentally friendly facilities and landscapes	Ongoing	Increase educational signage by 10% for Agency facilities that are accessible by the public.	Lucia Diaz	November	2016	On Schedule		Additional signage was posted in the park as well as at Regional Plant No. 5 in support of educational value for tours and visitors.
Engineering														
156	FY 2016/17	Once Complete	Engineering, Planning and Science	E	Evaluate advances in laboratory design for inclusion in the construction of the Water Quality Laboratory facility	Upon funding, design and construct latest technology lab	48 months after funding is received	Upon funding 12 months for design and 36 months to construct	Shaun Stone	November	2016	On Schedule	No	The consultant contract was awarded in May 2015 and the design was completed 9 months later in February 2016. The construction contract was awarded in May 2016. The construction work is scheduled to be completed in August 2018

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL
Report Months: July, August, September : Year: 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
214	FY 2016/17	Quarterly	Engineering, Planning and Science	E	Provide engineers training to understand business aspects of capital projects and increase engineering consultant design services in lieu of in-house designs to complete more projects in a shorter timeframe by July 2022	Provide high quality project management design for Capital Improvement Projects.	Ongoing	In-House Design Engineer = 10%	Shaun Stone	November	2016	Behind Schedule		For projects that finish construction during or after FY1617 the overall percentage is 15.38% 8 of 52 projects are in house design
215	FY 2016/17	Quarterly	Engineering, Planning and Science	E	Provide engineers training to understand business aspects of capital projects and increase engineering consultant design services in lieu of in-house designs to complete more projects in a shorter timeframe by July 2022	Provide high quality project management design for Capital Improvement Projects.	Ongoing	Fiscal Year Capital Spending = 90%	Shaun Stone	November	2016	Behind Schedule		FY Budget = \$60m; Projected spending = \$52M Overall projection = 86%. As of 11/30 Engineering had 6 projects representing \$5M in budget variance. Please see our November 2016 GM report for detail variances for the 6 projects.
216	FY 2016/17	Quarterly	Engineering, Planning and Science	E	Conduct Lesson's Learned sessions to evaluate key construction implementations	Review and evaluate all projects for best practices that can be applied to future projects.	Ongoing	10x/year > 90%	Shaun Stone	November	2016	On Schedule		Conducted 1 Lesson Learned; Battery Project Lessons Learned
External Affairs														
166	FY 2016/17	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 8 associations /groups	Kathy Besser	November	2016	On Schedule	No	Presented to three community groups on educational opportunities and drought.
167	FY 2016/17	Quarterly	Agency Management	D	13. Advocate strategies that help anticipate and mitigate the impacts of droughts and climate change on the region	Develop, support, promote, and participate in water education programs	Ongoing		Kathy Besser	November	2016	On Schedule	No	Restructured education programs to include more drought and conservation activities during the tours. Changed digital marketing campaign to include appropriate messaging for fall, which includes utilizing new marketing logos and new platforms.
168	FY 2016/17	Quarterly	Agency Management	F	Support legislation to reduce drugs in waterways through take back programs	Support legislation to reduce drugs in waterways through take back programs	Completed by FY 16/17		Kathy Besser	November	2016	On Schedule	No	Sent press releases and used digital outreach to spread the word about national drug take back day in October.
223	FY 2016/17	Quarterly	Agency Management	B	Ensure staff understands and upholds their role in achieving the Agency's Mission, Vision, and Values	Incorporate the Agency's Mission, Vision, and Values into all staff activities including: creating collateral materials, employee newsletter, and posting to the IEUA website. Increase public recognition of Agency brand	By June 2016 and ongoing	Continue to update printed materials, newsletters, and website with current content	Kathryn Besser	November	2016	On Schedule		Assisted with development of updated Agency business goals to ensure mission, vision and values are included in our long term planning. Website content is kept current, newsletters are sent out quarterly and brochures are updated on a rotating schedule.
224	FY 2016/17	Monthly	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	By June 2016 and ongoing	Review the website for accuracy on a continual basis	Kathryn Besser	November	2016	On Schedule		Began meeting with department managers in September to ensure content remains accurate. Continue to switch out front page "sliders" on a timely basis to ensure current programs are being promoted.
228	FY 2016/17	Quarterly	Agency Management	C	Promote regional projects and initiatives through presentations to community based organizations, service groups, and stakeholders	Communicate the importance of regional/local water independence and conservation	By June 2016 and ongoing	Form a Drought Task Force with member agencies. Continue marketing campaigns and social media outreach, Present to associations or	Kathryn Besser	November	2016	On Schedule		Regional drought campaign throughout the service area continues, changing messaging for fall months to address different water usage and needs. All marketing continues to be done in Spanish and English.

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL

Report Months: July, August, September - Year: 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
229	FY 2016/17	Quarterly	Agency Management	D	Complete water softeners ordinance by December 2014 and continue to reduce salinity and nutrients in recycled water	Work with the cities of Chino, Chino Hills, and Ontario to pass the water softener ordinance	By June 2016 and ongoing	community organizations quarterly Remaining cities to pass ordinance by end of FY 2015/16	Kathryn Besser	November	2016	On Schedule		Bi-annual audit was conducted, demonstrating only one store reverted to selling salt-based softeners. Three remaining cities have not passed ordinance – will work with Planning Department to address new city councils beginning in January.
230	FY 2016/17	Monthly	Agency Management	F	Develop a communication plan to promote being a good neighbor	Communicate the Agency-wide goals, services, and functions to our entire service area, including all community members, businesses, and stakeholders.	By June 2016 and ongoing	FY2015/16 will continue to increase number of events attended in order to reach the entire service area	Kathryn Besser	November	2016	On Schedule		Brochures and technical illustrations were delayed due to new executive manager. Expect printing by end of 2016. Outreach list for press materials continues to grow, adding almost 135 in the past year. Significantly increased number of press releases and social media postings.
Finance and Accounting														
258	FY 2016/17	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.	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments.	Ongoing	Review program fund allocations and adjust if necessary to meet program needs.	Tina Cheng	November	2016	On Schedule		Implement the property tax allocations to various programs as adopted by the Board in May 2016.
184	FY 2016/17	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	2016	On Schedule	No	One of the element of credit rating evaluation is governance and management. Staff support this area with the development of debt management policy, update of fiscal ordinance, and reserve policy. The Agency has accelerated the schedule for the refinancing of the 2008A bonds. Currently in the process of selecting an underwriter, defining the structure of the refinancing, and during this process obtain a rating for the new transaction and a reviewed rating for the Agency overall.
185	FY 2016/17	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	2016	On Schedule	No	Working with financial advisor and bond counsel in the preparation of refinancing/defasance of the 2008A bonds in leveraging the current low interest rate market for interest cost savings
186	FY 2016/17	Quarterly	Finance and Administration	B	Promote a safer work environment by administering and monitoring required safety and regulatory trainings.	Promote a safer work environment by administering and monitoring required safety and regulatory trainings.	Ongoing		Tina Cheng	November	2016	On Schedule	No	Staff attended required safety trainings as recommended by the safety policy.
Grants														
273	FY 2016/17	Semi-Annual	Engineering, Planning and Science	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments	Manage congressional grant authorizations for water desalination projects in the Chino Basin	Ongoing	Until completion of the \$26M congressional authorization	Jason Gu	October	2016	On Schedule		IEUA has received \$20.8 million out of the \$26M Congressional Grant Authorization.
274	FY 2016/17	Quarterly	Engineering, Planning and Science	A	Advocate for continued receipt of property taxes and optimize	Collaborate with departments that have	Ongoing	Collaborating with IEUA and member	Jason Gu	October	2016	On Schedule		Collaborated with member agencies and other local agencies on preparing,

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL
Report Months: July, August, September : Year: 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
					grants and other funding sources to support Agency and regional Investments	projects that need grant funding.		agencies on preparing, submitting and monitoring grant and SRF loan applications for eligible projects.						submitting and monitoring grant and SRF loan applications for eligible projects.
275	FY 2016/17	Quarterly	Engineering, Planning and Science	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional Investments	Find grants that match with Member and Regional Agencies capital and conservation programs	Ongoing	Continues as Federal and State grants are available	Jason Gu	October	2016	On Schedule		Collaborated with member agencies and other local agencies on preparing, submitting and monitoring grant and SRF loan applications for eligible projects. Will continue to locate opportunities to coordinate with others for regional benefits.
181	FY 2016/17	Quarterly	Engineering, Planning and Science	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments	Recommend potential grant opportunities that align with the Agency mission and financial goal	Ongoing		Jason Gu	October	2016	On Schedule	No	Recommended multiple State and Federal Grant and SRF loan opportunities that align with the Agency mission and financial goal. Several applications and pre-applications were submitted.
182	FY 2016/17	Quarterly	Engineering, Planning and Science	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional Investments	Pursue new grant awards to diversify revenue	Ongoing		Jason Gu	October	2016	On Schedule	No	Major new grant applications and pre-applications were submitted to the State Water Resources Control Board and USBR. Opportunities through the CEC's Electric Program Investment Charge (EPIC) Program and through the DOE (Department of Energy) are continually being reviewed for potential grants.
183	FY 2016/17	Quarterly	Engineering, Planning and Science	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments	Collaborate with departments that have projects that need grant funding	Ongoing		Jason Gu	October	2016	On Schedule	No	Collaborating with Planning, Engineering, Construction Management, and Operations on preparing, submitting and monitoring grant and SRF loan applications for eligible projects.
Human Resources														
262	FY 2016/17	Semi-Annual	Finance and Administration	B	Ensure staff understands and upholds their role in achieving the Agency's Mission, Vision, and Values	Promote a positive work environment that holds managers, supervisors and employees accountable for creating and maintaining positive work relationships.	Ongoing	Survey and employee feedback	Sharmeen Bhojani	September	2016	On Schedule		Supervisors and managers attended 2 In-house workshop in July and August, 2016. The training topics covered were on Agency Discipline Procedures and Performance Appraisals.
263	FY 2016/17	Quarterly	Finance and Administration	B	Ensure staff understands and upholds their role in achieving the Agency's Mission, Vision, and Values	Develop creative communication methods and continue education of employee benefits to increase knowledge of benefit programs and services including visiting and scheduling appointments with employees at other facilities, holding continuous lunch and learn sessions and other educational workshops/presentations.	Ongoing	Number of onsite visits, lunch and learns, and other educational sessions held	Sharmeen Bhojani	September	2016	On Schedule		Benefits Fair was held on September 14th with 102 employees attending. Additionally, ICMA-RC was on site on August 3rd and September 14th. Lincoln Financial and CalPERS 457 were also onsite on September 14th.
264	FY 2016/17	Quarterly	Finance and Administration	B	Develop and implement plan to monitor and prepare the next generation of Agency leaders by July 2017	Develop a process to identify potential leaders within the Agency; utilize the Leadership Academy	Leadership Academy January -- June 2016	Number of employee participants in the Academy and other training programs.	Sharmeen Bhojani	September	2016	On Schedule		All Supervisors and Managers attended 2 Agency workshops in September, 2016 on Leadership Training

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL
Report Months: July, August, September : Year 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
265	FY 2016/17	Semi-Annual	Finance and Administration	B	Develop a plan to conduct a feedback study to measure employee satisfaction.	and other training opportunities to enhance existing talent. Create and distribute an employee satisfaction survey	Employee Climate Survey by June 2016	Percentage of Internal promotions Conduct an Employee Climate Survey after Class and Comp Study implementation	Sharmeen Bhojani	September	2016	Behind Schedule		Climate survey was postponed due to payroll discrepancies issues project.
266	FY 2016/17	Quarterly	Finance and Administration	B	Develop a plan to conduct a feedback study to measure employee satisfaction.	Identify strategies to increase employee morale and promote employee retention.	Ongoing	Surveys and employee feedback/Retention of employees	Sharmeen Bhojani	September	2016	On Schedule		The benefits fair survey feedback indicated that overall employees felt the Fair met their expectations (86%), that it was relevant to their needs (59%), and that they were able to gather new information about programs, benefits, and services (53%).
267	FY 2016/17	Semi-Annual	Finance and Administration	B	Implement the Agency-wide Classification and Compensation Study.	Finalize the Agency-wide Classification and Compensation Study to develop a fair, consistent and competitive compensation program	Complete by June 2016	Successfully ratify and implement the new structure for remaining represented units.	Sharmeen Bhojani	September	2016	Behind Schedule		Negotiations are still ongoing with the Supervisors' Unit regarding unit modifications. The Supervisors' Unit is the only unit that has not implemented the Study and a decision was made to revisit this in 2018.
268	FY 2016/17	Annual	Finance and Administration	B	Review and update the STAR Award program to more effectively recognize outstanding performance	Change the format of the STAR Award Program to ensure more employees have an opportunity to receive the award	Review and recommendation by June 2016	Updated Agency Policy A-79.	Sharmeen Bhojani	September	2016	On Schedule		Policy review is deferred to future quarter of FY 16 17 due to higher priority for other policies which have been identified by labor and agency counsel.
269	FY 2016/17	Quarterly	Finance and Administration	B	Achieve a Cal Star Award certification from OSHA by June 2019	Research requirements needed to obtain the award/certification by OSHA; work with Maintenance and Operations to develop a plan that ensures commendable safety and risk management practices.	Schedule meetings with Operations and Maintenance to review requirements and develop an action plan by June 2016	Prepare applications submittal(s) by November 2016.	Sharmeen Bhojani	September	2016	On Schedule		A tour of Eastern Municipal Water District was conducted earlier in October. Eastern is Cal-Star certified. The tour provided information on what our Agency can expect and what areas our staff need to focus on over the next few years in preparation for a Cal-Star audit. Future meetings will be scheduled to begin addressing Action Log items.
187	FY 2016/17	Quarterly	Finance and Administration	B	Ensure staff understands and upholds their role in achieving the Agency's Mission, Vision, and Values	Assist in the development of the cross-training program by providing guidance, coordination, and administrative skills in the program design, course content development, marketing and evaluation with various stakeholders and subject matter experts	Ongoing June 2015???	Survey and employee feedback/ Number of on-site visits, lunch and learns and other educational sessions held	Sharmeen Bhojani	September	2016	Behind Schedule	No	Meet with the new Executive Manager of Operations in the 2nd quarter of FY 16 17 to determine the priorities and timeline for this project
188	FY 2016/17	Quarterly	Finance and Administration	B	Implement strategies and recruitment practices that provide flexible and responsive solutions to assist the Agency in filling positions in a timely and effective manner	Draft a new consolidated Personnel Rules and Regulations	Ongoing	Track the average number of weeks it takes to complete the recruitment process from beginning to end	Sharmeen Bhojani	September	2016	On Schedule	No	Average number of weeks is 2.743 weeks. This low number is due to the selection of internal candidates which result in quicker turnaround time for appointment than external candidates.
40	FY 2016/17	Quarterly	Finance and Administration	B	Prepare and implement a Disaster Preparedness Plan and conduct periodic emergency response drills by July 2017	Work with all Agency departments to institute a holistic Disaster Preparedness Plan; coordinate table top exercises for disaster drills for all Managers and Supervisors on an annual or biennial basis	July-2017	Distribute a draft plan for review to all departments by January 2016	Sharmeen Bhojani	September	2016	On Schedule	No	Draft Disaster Preparedness Plans have been completed by all applicable departments/divisions and are in review. As plans change, discussions are now pending to conduct a real-time Agency wide drill in 2017. A firm date cannot be provided at this time as many factors will dictate scheduling. Currently, initial trainings with those staff listed on the

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL
Report Months: July, August, September : Year: 2016

Goal ID	FY	Reporting Period	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
57	FY 2016/17	Quarterly	Finance and Administration	B	Review and revise the Emergency Preparedness Plan by July 2017	Enhance current Emergency Preparedness Manual by adding department action plans and ensure coordination with the Disaster Preparedness Plan; review and revise the manual on an annual basis	July-2017	Distribute a draft plan for review to all departments by January 2016	Shameen Bhojani	September	2016	On Schedule	No	Incident Organization Chart are providing an overview of each section's responsibilities in the event of an emergency/disaster. The Agency's Emergency Manual is reviewed each December and as needed throughout the year. This manual will be tied in with the Disaster Preparedness Plan which includes department action plans. As this is a live document, it will continue to be revised annually and as necessary.
33	FY 2016/17	Quarterly	Finance and Administration	B	Draft a new consolidated Personnel Rules and Regulations for the Agency across all bargaining units, thereby streamlining Individual Unit MOUs by July 2016	Draft a new consolidated Personnel Rules and Regulations	July-2016	Prepare a first draft for review by April 2016	Shameen Bhojani	September	2016	On Schedule	No	Began the review process in September to identify changes and updates needed to streamline and consolidate items in all MOUs. First draft is complete.
Internal Audit														
132	FY 2016/17	Annual	Agency Management	B	Prepare and implement a Disaster Preparedness Plan and conduct periodic emergency response drills by July 2017	Update and maintain the IAD's Disaster Preparedness Plan and submit to the Audit Committee for review and submittal to the Board	Annually as part of the review of all IAD procedures and Charter .	Reviewed at the Audit Committee level with the Audit Committee Advisor and Audit Committee members as well as Executive Management.	Teresa Velarde	November	2016	On Schedule	No	IA has SOP #006 "IA Internal Audit Department Business Continuity and Disaster Recovery." the purpose of the SOP is to document the role and responsibility of IA. IA's role will be to assist in the continuance of critical activities and to help Agency Management minimize the impact of the incident to the Agency's core operations. Additionally, as part of the Agency's effort to implement a disaster plan in place, IA staff are placed on the Incident Organizational Chart.
231	FY 2016/17	Monthly	Agency Management	A	Continue commitment for operating and capital costs.	Promote a strong control environment by conducting independent and objective audits of Agency operations where the focus and audit scope includes identifying areas and providing recommendations for cost containment, effectiveness and efficiency in operations and opportunities to improve and areas of cost containment	On-going and through the audits approved by the Audit Committee and the Board during the Annual Audit Plan presentation	Completed planned and scheduled audits approved through the Annual Audit Plan. Comments and discussions during Audit Committee Meetings and exit meeting	Teresa Velarde	October	2016	On Schedule	No	Achieved with the completion of each operational audit and project that IA completes. Recommendations are discussed and provided and communicated for implementation. Each audit provides opportunities to evaluate Agency processes and procedures, improve on those processes, contain costs, and consider more effective and efficient processes. By completing operational audits, this objective is realized every time. The items revealed through the audit are discussed in detailed during the regularly scheduled Audit Committee meetings and during meetings with management and line supervisors. Recommendations are provided to promote a strong control environment by conducting independent and objective audits.
232	FY 2016/17	Monthly	Agency Management	A	Initiate discussions to revise and renew the Regional Sewerage Service Contract set to expire in 2023 by January 2018	Close out and finalize the Regional Contract Review with recommendations to improve the consistent and fair application of the	On-going follow-up review or additional evaluation as needed or requested by Management or the Board	Completion. Comments and discussions during Executive Management	Teresa Velarde	November	2016	On Schedule	No	Completed in October 2015. Completed the audits of the 7 member agencies, discussed the results with the contracting agencies and the Audit Committee and the Board as well as with

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL
 Report Months: July, August, September : Year: 2016

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
235	FY 2016/17	Monthly	Agency Management	B	Uphold a strong internal control environment by conducting independent objective internal and external audits of Agency finances and operations	Promote a strong control environment by conducting independent objective audits of Agency operations where the focus and audit scope includes identifying areas and providing recommendations for strong internal controls, effectiveness and efficiency in operations. Broaden, improve and expand knowledge, reliance and utilization of financial and information systems to gather, research, analyze, and examine different types, more detailed and larger scopes of data to evaluate and test during audit procedures for any type of audit or reviewed. Promote a strong control environment that preserve the public perception of the Agency and safeguard Agency assets where the focus is identifying areas and providing recommendations to improve customer service that is effective and responsive Per direction or	Ongoing and through approved audits as approved through the Annual Audit Plan	Completed audits, Comments and discussions from stakeholders and during Executive Management Meetings, Audit Committee Meetings and exit meetings	Teresa Velardo	November	2016	On Schedule		IA promotes a strong control environment by conducting independent objective audits of Agency operations where the focus and audit scope includes identifying areas where controls can be made more effective or areas where costs can be contained and providing recommendations for strong internal controls, effectiveness and efficiency in operations and processes and procedures. Improve and expand knowledge, reliance and utilization of financial and information systems to gather, research, analyze, and examine different types, more detailed and larger scopes of data to evaluate and test during audit procedures for any type of audit. Promote a strong control environment that preserve the public perception of the Agency and safeguard Agency assets where the focus is identifying areas and providing recommendations to improve customer service that is effective and responsive Per direction or approval by the Audit Committee and Board, and through coordination with senior management, Internal Audit would identify areas for audit where the goal and scope are to measure the performance of a program, a process, or a service or compare results to goals and identify areas for improvement, make recommendations to

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: A.I.J.

Report Months: July, August, September : Year: 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
						approval by the Audit Committee and Board, and through coordination with senior management, Internal Audit would identify areas for audit where the goal and scope are to measure the performance of a program, a process, or a service or compare results to goals and identify areas for improvement, make recommendations to improve efficiencies. Conduct independent objective audits of Agency operations								Improve efficiencies.
236	FY 2016/17	Monthly	Agency Management	B	Prepare and implement a Disaster Preparedness Plan and conduct periodic emergency response drills by July 2017	Update and maintain the IAD's Disaster Preparedness Plan and submit to the Audit Committee for review and submittal to the Board	Annually as part of the review of all IAD procedures and Charter	Review with the Audit Committee Advisor and Audit Committee members as well as Executive Management	Teresa Velarde	November	2016	On Schedule		IA has SOP #006 "IA Internal Audit Department Business Continuity and Disaster Recovery." the purpose of the SOP is to document the role and responsibility of IA. IAs role will be to assist in the continuance of critical activities and to help Agency Management minimize the impact of the incident to the Agency's core operations. Additionally, as part of the Agency's effort to implement a disaster plan in place, IA staff are placed on the Incident Organizational Chart.
241	FY 2016/17	Monthly	Agency Management	C	Leverage private/public partnership opportunities	Establish, maintain and strengthen audit-related private/public partnership opportunities to have network ties and associates where audit-related topics can be shared, discussed, and evaluated with the goal of continuous internal audit processes improvement	On-going	Feedback from auditees, senior/Executive Management, the Audit Committee Advisor, the Audit Committee and Board	Teresa Velarde	November	2016	On Schedule		Because the profession of internal audit, requires that all auditors be professional and are expected to achieve continuous professional development including professional association networking, this goal is achieved through those requirements and participating in conference and training events. Additionally, this goal is achieved through every audit project as it becomes an opportunity to promote friendly, helpful customer service, build the business networks and provide any assistance or information necessary. This is achieved both internally with Internal Agency staff, externally, with employees in outlying locations and non-Agency employees that are business professional peers and contacts.
Laboratory														
197	FY 2016/16	Quarterly	Engineering, Planning and Science	B	Promote a safer work environment by administering and monitoring required safety and regulatory trainings.	Complete a Review/Update of the Laboratory Chemical Hygiene Plan annually. (CHP)	Complete by December 2015		Nel Groenveld	October	2016	On Schedule	No	Completed in May 2016
300	FY 2016/17	Quarterly	Engineering, Planning and Science	A	Continue commitment to cost containment for operating and capital costs	Evaluate advances in laboratory design for inclusion in the construction of the new Water Quality Laboratory	December 2016	Support Engineering during design phase by participation in design review.	Nel Groenveld	October	2016	On Schedule		Lab responds to RF-is for shop drawings when needed from the contractor.

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL.
Report Months: July, August, September : Year 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
302	FY 2016/17	Monthly	Engineering, Planning and Science	B	Promote a safer work environment by administering and monitoring required safety and regulatory trainings	Meet the bi-weekly safety tailgate meeting requirement	December 2016	Hold bi-weekly safety meetings	Nel Groenewald	October	2016	On Schedule		Laboratory holds bi-weekly safety tailgate meetings.
Maintenance														
308	FY 2016/17	Quarterly	Operations	B	Establish a cross training program across departments and divisions to enhance understanding of Agency programs	Develop and implement a division-wide training program to enhance understanding by Agency staff of wastewater treatment process and compliance; modern maintenance practices; and recycled water maintenance.	By June 30, 2017	Hold one training session each quarter	Randy Lee	October	2016	On Schedule		Currently focusing on the Maintenance training to address Class & Comp requirements. Training is scheduled through February 2017. After that, we will look into a division-wide training program.
Operations														
306	FY 2016/17	Quarterly	Operations	F	Strive for 100% use of Agency bi-products by 2021	Support the development and implementation of the Energy Management Plan to ensure 100% use of digester gas	By June 2016 Ongoing	Meet 100% of established implementation goals; on-going	Chander Letulle, Matt	October	2016	On Schedule		Operations has supported all implementation goals. Due to equipment issues at RP-1 and RP-2 gas utilization is lower than expected.
307	FY 2016/17	Monthly	Operations	F	Strive for 100% use of Agency bi-products by 2021	Maximize use of biosolids by sending 90% of organics to IERCF	By June 2016 Ongoing	Send 90% of organics to IERCF; on-going	Randy Lee	October	2016	On Schedule		All Agency biosolids have been sent to the IERCF, processed into compost and sold into landscape and agricultural markets.
198	FY 2016/17	Quarterly	Operations	D	Develop and implement a communication plan to promote water use efficiency and the value of water by July 2015	Measure baseline usage of potable and recycled water usage.	Ongoing through June 2016		Matt Melendrez and	October	2016	On Schedule	No	Potable water usage data is collected and monitored for all sites. Recycled water usage data is collected and monitored at RP-5, CCWRF, and RP-2. A project has been identified to add a meter at RP-4. A construction project is currently in progress to install a meter at RP-1.
199	FY 2016/17	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		Andy Campbell	November	2016	On Schedule	No	
200	FY 2016/17	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		Andy Campbell	November	2016	On Schedule	No	
201	FY 2016/17	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		Andy Campbell	November	2016	On Schedule	No	
202	FY 2016/17	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		Andy Campbell	October	2016	On Schedule	No	Decaz Basin start-up is complete; start-up report will be completed in third quarter.
203	FY 2016/17	Quarterly	Operations	D	Identify and protect the best recharge land sites in the service region by June 2016	Ensure all treatment standards are met to maximize availability of recycled water.	Completed by June 2016 and Ongoing		Matt Melendrez and	October	2016	On Schedule	No	According to Compliance's Incident Report Summary all facilities are meeting or exceeding standards.
204	FY 2016/17	Quarterly	Operations	D	Identify and protect the best	Identify projects necessary	Completed by June 2016		Matt	October	2016	On	No	Projects have been identified to switch

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: A.I.I.
Report Months: July, August, September : Year 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
					recharge land sites in the service region by June 2016	to reduce potable and promote recycled water usage	and Ongoing		Melendrez and			Schedule		processes from potable to recycled water. Operations is working with Maintenance, and Engineering to complete these projects. For example San Bernardino Lift Station packing water 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		Steve Smith	November	2016	On Schedule	No	Several RW/GWR department work orders were completed that resulted in more efficiency while managing the RW/GWR activities. 1) developed code to auto-report monthly RW deliveries (Vantagepoint), 2) improved SCADA screens to more accurately reflect critical basin structure elevations, and 3) refined code to increase RW deliveries and decrease discharge to creeks.
206	FY 2016/17	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		Andy Campbell	October	2016	On Schedule	No	Contracts have been issued for Turner 3&4, Dedez, and Jurupa and will be completed in November.
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	Written strategies and forecasts to be developed by RW and GWR staff	Steve Smith	November	2016	On Schedule	No	Continuing to work with both Ops and Planning staff to develop written RW storage and delivery strategies.
143	FY 2016/17	Annual	Operations	B	Review and revise the Emergency Preparedness Plan by July 2017	Support Human Resources in the development of an Emergency Preparedness Plan for the Operations Division.	FY 2014/15	Not applicable	Chander Letulle	October	2016	On Schedule	No	The Operations Interim Emergency Response Plan is continually being reviewed to ensure accuracy and availability of the latest information.
80	FY 2016/17	Quarterly	Operations	D	Optimize IEUA's use of potable and recycled water by July 2016	Identify projects necessary to reduce potable and recycled water usage.	FY 2016/17	One facility per quarter	Matt Melendrez	October	2016	On Schedule	No	A project has been identified to convert the RP-1 centrifuge oil coolers from potable water to utility water.
Planning and Environmental Compliance														
89	FY 2016/17	Quarterly	Engineering, Planning and Science	D	Identify and protect the best recharge land sites in the service region by June 2016	Implement the schedule consistent with the IRP	continuous	Meet the schedule as defined by the IRP	Sylvie Lee	November	2016	On Schedule	No	This is an ongoing process working with CBWM on the recharge master plan projects, and investigating projects as they arise from IRP and RW Program Strategy.
76	FY 2015/16	Quarterly	Engineering, Planning and Science	D	Advocate for ordinances requiring use of permeable pavement in new parking lots	Work with member agencies to develop ordinances to promote stormwater capture	June-2017	Development of ordinances or policies to support stormwater capture	Sylvie Lee	November	2016	Behind Schedule	No	Staff will be scheduling workshops with member agencies to begin planning in spring 2017
190	FY 2016/17	Quarterly	Engineering, Planning and Science	C	Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	Apply LEAN management principles to streamline current practices and develop long-term strategy for permitting of the O&M activities of recharge basins	To be Completed by June 2017		Sylvie Lee	October	2016	On Schedule	No	IEUA staff is currently reviewing the draft public notice prepared by ACOE.
191	FY 2016/17	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 a regulatory permitting strategy to support the implementation of the regional water and wastewater programs as identified in the planning documents	To be Completed by June 2017		Sylvie Lee	October	2016	Behind Schedule	No	IEUA staff is currently reviewing the draft Programmatic Environmental Impact Report. Distribution for public review is expected by late November.
193	FY 2016/17	Quarterly	Engineering, Planning	D	Identify and protect the best	Evaluate new projects and	Continuous	Meet the schedule as	Sylvie Lee	November	2016	On	No	Issuing RFP for IRP phase II, SARCCUP,

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL
Report Months: July, August, September : Year: 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
			and Science		recharge land sites in the service region by June 2016	programs to support regional water reliability		defined by the IRP				Schedule		and water bank development.
195	FY 2016/17	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	Sylvie Lee	October	2016	On Schedule	No	RW Injection Pilot Demonstration Project - The demonstration was placed on hold since the regulations have not been developed and due to the potential to implement reverse osmosis in the 5-15 year time frame, which would utilize available recycled water.
196	FY 2016/17	Quarterly	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	Accelerate implementation of "Drought Proof" projects to optimize use of federal and state grants and loans; develop the project list based on priority.	Continuous	Keep updated project list and be coordinated with member agencies	Sylvie Lee	October	2016	On Schedule	No	IRP Phase 2 was initiated in September 2016. Drought projects are being identified as part of the initial projects listing to help with drought resilience.
270	FY 2015/16	Monthly	Engineering, Planning and Science	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments	Recommend potential grant opportunities that align with the Agency mission and financial goal.	Ongoing	Grants Opportunities announcements to Agency departments and member agencies.	Sylvie Lee	November	2016	On Schedule		Staff continuously monitors and applies for funding opportunities as they arise. Staff is preparing to issue professional services contract in preparation of the Proposition 1 Funding application.
271	FY 2016/17	Monthly	Engineering, Planning and Science	A	Initiate discussions to revise and renew the Regional Sewerage Service Contract set to expire in 2023 by January 2018	Collaborate with the Member agencies, JPAs, and the regional leaders on projects that can be partially funded by grant or SRF loan programs	Ongoing	Collaborating with IEUA and member agencies on preparing, submitting and monitoring grant and SRF loan applications for eligible projects.	Sylvie Lee	October	2016	On Schedule		CEQA Plus is being prepared for the Pomona/MVWVMEUA Recycled Water Inter tie Project. The grant application will be updated following completion of the CEQA Plus. The Feasibility Study may be expanded to include evaluation of additional alternatives.
272	FY 2016/17	Monthly	Engineering, Planning and Science	A	Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments	Recommend and pursue new grant awards/opportunities to diversify revenue.	Ongoing	Grants Opportunities announcements to Agency departments and member agencies.	Sylvie Lee	November	2016	On Schedule		Staff continuously monitors and applies for funding opportunities as they arise. Staff is preparing to issue professional services contract in preparation of the Proposition 1 Funding application.
276	FY 2016/17	Annual	Engineering, Planning and Science	C	Identify and participate in organizations that advance the Agency's mission, vision, and key initiatives	Participate in local and regional meetings such as CASA, SCAP, Water Reuse, SCWC, CWEA, and ACWA, to advance the Agency's mission, vision and key initiatives.	Continuous	Attend at regular meetings	Sylvie Lee	October	2016	On Schedule		Staff is actively participating in meetings, workshops, conferences, task forces, and attending seminars to maintain coordination and tracking important issues as it relates to the Agency's goals.
279	FY 2016/17	Quarterly	Engineering, Planning and Science	C	Promote regional projects and initiatives to boost business and industry relocations and promote economic development in the region	Promote local initiatives; consider and recognize the business impacts when developing regulations, policies, and planning documents	Continuous	Maintain the schedules as established in the regulations, policies and planning documents	Sylvie Lee	November	2016	On Schedule		Staff in process of evaluating the Exhibit J sewer fee calculation methodology, which will modernize the calculations.
280	FY 2016/17	Monthly	Engineering, Planning and Science	C	Provide timely updates to the Regional Committees and the IEUA Board on long term planning needs	Provide regular updates to the Regional Committees and IEUA Board on long term planning needs.	Continuous	Provide monthly/ quarterly/annual updates as needed.	Sylvie Lee	November	2016	On Schedule		Updates have been provided on planning issues through the quarter.
282	FY 2015/16	Annual	Engineering, Planning and Science	D	Develop new targets and programs to achieve 20 x 2020 requirement through water use efficiency measures, including: improve rate structures, integrate water use in to billing, expand	Revise and develop annual targets, tools, and programs to achieve the 20 x 2020 requirements	8/3/2016	226 gpcd by 2015	Sylvie Lee	November	2016	On Schedule		Our department has been actively involved in the development of the State Executive Order. This establishes a legislative environment where the goals listed in 282 are within the context of overall State direction. The State

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL

Report Months: July, August, September : Year: 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
					outdoor water use efficiency, and increase local use of stormwater									<p>direction helps to inform/direct how we can assist member agencies on these goals.</p> <p>Our assist with the State was successful and resulted in an Executive Order (May 2016). That created continuing assistance to the State in the form of Martha Davis conducting education across water stakeholders, my ongoing discussion with DWR and State Board staff on implementation details of the Ex. Order, attending meetings, addressing questions from the State, etc.</p> <p>This process will continue well into 2017 and beyond. The Executive Order will take a few years to fully implement. Our role in advising or assisting the State will continue, perhaps at a lesser scale. Our assistance to our member agencies will increase with respect to assisting our member agencies to get into position to comply with the Ex. Order.</p> <p>This is a game-changing order for water use across the state. It was a major goal of Joe to see this happen. With a collective effort on the part of IEUA, and our offering a practical approach to statewide water use efficiency, the change in what agencies and customers do will be changed for the better...but it will take time, twists and turns are inevitable. But, the "framework" has been established at the State level.</p> <ul style="list-style-type: none"> - Water Use Efficiency programs will continue (Lisa's programs) on a path to help agencies meet their 20x2020 water use goals - IEUA continues to explore new technology and/or methods to assist member agencies with cost effective and more efficient targeting of conservation programs. Including the use of aerial imagery and agency by agency dashboards (Omni Earth as a vendor); continued support and direct input to the California Data Collaborative (Tom programs) - New focus shift toward the State's Executive Order on water use efficiency including consideration of how to comply with goals from the order for agencies to meet, such as leak detection and eliminating water loss from leaks (Tom programs) <p>- This will mean continuing to look for and evaluate new methods to assist our member agencies to meet water use</p>

Business Goals & Objectives Report By Department

FY 2016/17

Exhibit B

Department: ALL
Report Months: July, August, September : Year: 2016

Goal ID	FY Start	Reporting Required	Division	Bus. Goal	Work Plan	Department Goal	Time Line	KPI	Assigned To	Note Month	Note Year	Status	Complete	Notes
288	FY 2015/16	Quarterly	Engineering, Planning and Science	D	Identify and protect the best recharge land sites in the service region by June 2016	Evaluate new projects and programs to support regional water reliability	Continuous	Identify and evaluate new opportunities for water reliability	Sylvia Lee	November	2016	On Schedule		goals and comply with new State regulations (Tom and Lisa evolving programs)
295	FY 2016/17	Quarterly	Engineering, Planning and Science	F	Develop a communication plan to promote being a good neighbor	Develop a communication plan to neighboring businesses of odor performance monitoring.	Continuous	Periodic/ as needed monitoring performed	Sylvia Lee	October	2016	On Schedule		issuing professional services RFP for developing IRP Phase II, SARCCUP within Chino basin and the Water Bank. Perform quarterly odor survey at all facilities.
286	FY 2016/17	Quarterly	Engineering, Planning and Science	F	Develop a communication plan to promote being a good neighbor	Assist Operations and External Affairs with odor complaint investigations and assist with mitigation.	Continuous	Provide support as needed	Sylvia Lee	October	2016	On Schedule		Perform odor monitoring, as needed to assist Operations, External Affairs during complaints investigation and mitigation.
297	FY 2016/17	Quarterly	Engineering, Planning and Science	F	Lead efforts to advocate for emerging trends and proposed changes to rules and regulations	Actively participate in the legislative process through advice letters and comments	Continuous	Actively participate and submit comments/letters as issues arise through ACWA, Water Reuse, SCAP.	Sylvia Lee	November	2016	On Schedule		Provided comments to External Affairs regarding P&EF's legislative priorities.
Technical Services														
206	FY 2016/17	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 Noeite	October	2016	On Schedule	No	Engineering is leading a project that includes the evaluation of strainers on the discharge of the RP-5 RW pump station. The pre-design phase of the project started in October 2016.

**Inland Empire Utilities Agency
Inter-Departmental / Division Transfers FY 2016/2017
Budget Transfer**

Fund	Date	O&M Transfer From	Category	Amt Transfer Out	O&M Transfer To	Category	Amount Transfer In	Description	QTR
10200	7/21/16	520930	Public Information	\$10,000	512730	Equipment Rentals	\$10,000	A new GL for lease and rentals was created and budget must be transferred for a rental that was budgeted under a different line item.	1
10200	8/16/16	520930	Prof Svcs - Public Info	\$1,100	516010	Ads/Newspaper	\$1,100	Transfer needed due to invoices that were paid out of External Affairs that belong to Pretreatment.	1
10200	8/16/16	521080	Other Contract Svcs	\$1,100	516010	Ads/Newspaper	\$1,100	Transfer needed due to Invoices that were paid out of External Affairs that belong to Pretreatment.	1
			Total O&M Transfers Out	\$12,200		Total O&M Transfers In	\$12,200		

Fund	Date	Project	Project Description	Amt Transfer Out	Project	Project Description	Amt Transfer In	Justification	QTR
10600	8/10/16	EN17053	Recy Water Pump Eff	\$25,000	EN17053	Recy Wtr Pump Eff	\$25,000	Transfer from Capital to O&M per Board approved item.	1
10800	8/10/16	EN16070	Sewage Pump Eff Imp	\$25,000	EN16070	Sewage Pump Eff. Imp.	\$25,000	Transfer from Capital to O&M per Board approved item.	1
			Total Project Transfers Out	\$50,000		Total Project Transfers In	\$50,000		

**Inland Empire Utilities Agency
FY 2016/17 GM Contingency Account Activity**

Exhibit C-2

Date	Description		Account/Project No.	Requestor	GM Contingency Budget	Transfers	Balance
7/1/2016	FY 2016/16 Adopted budget	RO Fund	10800-112100-501000-519010		\$400,000		\$400,000
9/27/2016	Transfer to cover unforeseen clean-up and abatement fees	RO Fund	10800-112100-501000-520210	A. Woodruff		\$20,000	\$380,000
	RO Fund GM Contingency				\$400,000	\$20,000	\$380,000
7/1/2016	FY 2016/17 Adopted budget	GG Fund	10200-112100-100000-519010		\$300,000		\$300,000
8/31/2016	Transfer to cover the purchase of computers for new staff in External Affairs	GG Fund	10200-146100-105000-570005	K. Besser		\$3,700	\$296,300
	GG Fund GM Contingency				\$300,000	\$3,700	\$296,300
GM CONTINGENCY GRAND TOTAL					\$700,000	\$23,700	\$676,300

cc: Joe Grindstaff, Christina Valencia

Inland Empire Utilities Agency
Changes in Total Project Budgets: Inter-Departmental/Division Transfers FY 2016/17

Exhibit D

Fund	Capital or Spec Proj?	Request Date	Total Proj Budget Change (Y/N)?	Annual Proj Budget Change (Y/N)?	New Proj? (Y/N)	Project Number	Project Title	Adopted Total Project (TP) Budget	Prior TP Changes in Current FY	Current Total Project Budget	Amt of Transfer In / (Out)	New TP Budget	Annual Project Budget	Annual Proj Budget Change	New Annual Project Budget	Project Transferred To/(From)	Justification	
10600	Capital	8/10/16	Yes	Yes	No	EN17053	Agency-Wide Recycled Water Pump Efficiency	\$0	\$0	\$0	\$625,000	\$625,000	\$0	\$625,000	\$625,000	(EN16070)	Board approved transfer from EN16070, RO fund, to EN16070, WC fund, to fund the contract awards to PAMCO Industries for the 2 projects.	
Capital	9/27/16	Yes	Yes	No	IS17022	Versa View Replacement	\$47,000	\$0	\$47,000	(\$4,000)	\$43,000	\$47,000	(\$4,000)	\$43,000	IS17017	Transfer from IS17022 to IS17017 to cover additional costs of upgrading the microwave radio hardware at the 1630 E Pump Station due to frequent communication failures.		
					IS17017	1630 East Licensed Radio Upgrade	\$30,500	\$0	\$30,500	\$4,000	\$34,500	\$30,500	\$4,000	\$34,500	(IS17022)			
Capital	9/28/16	Yes	Yes	Yes	EN13045	Wineville RW Extension Segment B	\$11,880,300	\$0	\$11,880,300	(\$15,000)	\$11,865,300	\$100,000	(\$15,000)	\$85,000	EN17057	Transfer to create new project, EN17057, to fund the acquisition of an AC unit at the RP-3 electrical panel to help prevent panel component damages that could be caused by overheating.		
					EN17057	Wineville AC for the Electrical Panel	\$0	\$0	\$0	\$15,000	\$15,000	\$0	\$15,000	\$15,000	(EN13045)			
Subtotal Recycled Water (WC):							\$11,957,800			\$12,582,800	\$177,500		\$802,500					
10800	Capital	7/29/16	Yes	Yes	Yes	EP17002	Major Facilities Repair/Replacement	\$400,000	\$0	\$400,000	(\$9,000)	\$391,000	\$400,000	(\$9,000)	\$391,000	LB17004	Transfer from EP17002 to fund new project, LB17004, to purchase IDEXX Collert equipment used to perform Coliform analysis.	
						LB17004	IDEXX Collert	\$0	\$0	\$0	\$9,000	\$9,000	\$0	\$9,000	\$9,000	(EP17002)		
Capital	8/10/16	Yes	Yes	No	EN16070	Agency-Wide Sewage Pump Efficiency	\$1,275,000	\$0	\$1,275,000	(\$625,000)	\$650,000	\$1,260,000	(\$625,000)	\$635,000	EN17053	Board approved transfer from EN16070, RO fund, to EN16070, WC fund, to fund the contract awards to PAMCO Industries for the 2 projects.		
Subtotal Regional Operations (RO)							\$1,675,000			\$1,050,000	\$1,660,000		\$1,035,000					
							Capital Total Project Budget		Capital Total Project Budget		Total Annual Capital Budget							
							Adopted	Amended	Adopted	Amended								
							\$13,632,800	\$13,632,800	\$1,837,500	\$1,837,500								
10200	O&M Proj	8/31/16	Yes	Yes	Yes	IS17025	New Workstations - External Affairs	\$0	\$0	\$0	\$3,700	\$3,700	\$0	\$3,700	\$3,700	(O&M: 519010)	Transfer from O&M to create new project, IS17025, to cover the purchase of new computers for newly hired staff within the External Affairs department	
Subtotal Administration (GG)							\$0			\$3,700	\$0	\$3,700						
10800	O&M Proj	9/20/16	Yes	Yes	No	PA17006	Agency-wide Aeration Panel Repair & Replacement	\$2,400,000	\$0	\$2,400,000	(\$200,000)	\$2,200,000	\$2,400,000	(\$200,000)	\$2,200,000	EN17040	Transfer from Agency-wide Panel Repair to RP-1 specific project for easier cost tracking and project management.	
						EN17040	RP-1 Aeration Basin Panel Repairs	\$0	\$0	\$0	\$200,000	\$200,000	\$0	\$200,000	\$200,000	(PA17006)		
Subtotal Regional Operations (RO)							\$2,400,000			\$2,400,000	\$2,400,000		\$2,400,000					
							O&M Total Project Budget		O&M Total Project Budget		Total Annual O&M Project Budget							
							Adopted	Amended	Adopted	Amended								
							\$2,400,000	\$2,403,700	\$2,400,000	\$2,403,700								
											Total Capital and O&M Project Transfers	\$856,700						
											Total Project Budget Change - Capital	\$0						
											Total Project Budget Change - O&M Proj	\$3,700						
											Total Project Budget - Net Change	\$3,700						

Inland Empire Utilities Agency
Changes in Total Project Budgets: Inter-Departmental/Division Transfers FY 2016/17

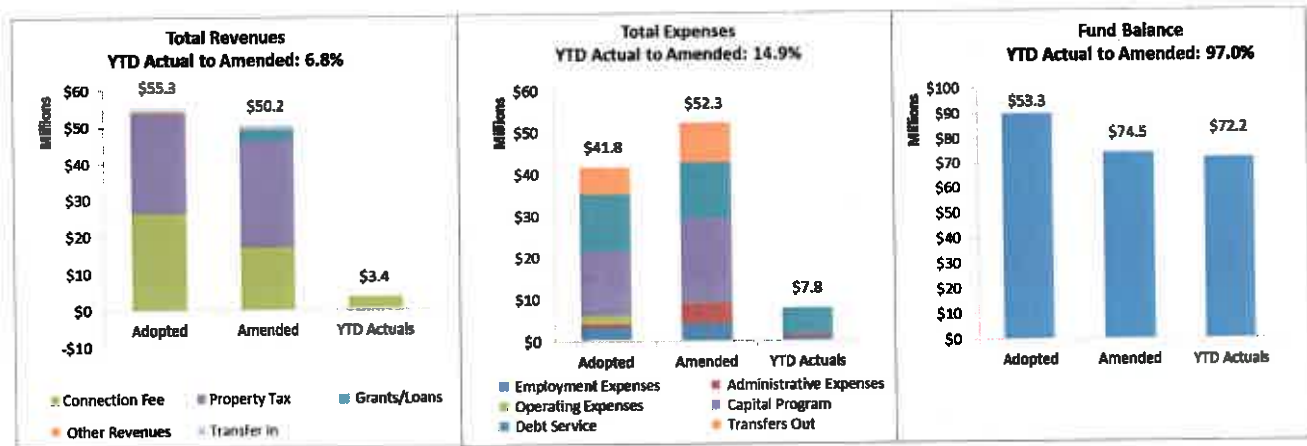
Fund	Capital or Spec Proj?	Request Date	Total Proj Budget Change (Y/N)?	Annual Proj Budget Change (Y/N)?	New Proj? (Y/N)	Project Number	Project Title	Adopted Total Project (TP) Budget	Prior TP Changes in Current FY	Current Total Project Budget	Amt. or Transfer In / (Out)	New TP Budget	Annual Project Budget	Annual Proj Budget Change	New Annual Project Budget	Project Transferred To/(From)	Justification			
10600	Capital	8/10/16	Yes	Yes	No	EN17053	Agency-Wide Recycled Water Pump Efficiency	\$0	\$0	\$0	\$625,000	\$625,000	\$0	\$625,000	\$625,000	(EN16070)	Board approved transfer from EN16070, RO fund, to EN16070, WC fund, to fund the contract awards to PAMCO Industries for the 2 projects.			
Capital	9/27/16	Yes	Yes	No	IS17022	Versa View Replacement	\$47,000	\$0	\$47,000	(\$4,000)	\$43,000	\$47,000	(\$4,000)	\$43,000	IS17017	Transfer from IS17022 to IS17017 to cover additional costs of upgrading the microwave radio hardware at the 1630 E Pump Station due to frequent communication failures.				
					IS17017	1630 East Licensed Radio Upgrade	\$30,500	\$0	\$30,500	\$4,000	\$34,500	\$30,500	\$4,000	\$34,500	(IS17022)					
Capital	9/28/16	Yes	Yes	Yes	EN13045	Wineville RW Extension Segment B	\$11,880,300	\$0	\$11,880,300	(\$15,000)	\$11,865,300	\$100,000	(\$15,000)	\$85,000	EN17057	Transfer to create new project, EN17057, to fund the acquisition of an AC unit at the RP-3 electrical panel to help prevent panel component damages that could be caused by overheating.				
					EN17057	Wineville AC for the Electrical Panel	\$0	\$0	\$0	\$15,000	\$15,000	\$0	\$15,000	\$15,000	(EN13045)					
Subtotal Recycled Water (WC)							\$11,957,800				\$12,562,800	\$177,500		\$802,500						
10800	Capital	7/29/16	Yes	Yes	Yes	EP17002	Major Facilities Repair/ Replacement	\$400,000	\$0	\$400,000	(\$9,000)	\$391,000	\$400,000	(\$9,000)	\$391,000	LB17004	Transfer from EP17002 to fund new project, LB17004, to purchase IDEX Colliert equipment used to perform Coliform analysis.			
						LB17004	IDEX Colliert	\$0	\$0	\$0	\$9,000	\$9,000	\$0	\$9,000	\$9,000	(EP17002)				
Capital	8/10/16	Yes	Yes	No	EN16070	Agency-wide Sewage Pump Efficiency	\$1,275,000	\$0	\$1,275,000	(\$625,000)	\$650,000	\$1,260,000	(\$625,000)	\$635,000	EN17053	Board approved transfer from EN16070, RO fund, to EN16070, WC fund, to fund the contract awards to PAMCO Industries for the 2 projects.				
Subtotal Regional Operations (RO)							\$1,675,000				\$1,050,000	\$1,660,000		\$1,035,000						
								Capital Total Project Budget		Capital Total Project Budget		Total Annual Capital Budget								
								Adopted	\$13,632,800	Amended	\$13,632,800	Adopted	\$1,837,500	Amended	\$1,837,500					
10200	O&M Proj	8/31/16	Yes	Yes	Yes	IS17025	New Workstations - External Affairs	\$0	\$0	\$0	\$3,700	\$3,700	\$0	\$3,700	\$3,700	(O&M: 519010)	Transfer from O&M to create new project, IS17025, to cover the purchase of new computers for newly hired staff within the External Affairs department			
						Subtotal Administration (GG)							\$0			\$3,700		\$0	\$3,700	
10800	O&M Proj	9/20/16	Yes	Yes	No	PA17006	Agency-wide Aeration Panel Repair & Replacement	\$2,400,000	\$0	\$2,400,000	(\$200,000)	\$2,200,000	\$2,400,000	(\$200,000)	\$2,200,000	EN17040	Transfer from Agency-wide Panel Repair to RP-1 specific project for easier cost tracking and project management.			
						EN17040	RP-1 Aeration Basin Panel Repairs	\$0	\$0	\$0	\$200,000	\$200,000	\$0	\$200,000	\$200,000	(PA17006)				
Subtotal Regional Operations (RO)							\$2,400,000				\$2,400,000	\$2,400,000		\$2,400,000						
								O&M Total Project Budget		O&M Total Project Budget		Total Annual O&M Project Budget								
								Adopted	\$2,400,000	Amended	\$2,400,000	Adopted	\$2,400,000	Amended	\$2,400,000					

Total Capital and O&M Project Transfers	\$836,700
Total Project Budget Change - Capital	\$0
Total Project Budget Change - O&M Proj	\$3,700
Total Project Budget - Net Change	\$3,700

Financial Overview of Agency's Programs FY 2016/17 Fiscal Year ended September , 2016 Total Revenues, Expenses, and Fund Balance (Unaudited)

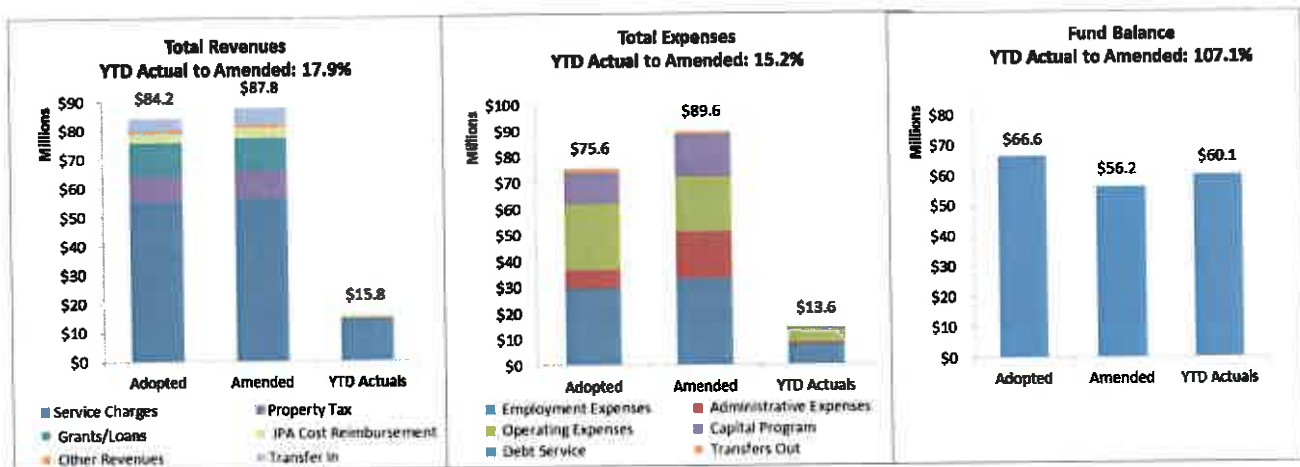
Regional Wastewater Capital Improvement (RC) Fund

The unaudited ending fund balance indicated a decrease of \$2.3 million compared to the amended budget primarily due to lower connection fee revenues, capital spending, inter-fund transfer activities, as well as the timing of collection of property tax receipts, A total of \$1.1 million of FY 2015/16 encumbrances was identified to be carried forward to FY 2016/17.



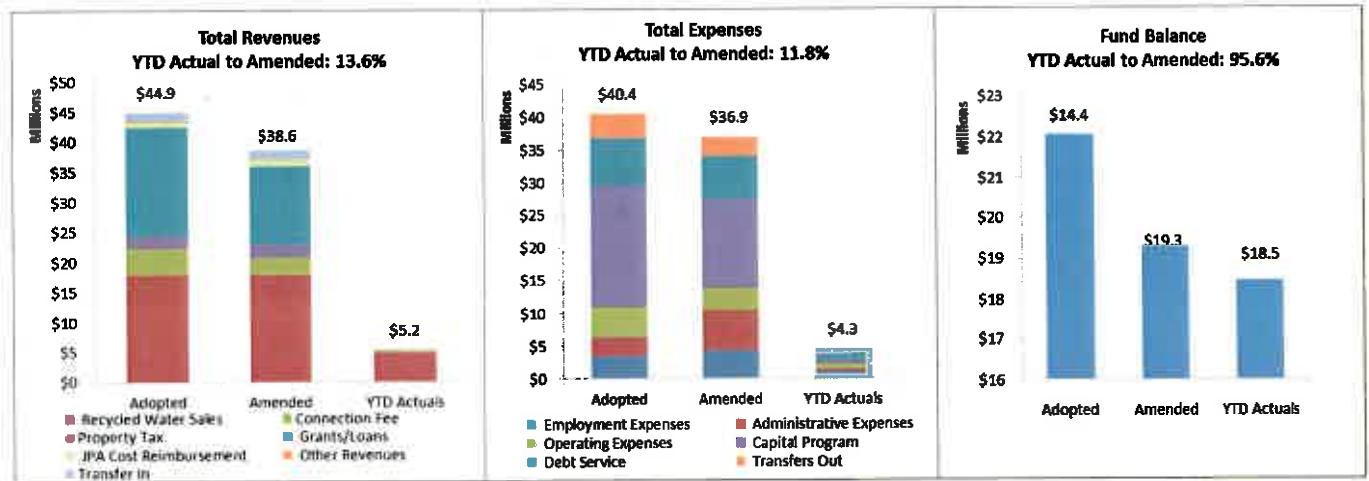
Regional Wastewater Operations and Maintenance (RO) Fund

The unaudited ending fund balance indicated an increase of \$4.0 million compared to the amended budget mainly due to the timing of execution of O&M and capital replacement and rehabilitation projects and low administrative expenses. A total of \$2.5 million of FY 2015/16 encumbrances was identified to be carried forward to FY 2016/17.



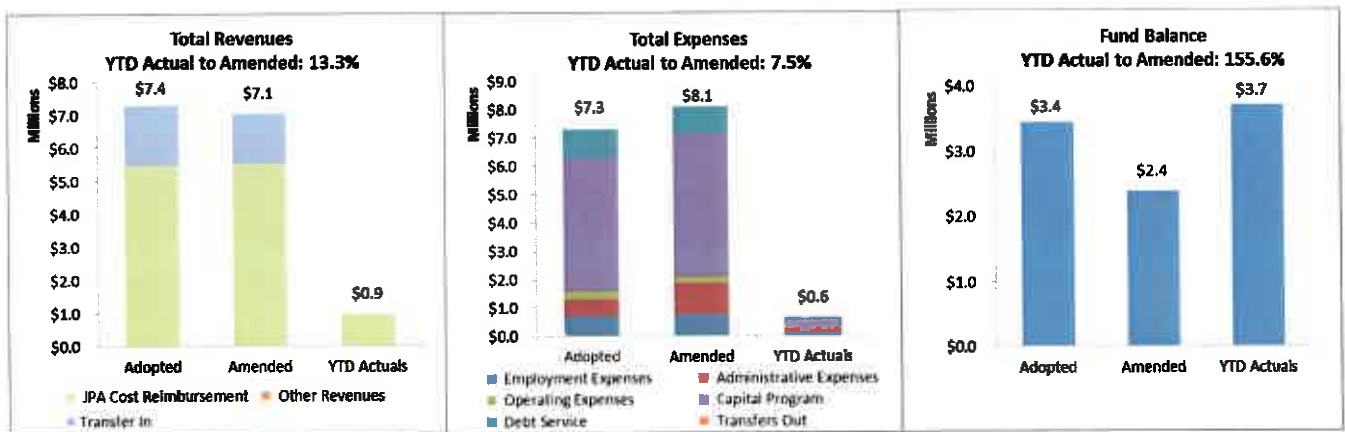
Recycled Water (WC) Fund

The unaudited ending fund balance indicated a decrease of \$0.8 million compared to the amended budget primarily due to low administrative expenses and timing in the execution of capital projects. A total of \$2.6 million of FY 2015/16 encumbrances was identified to be carried forward to FY 2016/17.



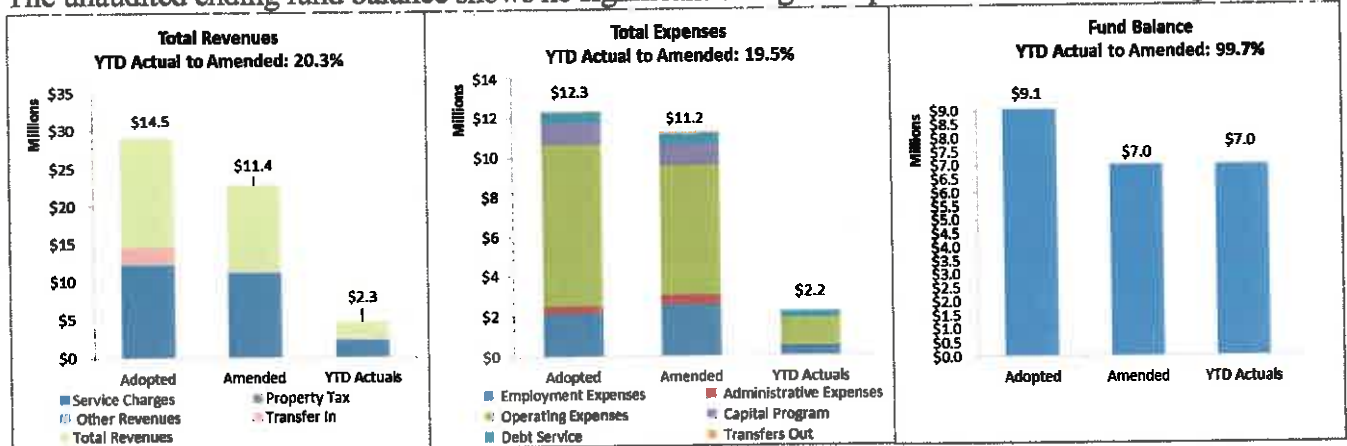
Recharge Water (RW) Fund

The unaudited ending fund balance shows an increase of \$1.3 million compared to the amended budget due to timing of operation spending & delays in capital project execution. A total of \$0.8 million of FY 2015/16 encumbrances was identified to be carried forward to FY 2016/17.



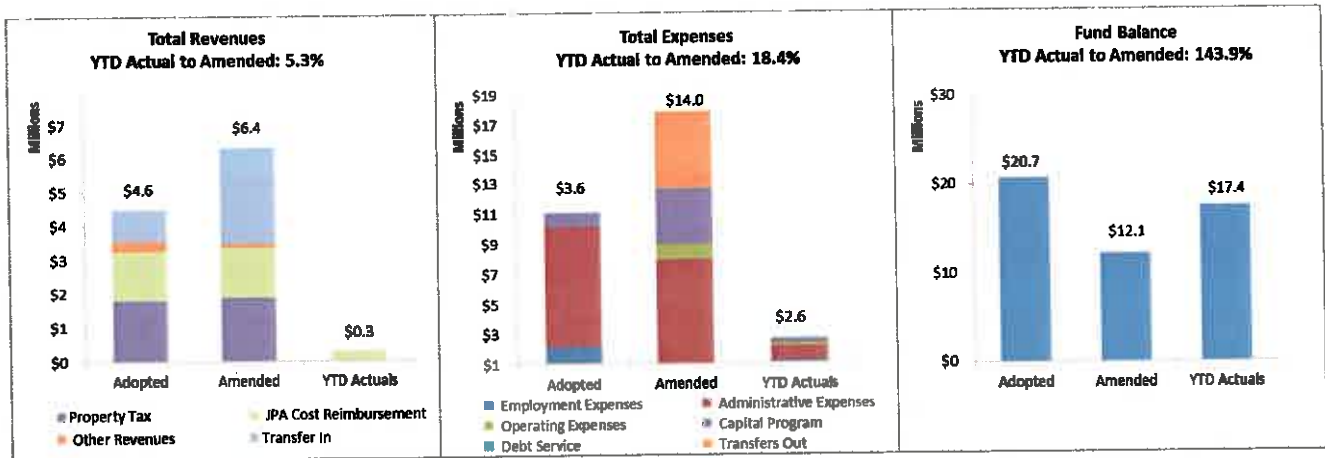
Non-Reclaimable Wastewater (NRW) Fund

The unaudited ending fund balance shows no significant change compared to the amended budget.



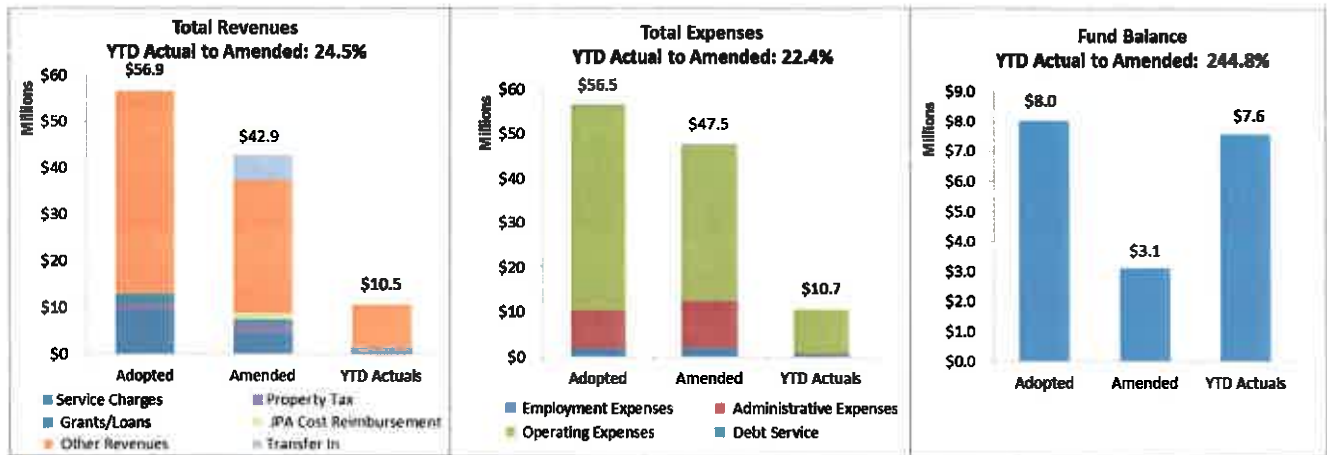
Administrative Services (GG) Fund

The unaudited ending fund balance indicated an increase of \$5.3 million compared to the amended budget lower capital spending and the timing of inter-fund loan activities. A total of \$1.9 million of FY 2015/16 encumbrances was identified to be carried forward to FY 2016/17.



Water Resources (WW) Fund

The unaudited ending fund balance indicates an increase of \$4.5 million compared to the amended budget due to collection of user charges and lower administrative spending. A total of \$3.5 million of FY 2015/16 encumbrances was identified to be carried forward to FY 2016/17.



FY 2016/17
Budget Variance Report
1st Quarter ended September 30, 2016

Board of Directors
December 21, 2016

Sources of Funds Highlights

Actuals compared to Amended Budget

Favorable Variance:

❖ **Recycled Water Sales: \$4.8M, 30.9%**

- 11,495 AF actual year to date vs. 37,100 AFY budgeted

❖ **Water Sales: \$9.1M, 31.9%**

- 15,382 AF vs. 50,000 AF budgeted

Unfavorable Variance:

❖ **Wastewater/Water Connection Fees: \$3.84M, 18.8%**

- 529 new EDU connections vs. 3,000 budgeted
- 529 new Water Connection vs. 2,730 budgeted

❖ **Property Tax:**

- County payments to begin in November 2016



Uses of Funds Highlights

Actuals compared to Amended Budget

Favorable Variance:

- ❖ **Office & Administration:** \$0.3M, 9.9%
 - Included unspent GM contingency & election expense for a total of \$0.9M
- ❖ **Professional Fees:** \$1.3M, 11.6%
 - Timing of contracts & services to be executed in subsequent months
- ❖ **Capital Projects:** \$2.7M, 4.6%
 - Delayed project execution primarily due to the implementation of the new Program Management Plan (PMP) to standardize project delivery

Unfavorable Variance:

- ❖ **Employment Expenses:** \$11.6M, 27.2%
 - Included an extra pay period during the month of September and issuance of floating holiday for the fiscal year

Updates

❖ Total Project Budget Change in First Quarter

- \$856,700 transferred between 11 projects within the same fund, no change in appropriated budget for FY 2016/17.

Project Number	Project Title	Adopted Budget	Amended Budget	Budget Change
EN17053	Agency-Wide Recycled Water Pump Efficiency	\$0	\$625,000	\$625,000
EN16070	Agency-wide Sewage Pump Efficiency	\$1,260,000	\$635,000	(\$625,000)
IS17022	Versa View Replacement	\$47,000	\$43,000	(\$4,000)
IS17017	1630 East Licensed Radio Upgrade	\$30,500	\$34,500	\$4,000
EN13045	Wineville RW Extension Segment B	\$100,000	\$85,000	(\$15,000)
EN17057	Wineville AC for the Electrical Panel	\$0	\$15,000	\$15,000
EP17002	Major Facilities Repair/ Replacement	\$400,000	\$391,000	(\$9,000)
LB17004	IDEXX Colilert	\$0	\$9,000	\$9,000
IS17025	New Workstations -External Affairs	\$0	\$3,700	\$3,700
PA17006	Agency-wide Aeration Panel Repair & Replacement	\$2,400,000	\$2,200,000	(\$200,000)
EN17040	RP-1 Aeration Basin Panel Repairs	\$0	\$200,000	\$200,000

FY 2016/17 Q1 Consolidated Fund Balance

Operating	FY 2016/17 Amended Budget	First Quarter Ended 9/30/16	Actual % of Amended Budget
Operating Revenue	\$126.8	\$33.9	26.8 %
Operating Expense	\$158.9	\$30.9	19.4%
Operating Net Increase/(Decrease)	(\$32.1)	\$3.0	
Non-Operating			
Non-Operating Revenue	\$99.0	\$4.6	4.6%
Non-Operating Expense	\$82.1	\$10.9	13.3%
Non-Operating Net Increase/(Decrease)	\$16.9	(\$6.3)	
Consolidated	FY 2016/17 Amended Budget	First Quarter Ended 9/30/16	Actual % of Amended Budget
Total Sources of Funds	\$225.8	\$38.5	17.1%
Total Uses of Funds	\$241.0	\$41.8	17.3%
Total Net Increase/(Decrease)	(\$15.2)	(\$3.3)	
Beginning Fund Balance (Unaudited)	\$189.8	\$189.8	
Ending Fund Balance	\$174.6	\$186.5	

Questions?

A landscape photograph showing a river winding through a dry, hilly region. The foreground is dominated by dry, yellowish-brown grass. The river flows from the middle ground towards the background, surrounded by patches of green trees and shrubs. In the distance, there are rolling hills under a clear blue sky. The overall scene suggests a semi-arid environment.


The budget variance analysis report is consistent with the Agency's business goal of fiscal responsibility


**INFORMATION
ITEM**


2G

Date: December 21, 2016

To: The Honorable Board of Directors

From:  P. Joseph Grindstaff
General Manager

Submitted by:  Christina Valencia
Chief Financial Officer

 Sharmeen Bhojani
Manager of Human Resources

Subject: Funding of Estimated Workers' Compensation Liabilities

RECOMMENDATION

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

BACKGROUND

On August 1, 1993, the Agency commenced self-insuring its workers' compensation obligations. As a self-insured public entity, the Agency is required to file an annual report, on a fiscal year basis, with the California Department of Industrial Relations. Additionally, pursuant to Labor Code Section 3702.6(b), staff is required to inform the Board of Directors within 90 days of the submission of said report, what the Agency's total estimated workers' compensation liabilities are, and if funding of these liabilities is in compliance with the requirements of Government Accounting Standards Board Publication No. 10.

The Agency's annual self-insured workers' compensation report for the Fiscal Year ending June 30, 2016, was filed with the Department of Industrial Relations on September 6, 2016. As of June 30, 2016, the Agency's total estimated future workers' compensation liabilities for open claims, since the program's inception is \$357,619. This represents an increase of \$107,740 from last year's liability of \$249,879. The increase is attributable to an increase in the reserves for indemnity claims.

Workers' compensation claims and self-insurance reserves are funded in the Agency's Administrative Services (GG) fund. As of June 30, 2016 the Agency's self-insured workers' compensation reserve had an estimated balance of \$1,567,448. Additionally, the Agency's funding of said liabilities is in compliance with Government Accounting Standards Board Publication No. 10.

PRIOR BOARD ACTION

None

IMPACT ON BUDGET

Funding for workers' compensation claims is appropriated in the Administrative Services (GG) fund FY 2016/17 Budget (account number 10200-121100-100000-509720).


**INFORMATION
ITEM**


2H

Date: December 21, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs and Water Resources Committee (12/14/16)

From: P. Joseph Grindstaff
General Manager 

Submitted by: Kathy Besser 
Manager of External Affairs

Subject: Public Outreach and Communication

RECOMMENDATION

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

BACKGROUND

December

- December 3, Solar Cup Technical Workshop, MWD Headquarters
- December 8, Water is Life Student Art Recognition Event, MWD Headquarters, 10:00 a.m. – 1:00 p.m.
- December 21, IEUA Holiday Luncheon, Los Serranos Country Club, 15656 Yorba Avenue, Chino Hills, 11:30 a.m.

Outreach/Education - Civic Publications Newspaper Campaign

- IEUA is working with Civic Publications to update the KickWaterWaste.com micro-site.
- IEUA ran a spadea in the *Inland Valley Daily Bulletin* on 11/7 focusing on IEUA's free education programs, *Kick the Habit* messaging and the Battery Storage Project.

Media and Outreach

- IEUA is continuing to run banner ads through *Fontana Herald News* and *La Opinión* newspapers.
- IEUA has placed a movie theater trailer for the *Kick the Habit* campaign in the following theaters: Harkins (15 weeks – began 10/28); Ontario Palace (15 weeks – began 10/21); Ontario Mills (15 weeks – began 10/21); and Victoria Garden (15 weeks – began 10/21). The trailer has been placed on IEUA's social media channels as well.

- Staff has developed fall messages for the season that align with the *Kick the Habit* brand and include a fall theme. The tips focus on the State Water Resources Control Board's permanent restrictions following the Governor's Executive Order. A winter theme for the campaign and seasonal-specific messages are being developed for the upcoming winter season. Staff will be working to develop winter messaging for late December outreach.
- A *Kick the Habit* ad ran in the *Champion Newspaper's* Thanksgiving Gift Guide on November 24.
- A *Kick the Habit* ad will run in the *Champion Newspaper's* Holiday Greetings section on December 24.
- In November, 33 posts were published to the IEUA Facebook page and 34 tweets were sent on the @ieuaewater Twitter handle.
- The top three Facebook posts, based on reach and engagement, in the month of November were:
 - 11/4: "We're Hiring" – Job Announcement
 - 11/9: "Solar Cup Boat Build featuring Chino Hills High School"
 - 11/17: "Throwback Thursday – 2014 Solar Cup featuring Chino High School"
- IEUA provided automatic water softener removal rebate bill inserts to the city of Chino Hills (23,000) and Cucamonga Valley Water District (48,000). Staff is continuing to coordinate mailing schedules with the cities of Chino and Upland.

Education and Outreach Updates

- Staff is marketing and scheduling Water Discovery Field Trips for program year 2016/17. To date, staff has scheduled 30 field trips.
 - Science enrichment teachers from Fontana Unified School District took part in an education program overview workshop on November 2.
 - 120 Bloomington High School students took part in the Water Discovery Field Trip on November 3 and November 8.
 - 125 students from Etiwanda Colony Elementary School took part in the Water Discovery Field Trip on November 15 and 17.
 - 76 students from Urbita Elementary School in San Bernardino participated in the Water Discovery Field Trip on November 16.
 - 57 students from Sierra Vista Middle School in Covina participated in the Water Discovery Field Trip on December 1.
 - 35 students from Goals Academy in Anaheim participated in the program on December 6.
 - 120 students from Walnut Elementary in Chino participated on December 7 and December 8.
 - A total of 97 students will have participated in the program from Clegg Elementary in Huntington Beach on December 13 and December 15.
- IEUA is sponsoring four teams this year for MWD's 2017 Solar Cup: Chino High School (Chino), Chino Hills High School (Chino Hills), Los Osos High School (Rancho Cucamonga), and Henry J. Kaiser High School (Fontana). Schools attended the first boat building workshop on November 6 and November 7. Schools also attended the first Technical Workshop at MWD Headquarters on Saturday, December 3.

- Staff has awarded four schools the Garden in Every School® water-wise grant for program year 2016/17. Schools awarded include: Arroyo Elementary in Ontario, Rolling Ridge Elementary in Chino Hills, Townsend Junior High School in Chino Hills, and Montclair High School in Montclair. Planting has been completed at Arroyo Elementary School, and a reading bench was installed. Townsend Junior High School's planting has also been completed. Rolling Ridge Elementary is set to begin installation on December 13 with a completion date of December 20. Montclair High School's garden installation will begin early January 2017. Dedication ceremonies will be planned for spring 2017.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

The above-mentioned activities are budgeted in the FY 2016/17 Administrative Service Fund, External Affairs Services budget.

**INFORMATION
ITEM**

21

Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Joe Grindstaff and Kathy Besser, IEUA

From: Letitia White, Jean Denton, and Drew Tatum

Date: December 2, 2016

Re: November Monthly Legislative Update

Congress Returns, Looks to Adjourn by December 9

The current stopgap funding law expires December 9, leaving Congress with one week to introduce and pass another short-term measure that will now likely run through April 28, 2017 and maintain current levels of funding. No final decisions have been made and the text of the legislation is unlikely to be filed until the week of December 5, with House Majority Leader Kevin McCarthy (R-CA) saying he believes a vote on the legislation will come on Thursday, December 8.

The Obama Administration submitted a list of spending anomalies, or specific program changes to a continuing resolution (CR), for consideration by the negotiators in late November ahead of the Thanksgiving holiday. The anomalies list identified programs that would need relief from a continuation of last year's policy or spending levels through March 31—the original target end date of the continuing resolution. House and Senate Appropriators have asked federal agencies for additional anomalies that would be needed to extend the continuing resolution through the end of April since attention turned to extending the CR another month. Traditionally, House and Senate Appropriations Committee members attempt to keep anomalies to a minimum in an effort to keep pressure on lawmakers to pass the annual appropriations bills. Since a continuing resolution will likely run through the end of April, the Obama Administration sent over a 17-page document of anomalies request for the continuing resolution in order to provide some relief for federal agencies.

Senate Republicans—including Majority Leader Mitch McConnell—have called for a CR that runs through the end of April in order to give the Senate additional time at the beginning of the year to confirm President-elect Donald Trump's cabinet nominees and possible Supreme Court nominee. Additionally, lawmakers will likely use some floor time at the beginning of the Congress to repeal some regulations and rules through the Congressional Review Act. With the President-elect's 100-day agenda, Senators would like to give themselves additional time before appropriations decisions hamper other legislative activity.

While many of the supplemental appropriations requests will likely not be included in the final continuing resolution because the funding will not be needed until later in the fiscal year, lawmakers have promised they will provide emergency funding to help Flint, Michigan deal with

Innovative Federal Strategies LLC

lead contamination in their water supply. While there was originally thought that the funding might have to be included in the continuing resolution, lawmakers have made progress on conferencing the Water Resources Development Act (WRDA), in which both versions contain funding for to deal with lead contamination in Flint Michigan. If the WRDA bill does not pass before the CR, lawmakers will likely attach the paid-for provision to the stopgap spending measure.

In addition to lead contamination funding, Representative Rodney Frelinghuysen (R-NJ) indicated that while President Obama's request for \$11 billion in emergency spending for the Pentagon is still being reviewed, at least some of the additional funding may end up in the CR. There has been little talk of including additional supplemental funding to deal with flooding that devastated several southern states in this continuing resolution.

In the weekly colloquy between the Majority and Minority Leaders in the House, Majority Leader Kevin McCarthy said he anticipates that the House will be able to finish its work by December 8, but that it would stay as long as needed to finish work for the year. Among the must-pass pieces of legislation mentioned, McCarthy highlighted the CR and the WRDA bills as items that would be completed before Congress adjourns.

Republicans in both the House and Senate are anxious to wrap up legislative work in their respective chambers for the year. In addition to the normal push to leave town for the holidays, Republicans are eyeing the possible use of the Congressional Review Act (CRA) to overturn regulations issued in the final months of President Obama's Administration. The sooner at least one chamber can adjourn sine die, the more regulations issued by federal agencies would be subject to possible repeal under the CRA. As an example, if the House departs by December 9, the next Congress would be able to revisit the Labor Department's rule that would require employers to pay overtime to 4 million workers who perform administrative and professional duties. As a side note, we do not expect the Senate to officially adjourn when the Houses does, but rather to remain in pro-forma sessions to stop President Obama from making any last minute recess appointments.

House, Senate Close to Compromise on Water Policy Legislation

House-Senate talks on this year's reauthorization of the Water Resources Development Act (WRDA) are essentially wrapped up and the final measure will be filed in the House today, Senate Environment and Public Works Committee Chairman Jim Inhofe (R-OK) told reporters Wednesday. While Inhofe indicated the conferees intended to file the report by Thursday in the House, it had not been filed by Friday morning.

The WRDA rewrite is expected to move as a free-standing measure and won't get combined with the continuing resolution to fund the government that will move in the House and Senate ahead of the expiration of the current CR on December 9. Chairman Inhofe said that the WRDA bill will carry the \$170 million in funds promised to help Flint, Mich., address its drinking water crisis.

Innovative Federal Strategies LLC

In addition to addressing the Flint, Michigan lead crisis, the WRDA bill revises or authorizes additional U.S. Army Corps of Engineers water resources development project, feasibility studies, and relationships with nonfederal project sponsors. It sets forth requirements concerning: harbor operations and maintenance, emerging harbors, donor ports, and energy transfer ports; navigation and flood management projects; reservoir operations and storage allocations; dredging alternatives; floating cabins; dam repair; ice jams; aquifer depletion; aquatic invasive species; and permits to occupy, use, or alter certain public works.

While much of the legislation has been finalized, Representative Dan Kildee (D-MI) said that he is working towards a final funding package for Flint that is between \$120 million and \$170 million. “Anything we do will be very helpful, but there isn’t enough there to completely fix the problem. It’s just a contribution toward fixing the problem,” Kildee said. He later added, “It’s not done until its done. So obviously there’s a little anxiety about that.”

It is our understanding that the final funding amount and funding offsets have held up the filing of the conference report. Lawmakers have been attempting to reconcile a House bill that is nearly half the size of the Senate’s \$10.6 billion WRDA bill.

As was mentioned above, House Majority Leader Kevin McCarthy (R-CA) indicated that the WRDA bill is one the bills that will be finalized before Congress adjourns for the year. With Republican leaders promising that Flint, Michigan would be taken care of before the end of the year, lawmakers hope to pass the WRDA bill so that the provision isn’t needed in the continuing resolution.

Murkowski, Cantwell Cite Progress on Energy Bill

Over the Thanksgiving holiday, Senate Energy and Natural Resources Committee Chairwoman Lisa Murkowski (R-AK) and Ranking Member Maria Cantwell (D-WA) issued a joint statement on the current state of the energy bill conference report. The conference committee was officially created in July, with the first meeting of the conferees held in September.

Conferees have been attempting to come up with a compromise of the bi-partisan Senate Energy Policy Modernization Act with the House substitute amendment, which included a number of provisions that have passed the House and not been considered in the Senate. The House measure contains several bills that have drawn veto threats from President Obama, including drought legislation advanced by House Republicans.

While Senators Murkowski and Cantwell agreed to band together to block any “poison pill” riders that could draw a veto threat from President Obama, it is unclear if House Republicans will stall negotiations in an effort to redraft the legislation next year when President-elect Trump takes office.

As lawmakers returned to Capitol Hill, optimism was fading that a compromise could be reached in time to bring the legislation to the floor in the House and Senate. The Senate is expected to take up the National Defense Authorization at the beginning of the week, and will also have the continuing resolution to address before the end of the week. If an agreement is reached on the

Innovative Federal Strategies LLC

Water Resources Development Act, the Senate could take it up before the end of the week, or may return for consideration of additional legislation the following week after the House has left town for Christmas.

The full statement issued by Senators Murkowski and Cantwell over Thanksgiving is below.

“Last Friday evening, we received a counteroffer on the energy bill conference report from our House colleagues. After reviewing it, we responded today with a new offer that restores a host of provisions that the House was prepared to drop—including those related to LNG exports, sportsmen’s, the Land & Water Conservation Fund, hydropower, natural gas pipelines, manufacturing, innovation, carbon benefits of biomass, and critical minerals. We also remain hopeful that an agreement can be reached on provisions to address California’s drought crisis, to remedy wildfire funding challenges, and to improve forest management.

“While neither of us supports every provision in this proposal, it is the result of good faith bipartisan negotiations, it encompasses the broad range of work that can be completed this year, and it balances competing preferences for energy and resource policy that will remain just as strong in the next Congress. We encourage our House colleagues to seize this opportunity to complete a good bill that we can send to the president’s desk before Congress adjourns.”

Budget Process Overhaul Proposed by House Budget Chairman

House Budget Committee Chairman Tom Price (R-GA) offered a proposal on Wednesday that would usher in a sweeping overhaul of the federal budget process. The discussion draft of his proposal would change the way tax dollars get allocated for the first time in more than 40 years. Price, who has been nominated by President-elect Donald Trump to serve as the Secretary of Health and Human Services, will keep his position as Chairman of the House Budget Committee and push for budget reform until his nomination has been confirmed by the Senate.

Congressman Price’s proposal offered what is largely a complete rewrite of the 1974 budget act that created the budget committee and governs the modern appropriations process. At a Brookings Institution event where Price unveiled his proposal, he suggested that the current process is beyond repair, citing the last time all 12 annual spending bills passed on time was more than 20 years ago.

"This is no way to run a government," Price said. "And it has occurred under Republican control, Democrat control and divided government. It does not matter who controls the levers of power when the system itself is flawed."

The discussion draft, which has not been turned into legislation, gives Congress greater control over all federal spending while providing additional times to complete legislation. The draft proposes a hybrid two year appropriations cycle, with 6 appropriations being considered one year and the remaining 6 being considered the following year. In addition to moving to a 2-year cycle, the draft proposes moving from an October 1 start date of the fiscal year to a calendar year to better align with Congress’s schedule.

Innovative Federal Strategies LLC

The plan also attempts to streamline the approval process for additional spending-related legislation by making greater use of an arcane budget procedure known as reconciliation. That procedure allows the Senate to pass bills with a simple majority vote, instead of the 60-vote threshold normally required under Senate rules.

Price also proposed finding ways to put spending limits into law, not just in non-binding resolutions, and making some automatic spending subject to the annual appropriations process. One way to do that, he said, is to create a commission — similar to the ones used for military base closings — that would recommend programs now guaranteed in law that should be considered discretionary and subject to annual appropriations. Congress would then vote on those recommendations.

Congressman Price said he remains open to adjusting his plan to win broad bipartisan support, while expressing confidence that others "will pick up the mantle" if and when he leaves Congress next year. "This isn't just a Tom Price effort," he said. "This effort grew literally from frustration on both sides of the aisle."

House Committee Chairs

The House Republican Steering Committee met yesterday and approved the following recommendations for committee chairs in the 115th Congress. These recommendations were ratified on Friday, December 2 by the full House Republican Conference. New Committee Chairmen are in bold and italics.

Agriculture	Rep. Mike Conaway (R-TX)
Appropriations	<i>Rep. Rodney Frelinghuysen (R-NJ)</i>
Armed Services	Rep. Mac Thornberry (R-TX)
Budget	Rep. Tom Price (R-GA)
Education and the Workforce	<i>Rep. Virginia Foxx (R-NC)</i>
Energy and Commerce	<i>Rep. Greg Walden (R-OR)</i>
Financial Services	Rep. Jeb Hensarling (R-TX)
Foreign Affairs	Rep. Ed Royce (R-CA)
Homeland Security	Rep. Michael McCaul (R-TX)
Judiciary	Rep. Bob Goodlatte (R-VA)
Natural Resources	Rep. Rob Bishop (R-UT)
Oversight and Government Reform	Rep. Jason Chaffetz (R-UT)
Science, Space, and Technology	Rep. Lamar Smith (R-TX)
Small Business	Rep. Steve Chabot (R-OH)

Innovative Federal Strategies LLC

Transportation and Infrastructure	Rep. Bill Shuster (R-PA)
Veterans' Affairs	<i>Rep. Phil Roe (R-TN)</i>
Ways and Means	Rep. Kevin Brady (R-TX)
**Rep. Price has been nominated to President-elect Trump's cabinet to serve as secretary of Health and Human Services. The race for budget chairmanship will take place in January/February, after Rep. Price's confirmation.	

In addition, House Speaker Paul Ryan (R-WI) has made the following committee chair appointments:

Administration	<i>Rep. Gregg Harper (R-MS)</i>
Ethics	<i>Rep. Susan Brooks (R-IN)</i>
Joint Economic Committee	<i>Rep. Pat Tiberi (R-OH)</i>
Intelligence	Rep. Devin Nunes (R-CA)
Rules	Rep. Pete Sessions (R-TX)

Running List of Trump Cabinet and Senior Staff Picks

President-elect Trump continues to fill out his Cabinet and has selected individuals for senior staff positions in his administration. The chart below includes a list of current officeholders, as well as individuals who have been nominated by President-elect Trump.

Cabinet	Obama's Incumbent	Trump's Pick
Vice President	Joe Biden	Mike Pence
Secretary of State	John Kerry	
Secretary of Treasury	Jack Lew	Steve Mnuchin
Secretary of Defense	Ashton Carter	James Mattis
Attorney General (DoJ)	Loretta Lynch	Jeff Sessions
Secretary of the Interior	Sally Jewell	
Secretary of Agriculture	Thomas Vilsack	
Secretary of Commerce	Penny Pritzker	Wilbur Ross
** Deputy Commerce Secretary	Bruce Andrews	Todd Ricketts
Secretary of Labor	Thomas Perez	
Secretary of Health and Human Services	Sylvia Matthews Burwell	Tom Price

Innovative Federal Strategies LLC

** Admin Centers for Medicare & Medicaid Serv	Andy Slavitt	Seema Verma
Secretary of Housing and Urban Development	Julian Castro	
Secretary of Transportation	Anthony Foxx	Elaine Chao
Secretary of Energy	Ernest Moniz	
Secretary of Education	John King	Betsy DeVos
Secretary of Veteran Affairs	Robert McDonald	
Secretary of Homeland Security	Jeh Johnson	
Cabinet-level Offices	Obama's Incumbent	Trump's Pick
White House Chief of Staff	Denis McDonough	Reince Priebus
Director of Office of Management and Budget	Shaun Donovan	
Admin. of the Environmental Protection Agency	Gina McCarthy	
Trade Representative	Michael Froman	
Ambassador to the United Nations	Samantha Power	Nikki Haley
Chair of the Council of Economic Advisors	Jason Furman	
Admin. of the Small Business Administration	Maria Contreras-Sweet	
Director of the Central Intelligence Agency	John Brennan	Mike Pompeo
Assistants to the President	Obama's Incumbent	Trump's Pick
Deputy Chief of Staff for Operations	Anita Breckenridge	
Deputy Chief of Staff for Implementation	Kristie Canegallo	
Director of Scheduling and Advance	Chase Cushman	
Cabinet Secretary	Broderick Johnson	
Director of the Domestic Policy Council	Cecilia Muñoz	
Deputy Nat'l Security Advisor for Strategic Communications	Benjamin Rhodes	
National Security Advisor	Susan Rice	Michael Flynn
Deputy National Security Advisor	Avril Haines	KT McFarland

Innovative Federal Strategies LLC

Homeland Security & Deputy Nat'l Security Advisor	Lisa Monaco	
Director of the office of Political Strategy and Outreach.	David Simas	
Economic Policy and National Economic Council	Jeffrey Zients	
Director of Communications	Jennifer Psaki	
Press Secretary	Joshua Earnest	
Director of Speechwriting	Cody Keenan	
Management and Administration	Maju Varghese	
Counsel to the President	Warren Eggleston	Don McGahn
Senior Advisor	Brian Deese	
Senior Advisor for Intergovernmental Affairs	Valerie Jarrett	
Senior Advisor	Shailagh Murray	
Senior Counselor and Chief Strategist	n/a	Stephen Bannon
Chief of Staff to the First Lady	Christina Tchen	

Outlook for December

Congress is expected to wrap up all legislative activity for the year by Friday, December 9. On the docket for consideration during the final week of the month are:

- A continuing resolution likely to run through April 28;
- The 21st Century CURES Act (House passed, Senate consideration only);
- The National Defense Authorization Act (House passed, Senate consideration only);
- Various other non-controversial bills by unanimous consent (Senate) or on the suspension calendar (House).

**INFORMATION
ITEM**

2J



December 2, 2016

To: Inland Empire Utilities Agency
From: Michael Boccadoro
President
RE: November Legislative Report

Overview:

The big topic of conversation in Sacramento in November has been the election, not surprisingly. While Republicans made significant gains all over the country, the conservative tide hit the big blue wall at the California border. Democrats in both houses reached a two-thirds majority. Even with a two-thirds majority, passing taxes, fees or constitutional amendments will still be difficult with the gains made by the moderate Democratic caucus in the election.

On the initiative level, notably, voters defeated Proposition 53, the measure attempting to require a statewide vote on any bond issued more than \$2 billion. If the measure passed, it would have been a major blow to any attempt to construct the Delta tunnels or other major conveyance solutions.

Looking ahead, we will likely see a busy 2017 for water legislation. Legislation relating to mandatory water conservation targets, groundwater management plan development, a public goods charge on water and recycled water are all under discussion as potential bills in 2017. In addition, SB 163 (Hertzberg- D, Van Nuys) relating to recycling ocean discharges will likely re-surface.

The State Water Resources Control Board (SWRCB) released a "Draft Scientific Basis Report" which will serve as a guide in deciding how to update Phase 2 of the Bay-Delta Water Quality Control Plan for the Sacramento River and its tributaries. The update will dictate how flows and key reservoirs in the watershed can be managed to address declining endangered fish populations.

The most recent auction for cap-and-trade allowances resulted in about \$1 billion in allowance purchases. Regulators see this as a very welcome change from the bleak results from two auctions earlier in the year that only sold half of the allowances available. In contrast, more than 80 percent of the allowances were sold in the November auction.

CalRecycle released and adopted their guidelines for the expenditure of \$40 million of Greenhouse Gas Reduction Fund. They have set aside \$12 million for digestion projects and have raised the per project cap from \$3 million to \$4 million. They noted in the presentation that there needs to be better opportunities for regional projects, but failed to address regional projects with the authority granted to them in SB 970 (Leyva).

Inland Empire Utilities Agency Status Report – November 2016

Election Recap

Legislature

While the national GOP woke up November 9th to the realization they now had control over the Executive, Legislative, and Judicial branches of the federal government, California's Republicans endured a number of setbacks as California's Democrats regained their supermajority in the both the Assembly and Senate.

Incumbent Republicans Young Kim (AD65-Fullerton), David Hadley (AD66-Manhattan Beach), and Eric Linder (AD60-Corona) were all defeated by Democratic challengers. Nearly all the Democratic legislators who were toppled in 2014 have regained their seats (Raul Bocanegra in AD39- San Fernando, Sharon Quirk-Silva in AD65-Fullerton, and Al Muratsuchi in AD66-Manhattan Beach). Only former Asm. Steve Fox, who was abandoned by the Democratic establishment this time around, failed to re-take his seat.

On the Democratic side, incumbents Patty Lopez (AD39-San Fernando) and Cheryl Brown (AD47-San Bernardino) have lost their re-election bids, Lopez by an overwhelming margin. IEUA will have a new Assembly Member, Eloise Reyes come December 5. Reyes is a Democratic attorney who grew up in Southern California. She is significantly more progressive than Brown.

Despite Brown's defeat, the 'Moderate Dem' caucus ranks are on track to swell during the next legislative session. In addition to the return of AD39's Raul Bocanegra, Anna Caballero trounced her progressive-leaning opponent by 27% in AD30-Salinas. Cecilia Aguiar-Curry easily waltzed to a decisive win in AD04-Napa in the race to succeed fellow moderate Bill Dodd, who won his SD03-Davis race. Tim Grayson handily defeated Mae Torlakson by 24% in the \$9.3 million AD14-Concord race, the most expensive of the cycle. Marc Berman prevailed over Vicki Veenker in AD24-Menlo Park. Laura Friedman crushed Ardy Kassakhian by 30% in the AD43-Glendale race to succeed Mike Gatto.

Among progressive Assembly candidates running in open seats, only AD27- San Jose's Ash Kalra prevailed over his moderate opponent.

In the State Senate, Republicans looked to fend off a Democratic Super Majority by holding onto SD29-San Dimas. However, as absentee and provisional ballots were counted, Democrat Josh Newman clawed his way back and the race was finally called on November 28. Republican Assemblymember Ling-Ling Chang was unable to maintain her early lead over Newman.

On the Democrat side, the moderate wing of the State Senate appeared to increase their numbers as well. Bill Dodd in SD03, Scott Wiener in SD11-San Francisco, Anthony Portantino in SD25-La Canada, and Steven Bradford in SD35-Compton are poised to join their mod counterparts Cathleen Galgiani, Richard Roth, and Steve Glazer, who all won their re-election bids by comfortable margins.

Statewide Initiatives

In the battle over the 17 Propositions, the pharmaceutical industry prevailed in defeating Prop 61, while the tobacco industry failed to prevent the passage of Prop 56.

Prop 61 sponsor Michael Weinstein, the President of the Aids Healthcare Foundation, suffered an additional defeat with his attempt to require condom usage in California's adult film industry.

Proposition 64, Charles Munger's Legislative Transparency measure, passed by a decisive margin and requires all legislation to be in print 72 hours before a vote.

San Joaquin landowner Dino Cortopassi's Proposition 53 to require voter approval of revenue bonds larger than \$2 billion was defeated, with a slim 50.8 percent of voters voting 'No'.

The plastic bag industry suffered a defeat with Prop 65, the measure to re-allocate plastic bag fees away from grocers, losing. While the Prop 67 ban on single-use plastic bags held onto a 53.1 percent 'Yes' vote.

California legalized recreational marijuana by a 56 percent to 44 percent margin, a dramatic turnaround from the 46.5 percent to 53.5 percent 'No' vote for Proposition 19 six years ago.

The death penalty repeal measure was soundly defeated, while the effort to speed up the death penalty appeals process passed 51.1 percent to 48.9 percent.

The school facilities construction bond initiative favored by the building industry passed, as did the Medi-Cal Hospital Fee Prop 52.

With no organized resistance, voters passed Prop 55, the extension on tax rates for the wealthy by a comfortable margin. Jerry Brown's parole reform initiative also passed decisively, as did Gavin Newsom's gun control proposition.

Finally, the repeal of the 90s-era Prop 227 ('English-Only' instruction) won by an overwhelming 73.2 percent to 26.8 percent margin.

Legislative Look Ahead

As the dust settles from the election, focus has turned to actions the legislature might take when they begin business again in January.

Water Conservation

With reservoirs still sitting at critically low levels, and statewide water conservation numbers also dipping, it is very likely that there will be legislation regarding mandatory conservation targets. While no proposal has been circulated, it seems too ripe of a topic for legislators to pass up.

Groundwater Management

As the drought fails to ease up, groundwater pumping has continued at a feverish pace, especially in the San Joaquin Valley. While the Sustainable Groundwater Management Act was passed, the long lead up to implementation has many environmentalists talking about speeding up the timelines for groundwater management plans. There has been no talk of making any changes to the provisions and exclusions for adjudicated basins. WCA will be sure to follow any legislation introduced to watch for any such changes.

Public Goods Charge

A public goods charge for water is talked about at the beginning of every session. Senator Pavley even briefly had a bill for a public goods charge in 2015. But the water community has been successful in defeating any effort, thus far. There is talk that there will be a limited public goods charge bill introduced in the new year. The state has been unsuccessful in securing funds for drinking water for disadvantaged communities. Many in the water community believe that an agreement will be discussed for a limited public goods charge just for this purpose. The details have yet to be worked out, but most parties understand that something needs to be done, and a limited public goods charge might be the best path forward. There are several other paths being considered for groundwater cleanup and clean drinking water in disadvantaged communities, and it remains to be seen which, if any will get the necessary compromise and momentum to prevail in 2017.

SB 163- Recycled Water

Senator Bob Hertzberg (D-Van Nuys) has indicated that he intends to re-introduce his SB 163. He has not indicated if he will re-introduce the same language requiring 50 percent of all ocean outfall to be recycled, or if he will try a different approach this year. The same coalition that worked to oppose SB 163 last year has already been meeting to discuss strategy for the coming year. The Senator's office has not indicated if they will be more open to a constructive conversation than they were last year when they were unwilling to consider any amendments the offered by the opposition.

A separate effort is underway by several recycled water supporters to eliminate the distinction between indirect potable reuse (IPR) and direct potable reuse (DPR) in statute. The proposal would provide more clarity on types of potable reuse projects and would help establish a better framework for moving forward with projects and regulations. The legislation would ensure an equivalent level of public health protection regardless of the type of potable reuse projects. This would build on the recent work of the State Water Resources Control Board, Expert Panel and Advisory Group and would require the State Board to move forward in a timely manner to develop a policy which would identify a framework and a sequential approach for updating and developing potable reuse regulations.

The effort is still in the beginning stages and proponents are working on language before widely circulating the draft.

SWRCB Released Draft Scientific Basis Report for Sacramento River Flows Proposal

The State Water Resources Control Board (SWRCB) released a “Draft Scientific Basis Report” which will serve as a guide in deciding how to update Phase 2 of the Bay-Delta Water Quality Control Plan. The update will dictate how flows and key reservoirs in the water shed could be managed to address declining endangered fish populations.

While the purpose of the report is to establish the appropriate scientific information to guide the board members’ decisions, the report also makes some preliminary recommendations, including the following:

- The continued use of unimpaired flows, including analyzing a range from 35-75% unimpaired flows from the Sacramento River and eastside tributaries.
- Increased flow requirements to a year-round model rather than specific months, as currently used.
- Increased Delta outflow requirements from January – June.
- Increased Delta outflows from July-August to a range of 7,100-11,400 cfs.
- Development of new and modified interior Delta flow requirements to protect native migratory and estuarine species from entrainment in the southern Delta associated with CVP and SWP diversion activities.
- Revised salinity requirements following wet and above normal water years.
- Development of additional constraints on spring and fall exports associated with San Joaquin River flows, including an expanded window of limited export rates to protect juvenile salmonids migrating from the San Joaquin basin with consideration of a lower minimum export rate, as low as 800 cfs.
- Limited south Delta exports during any October pulse flow.
- Development of new cold water habitat requirements to ensure that adequate water is available for minimum instream flow purposes downstream of reservoirs for salmonids (no specific recommendation at this time).
- Further evaluation of temperature control on the American River and new flow requirements to ensure the protection of salmonids.
- Development of a water mass balance accounting procedure to track the volume of water used and amount remaining for environmental purposes.

The report noted that only modest benefits would be seen from 50 percent unimpaired flows, and more substantial benefits could result from 65 and 75 percent scenarios. Most recommendations also include an adaptive management component. The report pointed out that additional flows provided through the Phase 1 update should not be subject to export, to ensure that fish out-migrating with those flows are protected and that those flows contribute to Delta outflows as intended.

Other non-flow stressors were also mentioned in the report including non-native fish, plant and invertebrates; water quality contamination; physical habitat loss or alteration; fisheries management (harvest, boating, hatcheries); and climate change. While these other stressors are briefly mentioned, the report does not provide specific recommendations for addressing them. The SWRCB is seeking public input on proposals and comment on the draft report. Comments are due December 16th and a public workshop on the draft report is set for December 7th.

Cap-and-Trade Allowance Auction Nets \$1 Billion

The most recent auction for cap-and-trade allowances resulted in about \$1 billion in allowance purchases. Regulators see this as a very welcome change from the bleak results from two auctions earlier in the year which only sold half of the allowances available. In contrast, more than 80 percent of the allowances were sold in the November auction.

The state will net \$360 million of the auction revenue while the remaining will be returned to electricity rate payers. While \$360 million is very welcome into the greenhouse gas reduction fund (GGRF) many are not hopeful that the trend will continue. The floor price for allowances is set to rise at the beginning of the year, leaving many to believe that allowances were purchased ahead of the increased price. A secondary market for allowance trading was robust in 2016, a partial reason for the bleak auction results in the second and third quarters of 2016. Many speculate that the same could happen in 2017.

Yet another factor is the ongoing uncertainty over cap-and-trade. The program is set to expire in 2020. Although Gov. Jerry Brown signed into law Senate Bill 32, which extends the fight against climate change another 10 years, the legislation leaves the future of the cap-and-trade program somewhat unclear. In addition, a lawsuit by the California Chamber of Commerce and others, challenging the legitimacy of the state auctions, is scheduled to be argued before the state Court of Appeal on January 24 with a decision likely by the end of April.

The Governor is scheduled to release his proposed budget in early January which should contain a GGRF expenditure plan. The state has yet to make predictions for the future auction revenue. It will be interesting to see what the Governor predicts will come in to the GGRF and how he proposes to spend it.

CalRecycle was disappointed in their allocation for the Organics Grant Program and are sure to be lobbying the Governor and his budget staff hard for an increased allocation. However, if the auctions take another dive at the beginning of the year, there will be very little left in discretionary funds after the mandatory 60 percent of the funds for high speed rail and sustainable communities are siphoned off.

The February 2017 auction will be closely watched to see if the November auction was just a one-time event, or if there is more confidence in the program following SB 32 passage.

Organics Grant Program Guidelines Released

CalRecycle released and adopted their guidelines for expending their \$40 million in GGRF allocations for the Organics Grant Program. They make \$12 million available for digestion projects. CalRecycle did not take advantage of the authorization given to them in SB 970 (Leyva) to fund broad regional programs for food waste diversion. They did raise the cap for anaerobic digestion projects from \$3 million to \$4 million. CalRecycle Director Scott Smithline did note that if they are to be successful in solving some of the state's GHG issues, they would need to look beyond their current program scope and include regional projects. However, he seemed to insinuate CalRecycle lacked the authority to look regionally at this point.

CalRecycle will likely make the funding available in December or January with applications due in March and awards to be noticed in mid-summer.

Making Water Conservation A Way Of Life





A statewide conservation framework was released in late November that outlines a proposed method to make conservation permanent in California. The framework was a collaboration among the Department of Water Resources, the State Water Resources Control Board, the California Public Utilities Commission, the California Department of Food and Agriculture, and the California Energy Commission, as a response to Governor Brown's May 2016 Executive Order to establish long-term water conservation measures and improved planning for more frequent and severe droughts.

The state's initial method to comply with the Executive Order was to require a specific percentage of water savings. The new proposed standards represent a fundamental shift to a conservation framework that can be applied equitably and uniformly across the various conditions in California, according to the document. The following is a summary of some of the measures proposed in the document:

- Extend current emergency water conservation regulations (set to expire in February 2017) for an additional 270 days.
- Upon legislative authorization, adopt new water use standards for all urban water use and new urban water use target methodology. Urban water suppliers would be required to calculate unique water use targets based on the adopted standards and local conditions. Interim targets would be set for 2018 with full compliance required by 2025.
- Upon legislative authorization, urban water suppliers will be required to submit a "Water Shortage Contingency Plan" and conduct a five-year "Drought Risk Assessment" every five years and submit a water budget forecast annually.

Comments on the draft plan are due December 19. Below is a chart from the report that summarizes the recommended actions.

Table ES-1. Actions and Recommendations Summarized in this Report

Chapter Section and Title where Item is Addressed	Executive Order Items													Within Existing Authorities (Chapter 2)	Requires New Authority (Chapter 3)
	 Use Water More Wisely			 Eliminate Water Waste				 Strengthen Local Drought Resilience			 Improve Agricultural Water Use Efficiency & Drought Planning				
	1	2	3	4	5	6	7	8	9	10	11	12	13		
2.1 Emergency Water Conservation Regulations for 2017	●													✓	
2.2 Permanent Prohibition of Wasteful Practices			●	●										✓	
2.3 Reduced Water Supplier Leaks and Water Losses					●	●								✓	
2.4 Certification of Innovative Technologies for Water Conservation and Energy Efficiency							●							✓	
3.1 New Water Use Targets Based on Strengthened Standards		●				●									✓
3.2 Water Shortage Contingency Plans						●		●	●						✓
3.3 Drought Planning for Small Systems & Rural Communities										●					✓
3.4 Agricultural Water Management Plans						●					●	●	●		✓

Note: The Executive Order directs DWR, Water Board, and CPUC to develop methods to ensure compliance with the provisions of the order, including technical and financial assistance, agency oversight, and, if necessary, enforcement action by the Water Board to address non-compliant water suppliers. These are described in Chapters 2 and 3.

**INFORMATION
ITEM**

2K

Agricultural Resources

635 Maryland Avenue, N.E.
Washington, D.C. 20002-5811
(202) 546-5115

dweiman@agriculturalresources.org

December 2, 2016

Legislative Report

TO: Joe Grindstaff
General Manager, Inland Empire Utility Agency

FR: David M. Weiman
Agricultural Resources
LEGISLATIVE REPRESENTATIVE, IEUA

SU: Legislative Report, November 2016

State of Affairs

- * Trump wins the election.
- * Senate remains in R control. Ds increase, but not enough to take control of the Senate.
- * House remains in R control. Ds pick up several seats.
- * Beginning in January, Rs will be in the WH and control both the House and Senate.
- * Speaker Ryan is reelected Speaker. Rep. Pelosi is reelected D Leader.

California

- * CA Attorney General, Kamela Harris wins US Senate seat (Boxer's retiring).
- * Gov. Brown names Rep. Becerra (from LA) to State AG's office (Becerra was vying to become ranking D on House Ways and Means).

Government Funding

- * House and Senate reconvene for Lame Duck session immediately after the election.
- * Current year funding extends to December 9.
- * Pre-announced plans to pass individual annual funding bills dropped.
- * Instead of full funding bills, another (same as before funding mechanism) CR to fund the Federal Government to be passed (enacted) on or about December 9 and extend to March 2017 (or later).
- * Treasury announced that the "debt ceiling" will require legislative action in early to mid-

2017.

Transition – Appointments

- * President-Elect Trump and VP Pence now to “form” a government – first steps, name WH staff and Cabinet Positions
- * NJ Gov. Christie, previously in charge of transition, replaced by VP Pence.
- * At the WH, Steve Bannon was named as a WH Senior Advisor and Reice Priebus, Chair, Republican National Committee, was named WH Chief of Staff.
- * During November, Trump focused on his intelligence and military appointments and some domestic departments (HHS, Transportation).
- * SC Governor Nikki Haley was named to the US Representative to the United Nations.

Transition – Resource/Environmental Department and Agencies

- * In early to mid-December, Secretarial/Administrator announcement are expected for Energy, USDA, Interior, EPA and OMB.
- * For Interior – some 20-25 names have been floated or acknowledged as being considered by the President-Elect.
- * Names include oil industry leaders, business leaders, financial investors, former House Members, House Resource Committee Chair, Rep. Rob Bishop (R-UT), several former Governors (for instance, Governors Jan Brewer (AZ), Mary Fallin (OK) and Sarah Palin (AK)), and current Governor, Susan Martinez from New Mexico. The list includes individuals with high public profiles and others who have zero public profile (such as Ray Washburne, a Texas businessman).
- * One possible nominee – Rep. Cathy McMorris Rodgers (R-WA) is presently in the House leadership. Earlier in her career, she served on the House Natural Resources Committee and also served as Ranking R on the Water and Power Subcommittee. Of the many under consideration, McMorris Rodgers is the probably only “candidate” with some knowledge and experience with western water issues.
- * As of late November, the “Trump Transition Team” for Interior has yet to arrive at DOI.
- * The nomination, once made, will be submitted to the US Senate to “advise and consent” on the nomination (vote to approve). All nominations for DOE and DOI will be referred to the Senate Committee on Energy and Natural Resources chaired by Sen. Lisa Murkowski (R-AK).
- * It is anticipated that a hearing on the Interior nomination will be held in January. Next step, the Committee votes to report the nomination to the full Senate. In the past, immediately after inauguration, the full Senate convenes and immediately passes the nominations on January 20 or 21st so the new Administration will be able to conduct business in the various Departments.
- * While all sorts of people are advancing resumes for various other appointments, everything from Assistant Secretarys, Deputy Assistant Secretarys, Special Assistants and others, few of these appointments will be made prior to the selection and confirmation of the new Secretarys or Administrators.

Trump and Interior and Bureau of Reclamation

- * In addition to Secretary, the positions of Deputy Secretary, Assistant Secretary (four or five at DOI), Solicitor and certain Agency heads are each subject to Presidential Appointment AND Senate confirmation. That is, the incoming President nominates, but none can serve until confirmed by the Senate.
- * This includes the position of Commissioner, BuRec.
- * If history is a guide, it could take at least six months (maybe longer) to submit all the nominations, have the Committee review them, hold hearings, approve the nomination and submit them to the full Senate for approval. Each nominee (for these specific positions must be voted upon by the Senate.

Trump Policy on Infrastructure

- * During the campaign, and since, Trump touted spending \$1+ Trillion on infrastructure (all kinds).
- * A specific proposal has not yet been advanced, however, according to various reports, it now appears that it will be a tax-incentive based plan.
- * How public agencies become eligible for this initiative is unclear at this time, if at all.

Trump on Job Creation and the Economy.

- * On December 2, the President Elect announced the formation of the “President’s Strategic and Policy Forum” and tasked it to advise the new Administration on job formation in particular and the economy in general.
- * Among the first appointees – three corporate leaders, including:
 - Jamie Dimon, CEO and Chair, JP Morgan Chase
 - Mary Bara, CEO and Chair, GM
 - Ginni Rometty, CEO, IBM
- * So far, no one from the public sector has been announced.

Legislative Activitie

- * **Energy Bill.** House and Senate Conference continued in November – all behind closed doors. Staff discussions have been on-going. No public conference committee meetings. Rep. Bishop, House Chair, Resources Committee and Senator Murkowski, Chair, Senate Energy, report progress, but also acknowledge significant unresolved policy conflicts involving the Land and Water Conservation Fund (LWCF) and natural gas issues. Some Rs believe they get a bill more to their liking in the next Congress and want to block the bill. Chairman Bishop publicly “hints” that a bill will be finalized. If the bill fails, Senator Murkowski has indicated that portions of the bill might be included on the CR.
- * **Drought bill/Valadao Bill** (part of Energy Bill – maybe). As reported last month, *“discussions between House Majority Leader McCarthy and Senator Feinstein have continued behind closed doors. Reportedly, the current focus (and sticking point) relates to statutorily imposing CVP operational directives and mandates into law.”* The House Resources Committee staff reported, in late November, that they did not expect to see drought, Valadao bill or related language included in the Energy Bill (assuming it

moves). Such reports, however, change on an almost daily basis. At month's end, apparently McCarthy and Senator Feinstein have reached agreement on operational language (i.e Valadao bill language). In addition, there is reportedly also an authorization for local projects for \$225 million for local projects.

- * **WRDA.** Leaders in the House are indicating that WRDA will be among the last “must-pass” bills by December 9. Reportedly, House-Senate deliberations are close to conclusion (no drafts have been publicly released). No indication how the WaterSense language was addressed. It is being reported that the drought/Valadao/local project language is now being included in the WRDA bill.

- * **Tax Reform.** As reported last month, tax reform is “*considered a high priority 2017 issue. Speaker Ryan and Ways and Means Chair, Rep. Brady (R-TX) have indicated that this issue will be front and center early in 2017.*” Chairman Brady said, on December 2, that his highest priority was reducing tax rates. As a practical matter, if rates are reduced, especially the corporate rate, then the tax bill will likely have to reduce the deductibility of municipal bonds. The impact on IEUA and other public agencies could be significant. Tax reform, legislatively, may be advanced as part of a Budget Reconciliation package, but that won't be known until sometime next year.

WRDA – Water Sense and Water Softener Language. IEUA, ACWA, WaterReuse, CASA, NACWA and others asked the House and Senate conferees to provide an amendment to WRDA, in the EPA WaterSense section, providing further limitations on future EPA reviews in “salt-sensitive” regions. The Committee – and the conferees – were briefed, provided language and justifications. The disposition of the proposed language remains unknown. If WRDA moves (and it now appears as if it will), the conferenced bill will be released in early December. Senate Report language on the underlying bill already contains positive language (included by Senator Boxer) and it will become the basis for addressing the matter with the new Administrator, EPA in 2017.

It is important to recognize that, with regard to water softeners, that EPA had internal conflicts regarding water softeners. While Region IX (SF) was supporting recycled water as a water development option, the WaterSense office in Washington, DC proposed evaluating water softener devices for efficiency without regard to regions with high salt content in their existing water supplies. As reported last month, “*On one hand, with regard to water supply issues, EPA has recommended increase water recycling as part of the “solutions” mix.. On the other, EPA (through the WaterSense program) was facilitating the use of water softeners in salt sensitive areas, which may result in compromising the ability to recycle water in those areas. The language already in the Senate version of the EPW bill and the pending request for statutory clarification is designed to eliminate those internal EPA agency conflicts.*”

Regardless what occurs in conference (or not), this will be an issue for the incoming EPA Administrator (nomination announcement is still pending).

The next 90 days – through the end of February, will bring greater clarity and more specificity with regard to nominations, policy and budget priorities.

The nomination process will overwhelm the Senate calendar – and as such – Senate leaders are already asking for a CR that goes beyond March 31. Trump is signaling that his Administration may not submit a budget per se, but only specified amendments.

And finally, while focus and attention has shifted to all matters related to Transition to the new Administration, international issues continue to be overwhelming (death of Castro, collapse of several governments in Europe, the refuge crisis throughout Europe from the situation in Syria, and the continued conflict in Ukraine). The President, in South Korea, is likely to resign. And Trump's call with the President of Taiwan is creating a political firestorm in China. And finally, North Korea remains a wildcard in every respect.

#

**INFORMATION
ITEM**

2L



CALIFORNIA STRATEGIES, LLC


Date: December 02, 2016
To: Inland Empire Utilities Agency
From: John Withers, Jim Brulte
Re: November Activity Report

Listed below is the California Strategies, LLC monthly activity report. Please feel free to call us if you have any questions or would like to receive any more information on any of the items mentioned below.

- Met with Executive Management Team to review priority issues and to discuss activities for November that Executive Staff wanted accomplished
- Discussed Little Hoover Commission hearing results, follow up, and next hearing items.
- Reviewed Chino Basin Water Bank project concept and formation JPA
- Support and advised on IEUA/SBVMWD transfer transaction on an as needed basis.
- Reviewed Water Rates progress with member agencies and Regional Contract renewal.
- Continue to monitor statewide water issues including The Water Fix, water bond, and drought relief act activities. Made recommendation regarding the request for money from various state special funds.
- Monitor Santa Ana Regional Board agenda and issues of interest to IEUA including the Ontario Plume settlement
- Attended ACWA Conference
- Respond to requests for information from IEUA Directors.

**INFORMATION
ITEM**

2M

Date: December 21, 2016
To: The Honorable Board of Directors
Through: Audit Committee (12/14/2016)
From: Teresa V. Velarde 
Manager of Internal Audit
Subject: Internal Audit Department Status Report for December 2016

RECOMMENDATION

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

BACKGROUND

The Audit Committee Charter requires that a written status report be prepared and submitted each quarter. The Internal Audit Department Status Report includes a summary of significant internal and external audit activities for the reporting period. Attached is the Status Report for December 2016.

The Status Report is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by describing IA's progress in providing independent evaluations of Agency financial and operational activities and suggesting recommendations for improvements.

PRIOR BOARD ACTION

On December 16, 2015, the Board of Directors reconfirmed the approved Audit Committee and Internal Audit Department Charters.

On June 15, 2016 the Board of Directors approved the Annual Audit Plan for Fiscal Year 2016/17.

IMPACT ON BUDGET

None

**Internal Audit Department
Status Report for December 2016**

Projects Completed This Period

Audit: Master Service Contracts Audit: Master Service Contracts for Emergencies, Repairs and Minor Construction and Master Professional Services Contracts

Scope:

To evaluate the Agency's Master Service Contracts and to ensure these follow the required Agency policies and procedures and ensure controls exist that enforce proper contracting and procurement for transactions.

Status:

COMPLETE

The audit evaluated the processes and controls in place to qualify Agency Contractors for Master Service Contracts for Emergencies, Repairs and Minor Construction and Master Professional Services Contracts. The audit examined how work is distributed under the contracts and finally, the audit examined the amount of work issued under the contracts in through January 31, 2016 of FY 2015/16.

Overall, the Engineering and Construction Management Department provides effective oversight over the evaluation process of potential contractors and over the establishment and use of Master Service Contracts. The recommendations included establishing clear criteria to differentiate between level 3 emergencies and routine minor construction and repairs, providing comprehensive reporting of emergency procurements to the board and providing additional guidance about which categories of contractors to use for differing levels of projects. Additionally IA provided a soft recommendation to consider establishing greater construction management services expertise internally.

The final report is included under separate cover and provides full details of IA's observations and recommendations. IA has previously provided the following reports:

<u>Master Trade Contracts Audit</u>	COMPLETED	September 2016
<u>Prequalification Process Review</u>	COMPLETED	June 2016

Audit: Follow up Review: Information Technology Equipment Audit

Scope:

To evaluate the status of 7 outstanding recommendations provided in the Information Technology (IT) Equipment audit reports dated August 21, 2012 and November 14, 2012. The 7 recommendations are the primary responsibility of the Finance and Accounting Department (FAD).

Status:

COMPLETE

IA evaluated the 7 outstanding recommendations that are primarily the responsibility of FAD. Based upon the results of this follow-up review, IA found that four recommendations are In Progress, two recommendations are implemented, and one recommendation is no longer applicable. Additionally, IA provided two new recommendations in this report.

Consistent with the recommendation from the Agency's external auditors, IA recommends FAD conduct periodic physical inventories and inspection of IT assets. Additionally, FAD should evaluate the capitalization policy and threshold established for computer and related IT equipment to ensure it aligns with current practices of similar organizations. Lastly, FAD should update Agency Policy A-49 (Closing of Capital and Non-Capital Projects) to ensure it is consistent with the current business practices.

The final report is included under separate cover and provides full details of IA's observations and recommendations.

Internal Audit Department Status Report for December 2016

Project: **2016 Comprehensive Annual Financial Report (CAFR) Quality Control Review**

Scope:

To perform a quality control review of the financial statements and accompanying supplementary information including the Trial Balances for each fund, individual fund statements and consolidated statements. IA reviews for math accuracy, consistency in totals among the narratives and the statements, and professional presentation.

Additionally, IA has been asked by FAD to compare the disclosure requirements mandated by the bond documents for the various outstanding bond issues and ensure that those disclosures are provided in the CAFR.

Status: **COMPLETE**

In June 2016, Ms. Deborah Harper, partner with Lance, Soll, & Lunghard, LLC (the Agency's external audit firm), met with the Audit Committee to meet the communication requirements of Statement on Auditing Standards No. 114 (SAS 114). This Statement requires the external auditor to communicate to those charged with governance matters related to the audit approach and any other concerns related to the audit.

In September, the external auditors were on-site conducting final audit work. IA, FAD and LSL held an exit meeting to discuss the external audit findings.

IA is working with the Finance and Accounting Department to perform the quality control review. Items noted are communicated to Finance and Accounting for their attention. IA will complete its quality control review by December 21st before the final CAFR is published.

As part of IA's Quality Control Review, IA performed the following:

- Recalculated totals across and down spreadsheets provided to verify mathematical accuracy
- Ensured individual fund balances were carried over to combining financial statements accurately
- Read through MD&A and Notes to the financial statements for grammatical and spelling errors
- Ensured that all figures in MD&A, Notes to the financial statements and Supplementary and Statistical sections agree to financial statements and/or applicable support
- Compare the bond disclosure requirements to the information available in the CAFR for completeness

IA's quality control 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 audit work of the external auditors as to the reliability of the financial information reported. IA's review is one of additional quality control to ensure a professional presentation of the financial statements.

A draft CAFR is submitted by the Finance and Accounting Department under separate cover.

Project: **Audit Committee Independent Financial Advisor Contract Extension**

Scope:

Extend the contract of the Audit Committee Financial Advisor by one calendar year. The independent financial advisor provides the Audit Committee and Internal Audit Department with consulting and advisory services to ensure the responsibilities outlined in the Charters are fulfilled.

Status: **COMPLETE**

The contract for audit committee consulting and advisory services with Mr. Travis C. Hickey, CPA consultant with Rogers, Anderson, Malody & Scott expired on December 31, 2016. This extension is the second of two single-year options. According to the Board approved Charter, the Audit Committee shall have access to a financial expert that can provide advisory and consulting services as required. The financial expert

**Internal Audit Department
Status Report for December 2016**

must possess expertise and experience in understanding generally accepted accounting principles and financial statements; auditing comparable entities, internal controls, and an understanding of the audit committee functions.

This extension is option two of two. Details of the Audit Committee Advisor Contract are on separate item under separate cover.

Project: Preliminary Official Statement (POS) Draft and Continuing Disclosure Review

Scope:

To perform a quality control review of the draft Preliminary Official Statement being prepared for a potential bond refinancing in early 2017. IA reviews for math accuracy, consistency in totals among the narratives and the statements, grammar and professional presentation and considers whether additional or more expansive disclosures may be warranted.

Status: IN PROGRESS

As part of IA's review, IA performed the following:

- Read the document for abbreviation consistency and grammar and spelling errors
 - Compared figures used more than once in the document to ensure consistency
 - Read the document for disclosures made and provided suggestions about additional or updated disclosures that might be warranted
 - Provided written comments and edits to FAD for inclusion in the document
 - Participated in training about disclosure adequacy provided by Bond Counsel
-

On-going Projects

Project: Regional Contract Review – Follow up: Communication, Collections & Centralization

Scope:

To continue to report the results of the Regional Contract review and pursue region-wide agreement and settlement of findings in conjunction with the renegotiation of the Regional Contract. IA continues to assist Management, analyze data, attend meetings upon request related to the implementation of recommendations and moving forward with the renegotiation of the contract. IA will continue to stay involved as requested and required.

Status: IN PROGRESS

Internal Audit stands ready to assist in moving forward with implementation of the recommendations and/or resolution of the unpaid fees identified.

Internal Audit Department Status Report for December 2016

Project: List of Outstanding Recommendations

Scope:

To provide the Audit Committee an update of remaining unresolved internal audit recommendations.

Status: IN PROGRESS

Annually, IA provides a report listing all outstanding recommendations to the Audit Committee and Board of Directors. In accordance with the Internal Audit Charter, IA is required to follow-up on the status of open recommendations to determine if corrective actions have been made and/or if alternate controls have been implemented to address the risks identified. As of the date of this report, there are a total of 88 open recommendations. Of the 88 open recommendations, 44 do not require a follow-up review at this time because 11 relate to audits completed recently and 31 relate to the Regional Contract Review. The final report is included under separate cover and provides full details of IA's observations and recommendations.

Project: Management Requests

Scope:

Assist Agency Management with requests for analysis, evaluations and verification of information, assist with the interpretation of policies and procedures, and/or providing review and feedback on new policies or procedures. These services are provided according to the IA Charter, the Annual Audit Plan, and best practices.

The management request projects are short-term projects, typically lasting no more than 60 – 75 hours each where IAD determines it has the necessary staff, skills and resources to provide assistance without having to delay/defer scheduled audits and priority projects. The scope of each review is agreed upon between the department manager requesting the evaluation/review/analysis/assistance and the Manager of IA and when deemed appropriate by Executive Management.

During this quarter, IA was working on the following "Management Requests":

- Continue to be involved with possible collection of the identified uncollected Connection Fees.
- Participate in implementation of Enterprise Content Management System.
- Assist departments with interpretation of Agency's Policies

Status: IN PROGRESS

During this quarter Internal Audit provided comments to staff in the executive management office about potential revisions and wording changes to the IEUA By-Laws and compared draft revisions of the IEUA By-Laws to existing and prior Agency By-Laws for consistency, comprehensiveness and completeness. IA also reviewed the Debt Management Policy and Fiscal Ordinance.

Project: Water Conservation Programs

Scope:

IA has begun reviewing the processes in place and the supporting documentation for the activities involving Water Conservation Programs.

Status: IN PROGRESS

A key measure included in the Governor's Drought declaration directed the California Department of Water Resources to accelerate funding for projects that enhance water supplies. Such funding is mostly in the form of grants; some received by IEUA. IEUA is the intermediary between State/Federal and Metropolitan Water District programs and member agencies. In partnership with other water agencies, IEUA has been

Internal Audit Department Status Report for December 2016

at the forefront of various conservation projects working with member agencies to increase awareness about the drought and the need for conservation. Projects administered by IEUA must be carried out in accordance with the requirements of the grants, etc. This evaluation is reviewing internal controls with contract administration/execution and proper distribution of funding.

Internal Audit Department

Internal Audit Department Staffing:

The Internal Audit Department is staffed as follows:

- 1 Manager of Internal Audit
- 1 Full-time Senior Internal Auditor
- 1 Full-time Senior Internal Auditor

Internal Audit Staff Professional Development Activities:

As required by the *International Standards for the Professional Practice of Internal Auditing*, auditors should continue to enhance their knowledge, skills, and other competencies through continuing professional development.

During the quarter, the Internal Audit Manager was appointed to the governing board of the Inland Empire Chapter of the Institute of Internal Auditors. The governing board sets direction for the chapter and provides guidance on seminar topics and activities sponsored by the association.

In June, 2016 the Manager of Internal Audit and one Senior Internal Auditor attended the annual 1-day Southern California Conference of the Institute of Internal Auditors.

In September, 2016 the Manager of Internal Audit and one Senior Internal Auditor attended the annual 2-day Fall Conference sponsored by the Los Angeles Chapter of the Institute of Internal Auditors.

In October 2016, one Senior Internal Auditor attended a half-day seminar on Non-Profit/ Governmental Audit Topics sponsored by the Inland Empire Chapter of the Institute of Internal Auditors.

In November, 2016 one Senior Internal Auditor attended a full-day seminar on Audit Fundamentals & Innovation sponsored by the Inland Empire Chapter of the Institute of Internal Auditors.

During the past quarter, IA staff has also continued to stay abreast of industry developments through review of industry periodicals.


All three IA members are preparing for the third exam of the 3-part Certified Internal Auditor (CIA) certification examination. The CIA is the only globally-recognized certification for internal audit professionals and is the highest certification that can be attained by an internal auditor. One Senior Auditor is a Certified Public Accountant (CPA). One Senior Auditor is a Certified Government Audit Professional (CGAP).

Future Audit Committee Meetings:

- Wednesday, March 8, 2017 – Regularly Scheduled Audit Committee Meeting
- Wednesday, June 14, 2017 – Regularly Scheduled Audit Committee Meeting
- Wednesday, September 13, 2017 – Regularly Scheduled Audit Committee Meeting

**INFORMATION
ITEM**

2N

Date: December 21, 2016
To: The Honorable Board of Directors
Through: Audit Committee (12/14/2016)
From: Teresa V. Velarde 
Manager of Internal Audit
Subject: Master Service Contracts Audit

RECOMMENDATION

This is an informational item for the Board of Directors.

BACKGROUND

Internal Audit (IA) performed an audit of Master Service Contracts for Emergencies, Repairs and Minor Construction and Master Professional Services Contracts (Master Service Contracts) according to the Fiscal Year 2016/17 Annual Audit Plan. The objectives of the audit included:

- To evaluate compliance with policies and procedures for the establishment of Master Service Contracts.
- To evaluate how work is issued, verified and approved under the Master Service Contracts.
- To evaluate whether Master Service Contract processes follow Agency procurement policies and procedures, other legal requirements and whether they promote fair contracting and good business practices.
- To identify where policies and operations can be made more effective and efficient to ensure that contracts are utilized and monitored as intended.

The Engineering and Construction Management Department (E&CM) administers the Master Service Contracts. E&CM has primary responsibility for the issuance of Master Service Contracts.

Overall, E&CM provides effective oversight over the establishment and use of the Master Service Contracts. The attached report provides details of IA's observations and recommendations. The bullet points below provide a summary:

- Emergency projects are classified according to three levels. Level 3 emergencies are the least urgent and the work can be scheduled on a time-table set by the Agency. E&CM and

CFS should consider establishing clear criteria that define the Level 3 emergency and differentiate between a Level 3 emergency procurement and routine minor construction and repairs procurements and/or determine and document whether the Level 3 designation is necessary.

- Consistent with the requirements of the Procurement Ordinance, emergency procurements are communicated to the Board at the next Board meeting in the General Manager's written report. To ensure that the Agency communicates sufficient information about emergency procurement activity, E&CM and CFS should consider developing and providing a comprehensive monthly update of emergency procurements for the Board. The information to consider could include the current month emergency procurement activity and a year-to-date total. It may also be useful to compare current year-to-date emergency procurement activity in dollars and numbers of task orders to prior years and to the total budget. Trends can be analyzed and comparisons can be made to ensure that emergency procurements are kept to a minimum.
- To ensure that contracts for Repairs and Minor Construction operate as intended, E&CM and CFS should consider developing specific criteria and/or additional guidance and definitions about what constitutes repairs or minor construction as compared to projects for prequalified contractors for contracts less than \$2 million. An additional control would be to consider establishing dollar maximums within the contract or the group of contractors to provide assurance that the contracts are being utilized as intended and spending is constrained.
- Given the amounts that are being spent on external professional services contracts for construction management services and the large amount of capital construction anticipated over the next decade, the Agency may want to consider whether it would be effective to develop and utilize in-house expertise for construction management services.

IA extends our appreciation to the E&CM staff for their cooperation and assistance.

The Master Service Contracts Audit is consistent with the Agency's Business Goals of *Fiscal Responsibility, Workplace Environment and Business Practices* by providing an independent evaluation of IEUA's contracting policies and practices and suggesting recommendations for improvements.

PRIOR BOARD ACTION

On June 15, 2016 the Board of Directors approved the Annual Audit Plan for Fiscal Year 2016/17, the Master Trade Contracts Audit was included in that plan.

On December 16, 2015, the Board of Directors reconfirmed the approved Audit Committee and Internal Audit Charters.

IMPACT ON BUDGET

None.




Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

6075 Kimball Ave. • Chino, CA 91708
P.O. Box 9020 • Chino, Hills, CA 91709
TEL (909) 993-1800 • FAX (909) 597-8875
www.ieua.org

DATE: December 5, 2016

TO: Joseph P. Grindstaff
General Manager


FROM: Teresa V. Velarde
Manager of Internal Audit

SUBJECT: Audit of the Master Service Contracts

Audit Authority

The Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department (IA) performed an audit of the Agency's Master Service Contracts for Emergencies, Repairs and Minor Construction and Master Professional Services Contracts (Master Service Contracts). The Master Service Contracts are groups of contracts pre-established to make procurement for services for emergencies, repairs and minor construction more efficient and to procure professional services. The audit was performed under the authority given by the IEUA Board of Directors and according to the Fiscal Year 2016/17 Annual Audit Plan.

Audit Objective and Scope

The objectives of the Master Service Contracts audit were to:

- To evaluate compliance with policies, procedures and the Agency's Procurement Ordinance for the establishment of Master Service Contracts.
- To ensure the work was issued and administered according to the Agency's policies and procedures.
- To evaluate whether Master Service Contract processes follow Agency procurement policies and procedures, other legal requirements and whether they promote fair contracting and good business practices.
- To identify where policies and operations can be made more effective and efficient to ensure that contracts are utilized and monitored as intended.

The Engineering and Construction Management Department (E&CM) administers the Master Service Contracts with support from the Contracts and Facilities Services Department (CFS).

Water Smart – Thinking in Terms of Tomorrow

Audit Results – Executive Summary

Overall, E&CM provides effective oversight over the establishment and use of the Master Service Contracts. The attached report provides full details of IA's observations and recommendations. The bullet points below summarize the recommendations:

- ***Emergency projects are classified according to three levels. Level 3 emergencies are the least urgent and the work can be scheduled on a timetable set by the Agency. E&CM and CFS should consider establishing clear criteria that define the Level 3 emergency and differentiate between a Level 3 emergency procurement and routine minor construction and repairs procurements and/or determine and document whether the Level 3 designation is necessary.***
- ***E&CM recently revised the emergency procurement information provided to the Board in the General Manager's report so that it provides and tracks additional information. This provides a much better tool for the Board to perform its oversight role. To ensure that the Agency communicates sufficient information about emergency procurement activity, E&CM should continue improving and enhancing the information provided in the monthly update of emergency procurements for the Board. The information to consider adding could include a beginning balance, current month totals of emergency procurement activity and a year-to-date total. It may also be useful to compare current year-to-date emergency procurement activity in dollars and numbers of task orders to prior years and to the total budget. Trends could be analyzed and comparisons could be made to provide additional context to the Board about the Agency's efforts to maintain its infrastructure and emergency procurements are kept to a minimum.***
- ***To ensure that contracts for Repairs and Minor Construction operate as intended, E&CM and CFS should consider developing specific criteria and/or additional guidance and definitions about what constitutes repairs or minor construction as compared to projects for prequalified contractors for contracts less than \$2 million. An additional control would be to consider establishing dollar maximums within the contract or the group of contractors to provide assurance that the contracts are being utilized as intended and spending is constrained.***

Additionally, IA provides one soft recommendation:

- ***Given the amounts that are being spent on external professional services contracts for construction management services and the large amount of capital construction anticipated over the next decade, the Agency may want to consider whether it would be effective to develop and utilize in-house expertise for construction management services.***

Acknowledgements

We would like to extend our appreciation to the E&CM and CFS staff for their cooperation and assistance during this audit.

Discussion with Management

We discussed the results of this audit with Shaun Stone, Manager of Engineering; David Mendez, Deputy Manager of Capital Improvement Program; Jerry Burke, Deputy Manager of Engineering; John Scherck, Acting Deputy Manager of Engineering; and Rachael Solis, Supervisor of Engineering Administration on October 31, 2016 and their comments have been incorporated into this report.

cc: Chris Berch, Executive Manager of Engineering/Assistant General Manager
Christina Valencia, Chief Financial Officer/Assistant General Manager
Shaun Stone, Manager of Engineering
Warren Green, Manager of Contracts and Facilities Services
David Mendez, Deputy Manager of Capital Improvement Program
Jerry Burke, Deputy Manager of Engineering
John Scherck, Acting Deputy Manager of Engineering
Rachael Solis, Supervisor of Engineering Administration

TV:ps

Master Service Contracts Audit

Background

IEUA is responsible for building, improving and maintaining water/wastewater infrastructure in the region. These public works projects require effective and efficient procurement processes for all types of activities from initial construction, to operations and repairs and maintenance. The procurement processes must be able to fulfill responsibilities as broad as constructing a new laboratory or sewage treatment plant to miscellaneous repairs, maintenance and projects.

In order to streamline and make the procurement process more efficient, IEUA revises its procurement practices from time to time to adopt industry best practices. The intent is to save time and resources and to ensure only the most qualified contractors able to provide the best overall value services, are selected. The current procurement processes utilized at the Agency include:

- **Pre-Qualified Contractors for major public works projects above and below a \$2 million dollar threshold (see separate Internal Audit Report: Prequalification Process Audit Report, dated June 8, 2016 for additional information).**
- **Master Trade Contracts for smaller maintenance and repairs for specific trades that include Corrosion Assessment, Painting, Roofing, Fencing and Asphalt Repair (see separate Internal Audit Report: Master Trade Contracts Report, dated September 14, 2016 for additional information).**
- **Master Service Contracts for Emergencies, Repairs and Minor Construction (discussed in this audit report).**
- **Master Professional Services Contracts for Professional Services (discussed in this audit report).**

Master Service Contracts for Emergencies, Repairs and Minor Construction and Master Professional Services Contracts (Master Service Contracts) are contracts administered by the Engineering and Construction Management Department (E&CM) with support from the Contracts and Facilities Services Department (CFS). These Master Service Contracts are competitively-let contracts set up before work is identified and needed. The purpose of Master Service Contracts is to streamline the procurement process by lessening the time it takes to execute formal contracts and expedite the services required by pre-qualifying and establishing agreements with selected firms while ensuring the work is issued in a fair and competitive manner to both the contractor and the Agency while following required procurement policies and procedures.

There are two categories of contracts:

1. **Master Service Contracts for Emergencies, Repairs and Minor Construction:** This is a group of contractors approved to provide services for either emergencies, repairs or minor construction. A group of 25 contractors were approved for the most recent two year term in August 2014 and contract extensions were negotiated in August 2016 with 12 remaining contractors who agreed to continue to participate. These services include things such as pump station repairs, pipeline repairs and assessment and repairs of leaks. E&CM intends to engage in a new round of procurement in February 2017, as described below.
2. **Master Professional Service Contracts:** This is a group of 17 contractors and consultants with contracts of varying lengths that are used in a variety of professional capacities, but primarily for construction management. Professional services also include activities such as design services, structural engineering, geotechnical engineering/material testing, labor compliance, scheduling and surveying.

Master Service Contracts for: Emergencies, Repairs and Minor Construction

These were first established in January 2006 with a pilot program with three local contractors and then expanded to six in 2007 and 21 in 2009. The most recent procurement in August 2014 established contracts with 25 contractors. In August 2016, the Agency entered into one year contract extensions with 12 contractors that were willing to remain in the program. A new procurement process is planned for February 2017 to expand the number of contractors.

These contracts are for the in-between category of projects that are too large for the Maintenance department to complete on their own but are also not large enough to utilize the list of prequalified contractors under \$2 million. These projects are authorized using a task order. The contractors are utilized for work related to:

- Emergencies, or
- Repairs and Minor Construction

IA Evaluation of the Selection Process

In 2014, E&CM and CFS administered the solicitation and selection process. Twenty-five proposals were received. E&CM staff reviewed the proposals for technical details and CFS performed the necessary verifications, including contractor licenses, prevailing wage certification with Department of Industrial Relations (DIR) registration, insurance coverage and reference checks. All of the proposals the Agency received were found to

be responsive and the Agency entered into contracts with all 25 contractors. Given the nature of these contracts and the types of projects the contractors would be used for, contractor interviews were not required. As CFS staff noted, even though each contractor has a contract with the Agency, the contractors still need to compete on price (except emergency solicitations) to be selected for a particular task order, thus providing an additional level of assurance that IEUA would be obtaining the best value for the services rendered.

IA Evaluation of How Work is Issued

Emergency Procurements

Emergency Procurement task orders are administered by E&CM. IEUA defines an Emergency Procurement in Ordinance #101:

"Emergency Procurement" shall mean any procurement required for the prevention against imminent danger, or to mitigate the loss or impairment of: life, health, or safety of the public, Agency employees, suppliers, contractors; public or private property; compliance with critical permit and regulatory requirements; or any other condition which cannot reasonably be foreseen and would have a significant effect on the public's health/safety or that could have a significant adverse financial impact on the Agency.

Emergency task orders are not *limited* to a specific dollar amount because they are considered "emergencies". According to the Procurement Ordinance #101 the General Manager is authorized to approve emergency procurements in any dollar amount. Emergencies must be reported to the Board after-the-fact:

9. Emergency procurements of materials, supplies, services, rentals, leases, equipment, and public works services may be effected, notwithstanding respective provisions of this Ordinance.
 - A. The GM is authorized to approve and execute emergency procurements, for any amount.
 - B. The GM is authorized to delegate authority to approve and execute emergency procurements up to any amount.
 - C. The GM or designee shall report emergency procurements, including details of the circumstances, respective dollar amounts expended, and cause of the emergency at the next regularly scheduled Board meeting.

Emergency task orders are administered and executed by E&CM. When the Agency has identified a need for an emergency repair, E&CM follows the guidelines of CM-26 the

department's SOP for Emergency Contracting (most recently revised in March 2015). The SOP states:

“Requests for emergency work are to be submitted to the designated Construction Project Manager (CPM) who oversees the area where the work will be done. The CPM will establish the scope of work, and email the request as a Blind Carbon Copy (BCC) to selected Contractors, registered with the DIR per SB854, by specialty. Upon review and selection the CPM will issue a notice to proceed to perform the emergency work. Emergencies will be classified by priority levels. **Priority level 1** will trigger the first responding contractor to act immediately with an approved “Not-To-Exceed Cost”. **Priority Level 2** will allow the first responding Contractor to act the following day or on a scheduled day, set by the Agency. **Priority Level 3** will be scheduled work set by the Agency and will allow the CPM to request and review “Not-to-Exceed” proposals from the first three Contractors to respond.”

Other than the information above, the SOP does not provide details or descriptions for what the different Priority level emergencies are. Therefore, the Agency relies on the professional judgement and expertise of E&CM staff in determining the Priority level of an emergency. In all three levels of emergency procurements, E&CM issues a task order to the successful contractor and payments to contractors are based on “not to exceed” invoices and supporting documents received. E&CM maintains an excel log of task orders by contractor and task order number showing whether the task order is an emergency or a repair or minor construction item and the level of emergency. Additional analysis of emergency procurements is included in Exhibits D and E.

According to a discussion with E&CM there are three factors that the department considers in determining if a project qualifies as an emergency at any of the three levels:

- **Timing:** There is urgency to resolving the issue identified. For Levels 1 and 2, the urgency is generally clear. For Level 3, the need to provide 3 days for an opportunity for a “job walk” and 5 days to obtain the 3 lowest bids for the work, means that there is a minimum of 8 days before work involved can begin.
- **Funding:** The source of funding is a consideration. If funding is not available for repairs or minor construction, but the work is required to keep operations going, then the job qualifies as an emergency. E&CM noted that in prior years no budgets had ever been established for repairs and minor construction. For the 2016-2017 fiscal year E&CM has established \$500,000 small projects budgets in four areas: Collections, Recycled Water, Safety, and Operations and Maintenance. E&CM expects that this change will assist in reducing the number of Level 3 emergencies.
- **Amount of engineering/design required:** Ordinarily an emergency would not require any design or significant engineering for the work to be completed (“no drawings needed”). On the other hand, a minor construction, and perhaps an ordinary repair, would require some level of engineering and design work.

Repairs and Minor Construction:

Repairs and Minor Construction task orders are administered by CFS. When the Agency identifies a need for work related to repairs or minor construction, the work is advertised to contractors on the Master Service Contract list based on a description of the work to be performed. Potential respondents can be asked to participate in a "job-walk" at the site of a minor construction or repair project. Responders provide a "not-to-exceed" bid by a specified due date. IEUA accepts the lowest responsible bid and issues a task order to perform the work.

According to the CFS and E&CM Board letter establishing these contracts, utilizing the pre-established Master Service Contracts cuts down approximately 15 - 30 days on the time it takes to bid, negotiate and establish the contract and can save from \$5,000 to \$20,000 for administrative expenses related to the preparation of formal bidding documents and the bidding process when compared to an RFP process (IA did not validate the accuracy of these amounts).

Task orders are the authorization to perform services. As shown below, 21.7% of the number of task orders issued to the Master Service Contracts contractors were for these repairs and minor construction activities; the rest were for emergencies.

Repairs and Minor Construction projects in excess of \$100,000 require Board approval as described in Agency Policy A-32: Authority to Contractually Commit the Agency in Section 5.2:

5.2 Board of Directors and approval limits are as follows:

Approval and execution of original procurements as indicated in the following table and as delegated below.

Approver	Competitively - Let	Single or Sole Source	Public Works Change Order & Amendments	Non Public Works Change Order & Amendments
BOD	>\$100K	>\$100K	>\$100K	>\$40K
GM*	≤\$100K	≤\$100K	≤\$100K	≤\$40K
CFO/AGM	≤\$100K	≤\$100K	≤\$100K	≤\$40K
EX				
MGR/AGM	≤\$100K	≤\$100K	≤\$100K	≤\$40K
Mgr. of CFS	≤\$100K	≤\$100K	≤\$100K	≤\$40K

IA noted only one task order in the Repairs and Minor Construction category in excess of \$100,000: Task Order #1 to WA Rasic (described as "RP-1 Flare System Improvements, Package No. 1; Pressure Regulating Valve Bypass") totaled \$406,600 (see page 13). E&CM noted that the \$100,000 limit has been in place for many years. At current construction cost levels, E&CM indicated that very few repair and minor construction projects can be completed that do not require Board approval. There have been some efforts in recent years to revise the limit upward to \$250,000, but these have not been

widely supported within the Agency. As noted in the introduction E&CM has a separate prequalification process for construction contracts categorized as less than \$2 million. There is a significant range of potential construction projects between \$100,000 and \$2 million.

IA Evaluation of Procurement Activity

The amount spent on services provided by the Master Service Contractors from the time they were approved (August 2014) through January of the current year is \$1,909,767 utilizing 10 of the 25 approved Master Service Contracts. In comparison, construction in progress per the "Budget in Brief" is \$66.1 million for 2015/16 and \$68.6 million for 2016/2017.

	CONTRACTOR	CONTRACT #	Total Task Orders Issued 7/1/14 - 1/2016	% of total spent	Minor Construction	Emergency Level 1 & 2	Emergency Level 3	Total Task Orders	Extension renewed
1	Atom Engineering	4600001829	\$ 179,247	9%	3	0	0	3	Yes
2	Coonstruction	4600001734	\$ 90,800	5%	1	0	1	2	No DIR
3	David T. Wasden	4600001735	\$ 32,014	2%	0	0	1	1	Yes
4	Ferreira Construction*	4600001755	\$ 41,869	2%	1	0	1	2	Yes
5	Humphrey Constructors*	4600001737	\$ 147,361	8%	3	0	0	3	Yes
6	Mike Bubalo*	4600001739	\$ 38,557	2%	0	1	1	2	Yes
7	Norman Olsson Construction	4600001741	\$ 8,552	0%	0	1	0	1	Yes
8	Trautwein Construction*	4600001743	\$ 26,361	1%	0	0	3	3	Yes
9	VCI Construction* ¹	4600001744	\$ 200,798	11%	0	0	3	3	No
10	WA Rasic Construction* **2	4600001745	\$ 1,144,208	60%	2	15	9	26	Yes
TOTALS			\$ 1,909,767	100%	10	17	19	46	
Proportion of total Task Orders					21.7%	37.0%	41.3%	100%	

*These contractors are also included on the list of contractors "prequalified for capital projects under \$2 million"

**WA Rasic Construction also awarded \$2,083,583 on 58 Task Orders under prior contract #4600001024 for the period from 2011 to 2015.

1 VCI Construction awarded one emergency task order in excess of \$100K: RP-1 Effluent Pipe Repair for \$183,012

2 WA Rasic awarded two task orders in excess of \$100k: Level 3 emergency CDA Soils Mitigation for \$129,226 and Minor Construction for RP-1 Flare Bypass Valve for \$406,600 discussed on page 13

Of the \$1.9 million spent for emergencies, repairs and minor construction, a total of \$1,144,208 or 60% was spent for services by WA Rasic Construction (Rasic). According to E&CM, Rasic has been an enthusiastic participant and good partner in the Minor Service Contracts program. In order to be responsive E&CM noted that Rasic had established an inland location (per the WA Rasic Construction website: Perris, CA) even though their headquarters is in Long Beach. They also implemented an e-mail response system to be able to quickly reply to IEUA e-mail requests.

In addition to the Master Service Contracts projects shown above, Humphrey Constructors separately completed a project for the Agency in the category of "under \$2 million" capital projects totaling \$868,371.

The following 15 contractors have had no activity associated with their Master Service Contracts since their contracts were established in 2014:

	CONTRACTOR	CONTRACT #	Extension renewed
1	ACS Engineering	4600001752	No
2	B H Electric	4600001731	Yes
3	Big Sky Electric	4600001732	No
4	Broughton Construction	4600001753	No
5	CP Construction	4600001733	No
6	Cico Electric Contractors	4600001754	No
7	Genesis*	4600001736	Yes
8	GJR Electric	4600001736	Yes
9	Goodwest Lining & Coatings	4600001758	No DIR
10	Jeremy Harris Construction	4600001762	Yes
11	JR Filanc*	4600001738	Yes
12	Manley's Boiler	4600001756	No
13	Mladen Buntich*	4600001740	No
14	Paulus Engineering	4600001760	No
15	Sancon Engineering*	4600001742	No

**These contractors are also included on the list of contractors "prequalified for capital projects under \$2 million"*

However, Genesis, one of the 15 contractors noted above, separately completed projects for the Agency in the category of "under \$2 million" capital projects for an amount totaling \$1,083,041 during the period but received no task orders under the Master Service Contracts.

In August 2016 the initial term for these contracts ended. IEUA asked each of the contractors for a one-year extension. Of the original 25 approved contractors, 2 have not completed an updated DIR registration and 10 did not respond to the request for an extension, leaving 13 contractors available to the Agency. Since it is the contractor's responsibility to respond to bids, the contractors most interested in participating in the program have successfully obtained task orders for the available work. This is reinforced by the information that all but one of the contractors that are shown as being utilized, agreed to an extension, while only one other has not completed their DIR renewal process. Similarly, of the 15 shown as not being used, only 5 contractors agreed to an extension and one had not completed their DIR renewal.

E&CM Comment: In connection with implementing a regular timetable and contract term for contracts under \$2 million that IA recommended earlier in the year, the bidding process for contracts in this category will be performed at the same time and on the same schedule. This should create a more effective and efficient bidding process, particularly since there is significant overlap between the two lists.

IA Observations & Recommendations

E&CM provides valuable service to the Agency in safeguarding the Agency's assets and providing for emergency services for those assets as well as minor construction and repairs. The observations and recommendations noted below are intended to enhance the fulfillment of those responsibilities. IA met with E&CM management on October 31, 2016. The report has been revised to reflect E&CM's comments and additional information.

Observation: Clear criteria are needed to differentiate between "Level 3" emergency procurements and routine repairs and minor construction procurements or consideration should be given as to whether the "Level 3" designation is necessary and/or document the differences between the two. Level 1 and Level 2 emergencies are awarded to the first responding contractor and must be completed according to the Agency's time constraints (immediately for Level 1 or by the following day or on a scheduled day set by the Agency for level 2). However, Level 3 emergencies are authorized and scheduled on the same basis as routine repairs and minor construction procurements: The work is authorized by the Agency reviewing proposals from the first three contractors to respond under a task order for a preexisting contract and in both cases the performance of the work is scheduled, rather than needing to be performed immediately. Based on IA's review, the only major difference noted between the two is that "Level 3" emergency contractors are selected and scheduled by E&CM staff and repairs and minor construction contractors are selected and scheduled by CFS staff. Additionally, emergency procurements stipulate a variety of mark-ups: Labor is marked-up 33%, Equipment and Material both have a 15% mark-up and Subcontractors include a 10% mark-up on the first \$2,000 and 5% thereafter. In IA's analysis of Level 3 emergency procurements, IA found that \$104,400 was paid in mark-ups for these Level 3 emergency items for the 19 task orders in the period tested (See complete analysis of mark-ups on "Level 3" emergencies at Appendices D & E).

As an example, parking lot repairs at the Agency's administration building were scheduled as a "Level 3" emergency, rather than as a minor repair. The repairs were performed as a task order by W. A. Rasic Construction for a cost of \$49,998 plus an additional \$8,641 change order for a total cost of \$58,638.57. Of this total \$10,993.49 (approximately 19%) consisted of various mark-ups due to the emergency designation. According to E&CM, this was designated an emergency due to a risk of tripping accidents.

The current approach creates potential conflicts between the responsibilities of E&CM and CFS and creates a risk that "emergencies" could be declared unnecessarily. In addition, the various mark-ups may result in the work not being conducted in a cost effective manner. The procedure to complete the work is also considerably simpler for emergency procurements which may result in the work not being conducted in a planned and cost effective manner (See also Attachments D & E).

Recommendation #1:

Emergency projects are classified according to three levels. Level 3 emergencies are the least urgent and the work can be scheduled on a time-table set by the Agency. E&CM and CFS should consider establishing clear criteria that differentiate between a "Level 3" emergency procurement and routine minor construction and repairs procurements and/or determine and document whether the "Level 3" designation is necessary.

E&CM Response: E&CM management has considered eliminating the "Level 3" emergency, but believes there is a difference between an emergency and routine minor construction and repairs. The development of specific budgets for small projects in 2016/2017 provides greater flexibility within the minor construction and repairs category. These designations are evolving, but at this point in time, E&CM believes the "Level 3" emergency designation is still necessary.

Observation: Board reporting of emergency procurements has varied. At a minimum and consistent with the requirements of the Procurement Ordinance, emergency procurements are communicated to the Board at the next Board meeting in the General Manager's written report. IA recommends evaluating the benefit of providing additional information. IA performed a review of Board reports and verified that emergency procurements are included each month at the end of the Board packet in the General Manager's written update. The amount of information included in the update as well as additional reporting in the E&CM monthly construction update has varied over the past several years.

The current list of contractors for Emergencies, Repairs and Minor Construction was approved by the Board on August 20, 2014. Beginning in October 2014 and continuing through September 2015 (with the exception of one month), E&CM also provided information to the Board about Emergency Procurements as part of the monthly "Engineering and Construction Management Update" power-point presentation. The E&CM monthly update presentation no longer contains this information. Since October 2015 information about Emergency Procurements has only been included in the General Manager's monthly report.

IA noted that both the written General Manager's report and the information previously contained in the E&CM presentation provided snapshots of the current month's activity. Neither presentation had provided updates to the information about emergencies provided in the prior month or any year-to-date financial information about emergency contracting amounts. There were no running totals or summary information that provided information about E&CM's emergency procurement activity over time.

The August 2016 General Manager's written report included the following information about emergency projects which provided more details, indicating that the reporting is still evolving:

Emergency Projects

FY15/16 Emergency Projects									
Project ID	Contractor	Task Order Description (Details of Circumstances and Causes of the Emergency)	Location	TO #	Original Not-to-Exceed Estimate	Actual Cost thru 7/26	Date of Award	Status	
Collection									
1	EN1506.03	W.A. Basic Construction	24th Street Sewer Repair (Hwy 101/102)	Collection	TD-003	6,100	6,270	4/21/2016	Closed
2	EN1506.04	W.A. Basic Construction	Mainline Repair in Ontario	Collection	TD-008	4,324	5,641	2/11/2016	Closed
3	EN1506.05	W.A. Basic Construction	Grand Avenue Sewer	Collection	TD-034	16,153	981	6/10/2016	Complete
4	EN1506.04	Seaton Engineering	Storm Water Sewer Pipe Repair (Grove & 8th)	Collection	TD-001	63,000	6,300	6/28/2016	Active
W.A. Basic									
5	EN1506.04	W.A. Basic Construction	11th Building Water Leak	Agency-wide	TD-028	10,000	15,902	4/21/2016	Closed
RP-3									
6	EN1506.08	Parsons Construction	RP-3 Mainline Sewer Repair	RP-3	TD-003	34,300	30,750	10/11/2015	Closed
7	EN1506.02	Parsons Construction	RP-3 10th Street Sewer Repair	RP-3	TD-007	7,100	10,000	6/17/2016	Closed
8	EN1506.01	Parsons Construction	RP-3 Tappan St. 2nd Street Corridor Sewer	RP-3	TD-006	7,100	11,300	2/23/2016	Closed
RP-2									
9	EN1506.09	W.A. Basic Construction	RP-2 1st Water Line Leak	RP-2	TD-072	16,000	20,110	3/17/2016	Closed
10	EN1506.09	W.A. Basic Construction	RP-2 1st Pump Modification	RP-2	TD-011	9,000	12,000	3/17/2016	Closed
11	EN1506.09	Parsons Construction	RP-2 Utility Water Line Leak	RP-2	TD-016	14,000	15,000	5/22/2016	Closed
RP-4									
12	EN1506.15	W.A. Basic Construction	RP-4 10th Street RWV Repair	RP-4	TD-028	4,500	4,838	1/26/2016	Closed

E&CM Response: E&CM believes it would be sufficient to provide the information in the General Manager's report. E&CM has been developing more comprehensive reporting and the most recently developed report first provided at the November 2016 Board meeting provides additional information. E&CM will also add year-to-date and total lines to provide a complete overview. The current revision of the report, first presented in the November General Manager's report, shows:

Emergency Projects

FY15/16 Emergency Projects									
Project ID	Contractor	Task Order Description (Details of Circumstances and Causes of the Emergency)	Location	TO #	Original Not-to-Exceed Estimate	Actual Cost thru 7/26	Date of Award	Status	
Collection									
1	EN1506.03	W.A. Basic Construction	Grand Avenue Building	Collection	TD-034	16,163	22,000	6/16/2016	Complete
2	EN1506.04	Seaton Engineering	Grove Street Sewer Pipe Repair (Grove & 8th)	Collection	TD-001	63,000	4,300	6/28/2016	Complete

October 2016 Emergency Projects

Contractor	Task Order Description	Details of the Circumstances/Cause of Emergency	Scope of Repair	Location	Date of Award	Not-to-Exceed Estimate
Parsons Construction	Street Subsidence and Blow off repair	An open irrigation line was discovered behind the blow-off box. Parsons Construction responded and provided the Agency assistance to repair the street, curb & gutter, remove the existing blow-off box, and install a new 4" clear and vent hydrant.	Install a 10'x20' paved section on Dixon Ave. in the City of Ontario. The event was showing signs of subsidence and the adjacent curb & gutter was beginning to crack and fill with a 2" blow-off installed on an 8" x 4" RW line.	Agency-wide	10/18/2016	21,800
Parsons Construction	Valve Street Pipe Replacement on a Buried RW Line	The valve has been stuck in the closed position for nearly 2 months. and operations staff have the need to locate this valve and return to the intersection to properly maintain the integrity of the system as a whole.	Excavate an existing 24" BV Valve on the RWV system at the intersection of East Ave. & Baseline Rd.	Agency-wide	10/16/2016	6,100

FY16/17 Emergency Projects

Project ID	Contractor	Task Order Description (Details of Circumstances and Causes of the Emergency)	Location	TO #	Original Not-to-Exceed Estimate	Actual Cost thru 9/30	Date of Award	Status	
W.A.									
1	CD4000080611	W.A. Basic Construction	New Water Line Repair	COA	TD-016	3,341	950	7/28/2016	Complete
RP-2									
2	EN1711.01	Parsons Construction	RP-2 Flow Meter Replacement	RP-2	TD-09	60,000	8,200	7/16/2016	Complete
Collection									
3	EN1718.03	W.A. Basic Construction	Grand Ave. Mainline Repair	COA	TD-030	7,000	1,800	6/11/2016	Active
RP-2									
4	EN1718.03	W.A. Basic Construction	RP-2 Gas Main Pipe Leak	RP-2	TD-087	8,000	800	9/12/2016	Active
Agency-wide									
5	EN1711.02	Parsons Construction	RP-2 Repair an existing 30" Pump-Grade Well	Agency-wide	TD-030	25,000	1,100	9/15/2016	Active
6	EN1711.02	Parsons Construction	Street Subsidence and Blow off repair	Agency-wide	TD-031	21,000	-	10/16/2016	Complete
7	EN1711.01	Parsons Construction	Valve Street Pipe Replacement on a Buried RW Line	Agency-wide	TD-012	6,200	-	10/16/2016	Complete

Recommendation #2:

E&CM recently revised the emergency procurement information provided to the Board in the General Manager's report so that it provides and tracks additional information. This provides a much better tool for the Board to perform its oversight role. To ensure that the Agency communicates sufficient information about emergency procurement activity, E&CM should continue improving and enhancing the information provided in the monthly update of emergency procurements for the Board. The information to consider adding could include a beginning balance, current month totals of emergency procurement activity and a year-to-date total. It may also be useful to compare current year-to-date emergency procurement activity in dollars and numbers of task orders to prior years and to the total budget. Trends could be analyzed and comparisons could be made to provide additional context to the Board about the Agency's efforts to maintain its infrastructure and emergency procurements are kept to a minimum.

Observation: Currently there are no specific dollar limits and criteria for repairs and minor construction. Although most repair and minor construction task orders are for moderate dollar amounts, IA found one task order that was for the amount of \$406,600: Task Order #1 to WA Rasic (described as "RP-1 Flare System Improvements, Package No. 1; Pressure Regulating Valve Bypass").

The Agency maintains a separate process with prequalified contractors for awarding construction contracts under \$2 million. According to CFS staff this process was still relatively new at the time that the task order to WA Rasic was initiated and E&CM staff were more familiar with the contractors and process in the repair and minor construction category than with the contractors and process for utilizing the prequalified list of "major public works contractors for contracts less than \$2 million". Therefore, E&CM were more comfortable obtaining bids from the contractors they were familiar with. CFS staff also indicated that more recently E&CM have become more familiar with using the prequalified list of under \$2 million contractors and that this process is now working well.

The wording in the Board letter describing the types of projects contemplated under the Minor Repairs and Construction contracts states:

"Since the contractors are pre-qualified under a formal public works procurement, individual tasks done under these contracts will not require preparation of separate formal bidding documents and bidding process. The cost for preparation of formal bidding documents and the bidding process ranges from \$5,000 to over \$20,000 for this type of construction activities, and in some cases, can exceed the value of the actual work (emphases added)."

This wording implies (but is not clear) that task orders for repairs and minor construction would be for small dollar amounts that could be accomplished quickly without needing to obtain additional Board approval (Board approval is required for amounts over \$100k and was obtained for this task order – see page 8 above for discussion of approval limits). Additionally, the contracts do not specify a maximum dollar amount in their contract terms.

The Agency has the separate category for prequalified "major public works contractors for contracts less than \$2 million". The criteria that determine when a project is no longer considered a repair or minor construction and when it qualifies as a contract for the prequalified list of "major public works contractors for contracts less than \$2 million" is not specified. Since repairs and minor construction contracts are not constrained by a maximum dollar amount there is no dollar limit that prevents them from being used for large projects (and, since WA Rasic is included on both lists using a different list would not preclude them from bidding).

Recommendation #3:

To ensure that contracts for Repairs and Minor Construction operate as intended, E&CM and CFS should consider developing specific criteria and/or additional guidance and definitions about what constitutes repairs or minor construction as compared to projects for prequalified contractors for contracts less than \$2 million. An additional control would be to consider establishing dollar maximums within the contract or the group of contractors to provide assurance that the contracts are being utilized as intended and spending is constrained.

E&CM Response: As part of the audit of "Prequalified contractors above and below \$2 million" IA suggested that E&CM advertise a set date for the biannual prequalification process . . . and notify prospective contractors of the timeline for the biannual solicitation process. E&CM is implementing this recommendation by adopting a four-year contract term during the next regular biannual renewal and establishing a set biannual time frame for procurement, the next of which is being scheduled for February 2017. This renewal process will include both the prequalification of contractors under \$2 million and the Master Service Contracts for emergencies, repairs and minor construction. By having both contract renewal processes on the same schedule E&CM believes the distinctions between the two types of contractors and the manners in which they are utilized will be more apparent and consistent.

Master Professional Services Contracts

Master Professional Services Contracts are established for specific professional services when these are needed. A competitive bid process is generally used and the amount of the contract varies by the needed service. There are currently 17 contractors on the list and during the period from July 1, 2014 through January of 2015, 15 of the 17 have been utilized. The audit identified that the majority of spending for contracts in this category (71% or \$4,672,640) was for construction management services. These were paid to GK & Associates for staffing augmentation and to Butier for more traditional construction management services.

The only contractors which have not been utilized are Puckorius & Assoc. Inc. whose contract expired in 2013 and who perform technical analysis for recycled water use and Construction Management Solutions that provide change order analysis.

Professional service contractors are included in Master Service Contracts for a variety of services that include:

1. Jobsite Surveying
2. Structural Engineering
3. Electrical Engineering
4. Environmental Compliance (CEQA work)
5. Dig Alerts
6. Labor Compliance
7. Change Order/Claim Analysis
8. Construction Scheduling
9. Geotechnical Engineering/Material Testing/Inspections
10. Construction Management
11. On-Call Technical Investigation/Development of Recycled Water use

Generally, these projects are considered “on-call” activities when a professional service is needed. IEUA selects one professional services contractor in the relevant specialty to perform the necessary task by making a phone call or sending an e-mail to the contractor. The procurement for these services is performed on a case by case basis for a particular service when it is demonstrated that the Agency has a need in a particular area. Payment is rendered based on an invoice showing the hours and services provided. Task orders for these contracts are administered and executed by CFS.

IA Evaluation of the Selection Process for Master Professional Service Contracts:

Master Professional Service Contracts are also administered by E&CM on behalf of IEUA with support from CFS. IA reviewed the contract files to consider the approach used for two of the solicitation processes:

- Construction inspection, soils testing and material testing services
- Construction management support and inspection services.

Each of these involved staff from both E&CM and CFS.

Construction inspection, soils testing and material testing services: This solicitation occurred in 2014. Until that point, IEUA had retained a single contract in this category with Ninyo & Moore. Staff determined that awarding contracts to two firms would leave the Agency less reliant on a single source. The RFP was distributed through the Agency’s online bidding portal and 14 proposals were received by the due date of May 28, 2014.

The proposals were reviewed by four staff members, three staff from E&CM and the relevant contracts administrator. Each evaluator scored the written proposals and ranked

their top four submissions. The results from that evaluation showed widely varied rankings among the respondents:

Ranking	E&CM-Evaluator 1	E&CM-Evaluator 2	E&CM-Evaluator 3	CFS-Evaluator 4
1	MTLG, Inc. *	Koury Engineering	Koury Engineering	RMA Group
2	Koury Engineering	MTLG, Inc. *	Kleinfelder, Inc.	HelderEngineering
3	HelderEngineering	Group Delta	MTLG, Inc. *	Ninyo & Moore
4	Ninyo & Moore	RMA Group	Group Delta	United Inspection

* The MTLG proposal was lacking the signed addendum.

The group then met to discuss their rankings and select the top 2 firms. According to E&CM and CFS staff the meeting was collaborative and included lengthy discussions. They noted that the rankings were also not as simple as a numerical listing, in some cases the team felt the proposals were actually equal in ranking. Items noted included the questions about the levels of local staffing and the contractors' project management tools. MTLG, Inc. was eliminated due to an incomplete proposal and the evaluation meeting revealed concerns about the Koury proposal. In the end, the recommendations from the panel resulted in Heider Engineering Services, Inc. and the RMA Group being invited to an interview with the selection team to confirm the team's impressions. Contracts were then approved by the Board on August 20, 2014.

IA noted that the contracts binder included information about the initial top rankings of the evaluators and suggestions for interview questions, but the contracts binder did not indicate the reasoning behind the selection of the top two finalists that occurred during the oral discussion and agreement among the team. This would have been helpful documentation, since the selected firms were not the top ranked selections for the three evaluators from E&CM. In response to the Master Trade Contracts audit, CFS has agreed to provide a one-page contract overview checklist document to ensure this additional documentation is available.

Construction Management Support and Inspection Services: This solicitation originally occurred in 2011. The contracts for the selected firms have been extended several times since then. The RFP was distributed through the Agency's online bidding portal and seven proposals were received by the due date of November 29, 2011.

The proposal evaluation process was administered by CFS. CFS management asked five additional IEUA staff to evaluate the proposals using the following criteria:

Qualifications/Certifications/Experience:	10%
Firm's Organization, History, Location:	10%
Hourly Rates:	15%
Proposal Thoroughness:	10%
References and Reputation:	10%
Prior Experience with the Agency:	5%
Weekend and Overtime Availability and Rates:	10%
Minimum Hours expected when responding to the Agency Request for Work:	10%
Previous Experience with Start Ups:	10%
Previous Experience with Water/Wastewater:	10%

The specific scores for each proposal were not included in the contract file but each evaluator was asked to rank the proposals from first to last. All but one of the six evaluators provided their ranking information:

NAME	Evaluator 1	Evaluator 2	Evaluator 3	Evaluator 4	Evaluator 5	Points	Ranking
Anderson	6	2	7	7	3	25	5
Butier	3	1	1	3	1	9	1
CiviSource	1	1	4	4	2	12	2
GK&Assoc	2	3	2	1	4	12	2
Harris	7	6	6	6	6	31	6
Hill Int'l	5	4	3	5	5	22	3
Willdan	4	5	6	2	7	24	4

In this evaluation process the results were relatively consistent. The totals of the scores for all the evaluators were used to establish the last two finalists: Butier and GK & Assoc. The contracts were then approved by the Board on January 18, 2012 for a three year term. Other than the ranking information, the contract files did not include additional reasoning about the selection process. In response to the Master Trade Contracts audit, CFS has agreed to provide a one-page contract overview checklist document to ensure this additional documentation is available.

IA Evaluation of how Work is Authorized

Professional Services: IA examined transactions for these contractors over the last several years. The chart below, summarizes the distribution of task orders issued.

CONTRACTOR	CATEGORY	CONTRACT	TERM BEGIN	TERM END	COMMENT	TOTAL 7/1/14-1/2016	# of items
Calvada	Design Surveying	4600001066	9/22/2011	10/16/2015		\$ 40,860.00	13
Stantec	Design Surveying	4600001067	10/19/2011	10/16/2015		\$ 112,652.83	18
Stantec	Design Surveying	multiple cont's			Separate contracts	\$ 593,142.99	>60
RMS Engineering	Structural Engineering	4600001443	6/19/2013	6/30/2018		\$ 26,960.00	6
Lee & Ro Inc.	Structural Engineering	4600001442	6/30/2013	6/30/2018		\$ 11,068.00	4
Lee & Ro Inc.	Structural Engineering	4600001588	12/18/2013	12/18/2014	Separate contract	\$ 59,470.68	9
Integrated Design Services Inc	Structural Engineering/ Survey	4600001441	6/19/2013	6/30/2018		\$ 68,284.60	8
Integrated Design Services Inc	Structural Engineering/ Survey	4600001551	1/28/2015	6/30/2015	Separate contract	\$ 43,480.00	1
Integrated Design Services Inc	Structural Engineering/ Survey	4600001823	1/22/2015	7/31/2015	Separate contract	\$ 127,105.08	2
Puckorius & Assoc. Inc.	On-call Tech Invst/RW use	4600000854	Contract expired June 2013			0	
Tom Dodson & Associates	Environmental	4600001385	2/20/2013	6/30/2018		\$ 195,149.02	94
Tom Dodson & Associates	Environmental	4600000069			Separate contract	\$ 4,610.62	6
Environmental Science Associates	Environmental	4600001391	2/20/2013	6/30/2018		\$ 77,502.40	17
CASC (AEI-CASC Engineering)	Survey	4600001356	12/19/2012	1/1/2016		443,521.00	87
Utlilquest	Dig Alerts	4600001401	3/20/2013	3/30/2017		\$ 198,935.19	18
Golden State	Labor Compliance	4600001503	8/5/2013	8/5/2016		\$ 149,603.14	67
Construction Management Solutns	Change Order/ Claim Analysis						
Danrae	Construction Scheduling	4600001376	1/17/2013	12/30/2016		\$ 140,059.71	63
RMA	Material Testing/ Inspections	4600001748	8/20/2014	9/1/2017		\$ 383,014.00	49
Heider Inspection	Material Testing/ Inspections	4600001728	8/20/2014	9/1/2017		\$ 66,894.32	32
Heider Inspection	Inspection Services	4600001950	8/20/2015	9/1/2017		\$ 13,189.24	12
Butier	Construction Management	4600001142	1/18/2012	12/31/2016		\$ 2,706,355.19	43
GK & Associates	Construction Management	4600001141	1/18/2012	6/30/2016		\$ 1,966,285.00	123
TOTAL						\$ 7,428,143.01	
TOTAL (without Separate Contracts)						\$ 6,600,333.64	

IA's Analysis

Observation: Construction management services procurements are the most significant Master Professional Services Contracts utilized by the Agency. Two construction management firms, Butier and GK & Associates, accounted for the activity in this area. The proportion spent on construction management services was \$4,672,640 or 71% of total Master Professional Service contracts activity.

According to the Board Letter supporting these contracts: "Supplemental construction management support and inspection services are required for various current and future capital projects that exceed the resource capability of the Agency's current staffing level. Utilizing on-call labor avoids the need to increase regular staffing levels to support short-term needs." CFS staff noted that these contracts were developed and approved after a period of down-sizing at the Agency due to the Great Recession to ensure the capacity to continue managing construction projects without having to add additional staff.

Although both contracts are in the construction management services category, according to E&CM the two companies provide different services. Butier provides the more traditional services associated with construction management. GK & Associates on the other hand provides staff augmentation when IEUA needs additional resources but does not want to make a long-term commitment to additional employees. They provide individuals with specific skills needed by the Agency such as inspectors, office engineers, engineering managers and similar positions. Although IEUA spent \$4.6 million for staff augmentation and construction management during this period, the long-term costs of additional regular IEUA staff could expose the Agency to even larger commitments.

Given both the magnitude of spending for outside services to support construction management activities and the large amount of capital construction anticipated in the next several years, the Agency may want to now consider developing additional staff expertise.

Recommendation for consideration:

Given the amounts that are being spent on external professional services contracts for construction management services and the large amount of capital construction anticipated over the next decade, the Agency may want to consider whether it would be an effective use of resources to develop and utilize in-house expertise for construction management services.

E&CM Response: With the significant amount of construction currently underway and planned for the next 10 years, E&CM is currently in a transitional phase and is keeping options open about additional staffing. The department currently has three open positions and is considering where to best use them. The recent merging of the engineering and project manager roles allows one individual to be responsible for a project from start to finish and E&CM is monitoring the effectiveness of this approach before proceeding with additional hiring.

**EXHIBIT A:
 INLAND EMPIRE UTILITIES AGENCY
 MAJOR PUBLIC WORKS PROJECTS**

CONTRACT TYPE & PRIMARY RESPONSIBILITY:		Major Public Works Contracts over \$2 Million (E & CM)	Major Public Works Contracts under \$2 Million (E & CM)
QUALIFICATION PROCESS	REQUEST FOR QUALIFICATIONS	New "Request for qualifications" for each contract to establish a minimum group of qualified bidders.	Numerous contractors by various trades have been "pre-qualified" by E & CM through a "Request for Qualifications" evaluation process. This list is the group of contractors contacted for new projects.
BID/PROPOSAL APPROACH	INVITATION FOR BID or REQUEST FOR BID (Agency must accept lowest responsible bid)	The contractors that have been approved from the "Request for Qualifications" process are solicited through an "Invitation for Bid".	When a new project is approved, contractors in the applicable trade from the "pre-qual" list are solicited through an "Invitation for Bid".
	REQUEST FOR PROPOSAL (Agency may select based on additional pre-established criteria)	N/A	N/A; however, Agency may also request proposals through online bidding network in addition to using the prequalified contractors.
CONTRACT	CONTRACT	New contract established with lowest responsible bidder.	New contract established with lowest responsible bidder.
AUTHORIZATION TO PAY/PAYMENT PROCESS	PAY ESTIMATE	Work proceeds and payment is based on milestones or percentage of completion.	Work proceeds and payment is based on milestones or percentage of completion.
	NOT TO EXCEED QUOTE FOLLOWED BY TASK ORDER	N/A	N/A
	TASK ORDER	N/A	N/A
	INVOICE BASED ON CONTRACT TERMS	N/A	N/A

NOTE:

CFS: The Contracts and Facilities Services Department has primary responsibility for these contracts.

E & CM: The Engineering and Construction Management Department has primary responsibility for these contracts. CFS provides contracting expertise and oversight.

**EXHIBIT B:
 INLAND EMPIRE UTILITIES AGENCY
 EMERGENCY PROCUREMENTS**

CONTRACT TYPE & PRIMARY RESPONSIBILITY:		Emergency Procurements Level 1 (E & CM)	Emergency Procurements Level 2 (E & CM)	Emergency Procurements Level 3 (E & CM)
QUALIFICATION PROCESS	REQUEST FOR QUALIFICATIONS	N/A	N/A	N/A
BID/PROPOSAL APPROACH	INVITATION FOR BID (IFB) or REQUEST FOR BID (RFB) (Agency must accept lowest responsible bid)	N/A	N/A	N/A
	REQUEST FOR PROPOSAL (RFP) (Agency may select based on additional pre-established criteria)	Maintenance, minor construction & emergency procurement contractors have been "pre-qualified" through an "RFP" process. RFP used because no individual discrete project has been established. This group of contractors is contacted when emergency occurs.	Maintenance, minor construction & emergency procurement contractors have been "pre-qualified" through an "RFP" process. RFP used because no individual discrete project has been established. This group of contractors is contacted when emergency occurs.	Maintenance, minor construction & emergency procurement contractors have been "pre-qualified" through an "RFP" process. RFP used because no individual discrete project has been established. This group of contractors is contacted when emergency occurs.
CONTRACT	CONTRACT	Based on the "RFPs", contracts have been established with multiple responsible bidders with "not to exceed" totals.	Based on the "RFPs", contracts have been established with multiple responsible bidders with "not to exceed" totals.	Based on the "RFPs", contracts have been established with multiple responsible bidders with "not to exceed" totals.
AUTHORIZATION TO PAY/PAYMENT PROCESS	PAY ESTIMATE	N/A	N/A	N/A
	NOT TO EXCEED QUOTE FOLLOWED BY TASK ORDER	N/A	N/A	Select 3 responders to a "job-walk" at site of emergency and responders provide "not to exceed" bid.
	TASK ORDER	With Level 1 emergency, IEUA selects 1 st response to e-mail blast and contractor must be on-site within 2 hours. Task order prepared after work completed.	With Level 2 emergency, IEUA selects 1 st response to e-mail blast and contractor must be on-site within 24 hours. Task order prepared after work completed.	Lowest responsible bid accepted & "task order" provided once work starts.
	INVOICE BASED ON CONTRACT TERMS	Payment based on invoice.	Payment based on invoice.	Payment based on invoice.

**EXHIBIT C:
 INLAND EMPIRE UTILITIES AGENCY
 MAINTENANCE & MINOR CONSTRUCTION, PROFESSIONAL SERVICES
 AND MASTER TRADE CONTRACTS**

CONTRACT TYPE & PRIMARY RESPONSIBILITY:		Maintenance & Minor Construction (E & CM)	Professional Services (CFS)	Master Trade Contracts (CFS)
QUALIFICATION PROCESS	REQUEST FOR QUALIFICATIONS	N/A	N/A	N/A
BID/PROPOSAL APPROACH	INVITATION FOR BID (IFB) or REQUEST FOR BID (RFB) (Agency must accept lowest responsible bid)	N/A	N/A	N/A
	REQUEST FOR PROPOSAL (RFP) (Agency may select based on additional pre-established criteria)	Maintenance, minor construction & emergency procurement contractors have been "pre-qualified" through an "RFP" process. RFP used because no individual discrete project has been established. This group of contractors contacted for maintenance & minor construction projects.	Professional services contractors have been "pre-qualified" through an "RFP" process. RFP used because no individual discrete project has been established. This group of contractors is contacted for professional services projects.	Trade contractors (Roofing, Fencing, Painting, Asphalt) have been "pre-qualified" through an "RFP" process. RFP used because no individual discrete project has been established. This group of contractors is contacted if "Trades" type project comes up (usually maintenance department).
CONTRACT	CONTRACT	Based on the "RFPs", contracts have been established with multiple responsible bidders with "not to exceed" totals.	Based on the "RFPs", contracts have been established with multiple responsible bidders with "not to exceed" totals.	Based on the "RFPs", contracts have been established with multiple responsible bidders with "not to exceed" totals.
AUTHORIZATION TO PAY/PAYMENT PROCESS	PAY ESTIMATE	N/A	N/A	N/A
	ON-CALL	N/A	Generally, select one professional services contractor in the relevant specialty to perform the necessary task based on a phone call or e-mail.	N/A
	NOT TO EXCEED QUOTE FOLLOWED BY TASK ORDER	Generally, set-up a "job-walk" at site of project; responders provide "not to exceed" bid.	N/A	Provide a "job-walk" at site of project and responders provide "not to exceed" bid.
	TASK ORDER	Lowest responsible bid accepted & "task order" provided once work starts.	N/A	IEUA accepts the lowest responsible bid and provides a "task order" to start work.
	INVOICE BASED ON CONTRACT TERMS	Payment based on invoice.	Payment based on hours/services invoice.	Payment based on invoice.

**EXHIBIT D:
 INLAND EMPIRE UTILITIES AGENCY
 LEVEL III EMERGENCIES: SEPTEMBER 1, 2014 TO JANUARY 21, 2016
 1 OF 3**

Contractor	T.O. No.	Task Order Description	Date of RFP or ER Request Started	Amount	SUMMARY OF DESCRIPTION FROM SUPPORTING DOCUMENTATION IN SAP	Discussion
Coconstruction, Inc.	TO-002	RP-1 Odor Control Biofilter No. 2	10/21/14 12:06pm	\$ 61,000	Per CM: Operations Staff scheduled to have the Biofilter Medium replaced. Prior to replacement the Biofilter System is in need of sealant repairs and cleaning. A Level three emergency . . . To expedite the work and not cause negative impacts to Operation's schedule . . . required in order for Operations Staff to have a fully functioning Biofilter System that will allow for future, scheduled projects to be completed.	IA: Can filter replacement and cleaning be considered routine? Can sealant repairs be performed in the normal course of business? E&CM: Needed to promptly address this request from Operations as bio filter media replacement work was already scheduled.
David T. Wasden	TO-001	RP-4 Potable Water Line Installation	9/18/14 9:13am	\$ 21,587	Per CM: RP-4 blower building equipment cooling water was supplied from a potable water supply line without a backup cooling water supply; Operations staff requested . . . Level 3 Emergency call out . . . To furnish and install a new 1 - 1/2 inch utility water line to serve as the primary cooling supply . . . with the existing potable water line . . . as backup supply.	IA: Could adding utility line and using existing line as back-up be considered routine? E&CM: Needed to promptly address this request from Operations as an alternative project delivery method, rather than design, advertise and award the project through minor construction process.
Ferreira Construction	TO-002	RP-2 Utility Water Line Leak	12/2/14 1:09pm	\$ 3,449	Per CM: Contractor responded . . . To investigate and repair a leak reported by Operations Staff at the RP 2 Maintenance Building. Contractor excavated and exposed an 8" Transite pipe that was leaking from an existing coupling . . . Removed and replaced the coupling, backfilled and compacted the area. . . Emergency protocol was required due to the unknown origin of the leakage.	IA: Why not Level 1 or 2? E&CM: RP-2 Operations had isolated the RW system at this location, but needed to resume service with a short period of time.
Mike Bubalo Construction	TO-002	Headquarters RW Valve Replacement	7/27/15 4:17pm	\$ 21,523	Per Invoice: Recycled Water Valve Replacement at headquarters.	IA: Could valve replacement be scheduled as routine? E&CM: Maintenance staff had attempted to isolate the RW system for a scheduled shutdown and were unable to proceed with the work due to inoperable valves.

EXHIBIT D:
INLAND EMPIRE UTILITIES AGENCY
LEVEL III EMERGENCIES: SEPTEMBER 1, 2014 TO JANUARY 21, 2016
 2 OF 3

Contractor	T.O. No.	Task Order Description	Date of RFP or ER Request Started	Amount	SUMMARY OF DESCRIPTION FROM SUPPORTING DOCUMENTATION IN SAP	Discussion
Trautwein Construction	TO-001	RP1 RW Blow-off Manhole Repair/1050 Pipeline	08/21/15 12:38 pm	\$ 17,421	Per Invoice: RP-1 Blow-off manhole repair - replace broken vault ring and cover.	IA: Why not Level 1 or 2? E&CM: Emergency work was in shoulder of right of way with no imminent danger to public which allowed for a Level 3.
Trautwein Construction	TO-002	1630 Zone Pump Station	9/24/15 11:32am	\$ 6,865	Per Invoice: Pump station repair at the pump house building.	IA: Could this have been routine? If not, then why not Level 1 or 2? E&CM: Emergency work was in shoulder of right of way, with no imminent danger to public which allowed for a Level 3.
Trautwein Construction	TO-003	Ontario RW Blow Off Champagne and Francis	9/24/15 11:32am	\$ 2,075	Per Invoice: Recycled water blow-off repair. Work completed on the northeast corner of Champagne and E. Francis Ave.	IA: Why not Level 1 or 2? E&CM: This work was the result of a traffic accident with the work area located in the shoulder of right of way with no imminent danger to public which allowed for Level 3.
VCI Construction	TO-001	Valve Box Repair - El Prado Rd	10/22/14 10:16am	\$ 4,482	SAP info - 1 page invoice: Valve box repair on El Prado Road, Chino, CA	IA: Could this have been routine? If not, then why not Level 1 or 2? E&CM: Due to the location in the roadway median and potential for the valve cover to dislodge, a Level 3 callout was issued
VCI Construction	TO-002	RP-1 42-Inch Primary Effluent Pipe Repair	6/25/15 9:01am	\$ 183,013	SAP info - 1 page invoice: RP-1 42-inch primary effluent pipe repair project.	IA: Could this have been routine? If not, then why not Level 1 or 2? E&CM: Level 3 most available mechanism to promptly address this request.
VCI Construction	TO-003	36-inch Valve Repair	07/08/15 5:13pm	\$ 13,303	Per Invoice and back-up: Repair RW 36-inch Butterfly Valve.	IA: Could this have been routine? If not, then why not Level 1 or 2? E&CM: Operation of this valve was integral to control and isolate the RW system. When Operations attempted to operate the valve the shear pin snapped rendering the valve inoperable. Operations stated the valve needed to be repaired in a short time frame to satisfy downstream RW customers' demands.

EXHIBIT D:
INLAND EMPIRE UTILITIES AGENCY
LEVEL III EMERGENCIES: SEPTEMBER 1, 2014 TO JANUARY 21, 2016
3 OF 3

Contractor	T.O. No.	Task Order Description	Date of RFP or ER Request Started	Amount	SUMMARY OF DESCRIPTION FROM SUPPORTING DOCUMENTATION IN SAP	Discussion
W.A. Rasic Construction	TO-003	CDA Soils Mitigation & Sulfuric Acid Line Repair	9/25/14 12:06pm	\$ 129,226	SAP info - 1 page invoice: Emergency Chino DeSalter Sulfuric Acid Line Repair.	IA: Why not Level 1 or 2? E&CM: Initial callout was to repair leaking acid line. Further investigation of affected area increased scope of work which required prompt attention due to environmental impact.
W.A. Rasic Construction	TO-004	16" RW Triple Offset BFV Installation at RP-2	10/1/14 8:10am	\$ 37,600	SAP info-invoice and letters - 16 inch Recycled Water Triple offset BV installation at RP-2 EN 15034.01 or EN 15035??	IA: Why not Level 1 or 2? E&CM: Level 3 was the most available mechanism to promptly address this request from Operations.
W.A. Rasic Construction	TO-013	RP-5 Underground Water Leak	3/18/15 11:42 am	\$ 16,394	SAP info-1 page invoice: Level 3 RP-5 Underground Water Leak	IA: Why not Level 1 or 2? E&CM: RW leak was contained but required a prompt repair.
W.A. Rasic Construction	TO-014	ProLogis/CSI Sewer Manhole Surveys	3/19/15 10:34 am	\$ 42,618	SAP info-1 page invoice: Contract Billing Level 3 Emergency Prologis/CSI Sewer Manhole Survey (Includes additional billing-no detail-\$838.35)	IA: Could have been ordinary repair? E&CM: Level 3 was most efficient means to conduct survey which was vital to determining whether the permanent sewer line route was viable.
W.A. Rasic Construction	TO-018	HQ-A & HQ-B Slab Repair	5/27/15 1:43pm	\$ 58,639	Parking lot repairs at HQ-A. Original award went to Braughton, but per e-mail from Eng. staff, they withdrew and a secondary award was made to WA Rasic. Contract amount was \$41,998 plus \$8,000 for changes in scope.	IA: Could have been ordinary repair? E&CM: Potential safety hazards to employees and public from uplifted parking concrete slabs determined Level 3 callout.
W.A. Rasic Construction	TO-020	RP-1 Centrifuge Bldg Centrate Well Coating	10/06/15 11:13am	\$ 10,698	SAP info: RE-1 Centrate Wetwell	IA: Could have been ordinary repair? E&CM: Able to address impact to Operations of wet well pumps from delaminated coating.
W.A. Rasic Construction	TO-021	RP4 20" Valve Replacement; Construction of Valve Vault; Design of Vault	10/08/15 1:55am	\$ 73,349	SAP info-1 page invoice: Contract Billing RP-4 20" Valve Replacement	IA: Could have been ordinary repair or construction? E&CM: Due to inoperable critical valve. Field investigation revealed valve could not be replaced, but required rebuilding in place.
W.A. Rasic Construction	TO-022	RW BO Repair in Chino Ave	11/12/15 8:47am	\$ 12,296	SAP info - 1 page invoice: Contract Billing Wharf Head Repair.	IA: Could have been ordinary repair? E&CM: Work located in the shoulder of right of way with no imminent danger to public which allowed for Level 3.
W.A. Rasic Construction	TO-024	RP-3 Valve Station Security Fence and Bollard Install	11/18/15 12:59pm	\$ 12,973	SAP info - 1 page invoice: Contract Billing RP-3 Valve station security fence & bollards (IA question -	IA: Could have been performed by Fencing Master Trade contractor? E&CM: Security & protection of facility warranted a Level 3 callout.

**EXHIBIT E:
 INLAND EMPIRE UTILITIES AGENCY
 MARK-UP ANALYSIS**

Contractor	T.O. No.	Task Order Description	Date of Request	Amount	Documented Mark-ups	Mark-up as a % of cost
Coconstruction, Inc.	TO-002	RP-1 Odor Control Biofilter No. 2	10/21/14 12:06pm	\$ 42,275.30	\$ 6,523.32	18.25%
Coconstruction, Inc.	TO-002	RP-1 Odor Control Biofilter No. 2	10/21/14 12:06pm	\$ 18,724.70	Negotiated settlement	n/a
David T. Wasden	TO-001	RP-4 Potable Water Line Installation	9/18/14 9:13am	\$ 21,587.00	\$,927.54	22.24%
Ferreira Construction	TO-002	RP-2 Utility Water Line Leak	12/2/2014 1:09pm	\$ 3,449.13	\$ 644.50	22.98%
Mike Bubalo Construction	TO-002	Headquarters RW Valve Replacement	7/27/15 4:17pm	\$ 21,522.80	\$ 3,570.60	19.89%
Trautwein Construction	TO-001	RP1 RW Blowoff Manhole Repair/1050 Pipeline	8/21/15 12:38 pm	\$ 17,421.14	\$ 3,238.40	22.83%
Trautwein Construction	TO-002	1630 Zone Pump Station	9/24/15 11:32am	\$ 6,865.15	\$ 1,318.33	23.77%
Trautwein Construction	TO-003	Ontario RW Blow Off Champagne and Francis	9/24/15 11:32am	\$ 2,074.66	\$ 392.92	23.36%
VCI Construction	TO-001	Valve Box Repair - El Prado Rd	10/22/14 10:16am	\$ 4,482.24	\$ 476.18	11.89%
VCI Construction	TO-002	RP-1 42-Inch Primary Effluent Pipe Repair	6/25/15 9:01am	\$183,012.74	\$ 29,880.83	19.51%
VCI Construction	TO-003	36-Inch Valve Repair	07/08/15 5:13pm	\$ 13,302.75	\$ 2,118.98	18.95%
W.A. Rasic Construction	TO-003	CDA Soils Mitigation & Sulfuric Acid Line Repair	9/25/14 12:06pm	\$129,226.32	\$ 21,912.38	20.42%
W.A. Rasic Construction	TO-004	16" RW Triple Offset BFV Installation at RP-2	10/1/14 8:10am	\$ 37,600.00	firm fixed price bid	
W.A. Rasic Construction	TO-013	RP-5 Underground Water Leak	3/18/15 11:42 am	\$ 16,393.89	\$ 2,934.75	21.80%
W.A. Rasic Construction	TO-014	ProLogis/CSI Sewer Manhole Surveys	3/19/15 10:34 am	\$ 42,618.01	\$ 6,952.62	19.49%
W.A. Rasic Construction	TO-018	HQ-A & HQ-B Slab Repair	5/27/15 1:43pm	\$ 49,998.00	\$ 10,993.49	21.99%
W.A. Rasic Construction	TO-018	HQ-A & HQ-B Slab Repair	5/27/15 1:43pm	\$ 8,840.57	no details	n/a
W.A. Rasic Construction	TO-020	RP-1 Centrifuge Bldg Centrate Well Coating	10/06/15 11:13am	\$ 10,698.44	\$ 2,372.48	28.49%
W.A. Rasic Construction	TO-021	RP4 20" Valve Replcmnt; Construct Valve Vault; Design Vault	10/08/15 1:55am	\$ 73,348.51	\$ 10,570.61	16.84%
W.A. Rasic Construction	TO-022	RW BO Repair in Chino Ave	11/12/15 8:47am	\$ 12,296.16	\$ 2,301.69	23.03%
W.A. Rasic Construction	TO-024	RP-3 Valve Station Security Fence and Bollard Install	11/18/15 12:59pm	\$ 12,973.40	\$ 1,192.63	10.12%
TOTALS (Mark-up % only for amounts/totals that showed mark-ups)				\$728,510.91	\$ 112,966.64	16.56%

1. Mark-ups add approximately 17% to the contract prices for Level III emergency contracts
2. Approximately 50% of Level III emergency contracts (\$394,000) awarded to W.A. Rasic Construction
3. Documentation inconsistent about what constitutes an emergency vs. a master service task order


**INFORMATION
ITEM**

20

Date: December 21, 2016

To: The Honorable Board of Directors

Through: Audit Committee (12/14/2016)

From: Teresa V. Velarde 
Manager of Internal Audit

Subject: Updates for the Audit Committee and the Internal Audit Department (IAD)
Charters

RECOMMENDATION

This is an informational item for the Board of Directors to review.

BACKGROUND

The IAD Charter states that the department is responsible for performing periodic reviews of both the Audit Committee Charter and the IAD Charter, and making recommendations for any necessary updates and revisions. Attached are the charters presented for your review, discussion, and further direction. No changes are proposed at this time.

The Audit Committee Charter defines and documents the Audit Committee's purpose, composition, authority, and responsibilities. The purpose of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities over financial reporting, internal controls, and compliance with legal and regulatory requirements related to the operations of the Agency. The responsibilities of the Audit Committee include inquiring of Agency management, the Manager of Internal Audit, the external auditors, and legal counsel about the Agency's internal controls, financial reporting, organizational risks, legal compliance matters, results of internal audits, organizational goals, and other matters as they relate to the Agency.

The IAD Charter defines and documents the Internal Audit (IA) purpose, mission, authority, and responsibilities. The purpose of IA is to assist the Board and Audit Committee in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations. The purpose of IA is also to provide objective, independent assurance evaluations about the operations of the Agency, as well as recommendations to improve efficiencies, establish compliance with policies and procedures, protect Agency assets, and mitigate risks. The responsibilities of IA include performing reviews to evaluate internal controls, report findings, and recommendations to management, the Audit Committee and the Board.

The Charters are reviewed annually. The last amendments were adopted in December 2015.

IA staff evaluated published updates proposed by the Institute of Internal Auditors and worked with the Audit Committee's Financial Advisor to ensure both charters incorporate most current practices.

At this time, IA invites comments, changes, or additional proposed edits and updates from senior management, the Audit Committee Advisor, the Audit Committee and the Board, as well as direction to finalize.

The attachments include the Audit Committee Charter and the IA Charter.

The updates for the Audit Committee and the IAD Charters is consistent with the Agency's Business Goals of *Fiscal Responsibility, Workplace Environment and Business Practices* by providing direction and guidance for the Audit Committee and the IAD.

PRIOR BOARD ACTION

On December 16, 2015, the Board of Directors approved the revised Audit Committee Charter.

On December 16, 2015, the Board of Directors approved the revised IAD Charter.

IMPACT ON BUDGET

None



INLAND EMPIRE UTILITIES AGENCY
Audit Committee Charter
Amended on March 16, 2016

PURPOSE

The Audit Committee (Committee) is established under the authority of the Inland Empire Utilities Agency (IEUA or Agency) Board of Directors (Board) and reports directly to the Board. The primary purpose of the Committee is to assist the Board in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations.

While assisting the Board with these fiduciary duties, the Committee also provides an open avenue of communication between the Board, IEUA Management, the Internal Audit Department, and the external auditors. This advisory and oversight link provides the following benefits to the organization and stakeholders:

- Increased objectivity and credibility of financial reports.
- Increased management accountability.
- Support for measures to improve management performance and internal controls.
- Increased employee awareness of unethical, questionable, or illegal activities.
- Enhanced independence and effectiveness of the Internal Audit Department.
- Assurance that appropriate management action plans are implemented for audit findings and recommendations.

COMPOSITION, COMPENSATION & TERM OF SERVICE

The Committee shall consist of two members from the Board of Directors, each with equal voting rights, with one selected as the Committee Chairperson. The members will be appointed by the Board President.

The Audit Committee shall have access to at least one financial expert, an outside party with no voting rights, who will provide advisory and consulting duties and shall be compensated as agreed upon, in writing with the audit committee, the Board, Agency management and its designees.

All members of the Audit Committee shall possess or obtain a basic understanding of governmental financial reporting, accounting and auditing and shall have a requisite interest in financial reporting issues of the Agency. The financial expert shall be an individual with sufficient financial experience and interest to provide guidance and assistance to the Audit Committee. The financial expert should through both education and experience, and in a manner specifically relevant to the government sector, possess: 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals, and reserves; 4) experience with internal accounting controls; and 5) an understanding of Audit Committee functions.

INLAND EMPIRE UTILITIES AGENCY
Audit Committee Charter
Amended on March 16, 2016

The members of the Board serving on the Audit Committee shall be compensated in accordance with the guidelines established for the IEUA Board of Directors in Ordinance No. 98 adopted May 21, 2014, and as amended from time to time, entitled:

"Ordinance of the Inland Empire Utilities Agency, a Municipal Water District, San Bernardino County, California, establishing compensation/benefits and authorizing reimbursement of expenses for the Board of Directors and their appointed representatives to the Metropolitan Water District of Southern California Board of Directors and outside Committee Members."

The service term for each Committee member will be two years. Prior to term expiration, the Board President or their designee will conduct a review of Board Committee members' eligibility and the Board of Directors will conduct a review of the external/outside Committee member's eligibility. The Board President will then reconfirm the Committee members or select and confirm new members as needed. All activities and actions pertaining to selection or reconfirmation of Committee members will be documented by the Board, or their designee, and recorded in the next regularly scheduled IEUA Board of Directors' meeting minutes.

AUTHORITY

The Audit Committee has unrestricted access to all information and records, including IEUA personnel and documents. The Committee will have adequate resources to fulfill its oversight responsibilities, including the right to seek independent professional advice and counsel. The Committee is empowered to:

- Meet, as deemed appropriate and necessary, with IEUA Management and employees, the Manager of Internal Audit and audit staff, external auditors and legal counsel.
- Recommend to the Board the approval of the Internal Audit Department's Annual Audit Plan and any changes to the Plan or the Manager of Internal Audit duties.
- Authorize special audits and investigations into any matters within its scope of responsibility.
- Authorize an internal audit or review of any department or function under the control of the Board of Directors, or within the scope of influence of the IEUA.
- Recommend to the Board the appointment, compensation and scope of work of any public accounting firm employed by the IEUA.
- Recommend to the Board the approval of any auditing and consulting services.

INLAND EMPIRE UTILITIES AGENCY
Audit Committee Charter
Amended on March 16, 2016

- Review and recommend to the Board the external auditor's audit scope and approach, ensuring that the scope:
 1. Is in compliance with Generally Accepted Auditing Standards (issued by the American Institute of Certified Public Accountants).
 2. Is in compliance with Government Auditing Standards (issued by the Government Accountability Office).
 3. Will include a Single Audit that will be performed, if required, subject to the Office of Management and Budget (OMB) Circular A-133.
 4. Will include an opinion on each major fund presented in the Agency's financial statements.
- Review and recommend to the Board the approval of external auditors' reports, along with Management's written responses, when appropriate.
- Resolve any disagreements between Management, the Internal Audit Department, and the external auditors regarding financial or operational controls and reporting.
- Ensure corrective action is taken on internal accounting control weaknesses identified by the internal and external auditors.

RESPONSIBILITIES

The Audit Committee is chartered with performing oversight for the Board of Directors. In addition to reviewing this Charter annually and updating it as needed, the Committee has responsibilities in the areas of Financial Reporting, Internal Controls, the Internal Audit Department, the External Audit and external auditors, Compliance requirements, and Other Matters as provided in the following sections. The Committee has the overall responsibility to ensure the general requirements underlying these items are carried out. However, the Audit Committee has the flexibility and authority to determine and choose the best course of action and the best method for carrying out its responsibilities. The following items are best practice guidelines that may be employed:

Financial Reporting:

- Review annual financial statements and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Advise the Board and management of any situations that would cause the Committee to believe the audited financial statements may contain material misstatements or omissions.
- Inquire of the General Manager and Chief Financial Officer (CFO) regarding the fiscal health of the Agency as well as the financial status of the Agency in relation to its adopted budget.
- Inquire of management, the Manager of Internal Audit, and the external auditors about whether significant financial, managerial, and operational information is accurate, reliable, complete, and timely.
- Inquire of Agency management, the Manager of Internal Audit, and the external auditors about significant risks or exposures facing the Agency; assess the steps management has

INLAND EMPIRE UTILITIES AGENCY
Audit Committee Charter
Amended on March 16, 2016

taken or proposes to take to minimize such risks to the Agency; and periodically review compliance with such steps.

Internal Controls:

- Discuss with Agency management, the Manager of Internal Audit, and the external auditors the reliability and effectiveness of the Agency's internal control environment to mitigate risk, including information technology security and control.
- Discuss with Agency management, the effectiveness of the Agency's process for identifying and assessing significant risks and exposures, and the steps Agency management has taken to communicate, monitor and mitigate these risks.
- Understand the scope of the internal and external auditors' reviews of internal controls, and obtain and review reports of significant findings, recommendations, and Agency management's action plans to mitigate risks.
- Review all significant accounting policy changes submitted by Agency management with the Internal Audit Department, and/or the external auditors, and provide recommendations to the Board and Agency management.
- Periodically review Agency policies and procedures governing Board of Director and employee conduct, including conflict of interest, misconduct, fraud and other sensitive issues or non-compliance and recommend changes to the Board and Agency management as appropriate.
- Discuss with Agency management, the Manager of Internal Audit, and the external auditors whether adequate policies have been established and the Agency complies with policies, standards and applicable laws and regulations.
- Discuss with Agency management, the Manager of Internal Audit, and the external auditors whether significant legislative or regulatory issues impacting Agency operations are identified, recognized, communicated and appropriately addressed.
- Review with Agency management, the Manager of Internal Audit, and the external auditors the audit scope and plan of the Internal Audit Department and the external auditors. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- Review with Agency management and the Manager of Internal Audit:
 - Significant findings, recommendations, and management's responses thereto.
 - Any difficulties the Internal Audit Department encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
 - Any changes required in the scope of their internal audits.
 - The Internal Audit Department budget and staffing.
 - The Internal Audit Department Charter.
 - The Internal Audit Department's compliance with applicable standards (for example, Governmental Auditing Standards, or the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing).

INLAND EMPIRE UTILITIES AGENCY
Audit Committee Charter
Amended on March 16, 2016

- Periodically review the Agency's Code of Conduct/Ethics Policy to ensure that it is adequate and up to date.
- Review with the Manager of Internal Audit and the Agency's general counsel the results of their reviews of compliance monitoring with the Code of Conduct/Ethics Policy.
- Review the procedures for the receipt, retention, and treatment of complaints received by the Agency regarding accounting, internal accounting controls, auditing matters, or suspected fraud that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, the current status, and resolution if one has been reached.
- Review procedures for the confidential, anonymous submission by Agency employees of concerns regarding questionable accounting or auditing matters, or suspected fraud. Review any submissions that have been received, the current status, and the resolution if one has been reached.
- Inquire of Agency management, the Manager of Internal Audit, and the external auditors about significant risks or exposures facing the Agency. Assess the steps management has taken or proposes to take to communicate, manage, and minimize such risks to the Agency; and periodically review compliance with such steps.
- Review with the Manager of Internal Audit, and the external auditors:
 - The adequacy of the Agency's internal controls including computerized information system controls and security.
 - Any significant findings and recommendations of the Manager of Internal Audit, and the external auditors together with management's responses thereto.

Internal Audit Department:

- Request that the Agency's Manager of Internal Audit prepare the Audit Committee's meeting agendas designed to ensure that all of the responsibilities of the Audit Committee as described herein are addressed at least once a year.
- Ensure there are no unjustified restrictions or limitations placed on the Internal Audit Department.
- Review with the Board, General Manager, and the Manager of Internal Audit the Internal Audit Department Charter, Annual Audit Plan, staffing, budget, and organizational reporting structure to ensure they meet the Committee's goals, objectives, and responsibilities to the Board and Agency management.
- Review and recommend to the Board the approval of the Internal Audit Department's Annual Audit Plan and any significant changes that may occur during the year.
- Review, as needed, all internal audit reports, findings, and recommendations.
- Review and recommend to the Board the appointment, replacement, dismissal, or change in duties of the Manager of Internal Audit.
- Review the effectiveness of the Internal Audit Department's function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*.

INLAND EMPIRE UTILITIES AGENCY
Audit Committee Charter
Amended on March 16, 2016

- Conduct the Manager of Internal Audit performance appraisals and recommend Manager of Internal Audit merit increases and incentive compensation to the Board.
- Hold management accountable for the appropriate resolution of Internal Audit Department's recommendations and ensure that disposition has been determined for Audit Department recommendations from the prior year. If management has determined that Internal Audit Department recommendations need not be implemented because of adequate compensating controls, based upon a cost/benefit analysis or because the risks are at an acceptable level in accordance with the Agency's goals and objectives, evaluate the reasonableness of such determinations and advise the Board of Directors accordingly.

External Audit:

- Review the external accounting firm's proposals and fee structure, and provide recommendations and external audit plan approval to the Board.
- Review the external auditors' proposed audit scope and approach to ensure emphasis is placed on areas the Committee, Board, Management and external auditors believe special attention is warranted and that efforts are coordinated with the Internal Audit Department.
- Evaluate the external auditor's independence, and if needed, recommend the Board take the appropriate action to satisfy the Agency with the external auditor's independence.
- Review the effectiveness of the external auditor's work and provide the Board with the final approval to continue or discharge the current firm.
- Communicate to the external auditors areas of internal control with a heightened risk of fraud or error, any known or suspected employee fraud, management fraud, pressures or incentives for management to distort reported financial results, or any known or suspected accounting errors or misstatements.
- Communicate to the external auditors any areas of concern applicable to the external auditors' scope of responsibility (fraud, errors, or misstatements involving amounts significant to the financial statements taken as a whole).
- Review all significant written communications between the external auditors and management, such as any management letter comments or schedule of unadjusted differences (i.e. management letter, schedule of audit, or significant unusual or non-routine items, etc.)
- Hold management accountable for the appropriate resolution of external auditor recommendations, ensure that disposition has been determined for auditor recommendations from the prior year, and where management has determined that auditor recommendations need not be implemented because of adequate compensating controls or based upon a cost/benefit analysis, evaluate the reasonableness of such determinations and advise the Board of Directors accordingly.
- Review with the external auditor that performs the financial statement audit:
 - All critical accounting policies and practices used by the Agency.
 - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Agency's management, the ramifications of each alternative, and the treatment preferred by the Agency.

INLAND EMPIRE UTILITIES AGENCY
Audit Committee Charter
Amended on March 16, 2016

- Review with management and the external auditors:
 - The Agency's annual financial statements, related notes, and management's discussion and analysis.
 - The external auditors' audit of the financial statements and their report thereon.
 - The external auditors' judgments about the quality, not just the acceptability, of the Agency's accounting principles as applied in its financial reporting.
 - The external auditors' single audit of the federal awards administered by the Agency and their reports thereon.
 - Any significant changes required in the external auditors' audit plan.
 - Any serious difficulties or disputes with management encountered during the audit.
 - Matters required by Statement on Auditing Standards (SAS) No. 114, The Auditor's Communication With Those Charged With Governance; U.S. Government Accountability Office's (GAO) Government Auditing Standards; and the U.S. Office of Management and Budget's Circular A-133 related to the conduct of the audits.

- Evaluate whether or not the performance of any extra work or special projects requested of the Agency's external audit firm violates the independence standards of the GAO.

- Recommend that the Board of Directors approve the Agency's annual financial report, if the Committee believes that they are fairly presented, to the extent such a determination can be made on the basis of reading the financial statements and discussions with Agency management and the external auditors.

Compliance:

- Review with management and the external auditors the Agency's internal controls for identifying laws and regulations affecting operations, risks for non-compliance including litigation and fines, and implementing controls to prevent recurrence.
- Review the reports, findings and recommendations of any audits or examinations performed by external agencies.
- Review with Agency counsel any legal, tax, or regulatory matters that may have a material impact on the Agency's operations and its financial statements.

Other Matters:

- The Audit Committee shall engage consultants, specialists, or other audit firms as necessary to assist the committee in the discharging of its responsibilities.
- The Audit Committee shall direct the Manager of Internal Audit to review the Agency's Audit Committee Charter annually in order to advise the Audit Committee as to needed or recommended changes.

INLAND EMPIRE UTILITIES AGENCY
Audit Committee Charter
Amended on March 16, 2016

- The Audit Committee shall report to the Board of Directors issues discussed in the Audit Committee meeting that, in the judgment of the committee, warrant communication to the Board to help the Board fulfill its oversight responsibility.

ETHICAL CONDUCT

Audit Committee members are prohibited from participating in any event or matter that would create, or appear to create, a conflict of interest. These activities may include having a significant financial interest or operational influence in vendors, contractors, customers or competitors of IEUA. Any activity creating an actual or apparent conflict should be immediately reported to the Audit Committee Chair and the Board of Directors for resolution.

MEETINGS

The Audit Committee shall meet no less than quarterly.

The Manager of Internal Audit will schedule and coordinate all quarterly Committee meetings, and will call additional meetings if requested to do so by any Committee member, the Board, the General Manager or the external auditors. The Manager of Internal Audit will provide all Committee members with written notification and an agenda at least 72 hours before the scheduled quarterly meetings or as soon as reasonably possible for any special meetings, all in accordance with the requirements of the Brown Act.

The General Manager and Manager of Internal Audit will be provided written notification and an agenda at least 72 hours before quarterly and special Committee meetings. These parties will be provided an opportunity to attend and speak at all Committee meetings but are not considered members of the Committee and have no voting rights.

The Board or the General Manager will provide administrative support to the Audit Committee and its meetings, including agenda preparation, participant notification, and documentation of meeting minutes.



INLAND EMPIRE UTILITIES AGENCY
Internal Audit Department Charter
Amended on March 16, 2016

PURPOSE

This Charter establishes the authority and responsibilities of the Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department.

The purpose of the Internal Audit Department (Internal Audit or IA) is to assist the Board of Directors (Board) and the Audit Committee (Committee) in fulfilling their oversight responsibilities for financial reporting, internal controls, and compliance with legal and regulatory requirements applicable to Agency operations and to provide objective assurance about the Agency's operations. The purpose of the Internal Audit Department is also to provide as a service to management and as a way of adding value to improve the operations of the Agency, consulting services, analyses, recommendations, and information concerning operations.

The Internal Audit Department reports to the Board through the Committee and is an independent function from management. The responsibilities of the Internal Audit Department are defined in this Charter.

MISSION

The Internal Audit Department seeks to improve the operations of the Agency by providing unbiased and objective assessments and recommendations to ensure Agency resources are efficiently and effectively managed in order to achieve Agency goals and objectives. The Internal Audit Department will help the Agency achieve its goals and objectives, improve operations, and instill confidence among its employees and the citizens it serves by providing independent, objective assurance and consulting services and provide management and the Board of Directors with recommendations to:

- Promote and strengthen a sound control environment.
- Improve Agency risk management, control and governance.
- Promote the Agency's vision and mission through a high degree of professionalism.
- Establish adequate policies and procedures and to comply with them.
- Encourage efficient use of Agency resources.
- Protect and safeguard Agency assets.
- Mitigate risks related to fraud, waste and abuse.
- Hold staff accountable for the resolution of audit recommendations.



INLAND EMPIRE UTILITIES AGENCY
Internal Audit Department Charter
Amended on March 16, 2016

VALUES

The Internal Audit Department has adopted the following value statements that form the foundation for the Internal Audit Department.

Independence

As documented in this Charter, the Internal Audit Department is an independent function of the Agency for the purpose of providing independent, objective, unbiased opinions.

Integrity

The Internal Audit Department staff is required to maintain the highest degree of integrity in conducting its audit work.

Professionalism

The Internal Audit Department will perform its work with due professional care at all times.

Collaboration

The Internal Audit Department will foster collaboration with all Agency personnel to promote teamwork within the various business units.

ACCOUNTABILITY

The Internal Auditor is the Manager of the Internal Audit Department. The Internal Auditor is accountable and reports to the Board of Directors, through the Audit Committee appointed by the Board. The intent of this reporting relationship is to establish the Internal Audit Department's independence to function effectively and in accordance with best practices.

Annually, the Internal Auditor will submit an Audit Plan for the following fiscal year to the Committee for review and approval by the Board. Quarterly status reports of significant Internal Audit activities shall be presented at Committee meetings and shall include a status of major activities and any changes or deviations from the approved audit plan. The Internal Auditor has the authority to deviate from the approved annual Audit Plan, when necessary and if warranted by unforeseen issues that require immediate attention. Significant changes to the annual Audit Plan shall be reported to the Committee and to the Board.

Annually, a listing of audit recommendations provided by the Internal Audit Department and the corresponding corrective actions taken by Agency management will be presented to the Committee.

The Internal Auditor shall inform the Committee on the sufficiency of department staffing and resources.



INLAND EMPIRE UTILITIES AGENCY

Internal Audit Department Charter

Amended on March 16, 2016

Annually, the Internal Audit Department must also ensure the Committee fulfills their responsibilities as required under the Audit Committee Charter. Additionally, IA must ensure the Internal Audit Department Charter and the Audit Committee Charter are reviewed annually and updated as necessary.

INDEPENDENCE

Independence is essential to the effectiveness of internal auditing and is strongly emphasized by the Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), and the U. S. General Accountability Office (GAO). The Internal Audit Department should be free, both in fact and appearance, from impairments to independence.

The Internal Auditor and the Internal Audit Department shall have no direct responsibility or authority over the day-to-day operations of the Agency or any activities they would audit. The Internal Audit Department shall not engage in any activities that would compromise their independence or would appear to be a conflict of interest.

To ensure independence is maintained, the Internal Audit Department shall report administratively to the Agency's General Manager or his designee and functionally to the Board through the Audit Committee, as stated under "Accountability".

AUTHORITY

The Internal Audit Department's authority is derived from the direction of management and the Agency's Board through the Committee as set forth in this Charter. Specifically, the Internal Audit Department is authorized to:

- Audit all areas of the Agency's operations. Perform audits of the Regional Sewage Service Contract agreement between the Agency and the Regional Contracting Agencies (RCA), including performing necessary audit field work and review of required supporting information and documents of the RCA's.
- Have unrestricted access to all Agency functions, records, information, property, and personnel.
- Have full and free access to Agency management, the Board of Directors and the Audit Committee.
- Allocate resources, set frequencies, select subjects and set objectives, determine the scope of work, and apply the techniques required to accomplish audit objectives, without interference from management.
- Obtain the necessary assistance of Agency staff where Internal Audit performs audits, as well as other specialized services from within or outside the organization.
- Obtain regular updates from management and Agency legal counsel regarding compliance matters affecting operations.



INLAND EMPIRE UTILITIES AGENCY

Internal Audit Department Charter

Amended on March 16, 2016

- Establish procedures for the receipt, retention, and treatment of comments or complaints received regarding Agency accounting, operations, or internal controls, including those matters received through Ethics Point or other channels.
- Investigate and make recommendations to the Board, Audit Committee, Executive Management and/or Human Resources, as appropriate about reported instances of inappropriate activities, misappropriation of funds or fraud, including those matters received through Ethics Point or other channels.
- Obtain additional internal or external resources when the Internal Audit Department does not possess all the necessary skills or experience to complete an audit or review, subject to the approval of the Audit Committee and when necessary from the Board.

The Internal Auditor and the Internal Audit Department staff are **not** authorized to:

- Have any responsibilities or authority for any of the activities they audit or perform any operational duties for the Agency or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditor in audit activities.
- Participate in any activities that would compromise their objectivity and independence or any activities that would appear to be a conflict of interest.
- Draft or write any Agency Policies and Procedures, or Standard Operating Procedures outside the Internal Audit Department.

RESPONSIBILITIES

The responsibilities of the Internal Audit Department consist of the examination, review and evaluation of the reliability and effectiveness of the Agency's governance, risk management, internal controls, and the quality of operations and systems utilized in carrying out the Agency's goals and objectives. The Internal Audit Department has the responsibility to perform its work with due professional care.

The Internal Auditor and audit staff shall be responsible for, but not limited to, incorporating periodically, as deemed necessary and/or in agreement with the annual audit plan, activities in the following key areas:

Internal Controls

- Assess the adequacy of internal controls in place and determine if they are operating effectively.



INLAND EMPIRE UTILITIES AGENCY

Internal Audit Department Charter

Amended on March 16, 2016

- Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Review compliance with Agency policies and procedures, and with applicable laws and regulations which could have a significant impact on the operations of the Agency.
- Evaluate the means implemented and the extent Agency assets are identified, tracked, and safeguarded against misuse, unauthorized use, theft and loss.
- Review operations, programs or projects to determine if results are consistent with established objectives and goals.
- Assess the efficient and effective use of Agency resources and the controls over those resources.
- Provide consulting services on current and proposed policies, procedures, and systems to ensure adequate internal controls are considered and maintained.
- Provide consulting services to evaluate contractual agreements and determine if compliance exists.
- Use documents and information obtained from Departments in the same prudent manner as by those employees who are normally accountable for them.
- Perform "Follow-up Procedures" on all management responses to audit findings and recommendations to determine if internal control improvements and/or corrective actions have been implemented.
- Perform "Follow-up Procedures" on known external auditor's or regulatory agency's reported findings and recommendations to determine if internal control improvements and/or corrective actions have been implemented.
- Conduct special projects, studies, or audits as requested by management, the Audit Committee and the Board of Directors.
- Ensure known or suspected acts of fraud or improprieties involving Agency funds, property and employees are investigated in coordination with the Agency's legal counsel, Human Resources and senior management.

Audit

- Conduct work in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics as required by the Institute of Internal Auditors (IIA).
- Develop a comprehensive and flexible annual audit plan using an appropriate risk-based methodology, including consideration of any risks or control concerns identified by management, the Audit Committee, the Board or the external auditor and submit that plan, as well as any periodic updates, to the Audit Committee and the Board for review and approval.
- Implement the annual audit plan, as approved, including as appropriate, any special tasks or projects requested by management, the Audit Committee, or the Board.



INLAND EMPIRE UTILITIES AGENCY
Internal Audit Department Charter
Amended on March 16, 2016

- Provide Agency management with reasonable notice of intent to audit and with information about the audit process, except in those situations that warrant an unannounced audit.
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage, at a reasonable cost, without redundancy or omission.
- Perform advisory services to assist the Agency in achieving its objectives; for example, reviewing controls, systems or process designs prior to implementation and providing recommendations to improve and enhance the effectiveness of controls and operations.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Maintain technical competence through continuing education supported by Department goals and budgets.
- Maintain a quality assurance program whereby the Internal Auditor assures the operations of the Internal Audit Department.
- Perform a periodic review of the Internal Audit Department Charter and the Audit Committee Charter. Additions, deletions, or other changes to the Charters are subject to the approval of the Board of Directors.

Reporting

- Issue quarterly reports to and meet with the Audit Committee and management to summarize results of audit activities and status of findings and recommendations.
- Provide written status reports of Audit Department activity to the Audit Committee quarterly. The Quarterly Audit Committee Status Report will include a summary of significant internal and external audit activities for the reporting period. The Status Report will be submitted for approval by the Committee and the approved Status Report will be presented at the next regularly scheduled IEUA Board of Directors meeting.
- Provide a written report listing all outstanding recommendations with expected resolution dates annually. The report of all outstanding recommendations will be submitted for approval by the Audit Committee and provided at the next regularly scheduled IEUA Board of Directors meeting.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing, as well as new audit requirements, when applicable.
- Immediately report any reservations concerning control risks, accounting or disclosure practices to the Audit Committee.
- If during the scope and progress of its reviews and audits, the Internal Audit Department identifies opportunities for improving the Agency's control environment, processes and procedures to ensure an environment where assets are safeguarded, internal controls are in place and risk is mitigated, these recommendations will be communicated to the appropriate level of management and the Audit Committee as timely as necessary and in the written report.



INLAND EMPIRE UTILITIES AGENCY

Internal Audit Department Charter

Amended on March 16, 2016

- When deemed appropriate and necessary, provide responsible unit management with a preliminary written report of the results and recommendations of each audit, analysis, review, or investigation performed and sufficient time to respond in writing with a plan of corrective actions. Sufficient time to reply would be 30 to 60 days from the date of the final report.
- Provide final reports of results and recommendations for each review and audit performed, including the responsible management's responses to the Audit Committee, Executive management and responsible management. All final reports with any responses will be submitted to the Committee for discussion and to the Board for approval. However, in cases where the auditee does not provide a response that is timely or deemed responsive, the final report will not be held up pending a response and will be submitted for discussion during the next scheduled Audit Committee meeting.

STANDARDS OF ETHICAL CONDUCT

The Internal Audit Department staff have a responsibility to govern themselves so that their independence is not open to question. To this end, adherence to the Institute of Internal Auditor's "Code of Ethics" will ensure integrity, objectivity, confidentiality and competency in Internal Audit work performed on behalf of the Agency's Board and Audit Committee. These principles include:

- Performing internal auditing services in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*.
- Exercising honesty, diligence, and responsibility in performing duties.
- Observing the law and making disclosures expected by the law and the profession.
- Not knowingly being a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the Agency.
- Respect and contribute to the legitimate and ethical objectives of the Agency.
- Not participating in any activity or relationship that may impair, or be presumed to impair, unbiased assessments, including activities or relationships that may be in conflict with the interests of the Agency.
- Not accepting anything that may impair or be presumed to impair professional judgment.
- Disclosing all material facts known that, if not disclosed, may distort the reporting of activities under review.
- Being prudent in the use and protection of information acquired in the course of duties.
- Not using information for personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Agency.
- Engaging in only those services or audit activities for which Internal Audit staff have the necessary knowledge, skills, and experience.
- Continually improving staff proficiency, and the effectiveness and quality of services.



INLAND EMPIRE UTILITIES AGENCY
Internal Audit Department Charter
Amended on March 16, 2016

MANAGEMENT RESPONSIBILITIES

It is the responsibility of the Board of Directors and senior management to foster a control environment that supports the Internal Audit Department's objectives and independence within the Inland Empire Utilities Agency. The existence of the Internal Audit Department does not diminish Agency management's financial and operational responsibilities for prudent execution and control of activities, including their responsibilities for the periodic evaluation of risk, control, and governance systems.

Management's responsibilities include:

- Providing Internal Audit with its full support and cooperation at all operating levels, including full and complete access to all records, property, and staff relative to their assigned areas of responsibility, and active participation in the audit process.
- Immediately notifying the Manager of Internal Audit and the Audit Committee of any known or suspected cases of illegal, criminal or unethical activity involving Agency funds, property, employees, or any activity which appears to present a conflict of interest.
- Timely notification to Internal Audit of any new or proposed modifications to Agency systems, procedures, operations or services, ensuring controls are built into the new or modified processes.
- Providing the Internal Audit Department with written responses to all audit findings and recommendations, including action plans, responsible employees, and targeted resolution dates or the acceptance of the risks identified.
- Providing the Internal Audit Department with adequate budget, staffing, assistance from staff of audited Departments, and the tools needed for the Internal Audit Department to execute its duties as defined in this Charter.

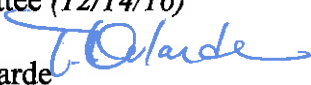
INFORMATION
ITEM

2P

Date: December 21, 2016

To: The Honorable Board of Directors

Through: Audit Committee (12/14/16)

From: Teresa V. Velarde 
Manager of Internal Audit

Subject: Follow-Up Review – Information Technology Equipment Audit - FAD

RECOMMENDATION

This is an informational item for the Board of Directors.

BACKGROUND

Internal Audit (IA) has completed the Follow-Up evaluation of the outstanding recommendations for Information Technology (IT) Equipment according to the Fiscal Year 2014/15 Annual Audit Plan. The Internal Audit Department Charter requires that IA perform follow-up evaluations to determine the progress made to implement the recommendations provided in previous audits. The follow-up audit evaluated the outstanding recommendations related to the following reports:

- Information Technology Equipment Audit, dated August 21, 2012; and
- Information Technology Equipment Audit Follow-up Audit, dated November 14, 2012
- Follow-Up Review – Information Technology Equipment – ISS, dated February 29, 2016

In August 2012, a total of 22 recommendations were provided to ensure internal controls over IT equipment are in place and ensure physical control and accountability of IT equipment. At the request of the Audit Committee, in November of 2012, IA performed a follow-up review to assess the implementation status of the original 22 recommendations. The November 2012 audit noted there were a total of 18 outstanding recommendations from the IT Equipment audits.

IA performed a follow-up review of 11 recommendations that was completed and presented to the Audit Committee on March 9, 2016. This report provides status of the 7 recommendations related to Finance and Accounting Department (FAD) only.

The bullet points below provide a brief summary of the report:

- **IT Equipment Accountability and Tracking:** The original audit recommended for Integrated Systems Services (ISS) and FAD to work together to reconcile their separate records related to IT equipment. After 2012, ISS developed the Technology Asset Listing (TAL), a database/tracking system to record all IT equipment and corresponding assignments of those assets. With the implementation of the TAL, IA determines having

ISS and FAD reconcile records would not provide an added control for the accountability of those assets. For this reason, the original recommendation is no longer applicable.

- **Required Physical Inventory of Fixed Assets:** Consistent with the recent recommendation provided by the Agency's external auditor Lance, Soll, Lunghard, LLP (LSL) during the Fiscal Year 2016 financial audit, IA recommends FAD take the lead to ensure a periodic physical inventory and inspection of the Agency's IT fixed assets is performed to verify existence, location and working condition of the assets. Without a physical inventory, there is a risk that misappropriated assets goes unnoticed. The physical inventory of fixed assets would provide assurance of equipment on hand and ensure information recorded in the financial system is accurate and complete.
- **Capitalization of IT assets and required revision to Agency Capitalization Policy and/or department specific Standard Operating Procedures (SOPs):** The audit noted instances where the Agency's capitalization policy is not applied consistently. Additionally, the audit also found instances where supporting documentation or other asset information was incomplete or missing, therefore asset information, such as details of the items that make up the "asset" and the support for the value given to each, were not always included with the asset documentation or made available for review. IA recommends FAD take the lead to review the various Agency documents and procedures for the establishment of assets, the capitalization thresholds, and the closing of capital projects to ensure Agency policies are updated with the most recent requirements and correspond to current Agency practices.

Of the seven (7) recommendations that were outstanding from the 2012 review, the audit found that two recommendations are now implemented, four recommendations continue to be in progress of being implemented by FAD, and one recommendation is no longer applicable. Additionally, IA provided two new recommendations. Currently, there are a total of 6 recommendations outstanding related to IT equipment. IA will plan require follow up review on the outstanding recommendations consistent with the Annual Audit Plan.

The Follow-Up review of the outstanding recommendations for IT Equipment is consistent with the Agency's Business Goals of *Fiscal Responsibility, Workplace Environment and Business Practices*.

Refer to the attached report for additional details of the findings and recommendations.

PRIOR BOARD ACTION

On June 15, 2016 the Board of Directors approved the Annual Audit Plan for Fiscal Year 2016/17.

On December 16, 2015, the Board of Directors reconfirmed the approved Audit Committee and the Internal Audit Charter.

IMPACT ON BUDGET

None.



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

6075 Kimball Ave. • Chino, CA 91708
P.O. Box 9020 • Chino, Hills, CA 91709
TEL (909) 993-1600 • FAX (909) 597-8875
www.ieua.org

DATE: December 5, 2016

TO: P. Joseph Grindstaff
General Manager

FROM: Teresa V. Velarde
Manager of Internal Audit

SUBJECT: Follow-Up Review – Information Technology Equipment Audit - FAD

Audit Authority

The follow-up audit was performed under the authority provided by the Inland Empire Utilities Agency (IEUA or Agency) Board of Directors. The Internal Audit (IA) Department's Charter and the Annual Audit Plan require that IA follow up on the status of audit recommendations to determine if corrective actions have been taken. IA completed a follow-up review of the Finance and Accounting Department (FAD and/or FMD) functions for the outstanding recommendations related to the following audit reports:

- Information Technology Equipment Audit, dated August 21, 2012,
- Information Technology Equipment Follow-up Audit, dated November 14, 2012,
- Follow-Up Review – Information Technology Equipment – ISS, dated February 29, 2016

Audit Objective and Scope

The purpose of this follow-up review was to evaluate the corrective actions implemented on the 7 recommendations related to FAD only. Additionally, the objective of the prior audit reports was to determine if alternate controls have been implemented to mitigate any risks originally identified and determine if there are any new risk areas that require attention.

Audit Techniques

Audit techniques included:

- Review of policies and procedures
- Analysis of financial information
- Discussions with Agency staff

Water Smart – Thinking in Terms of Tomorrow

Audit Results – Executive Summary

Of the 7 outstanding recommendations, IA found that two recommendations are implemented, four recommendations continue to be in progress, and one recommendation is no longer applicable. Additionally, IA provides two new recommendations. All other previously outstanding recommendations were presented to the Audit Committee and discussed through a separate report, dated February 29, 2016, which were related primarily to the Integrated Systems Services (ISS) Department. The attached report provides details of the findings and recommendations. The bullet points below provide a summary:

- **IT Equipment Accountability and Tracking** – IA originally recommended that the ISS and FAD work together to reconcile their separate records related to all IT equipment. The purpose of the recommendation was to implement controls that track all IT Equipment purchases, assignments and disposals. Without any tracking system, there is no accountability of the IT equipment purchased or assurance that equipment is in good working condition, assigned to employees, and safeguarded for Agency use.

After the original audit, ISS took the lead to implement the Technology Asset Listing (TAL), a database to record IT equipment purchases and corresponding assignments of those assets. On the TAL, ISS records IT equipment assignments to individual employees and annually require that employees verify and certify that the assets continue to be in their possession and are in good working condition.

Because, ISS implemented a tracking database to ensure IT Equipment purchased is accounted for, IA determines that having ISS and FAD reconcile records would not provide an added control for the accountability of those assets. For this reason, the original recommendation is no longer applicable.

- **Required Physical Inventory of Fixed Assets** - Consistent with the recent recommendation provided by the Agency's external auditor, Lance, Soll, Lunghard, LLP (LSL), IA recommends FAD take the lead to ensure a periodic physical inventory and inspection of the Agency's IT fixed assets is performed on a periodic basis. According to LSL, this is a recommended internal control to verify existence, location and working condition of assets; without a physical inventory there is a risk that misappropriated assets goes unnoticed. The physical inventory of fixed assets would provide assurance that equipment is on hand, in good working condition and ensure information recorded in the financial system is accurate and complete.
- **Capitalization of IT assets and required revision to Agency Capitalization Policy and/or department specific Standard Operating Procedures (SOPs)** – The audit noted instances where the Agency's capitalization policy is not applied consistently. Additionally, the audit also found instances where supporting documentation or other asset information was incomplete or missing, therefore

asset information, such as details of the items that make up the “asset” and the support for the value given to each, were not always included with the asset documentation or made available for review. IA recommends FAD take the lead to review all Agency documents and procedures providing guidelines for the establishment of assets, the capitalization thresholds and the closing of capital projects and ensure Agency policies are updated with the most recent requirements and correspond to current Agency practices. If deemed necessary, FAD should seek advice from the Agency’s external auditors on capitalization thresholds and practices. IA found instances where the current policies are not followed consistently or do not match current practices. The several documents related to capitalization include Agency Policy A-49, the CAFR capitalization table, the Budgeting Instructions, and FAD’s SOP. These require current revision to ensure all correlate and contain the current Agency capitalization policy and match current practices.

Discussions with Management

We provided the results of this follow-up review to Christina Valencia, Assistant General Manager/Chief Financial Officer, Javier Chagoyen-Lazaro, Manager of FAD, and Suresh Malkani, Principal Accountant, prior to finalizing this report for their review and comments.

Acknowledgements

We would like to extend our appreciation to FAD and ISS staff for their cooperation during this follow-up review.

Written Response to Internal Audit

As required by the IA Charter, IA will continue to follow up until full implementation of all outstanding recommendations and/or compensating controls has been implemented.

New recommendations were provided in this report. IA will follow-up on these new recommendations in a future audit.

Background

The Finance and Accounting Department (FAD) is responsible for the recording, maintaining, and safekeeping of the Agency's assets and financial information. FAD relies on the Agency's financial system, SAP to record financial transactions.

The original Information Technology (IT) Equipment Audit report issued in August 2012 provided a total of 22 recommendations to ensure internal controls over IT equipment are in place and ensure the physical control and accountability of IT equipment.

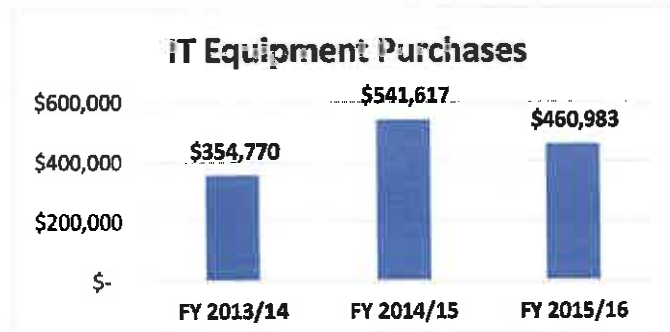
In November 2012, at the request of the Audit Committee, Internal Audit (IA) performed a follow-up evaluation to assess the implementation status of the original recommendations. After the follow up review in 2012, 18 recommendations remained outstanding, 7 of which were the primary responsibility of FAD.

This report provides the status of the 7 recommendations related to FAD only.

IT equipment purchases, as shown in SAP for account #512620 Equipment – Computers under \$1,000, as provided by Integrated Systems Services (ISS) only, for the last three fiscal years (FY) are as follows:

**Integrated System Services
IT Equipment Expenditures**
Operations & Maintenance and Capital Purchases
G/L Account # 512620
Equipment – Computers < \$1,000

Fiscal Year	Amount
2013/2014	\$354,770
2014/2015	\$541,617
2015/2016	\$460,983



Equipment Accountability and Tracking

Recommendation 7:

ISS and FAD should work together to establish procedures to perform periodic reconciliations of SAP assets and ISS equipment records.

Status: No Longer Applicable

During the original audit, IA noted that ISS and FAD, each maintained their separate documents for the IT purchases made and found several discrepancies when IA attempted to reconcile the records. IA also noted that ISS nor FAD perform periodic reconciliations between ISS equipment records and FAD asset listings. The purpose of the original recommendation was to implement controls that track all IT Equipment purchases, assignments and disposals. Without any tracking system, there is no accountability of the IT equipment purchased or assurance that equipment is in good working condition, assigned to employees, and safeguarded for Agency use. The risks were that purchased equipment could go missing or disposed of without any tracking of the equipment or communication between ISS and FAD.

After the original audit, ISS took the lead to implement the Technology Asset Listing (TAL), a database to record IT equipment purchases and corresponding assignments to employees of those assets. The TAL includes desktop computers, monitors, tablets, iPads, smartphones, and IT fixed assets. ISS assigns IT equipment to individual employees and annually require that employees verify and certify that the assets continue to be in their possession and are in good working condition. Disposals or replacements are also tracked by ISS and any disposals are communicated via email notices from ISS to FAD. Another benefit of having the TAL is that Human Resources (HR) now has a tool to ensure any IT equipment is recovered when employees leave Agency service.

Because, ISS implemented a tracking database to ensure IT Equipment purchased is accounted for, IA determines that the intent of the original recommendation is now implemented. IA further determines that to have ISS and FAD reconcile records would not provide an added control for the accountability of those assets. Therefore, the original recommendation provided is no longer applicable.

2016 Recommendation #1

Consistent with the recommendation provided by the Agency's External Auditors, IA provides the following new recommendation:

FAD should take the lead to ensure a physical inventory and inspection of the Agency's IT fixed assets is completed on a periodic basis to verify existence, location, and working condition of assets.

During the FY 2016 financial audit, the Agency's External Auditors, LSL provided a recommendation related to the accountability of the Agency's fixed assets, including furniture and computer equipment. LSL noted that good internal controls and best

practices dictate a regular physical inventory be performed to verify existence, location, and working condition of assets. LSL noted that a complete physical verification of all assets is recommended on a two to three year cycle count. Consistent with the recommendation provided by LSL, IA provides **2016 Recommendation #1**.

Capitalization of IT Equipment

Recommendation 15:

FMD should implement adequate controls to ensure that the stated capitalization policy for IT equipment is consistently followed to ensure that all items meeting the capitalization threshold are capitalized and to ensure that items not meeting the capitalization threshold are not capitalized.

Status: In Progress

Recommendation 17:

FMD should implement adequate controls to ensure that asset records established in SAP are accurate and complete, such as ensuring that all data fields in SAP are completed and ensuring that only those items allowed by the capitalization policy are capitalized.

Status: In Progress

Recommendation 19: ***FMD should return incorrect or incomplete Project Closure Authorization Forms to the Project Manager for proper completion. FMD should also provide training to Project Managers on the importance of proper completion and instructions on completing the form.***

Status: In Progress

Follow-Up Recommendation 2 (from November 2012):

FMD should seek guidance from the external auditors on the capitalization of computers and peripheral computer equipment costing less than \$1,000, and the capitalization of software licensing costs to ensure the proper accounting treatment is employed.

Status: Implemented

Capitalization Process

The following simplified steps summarize the process for establishing an IT asset and the process for the capitalization of IT equipment:

1. When ISS identifies/anticipates the need for new IT equipment, ISS budgets for "Capital Projects" during the respective budget cycle.
2. FAD assists in establishing the budget funding and creating the "Capital Project" in SAP, the Agency's financial system.
3. Once the project and the budget are approved, costs can be incurred.
4. ISS determines when the "Capital Project" is complete by filing the Project Closure Authorization Form, which is the document used to list the individual assets that make up the "Capital Project". ISS is required to submit the closure form and all required supporting documentation to FAD.
5. FAD relies on completed, signed closure forms, and the supporting documentation to establish the assets in SAP for capitalization.

Capitalization Policy

The original and follow-up audits found inconsistencies in applying the Agency's capitalization policy, missing, inaccurate or incomplete information in SAP, and supporting documentation was not always provided with the Project Closure Authorization Forms, which are the documents used to list the individual assets that make up a capital project. Additionally, IA recommended the Agency seek guidance from the Agency's external auditors on rules and best practices for capitalizing IT assets that did not meet the capitalization threshold.

According to Agency Policy, computer equipment is capitalized if it costs \$1,000 or more and the estimated useful life is greater than one year. According to FAD's documented SOP (*Policy of Tangible and Intangible Assets, Procedures No: FA PR-01, effective 07/01/2014*), any IT assets that have a value below the capitalization threshold, \$1,000 for computer and computer related equipment, are considered "Tangible assets – non-depreciable "low value" asset items", meaning these items do not meet the criteria to be capitalized and typically are assigned to an individual employee and tracked only for security and accountability purposes. Per the SOP, the "list of typical assets" that are included in this category are: laptop computer, cellular phone, blackberries, digital camera and gate clickers. Based on the FAD's procedure, computer equipment under \$1,000 should not be capitalized.

During the 2016 follow-up audit, IA reviewed the current capitalization policies and thresholds established for computer and IT equipment as outlined in the following Agency documents:

- Agency Policy A-49 Closing of Capital and Non-Capital Projects (effective July 15, 2005). (A-49 provides the guidelines for the prior capitalization procedure and does not match current Agency practice for using the Project Closure Authorization Form).
- Comprehensive Annual Financial Report (CAFR) for FY 14/15 (as of June 30, 2015), (Provides the thresholds for capitalizing computer equipment)
- Budgeting/Planning document titled: General Budgeting Instructions (Provides Agency staff with instructions on what is capitalized and the thresholds that must be applied)
- FAD's SOP No. FA PR-01, Revision 10 Policy of Tangible and Intangible Assets- SAP FY 14/15, effective 7/1/2014 (Provides FAD staff with guidelines on tangible/intangible assets)

These documents noted the capitalization threshold for *Computer and related IT equipment* is any item purchased with a cost of more than \$1,000 and a useful life greater than one year including any other costs needed to place the asset into service (i.e., sales tax, shipping and handling fees, installation, labor, etc.).

Since the completion of the original audit, FAD has made efforts to address the Follow-Up Recommendation 2 (from November 2012) including seeking advice from the Agency's external auditors on the capitalization thresholds. According to FAD, the prior external auditors stated that the capitalization thresholds for equipment are established at the discretion of the organization's management. *The current external audit firm, LSL, stated that FAD should consider a higher threshold for computer assets and/or changing the budgeting methodology to ensure only items that should be capitalized are and those that should not are not capitalized.* Because FAD has inquired of the external auditors, this recommendation has been addressed, however, it is a topic that will require on-going review and require FAD update its policies as required. Additionally, FAD must ensure that the Agency's capitalization policies match current practices (more discussion on policies later in this report).

Audit Findings related to Capitalization Thresholds

The original audits found that most computer equipment, regardless of purchase price, associated with a capital project are set-up as part of a capital asset that is capitalized. Project Managers complete the Project Closure Authorization Form and FAD creates the capital assets using the information provided on the Project Closure Authorization Form.

IA reviewed the 22 months period between January 1, 2015 through October 24, 2016, and identified 35 projects (18 ISS projects and 17 related to other department projects) that were closed and had IT assets that were capitalized in SAP. The 35 projects comprised of 196 *line items* with an acquisition value of \$8,400,241 (a "line item" in SAP is "one asset" that has been created as an "asset" for capitalization, however, each "line item" or "asset" may have one or more different assets grouped into the "one asset". For example, Project IS16013 had a "line item" for Allen Bradley Logix Controller with a

capitalized amount of \$33,220.64; however, this “line item” or “asset” actually had a total of five (5) individual assets, that could have or should have been separated into the five individual assets, ensuring that Agency policies are followed.

For the 22 months reviewed, (January 1, 2015 through October 24, 2016), IA performed a cursory review of the information recorded in SAP and selected 7 capital projects for additional review. The 7 projects comprised of 65 “line items” with a total acquisition value of \$425,852. IAs review of the 7 projects disclosed the following:

- **Project Closure Authorization Form and detailed supporting documentation were not always provided for IAs review:**

IA requested the Project Closure Authorization Form (PCAF) and the supporting documentation relied on by FAD to capitalize the asset amount in SAP. The supporting documentation to substantiate the amounts capitalized was not provided for the following:

- IS16007: ARC Servers Replacement, total project amount is \$10,464
- IS16016: Plant Operations Workstation Replacement Project, total project amount is \$ 20,259.52

FAD should have retained the required supporting documentation used to establish the asset. The supporting documentation should be made available upon request. Without supporting documents, the requirement for the asset and the amount applied comes into question.

- **Capitalization Policy inconsistently applied:**

Based on IA’s cursory review of the information recorded in SAP and the 5 capital projects reviewed, IA identified individual assets that were capitalized but had a unit cost of less than \$1,000. This practice does not follow the Agency’s established policy and guidelines for capitalization because it appears that none of the items included in the “one asset” were eligible for capitalization as stated in Agency policies. See the table below:

Project Number	Project Name	Asset Description	Unit Cost	Quantity	Total
IS15012	Business Network IT Improvements	Apple iPad Air 2 with Keyboard Case 16 GB	\$ 684.12	1	\$ 684.12
		Dell 2.5 In Hot Plug Hard Drive	\$ 465.00	8	\$ 4,027.60
		Dell Intel Ethernet X520 DP Server Adaptor	\$ 552.49	2	\$ 1,193.38
IS16007	ARC Servers Replacement	Hard Drives	\$ 872.00	12	\$ 10,464.00
IS16016	Plant Operations Workstation Replacement Project	Laptops	\$ 914.86	20	\$ 18,297.20
IS16018	Virtualization Host Server Replacement	Hard Drives	\$ 779.10	12	\$ 9,349.15

In each of the instances above, the capitalization policy for computer equipment is not consistently applied because the individual items are not over \$1,000. The capitalization threshold is the same whether a single asset is being purchased or multiples of the same item are being purchased simultaneously, but in the instances above, if more than one item was purchased at the same time, a capital asset was created. *The Agency must determine what the Agency capitalization policy is and ensure current practice matches current policy.*

- **Inconsistent recording of capitalized assets in the financial system making it difficult to trace and locate assets:**
The audit found four (4) of the seven (7) projects (IS15012, IS15016, EN11051 and IS16013) or 57%, there were various line items with the serial number/VIN number missing or listed "see attachment". The serial number/VIN information is included as an attachment in SAP instead. Other projects in SAP show the assets and serial numbers individually input and listed. In other instances, assets are sometimes summarized into one line item, rather than recorded individually, therefore making it difficult or impossible to trace the same items through the supporting documents. Not recording capitalized assets in a consistent matter can create difficulties identifying and tracing assets in the financial records. FAD should determine the best record keeping for tracking and consistency to ensure all assets can be located and traced.
- **FAD supervisory review was missing on asset documents:**
The audit found two (2) projects, Projects IS15016 and IS16013, where the Project Closure Authorization Form was not signed by the FAD supervisor, therefore lacked evidence of FAD management review. Management review is important to ensure only approved assets that meet the Agency's Capitalization Policy are established as assets in the financial system.
- **Missing supporting documentation to justify the financial value of the asset:**
The audit found that for three (3) projects, Projects IS15012, IS15016 and EN11051, there was a lack of supporting information regarding the amounts used or how the amounts were calculated to establish the financial value of the asset in the financial system. FAD stated there are various reasons for the differences, however, adequate supporting information or notes were not located or provided to validate and justify the amounts. For Project EN11051, Construction Management noted that the "asset amount" recorded is probably based on the "asset replacement value", but as of the date of this report, no supporting documentation has been provided to validate or justify the amount relied on to create the asset in the financial system.

FAD staff should ensure there is sufficient supporting documentation included with the Project Closure Authorization Form to support the amounts used in setting up an asset. Not having a clear trail with adequate supporting documentation, makes

it difficult to determine how the amounts were derived and calls into question the amounts capitalized in the financial system.

IA recommends that FAD review the current Agency Policy(ies) related to Capitalization of IT and all fixed assets to ensure that current Agency Policy matches the current practices employed. For the reasons noted above, Recommendation Numbers 15, 17 and 19 continue to be In Progress.

On-going evaluation of Agency Capitalization Thresholds

2016 Recommendation #2

FAD should evaluate the Agency’s current capitalization thresholds established for IT Equipment and determine if these need to be increased to ensure current Agency practice is consistent with Agency policy.

IA recommends that FAD review the capitalization threshold and consider making changes (either increasing or decreasing) the threshold amounts as best suited for this Agency. Various considerations should be evaluated, including changes and development with IT equipment, as well as other fixed assets.

IA performed a limited survey* of comparable agencies regarding capitalization thresholds, as shown in the table below:

Agencies:	IEUA	LACSD Los Angeles County Sanitation District	WMWD Western Municipal Water District	IRWD Irvine Ranch Water District	MNWD Moulton Niguel Water District
Capitalization Threshold for: • Computer and IT equipment	\$1,000	\$5,000	\$10,000 (District-wide, no specific threshold for IT equipment)	\$2,500	\$5,000
Estimated Useful life	> 1 year	None provided	None provided	> 3 years	> 3 years
Accounting treatment applied: • Costing less than Capitalization threshold	Expensed	Expensed	Expensed	Expensed	Expensed
Application of capitalization threshold: • Individual components/ workstations unit	Computer workstations capitalized as a unit	Computer workstations capitalized as a total package, provided it meets the threshold and if purchased together	Individual Items (Group of similar items – only on case by case basis)	Computer workstations capitalized as total package	Computer workstations (desktop/laptop, keyboard, mouse, monitor) are capitalized as one unit as long as the cost is \$5,000 or more. If there are individual purchases (i.e., for monitors), then they are expensed.

*Information was confirmed with the agency representatives via email information.

Recommendation 20: *FMD should implement internal controls to ensure timely periodic follow-up with other department managers on projects requiring closure.*

Status: *Implemented*

In the final audit reports for Fiscal Year's 2011 and 2015, the Agency's external auditors noted that capital projects should be closed in a more timely manner. The external auditors at the time recommended tighter controls be implemented to ensure guidelines are followed and the timely closing of capital projects. FAD responded that greater efforts have been made to address this concern, including the creation of a new project request form prior to the start of a project.

Because this item is not documented as a finding or issue in the FY 2016 Financial Statement audit and the current auditors did not document or comment on any concern in regards to the timely closing of projects, IA deems this recommendation is now implemented.

Agency Policy/Standard Operating Procedures (SOPs)

The original audit report noted that FAD did not have SOPs for the many functions related to capitalization of assets, including:

- Adhering to the Agency's capitalization thresholds when setting up assets
- Ensuring that asset costs and SAP asset records are accurate and complete and sufficient supporting documentation is available to validate the total amount used to capitalize an asset
- Ensuring timely and accurately completion of Project Closure Authorization Forms

Good internal controls require written procedures to ensure consistency and accuracy in applying the procedure. SOPs serve as a training tool and manual for other staff. Policies and procedures should be reviewed from time to time to ensure they are updated and consistent with current practices. Department SOPs are part of the Agency's internal control framework and therefore are a recommended best practice.

Recommendation 22:

FMD should document Standard Operating Procedures to address the functions of setting up capital assets such as procedures for completing the SAP asset information, compliance with stated capitalization thresholds, and processing of Project Closure Authorization Forms.

Status: *In Progress*

In their response to the original 2012 IT Audit, FAD planned to finalize updates to the existing SOP by the end of June 2013, for processing the Project Closure Authorization Forms and setting up capital assets in SAP. As of this follow-up review, FAD noted that

they have not formalized and/or updated the written standard operating procedure for processing project closure authorization forms and setting up assets in SAP. Additionally, IA noted the Agency Policy A-49 is out of date and requires it be updated to correspond to the Agency's current practice. IA notes that if A-49 is updated, there may not be a need for an additional FAD SOP. FAD should determine the need to keep the SOP once A-49 is updated or eliminate A-49 and update their department SOP. Below are the documents related to capitalization of assets:

- **Agency Policy A-49 Closing of Capital and Non-Capital Projects**
 - Effective July 15, 2005
 - A-49 provides the guidelines for the prior capitalization procedure and does not match current Agency practice for using the Project Closure Authorization Form

- **Comprehensive Annual Financial Report (CAFR)**
 - Documents the thresholds for capitalizing computer and related IT equipment

- **Budgeting/Planning document titled: General Budgeting Instructions**
 - Provides Agency staff with instructions on what is capitalized and the thresholds that must be applied

- **FAD's SOP No. FA PR-01, Revision 10 Policy of Tangible and Intangible Assets- SAP FY 14/15**
 - Effective 7/1/2014
 - Provides FAD staff with guidelines on what is a tangible/intangible asset

FAD should determine if they require a more detailed operating procedure than the items described above, ensure that the CAFR capitalization table, the Budgeting Instructions, FAD's SOP and A-49 all correlate and contain the current Agency capitalization policy and corresponding procedures to ensure these match current practices.

IA recommends that FAD cross-reference the documents above and ensure consistent information is communicated to all Agency staff to avoid any confusion in the capitalization of assets and information required in the Project Closure Authorization forms.

IEUAs Capitalization Thresholds related to Capital Assets/Computer Equipment

Document available related to capitalization:

Comprehensive Annual Financial Report as of June 30, 2015 – Notes to the Financial Statements

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

Document available related to capitalization:

FAD's SOP titled: Policy on Tangible and Intangible Assets – SAP FY 14/15 (effective 07/01/2014)

Page 1:

2.01 Capital Assets

Capital Assets shall be defined as expenditures on *Tangible Assets* and *Intangible Assets*, meeting specific IEUA criteria.

1. Tangible Assets - depreciable

A. Items such as land, land improvements, buildings, plants, equipment and system infrastructure, are considered capital expenditures if:

1. they exceed \$5,000 (\$5000 for office furniture and equipment, \$1,000 for computer and computer related equipment), and
2. the expected useful life is longer than one year.

Page 2 and 3:

2. Tangible Assets – non-depreciable “low value” asset items

- A. These items have value below the capitalization threshold. However, they are typically assigned to an individual employee. The manner in which these assets are used warrants the effort of tracking to address security concerns, and avoid potential pilferage. The following is a list of typical assets that fall into this category:

2. Tangible Assets – non-depreciable “low value” asset items, cont’d

- 1) Laptop Computer
- 2) Cellular Phone
- 3) Blackberries
- 4) Digital Camera
- 5) Gate Clickers

Page 4:

2.04 Capitalization

1. There are different scenarios in recording expenditures as assets, versus an expense. In general, the following would apply:

A. New acquisition

1. Any total expenditure that exceeds \$5,000 (*\$5000 for office furniture and equipment, \$1,000 for computer and computer related equipment*), and the useful life is longer than one year.
 - a. Office furniture and equipment includes filing cabinets, desks, chairs, bookcases, calculators, telephones, pencil sharpeners, typewriters, paper shredders, copiers and other items typically used in an office environment.
 - b. Office furniture and equipment also includes microcomputers, printers, scanners and other peripherals.
 - c. Operating Equipment includes all equipment not specifically mentioned above.

Page 5:

2.04 Capitalization, continued:

C. Table of Capitalization Criteria, continued:

1. Computer Equipment *includes* computers, microcomputers, printers, scanners, peripherals and other related computer equipment not associated with Electrical and/or Mechanical Operations.
2. Computer Equipment *excludes* DCS equipment and other electronic components used for Plant Operations only.

Document available related to capitalization:
Budgeting/Planning titled: General Budgeting Instructions for FY 2015/16 and 2016/17

EQUIPMENT

Equipment acquisitions are considered to be capital assets if the useful life of the item being purchased is longer than one year. If the item meets the criteria, then one of the following valuation criteria must be applied. The cost of the equipment purchase includes not only the cost of the item itself, but also freight, sales tax, handling fees, applicable licensing and/or permit fees, testing fees, installation, legal fees required to establish title, and any other costs needed to place the asset into a useful condition.

VALUATION CRITERIA:

Office Furniture and Equipment

This group includes filing cabinets, desks, chairs, bookcases, calculators, telephones, pencil sharpeners, typewriters, paper shredders, copiers, and other items typically used in an office environment. It also includes printers, fax machine, scanners and other peripherals.

To qualify as a capital asset, the item being purchased must cost more than \$5,000 and have an estimated useful life of more than one year.

Computer Equipment

This group includes personal computer hardware, laptop computer, and associated accessories.


To qualify as a capital asset, the item being purchased must cost more than \$1,000 and have an estimated useful life of more than one year.

**Summary of Outstanding Recommendations at December 2016
 Information Technology Audit - Finance and Accounting Department (FAD) Only**

Audit Report Date	Rec #	Recommendation	Implemen- ted	In Progress	No Longer Applicable
August 21, 2012	7	ISS and FAD should work together to establish procedures to perform periodic reconciliations of SAP assets and ISS equipment records.			X
	15	FAD should implement adequate controls to ensure that the stated capitalization policy for IT equipment is consistently followed to ensure that all items meeting the capitalization threshold are capitalized and to ensure that items not meeting the capitalization threshold are not capitalized.		X	
	17	FAD should implement adequate controls to ensure that asset records established in SAP are accurate and complete, such as ensuring that all data fields in SAP are completed and ensuring that only those items allowed by the capitalization policy are capitalized.		X	
	19	FAD should return incorrect or incomplete Project Closure Authorization Forms to the Project Manager for proper completion. FMD should also provide training to Project Managers on the importance of proper completion and instructions on completing the form.		X	
	20	FAD should implement internal controls to ensure timely periodic follow-up with other department managers on projects requiring closure.	X		
November 14, 2012	22	FAD should document Standard Operating Procedures to address the functions of setting up capital assets such as procedures for completing the SAP asset information, compliance with stated capitalization thresholds, and processing of Project Closure Authorization Forms.		X	
	2	FAD should seek guidance from the external auditors on the capitalization of computers and peripheral computer equipment costing less than \$1,000, and the capitalization of software licensing costs to ensure the proper accounting treatment is employed.	X		
December 5, 2016	1	FAD should take the lead to ensure a physical inventory and inspection of the Agency's IT fixed assets is completed on a periodic basis to verify existence, location, and working condition of assets.		New in 2016	
	2	FAD should evaluate the Agency's current capitalization thresholds established for IT Equipment and determine if these need to be increased to ensure current Agency practice is consistent with Agency policy.		New in 2016	
Totals			2	6	1

**INFORMATION
ITEM**

2Q

Date: December 21, 2016
To: The Honorable Board of Directors
Through: Audit Committee (12/14/2016)
From: Teresa V. Velarde 
Manager of Internal Audit
Subject: Audit Committee Financial Advisor Contract Extension

RECOMMENDATION

This is an informational item for the Board of Directors.

BACKGROUND

This is to inform the Board of Directors of the Agency's extension of the Audit Committee Financial Advisor contract option two of two through December 31, 2017.

Audit Committee Financial Advisor

The Audit Committee Charter, states that: "The Audit Committee shall also have access to at least one financial expert, an outside party, with no voting rights, who will provide advisory and consulting duties and shall be compensated as agreed upon, in writing with the Audit Committee, the Board, management and its designees." Additionally, the Audit Committee Charter requires the financial expert to possess expertise and experience in understanding generally accepted accounting principles and financial statements; auditing comparable entities; internal controls; and an understanding of audit committee functions.

Since 2008, the Audit Committee has relied on the advisory services of Travis C. Hickey, CPA consultant with Rogers, Anderson, Malody & Scott. Mr. Hickey has provided accounting and auditing services to governmental agencies since 1997, including experience with water/wastewater activities. Mr. Hickey attends the Agency's Audit Committee Meetings and provides consulting and advisory services to both the Audit Committee and the Internal Audit Department to ensure the responsibilities of the Audit Committee and Internal Audit Department, as outlined in the Board approved Charters, are fulfilled. Mr. Hickey is a Certified Public Accountant in the State of California and in good standing. He is a member of the American Institute of Certified Public Accountants and California Society of Municipal Financial Officers.

Over the past nine years, Mr. Hickey has established himself as a valuable resource to the Audit Committee and the Internal Audit Department by providing professional auditing advice and

information. Mr. Hickey has gained extensive knowledge of the Agency's operations, has established professional working relationships with the Audit Committee, and the Agency has been satisfied with his services.

The contract with Mr. Travis Hickey expired in December of 2015 and has two single year options to extend. Option one was extended and expired in December 2016. Staff recommends the contract for single year option is extended through December 2017. This extension of Mr. Hickey's services will extended Audit Committee Advisory Services for one year through calendar year 2017.

The extension of the Audit Committee Financial Advisor Services is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by following recommended practices for the procurement of such services to provide independent evaluations and oversight of Agency financial statements and the operational effectiveness of the Audit Committee.

PRIOR BOARD ACTION

Audit Committee Financial Advisory Services:

On September 16, 2015, the Agency approved Contract Amendment Number 4600000886-002 with Rogers, Anderson, Malody & Scott, LLP, exercising option 1 of 2 to extend advisory audit services in the amount of \$6,190.00 through calendar year 2016.

On September 19, 2012, the Agency approved Contract Amendment Number 4600000886-002 with Rogers, Anderson, Malody & Scott, LLP to extend contract services for 3 years, with two single-year options in the amount of \$6,190.00 per calendar year.

IMPACT ON BUDGET

There is no significant impact on the Agency's Fiscal Year 2016/2017 Budget as a result of these items, since the external financial audit and audit committee advisory services are already budgeted in the Administrative Services (GG) Fund as part of the Agency's two-year budget.



CONTRACT AMENDMENT NUMBER: 460000886-005
FOR
AUDIT ADVISORY SERVICES

THIS AMENDMENT FIVE is made and entered into this 21st day of NOV, 2016, 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 interchangeably as "Agency" and "IEUA") and Rogers, Anderson, Malody & Scott LLP with offices located in San Bernardino, California (hereinafter referred to as "Consultant"), to provide audit advisory services and shall revise the Contract as amended:

REVISE SECTION 4, SCOPE OF WORK AND SERVICES TO ADD THE FOLLOWING PARAGRAPH:

Agency hereby exercises the second of the two additional "one-year" option periods for calendar year 2017.

REVISE SECTION 5, TERM TO READ AS FOLLOWS:

The term of this Contract shall extend from the date of Notice to Proceed and terminate on December 31, 2017, unless agreed to by both parties, reduced to writing, and amended to this Contract.

REVISE SECTION 6, PAYMENT, INVOICING AND COMPENSATION, TO ADD:


This amendment represents a net increase of \$7,840.00 (\$1,650 for Audit Proposal Evaluation (Feb 2016) and \$6,190 for one year contract extension), for a maximum contract total of \$46,180.00 for all services provided throughout the Contract duration.

ALL OTHER PROVISIONS OF THIS CONTRACT REMAIN UNCHANGED.

WITNESSETH, that the parties hereto have mutually covenanted and agreed as per the above amendment item(s), and in doing so have caused this document to become incorporated into the Contract Documents.

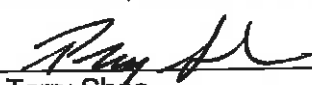
INLAND EMPIRE UTILITIES AGENCY:

ROGERS, ANDERSON, MALODY & SCOTT LLP:



Warren T. Green
Manager of Contracts

11-29-2016
(Date)



Terry Shea
Partner

11-21-16
(Date)


**INFORMATION
ITEM**

2R

Date: December 21, 2016

To: The Honorable Board of Directors

Through: Audit Committee (12/14/2016)

From: Teresa V. Velarde 
Manager of Internal Audit

Subject: Report of Open Audit Recommendations

RECOMMENDATION

The attached is an informational item for the Board of Directors.

BACKGROUND

The Internal Audit Department Charter and professional standards require the Internal Audit Department (IA) staff to follow-up on the status of open audit recommendations to determine if corrective action efforts have been made. The Charter also requires IA to annually provide, to the Audit Committee and the Board, a report listing all outstanding recommendations with action plans and expected resolution dates.

As of the date of this report, there are a total of 88 open/outstanding recommendations. Of the 88 outstanding recommendations, 48 did not require a follow-up review during this year. Seventeen recommendations relate to audits completed recently and/or new recommendation provided and 31 relate to the Regional Contract Review where plans are to address those recommendations through the renegotiation of the Regional Contract.

Audit guidelines state that an adequate amount of time be granted in order to provide the auditees with sufficient time to fully implement corrective action plans. IA will continue to evaluate the status of the open recommendations until full implementation has been achieved, the deficiency originally identified is no longer applicable, or alternate internal controls have been accomplished. At the time of the original reviews, follow-up activities are discussed. Follow-up audit work may include a desk review of supporting documentation, discussions with the auditee, and/or the application of testing procedures to verify implementation. The audited units can, at any time, provide information for Internal Audit's verification that a recommendation has been implemented. Once IA completes a follow-up review, a separate report with the status will be issued and reported to the Audit Committee.

Follow-up reviews will be scheduled according to the proposed Annual Audit Plan. Below is a list summarizing the outstanding recommendations, noting the audited area and the date the original audit report was completed. Attached is a detailed report showing what the recommendations are and the current status of each recommendation.

Report of Open Audit Recommendations

December 21, 2016

Page 2

Outstanding Recommendations			
Area Audited	Report Issued Date	No. of Recs. Remaining to be Verified by IA	Planned Follow-Up
Payroll Audit	August 24, 2010	1	Annually
Intercompany Receivables - Watermaster	August 30, 2011	1	FY2017
Human Resources Follow-Up	June 20, 2012	1	FY2017
Contracts and Procurement Follow-Up	August 29, 2012	2	FY2017
2013 Petty Cash	May 31, 2013	5	FY2017
SCE Utility Payments	August 28, 2013	3	FY2017
Accounts Payable Follow-Up	August 29, 2013	9	FY2018
Automobile Insurance Requirements	March 3, 2014	2	FY2018
Vehicle Security Procedures	March 3, 2014	3	FY2018
Vehicle Inventory Procedures	March 12, 2014	13	FY2018
Total Outstanding Recommendations		40	
Recommendations related to the Regional Contract Review			
Regional Contract Review – Final Audit Report	December 16, 2015	31	Pending – Renegotiation of the Regional Contract
2016 New Audit Recommendations Issued			
Follow-Up – Information Technology Equipment Audit – Information Services	February 29, 2016	2	FY 2019
Master Trade Contracts	September 1, 2016	6	FY 2019
Audit of Master Service Contracts	December 14, 2016	3	FY 2019
Follow-Up – Information Technology Equipment Audit – Finance & Accounting	December 5, 2016	6	FY 2019
Total New Recommendations for 2016		17	
Total Recommendations Outstanding		88	

The IA website is accessible through the Agency’s Intranet and available to all Agency employees. It provides all the audit reports issued by IA and information on the audit approach and the purpose and process of an internal audit and the follow-up action requirements.

PRIOR BOARD ACTION

On June 15, 2016 the Board of Directors approved the Annual Audit Plan for Fiscal Year 2016/17. Follow-up activities were scheduled in the plan.

On December 16, 2015, the Board of Directors reconfirmed the approved Audit Committee and the Internal Audit Charter.

IMPACT ON BUDGET

None

**Outstanding Audit Recommendations
December 2016**

Audit Performed	Reco #	Internal Audit Recommendation	Target Date for Implementation & Comment
Payroll Audit August 24, 2010	4	HR and FMD should work together to revise and update the Agency's Resolution No. 2005-2-9 and clarify which employees are required to sign a Confidentiality Agreement, based on their job duties and responsibilities, specifically those whose roles involve handling sensitive and confidential information. Having employees sign a Confidentiality Agreement reinforces that confidential and sensitive information is being handled, the Confidentiality Agreement also provides the expectations and consequences for sharing or misusing confidential information.	The Agency continues to evaluate the need for updates.
Intercompany Receivables - Watermaster August 30, 2011	1	Fiscal Management Department should establish procedures to prepare and submit invoices to Watermaster prior to the beginning of the quarter to allow payment by Watermaster before the quarter begins.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation planned for 2017.
Human Resources Follow-Up June 20, 2012	1	Document standard operating procedures to address the many administrative practices of the department.	IA will verify during follow-up evaluation planned for FY 2017.
IT Equipment August 21, 2012	3	ISS implement appropriate tracking systems that include relevant information on IT purchases (i.e., serial numbers, etc.), are updated timely and are complete and accurate. ISS should establish procedures to enter, modify, and delete information in the tracking systems that address areas such as timeliness for updates, responsibilities for maintaining the systems, and the types of items included in the tracking system.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment August 21, 2012	15	FMD should implement adequate controls to ensure that the stated capitalization policy for IT equipment is consistently followed to ensure that all items meeting the capitalization threshold are capitalized and to ensure that items not meeting the capitalization threshold are not capitalized.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment August 21, 2012	17	FMD should implement adequate controls to ensure that asset records established in SAP are accurate and complete, such as ensuring that all data fields in SAP are completed and ensuring that only those items allowed by the capitalization policy are capitalized.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment August 21, 2012	19	FMD should return incorrect or incomplete Project Closure Authorization Forms to the Project Manager for proper completion. FMD should also provide training to Project Managers on the importance of proper completion and instructions on completing the form.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
IT Equipment August 21, 2012	22	FMD should document Standard Operating Procedures to address the functions of setting up capital assets such as procedures for completing the SAP asset information, compliance with stated capitalization thresholds, and processing of Project Closure Authorization Forms.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.
Contracts and Procurement Follow-Up August 29, 2012	1	The Contracts and Procurement Department should ensure adequate separation of duties exist in procurement transactions. Specifically the functions of creating and approving the Purchase Request, creating the Purchase Order and having the ability to receive should involve a second knowledgeable individual.	IA will verify during follow-up evaluation planned for FY 2017.
Contracts and Procurement Follow-Up August 29, 2012	2	For all grant-related procurements, the Contracts and Procurement Department should print the confirmations from the debarment website at the time the vendor debarment is verified. The confirmation should be filed as evidence of verification, to show whether a vendor was debarred or not at the time of the procurement.	IA will verify during follow-up evaluation planned for FY 2017.
IT Equipment Follow-Up Audit November 14, 2012	1	ISS should ensure that any services procured with P-cards are expressly authorized by the Manager of CAP, CFO, AGM, or GM prior to committing to services.	Additional time is required for full implementation. IA will re-verify during follow-up evaluation.

Audit Performed	Recd #	Internal Audit Recommendation	Target Date for Implementation & Comment
2013 Petty Cash May 31, 2013	1	IA recommends that Accounting and Fiscal Management Department personnel should take the lead in working with the responsible Agency personnel in making revisions and updates to the following Agency policies: A-02, A-75, A-68 and A-34.	IA will verify during follow-up evaluation planned for FY 2017.
2013 Petty Cash May 31, 2013	3	IA recommends that monthly fund reconciliations be performed by personnel independent of the petty cash reimbursement processes and that the fund reconciliation subsequently be reviewed and signed by the Petty Cash Custodian's supervisor or manager as required by SOP CM PR-13, "Cash Management Procedures-Petty Cash", further ensure all Petty Cash Custodians understand the requirements of the SOP.	IA will verify during follow-up evaluation planned for FY 2017.
2013 Petty Cash May 31, 2013	4	IA recommends that either a new SOP be developed or the current SOP CM PR-13, "Cash Management Procedures-Petty Cash" be updated to include detailed procedures over the entire petty cash reimbursement processes.	IA will verify during follow-up evaluation planned for FY 2017.
2013 Petty Cash May 31, 2013	5	IA recommends that Accounting and Fiscal Management review current petty cash reimbursable budget codes within SAP and develop a "Master Listing" of budget codes or "roles" within SAP for all Petty Cash Custodians to have access to and utilize them when coding expenditures.	IA will verify during follow-up evaluation planned for FY 2017.
2013 Petty Cash May 31, 2013	6	IA recommends that Accounting and Fiscal Management evaluate the petty cash needs of each location throughout the Agency and make any necessary adjustments to the petty cash assignments.	IA will verify during follow-up evaluation planned for FY 2017.
SCE Utility Payments August 28, 2013	1	P&EC and Maintenance Management should work with the City of Chino and SCE to adequately transfer the electricity expense related to City of Chino property. The street lights in front of IEUA's HQ-A building have been identified by the Agency and SCE as the financial responsibility of the City of Chino. It was noted that over \$900.00 a year is paid for the street lights expense. P&EC and Maintenance previously identified this issue and had initiated discussions to transfer the account and related expense to the City of Chino. It is anticipated that by the end of calendar year 2013 this will be resolved.	IA will verify during follow-up evaluation planned for FY 2017.
SCE Utility Payments August 28, 2013	2	CAP management should evaluate the entire CAP Department staff's responsibilities and leverage all department resources to achieve all tasks and at the same time avoid internal control conflicts. In addition, IA recommends that SAP authorized access be modified for employees as noted in the report section "SAP Segregation of Duties – CAP Personnel" to address existing internal control conflicts identified. The report details the specific conflicts. This has previously been recommended in prior CAP Follow-Up Audit Reports dated May 24, 2010 and August 29, 2012.	IA will verify during follow-up evaluation planned for FY 2017.
SCE Utility Payments August 28, 2013	3	CAP personnel should take the lead in working with the responsible Agency personnel to make the necessary updates to Agency policies A-32 and A-33, and department specific SOP's.	IA will verify during follow-up evaluation planned for FY 2017.
Accounts Payable Follow-Up Audit August 29, 2013	1	AFM and BIS need to work together to ensure users have appropriate access within SAP based on job responsibilities and remove/modify access privileges that are not necessary to reduce the risk of unauthorized transactions and SOD conflicts. All user access should be immediately removed when an employee resigns his/her position with the Agency.	IA to verify during follow-up evaluation.
Accounts Payable Follow-Up Audit August 29, 2013	2	Access to the Vendor Master File (VMF) should only be granted to one Manager/Supervisor for AFM and CAP department with only one back up employee, if necessary, due to Segregation of Duties conflict. This is a standard best practice across many industries. Furthermore, we recommend access be removed from all other current and past employees.	IA to verify during follow-up evaluation.
Accounts Payable Follow-Up Audit August 29, 2013	3	AFM department should institute controls to ensure payment of invoices by the due date.	IA to verify during follow-up evaluation.
Accounts Payable Follow-Up Audit August 29, 2013	4	AFM should work with the appropriate Agency personnel to update Agency policies and remind employees of the requirements of Agency Policy A-12, Employee Personal Computer Purchase Program; Policy A-37, Reimbursement for Attendance at a Conference, Seminar or Meeting; Policy A-50, Non-Purchase-Order Invoice Approval Procedures; Policy A-55, Agency Credit Cards; and Agency Policy A-14 Vehicle Use.	IA to verify during follow-up evaluation.

Audit Performed	Rec'd #	Internal Audit Recommendation	Target Date for Implementation & Comment
Accounts Payable Follow-Up Audit August 29, 2013	5	Human Resources department, in conjunction with Information Support Systems, should ensure that loans for personal computers are not approved for items not covered by the loan program as described in Agency Policy A-12. Additionally, consider revising Agency Policy A-12 to clarify the applicability of the computer loan program to tablet computers and operating systems other than Microsoft Windows.	IA to verify during follow-up evaluation.
Accounts Payable Follow-Up Audit August 29, 2013	6	AFM department should strengthen Vendor Master File procedures to establish uniformity in entering, altering and deleting vendors, and to provide guidelines for the maintenance of vendors, to ensure vendors are authorized, including the requirement that a supervisor or manager in FMD CAP approve additions, deletions, or changes to vendors.	IA to verify during follow-up evaluation.
Accounts Payable Follow-Up Audit August 29, 2013	7	AFM department should ensure all new vendors provide a current, physical business address for the Vendor Master File. Additionally, AFM should establish a plan to update the master file for all active vendors that do not currently have a physical address on file.	IA to verify during follow-up evaluation.
Accounts Payable Follow-Up Audit August 29, 2013	8	AFM department should work with BIS to test the features of SAP related to purging inactive vendors. Upon successful completion of the testing, AFM should identify vendors with no activity in the previous three to five years and deactivate or delete from the Vendor Master File as appropriate.	IA to verify during follow-up evaluation.
Accounts Payable Follow-Up Audit August 29, 2013	9	AFM department should update all SOPs to reflect business process changes resulting from the implementation of the Agency's ERP SAP system.	IA to verify during follow-up evaluation.
Automobile Insurance Requirements March 3, 2014	1	IA recommends that the Contracts and Facilities Department: Take the lead to review and update and/or consolidate the existing Agency Policy A-14 "Vehicle Use Policies and Procedures" and A-36 "Automobile Insurability and Driver's License Requirements for Current and Prospective Employees." The policies should define and specify the requirements for employees to maintain personal automobile insurance, clarify the coverage limits and any other responsibilities and provisions. Ensure policy updates and requirements are communicated to all employees.	IA to verify during follow-up evaluation.
Automobile Insurance Requirements March 3, 2014	2	IA recommends that the Contracts and Facilities Department: Consider developing an appropriate "Acknowledgment Statement" form or other verification/certification document or process that outlines and verifies the requirements of the Agency's policies related to personal automobile insurance coverage and driver's license. Determine the need to require all employees sign the acknowledgement/verification document each year as a certification that the employee understands and accepts responsibilities when driving a personal or Agency vehicle.	IA to verify during follow-up evaluation.
Vehicle Security Procedures March 3, 2014	1	CAP should take the lead to properly inventory and account for all assigned and unassigned gate transmitters. CAP should continuously work with department managers who request gate transmitters to monitor and revise access based on staff duties and responsibilities. CAP should promptly deactivate any improperly assigned/unassigned gate transmitters or for those employees and contractors that separate employment from the Agency.	IA to verify during follow-up evaluation.
Vehicle Security Procedures March 3, 2014	2	CAP should ensure the appropriate signed gate transmitter form is maintained on file for all issued gate transmitters. Additionally, CAP should ensure the employee/contractor who is issued a gate transmitter understands the requirements of Agency Policy A-24 "Issuance and Inventorying of Gate Transmitters and Keys to Agency Facilities, Vehicles and/or Equipment." This can be done at the time the employee/contractor is issued the gate transmitter via the signed form and is provided a copy of the Agency policy.	IA to verify during follow-up evaluation.
Vehicle Security Procedures March 3, 2014	3	IA recommends CAP staff inventory all Certificates of Title and work to locate or replace the missing titles for Agency vehicles. Additionally, CAP should implement and communicate the proper procedure to ensure that all Certificates of Title are promptly submitted to Records Management for filing and retention.	IA to verify during follow-up evaluation.

Audit Performed	Recs #	Internal Audit Recommendation	Target Date for Implementation & Comment
Vehicle Inventory Procedures March 12, 2014	1	Maintenance Department and HR Department should work together to develop and/or consolidate into one updated policy, the proper procedures for refueling Agency vehicles in order to streamline processes and clearly define the procedures for refueling Agency vehicles. Specifically, the policy should include: payment method, when to fuel, and specify if the requirement applies to assigned, pool or all vehicles. Take the lead to review and update and/or consolidate the existing Agency Policy A-14 "Vehicle Use Policies and Procedures" and A-36 "Automobile Insurability and Driver's License Requirements for Current and Prospective Employees." The policies should define and specify the requirements for employees to maintain personal automobile insurance, clarify the coverage limits and any other responsibilities and provisions. Ensure policy updates and requirements are communicated to all employees.	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	2	Maintenance Department should take the lead to update Agency Policy A-86, "Refueling Agency Vehicles" to include a clear definition of a "pool" versus an "assigned" vehicle and these definitions should be carried across all Agency policies that relate to Agency vehicle procedures.	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	3	Maintenance Department should revise Agency Policy A-86 to specifically address how Voyager fuel cards for Agency "pool" vehicles will be issued and used by employees in order to establish separate guidelines for Agency "pool" vehicles.	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	4	Maintenance Department should work with Business Information Systems (BIS) to develop an online/electronic "vehicle reservation and approval process." Approval should be obtained through the online/electronic process by either the employee's supervisor or manager. If the travel in an Agency "pool" vehicle will be for the calendar day only, online/electronic approval obtained from the employee's direct supervisor is sufficient. If travel utilizing an Agency "pool" vehicle will be overnight or several nights, or outside the service area, the employee should obtain online approval from the responsible manager and/or a member of Executive Management.	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	5	Maintenance Department should work with the HR Department to incorporate mileage limitations and/or geographic boundaries (i.e. out-of-state) for Agency vehicles in updated Agency policies.	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	6	Maintenance Department should evaluate the overall purpose of the VIF, to determine what elements are necessary to be reported by employees after use of an Agency vehicle, as well as determine what elements to hold the employee accountable for. Additionally, fewer incomplete forms may be returned if wording is revised to require only exceptions (an example might be: "Indicate damage to vehicle, if any").	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	7	Maintenance Department should determine the need to require that the VIF include an area for the employee's direct supervisor/manager to approve and sign, specifically acknowledging where the vehicle will be used and permitting the use of the Agency vehicle, prior to checking out the vehicle as an added control and accountability measure for the vehicle and the employee.	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	8	Maintenance Department should ensure the recipients of the VIF (currently, the receptionists) no longer accept incomplete VIF forms from an employee upon the return of the vehicle to Headquarters. The receptionist should return the form to the employee and request they fill out the VIF completely before checking-in the vehicle.	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	9	Maintenance Department should continue to work with "Voyager Fleet Systems" and U.S. Bank to review the card issuer's reporting capabilities, in order to develop the reports needed with the appropriate inputs (e.g. odometer readings, date of purchase, amount, credit card number, cardholder name, number of gallons purchased at point-of-sale) so that the Agency can perform a thorough analysis of fuel consumption monthly.	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	10	Maintenance Department should develop one policy or update the existing policy (ies) to outline the proper procedures for washing Agency vehicles.	IA to verify during follow-up evaluation.

Audit Performed	Reco #	Internal Audit Recommendation	Target Date for Implementation & Comment
Vehicle Inventory Procedures March 12, 2014	11	Maintenance Department should perform a routine inventory as well as regular safety/maintenance inspections for all Agency vehicles at least annually and ensure necessary safety and emergency equipment is available and operational. Issues identified should be addressed and corrected timely. Specifically, items required for safety reasons such as fire extinguishers, insurance information and accident instructions, etc. should be current and readily available in the vehicle. Documented maintenance and safety inspection results should be retained and placed in the vehicle's file as evidence of examination.	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	12	Maintenance Department should consider including a vehicle bumper sticker on all Agency vehicles that display the Agency's logo and a hotline or contact phone number where issues may be reported by any member of the public.	IA to verify during follow-up evaluation.
Vehicle Inventory Procedures March 12, 2014	13	Periodic reconciliations for fleet (vehicles and equipment) should be performed by the Maintenance Department between any report(s) or system databases that are utilized by management to ensure accuracy when reporting fleet information and making decisions regarding fleet.	IA to verify during follow-up evaluation.
Regional Contract Review - Final Report December 16, 2015	Overall	Consider legal, political and financial impacts of governing by ordinance vs. contract	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	Overall	Review and revise EDU formula	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	Overall	Resolve Identified differences of over/under collected amounts of Connection fees and Identified differences of over/under collected amounts of unreported monthly sewerage fees	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	1	Connection Fees: Centralize the permitting process OR IEUA provides final sign-off and plumbing permit approval for all nonresidential entities.	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	2	Connection Fees: IEUA should establish monitoring program to inspect random facilities and those were there is a suspected discrepancy	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	3	Connection Fees: Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	4	Connection Fees: Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	5	Connection Fees: Two tier connection fees process that distinguishes between common features and unique features (ie., a toilet always costs the same regardless of type of business)	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	6	Connection Fees: Update Exhibit J regularly to include new/evolving business types	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	7	Connection Fees: Update & clarify Fixture Unit descriptions of Exhibit J regularly	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	8	Connection Fees: Standardize calculation worksheet to ensure it is consistent with Exhibit J and consistent region-wide	IA to follow-up after Renegotiation of the Regional Contract

Audit Performed	Reco #	Internal Audit Recommendation	Target Date for Implementation & Comment
Regional Contract Review - Final Report December 16, 2015	9	Connection Fees: IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly Building Activity Reports.	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	10	Connection Fees: Regular workshops, meetings, plant tours, etc. with staff in Building, Plan Check and Utility Billing/Financial Departments	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	11	Connection Fees: IEUA develop fixture count expertise and provide regular/ongoing training for Contracting Agencies - Building Departments	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	12	Connection Fees: Contracting Agency internal review of Connection Fees as part of preparing the Building Activity Report	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	1	Monthly Sewerage: Collect monthly sewerage fees for the entire region through County's property tax roll	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	2	Monthly Sewerage: Evaluate methodology used for billing monthly sewerage fees (residential and commercial) and consider alternatives by water consumption, EDUs purchased or other methodology	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	3	Monthly Sewerage: Standardize monthly report to provide IEUA automated, itemized listings of non-residential monthly sewerage charges	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	4	Monthly Sewerage: Establish contract for monthly sewerage payments from Contracting Agencies rather than IEUA Issuing monthly invoices	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	5	Monthly Sewerage: IEUA exercise inspection, verification and recourse rights for under-collected/under-reported monthly sewerage fees	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	6	Monthly Sewerage: Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	7	Monthly Sewerage: Update 1997 billing memorandum regularly for new business types to provide detailed definitions and descriptions	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	8	Monthly Sewerage: Create a correlation between monthly sewerage fees and Connection Fees	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	9	Monthly Sewerage: Add billing guidance for locations with multiple types of businesses serviced by a master meter	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	10	Monthly Sewerage: Bill commercial businesses at least a minimum of one EDU per month	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	1	Public Service Facility: Consider legal, political and financial impacts of excluding Public Service Facilities from Connection Fees and monthly sewerage charges.	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	2	Public Service Facility: Consider legal, political and financial impacts of IEUA assuming responsibility for Connection Fees calculations, collections and CCRA accounts	IA to follow-up after Renegotiation of the Regional Contract

Audit Performed	Rec#	Internal Audit Recommendation	Target Date for Implementation & Comment
Regional Contract Review - Final Report December 16, 2015	3	Public Service Facility: Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	4	Public Service Facility: Contract should include IEUA right to audit, full cooperation and access to records and documents upon request	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	5	Public Service Facility: Address difference between "Publicly Owned" vs. "Publicly Used"	IA to follow-up after Renegotiation of the Regional Contract
Regional Contract Review - Final Report December 16, 2015	6	Public Service Facility: Consider cross-departmental approach to the development review process as a regional model	IA to follow-up after Renegotiation of the Regional Contract

Total of 77 outstanding recommendations as of December 14, 2016 requiring IA verification and/or supported response.

2016 Audit Recommendations Issued

Audit Performed	Reco #	Internal Audit Recommendation	Target Date for Implementation & Comment
Master Trade Contracts, dated September 1, 2016	1	IA recommends that even in instances where a difference department has primary responsibility for the proposal evaluation process, CFS work with the end-user department to ensure the information is communicated to the Board of Directors accurately reflects the signed contract terms. Additionally, CFS should determine the need to request from the evaluating department the evaluation documentation, or a staff memo summarizing the selection process and have it available/filed.	IA to verify during a future follow-up evaluation.
Master Trade Contracts, dated September 1, 2016	2	IA recommends that CFS work with BIS to research built-in tools within SAP to implement automated controls necessary to ensure that spending on contracts and groups of contracts do not exceed Board approved limits and determine the cost benefit of implementing those monitoring tools.	IA to verify during a future follow-up evaluation.
Master Trade Contracts, dated September 1, 2016	3	IA supports and encourages the initiative to fully implement the Agency's Enterprise Content Management System (ECMS) - Laserfiche. CFS should continue to work closely with BIS to implement the Agency's ECMS - Laserfiche to assist with the organization and centralizing of contract documents, facilitate research and access to information, streamline recordkeeping and eliminate multiple copies of the same documents.	IA to verify during a future follow-up evaluation.
Master Trade Contracts, dated September 1, 2016	4	IA recommends that CFS enhance communications about the Agency's ethical procurement responsibilities and expectations to all Agency employees as well as Agency vendors and contractors to actively foster an ethical procurement environment. CFS should consider creating an ethics outreach plan and developing an approach with Agency Executive Management and Human Resources about reinforcing the "tone at the top" to actively remind employees and contractors/vendors about the Agency's ethical expectations including once again providing annual notifications of ethical guidelines to vendors and staff. Agency management may also want to incorporate references to the Agency's Ethics Hotline and Ethics Point "FAQs" in that communication.	IA to verify during a future follow-up evaluation.
Master Trade Contracts, dated September 1, 2016	5	IA recommends CFS staff attend annual training related to ethics in their respective procurement activities.	IA to verify during a future follow-up evaluation.
Master Trade Contracts, dated September 1, 2016	6	In addition to the cross-training that is already occurring, IA suggests that CFS consider the potential benefits of job rotation within the CFS department as a training and internal control technique with multiple benefits.	IA to verify during a future follow-up evaluation.
Audit of Master Service Contracts, dated December 14, 2016	1	Emergency projects are classified according to three levels. Level 3 emergencies are the least urgent and the work can be scheduled on a time-table set by the Agency. E&CM and CFS should consider establishing clear criteria that differentiate between a "Level 3" emergency procurement and routine minor construction and repairs procurements and/or determine and document whether the "Level 3" designation is necessary.	IA to verify during a future follow-up evaluation.
Audit of Master Service Contracts, dated December 14, 2016	2	To ensure that the Agency communicates sufficient information about emergency procurement activity, E&CM and CFS should consider developing and providing a comprehensive monthly update of emergency procurements for the Board. The information to consider could include the current month emergency procurement activity and a year-to-date total. It may also be useful to compare current year-to-date emergency procurement activity in dollars and numbers of task orders to prior years and to the total budget. Trends can be analyzed and comparisons can be made to ensure that the Agency's infrastructure is well maintained and emergency procurements are kept to a minimum.	IA to verify during a future follow-up evaluation.
Audit of Master Service Contracts, dated December 14, 2016	3	To ensure that contracts for Repairs and Minor Construction operate as intended, E&CM and CFS should consider developing specific criteria and/or additional guidance and definitions about what constitutes repairs or minor construction as compared to projects for prequalified contractors for contracts less than \$2 million. An additional control would be to consider establishing dollar maximums within the contract or the group of contractors to provide assurance that the contracts are being utilized as intended and spending is constrained.	IA to verify during a future follow-up evaluation.

To be revised, IA just received on 11/23/2016 in the afternoon responses to question. In the meantime, these will be grayed out until the recommendations have been finalized

Audit Performed	Rec'd #	Internal Audit Recommendation	Target Date for Implementation & Comment
Follow-Up Review - Information Technology Equipment Audit, dated December 5, 2016	1	FAD should take the lead to ensure a physical inventory and inspection of the Agency's IT fixed assets is completed on a periodic basis to verify existence, location, and working condition of assets.	IA to verify during a future follow-up evaluation.
Follow-Up Review - Information Technology Equipment Audit, dated December 5, 2016	2	Fad should evaluate the Agency's current capitalization thresholds for IT equipment and determine if these need to be increased to ensure current practice meets policy and are consistent with current trends.	IA to verify during a future follow-up evaluation.

**INFORMATION
ITEM**

2S

Date: December 21, 2016

To: The Honorable Board of Directors

Through: Engineering, Operations, and Biosolids Management Committee (12/14/16)

From: P. Joseph Grindstaff
General Manager

Chris Berch
Executive Manager of Engineering/Assistant General Manager

Submitted by: Sylvie Lee
Manager of Planning & Environmental Resources

Subject: Annual Energy Report

RECOMMENDATION

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

BACKGROUND

Inland Empire Utilities Agency (IEUA) developed the Energy Management Plan (EMP) in 2015. The primary objectives of the EMP are to benchmark the Agency's current energy performance, greenhouse gas emissions baseline, and forecast future energy demands. The EMP also evaluated measures that will optimize facility energy use, and effectively manage renewable resources. Each year, staff compiles energy use data from each source to track the performance and savings of the self-generating facilities and the progress toward the IEUA's Business Goals addressed in the EMP.

Electricity usage at IEUA's water recycling facilities dropped approximately 20% in the last five years, in part due to the 10% reduction in influent flow from water conservation, and in part due to the implementation of maintenance and energy efficiency projects. Further energy savings, approximately 9% of the total usage, are expected to be realized in the next few years with the implementation of lighting retrofit, pump efficiency and operational improvements. The EMP's short and long term projects and opportunities are periodically reevaluated to take into account new capital projects, the effect of new technologies, regulations, funding, incentives and the energy market.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

Attachments: Fuel Cell, Wind Turbine, Solar and Internal Combustion Engine Fact Sheets

Fuel Cell

Facility: Regional Water Recycling Plant No. 1 (RP-1)

Manufacturer: Fuel Cell Energy

Rating Output: 2,800 kW

Estimated Annual Output: 19,260 MWh/yr

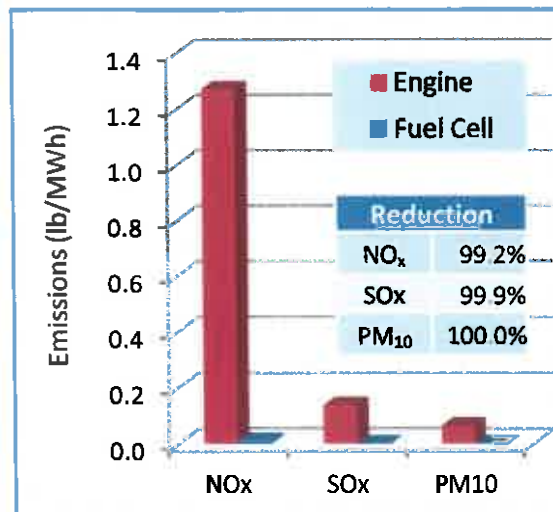
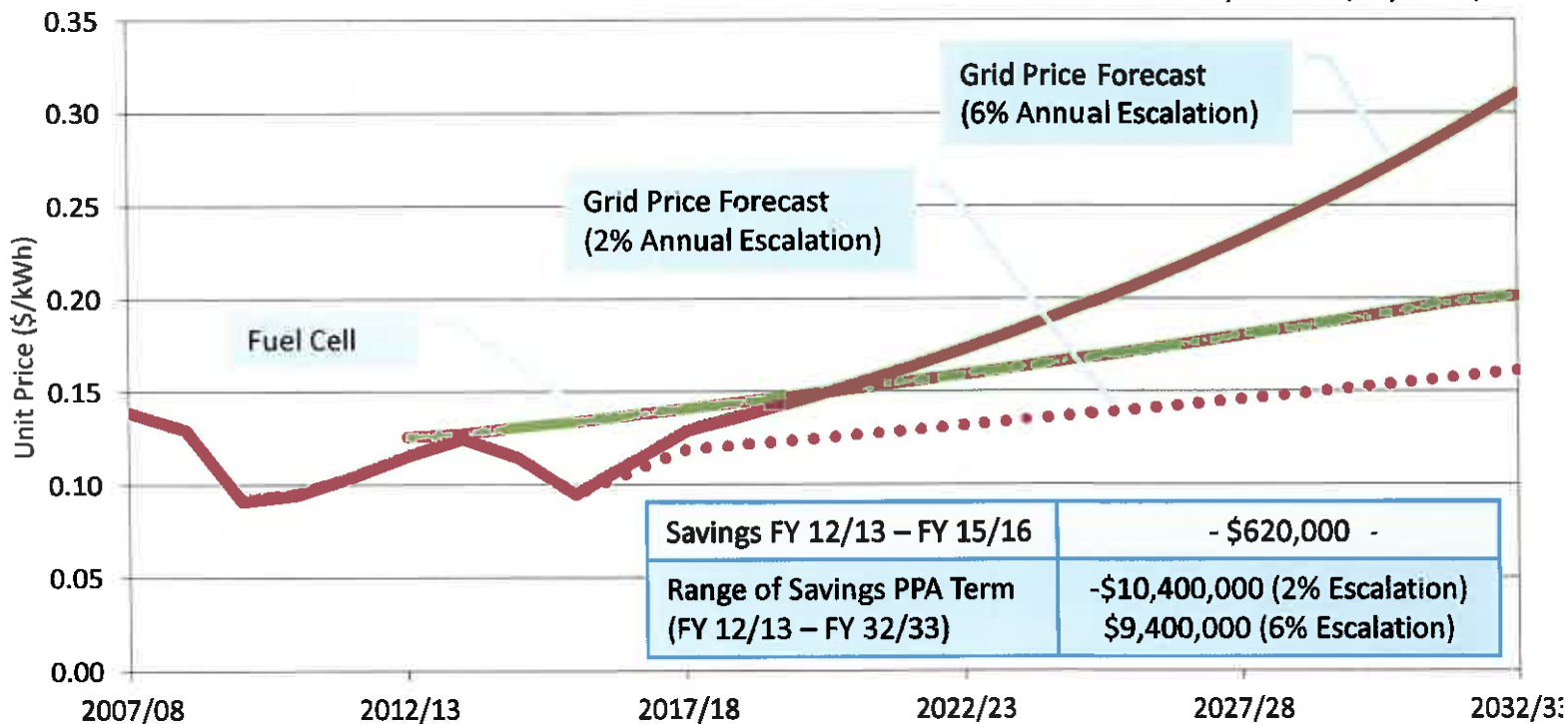
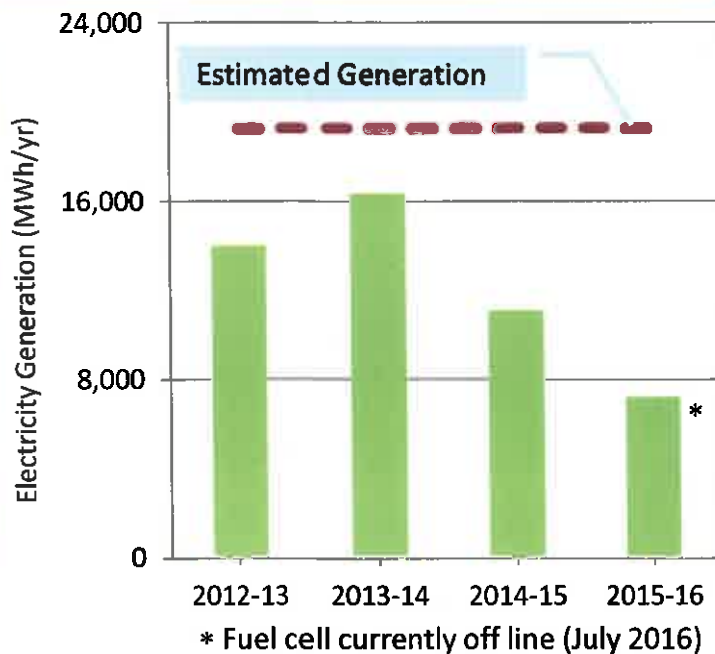
Heat Recovery: 4.1 MMBtu/hr

Commercial Operation Date: 1/2013

Power Purchase Agreement: Anaergia

PPA Rate: \$0.1262/kWh (2013) - \$0.2017/kWh (2033)

Fuel Requirements: 612,000 – 830,000 cft/day biogas



Internal Combustion Engines

Facility: Regional Water Recycling Plant No. 5 (RP-5)

Permitted Capacity: 90 wet tons/day (manure)
615 wet tons/day (food waste)

Manufacturer: Caterpillar

Rating Output: 2 engines 1,500 kW each

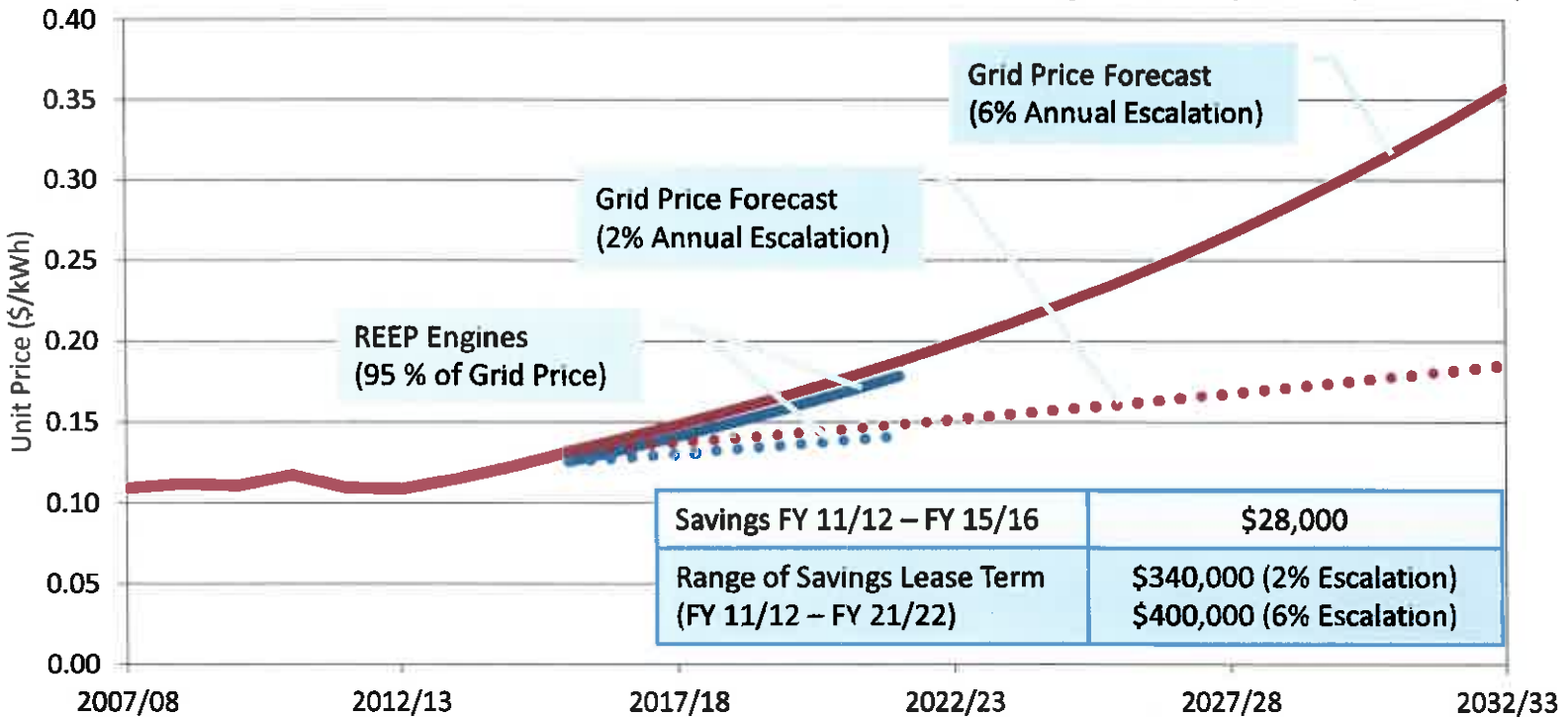
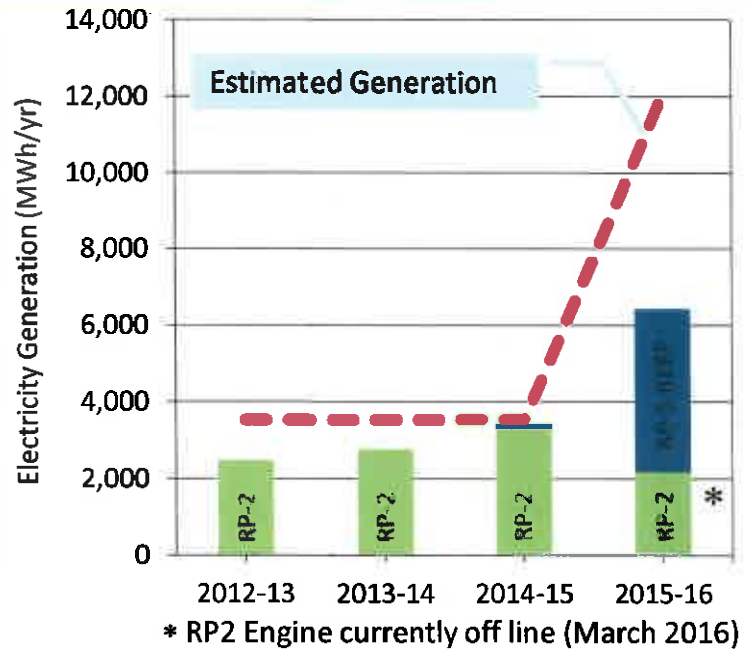
Estimated Annual Output: 19,500 MWh/yr

Grid Interconnection Date: 1/2015

Lease Agreement: Inland BioEnergy (11 years)

Electricity Rate: 89% - 95% of Grid Price

Monthly Lease: \$50,000



Environmental Benefits RP-5 REEP

Food Waste Processed = 205,941 wet tons

Renewable Energy = 4,380 MWh

Equivalent to:

- Carbon sequestered by 505 acres of forest in one year.
- Removing 113 passenger vehicles from the road for one year.

Emissions Reductions (tons)

CO₂e = 533

Solar Portfolio

Facilities: Carbon Canyon Water Recycling Facility, Regional Water Recycling Plant No. 1, No.4, No.5

Manufacturer: SunPower, Evergreen

Rating Output: 3,500 kW

Estimated Annual Output: 7,000 MWh/yr

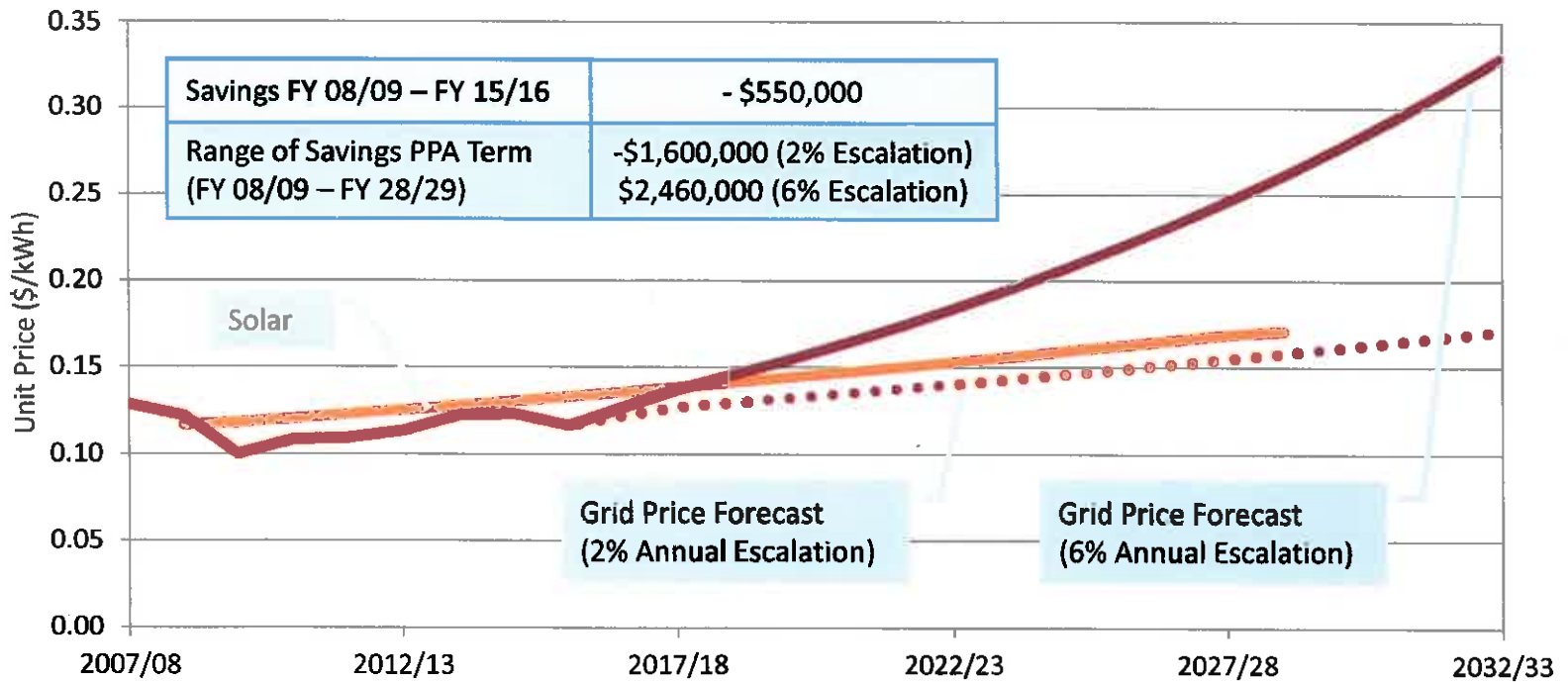
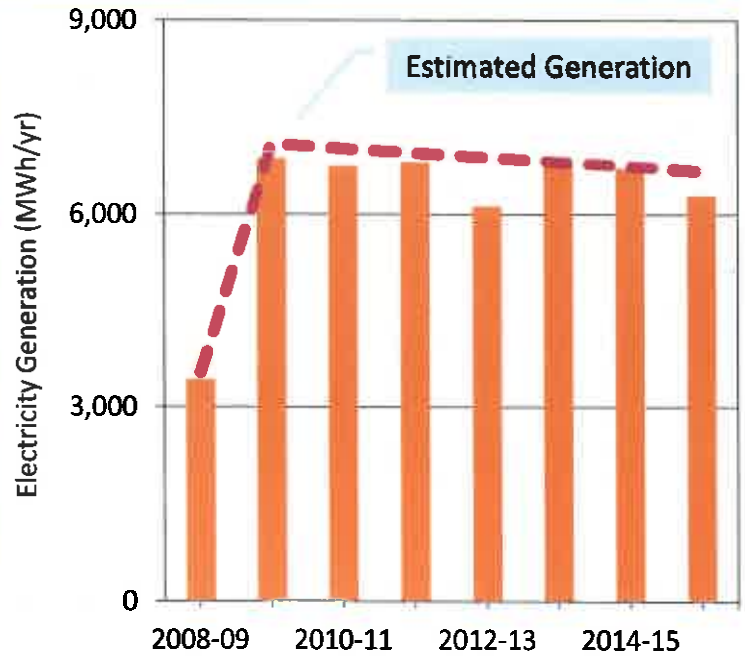
Commercial Operation Date: 12/2008

Power Purchase Agreement: SunPower

PPA Rate: \$0.1173/kWh (2008) - \$0.1709/kWh (2028)

Number of Panels: 18,210

Type of Panels: Ground/Roof Mounted



Environmental Benefits Since 2008

Renewable Energy = 49,805 MWh

Equivalent to:

- Carbon sequestered by 14,399 acres of forest in one year.
- Removing 3,213 passenger vehicles from the road for one year.

Emissions Reductions (tons)

VOC = 0.54	CO = 3.81
NOx = 1.88	PM10 = 0.45
SOx = 0.25	CO2e = 15,211

Wind Turbine

Facility: Regional Water Recycling Plant No. 4 (RP-4)

Manufacturer: Mitsubishi

Rating Output: 1,000 kW

Estimated Annual Output: 1,500 MWh/yr

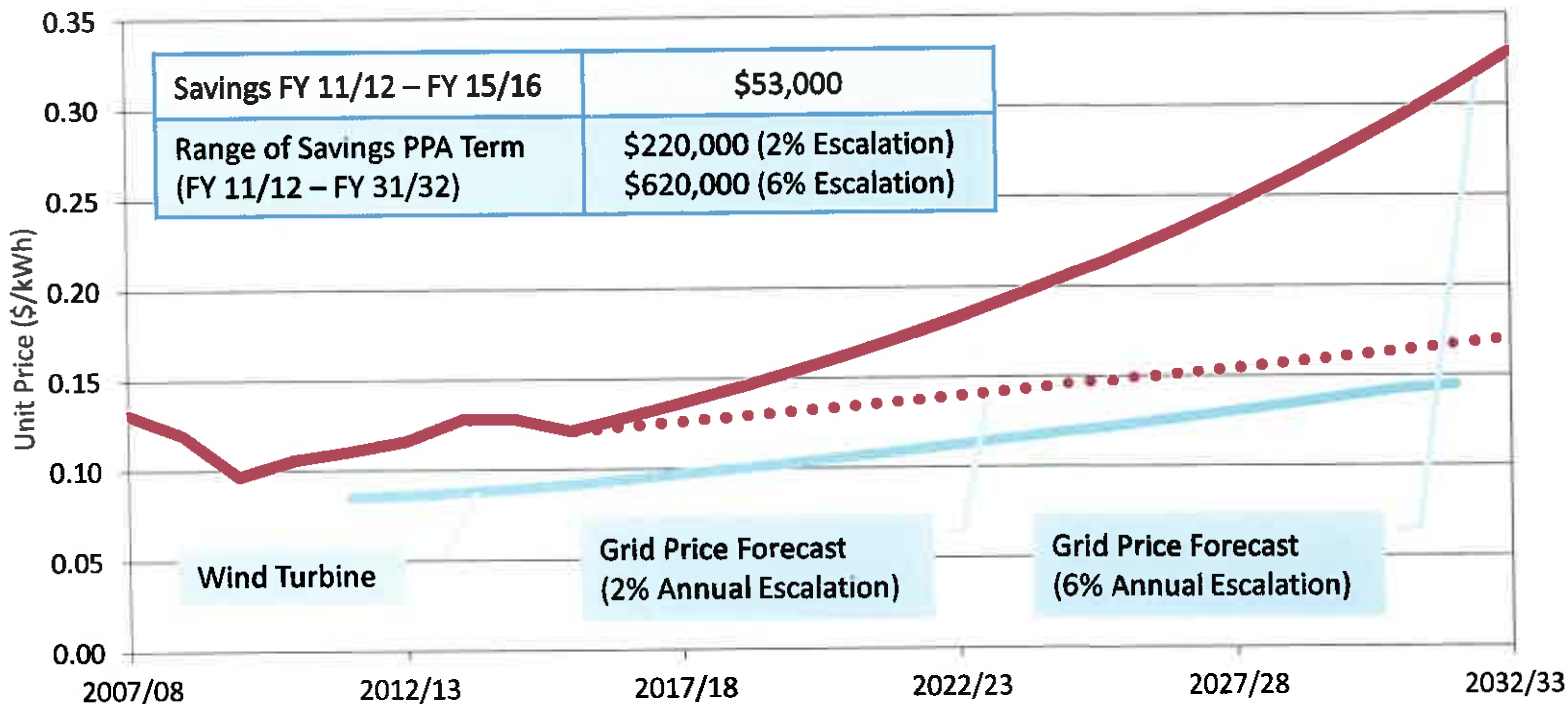
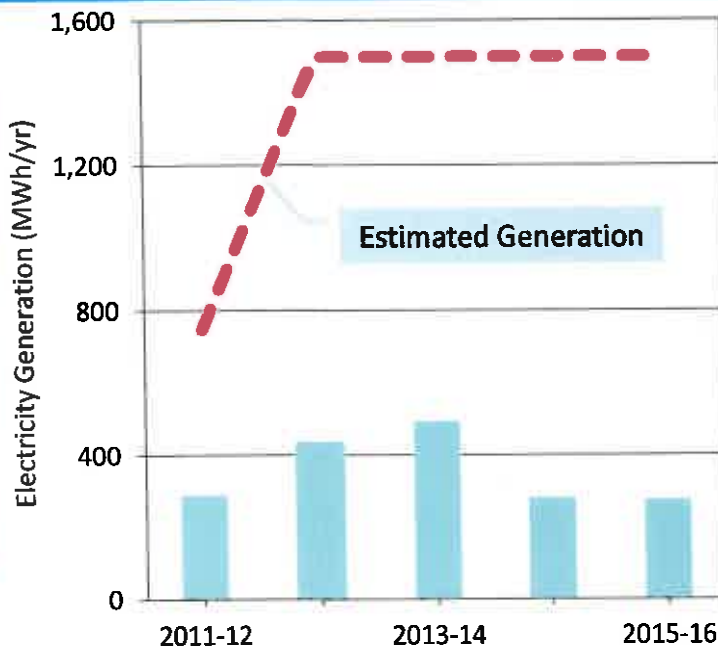
Commercial Operation Date: 12/2011

Power Purchase Agreement: Foundation Wind Power

PPA Rate: \$0.085/kWh (2011) - \$0.145/kWh (2031)

Wind Speed: 7 mph (100 kW) – 27 mph (1,000 kW)

Tower Height: 180 ft



Environmental Benefits Since 2011

Renewable Energy = 1,772 MWh

Equivalent to:

- Carbon sequestered by 512 acres of forest in one year.
- Removing 114 passenger vehicles from the road for one year.

Emissions Reductions (tons)

VOC = 0.02	CO = 0.14
NOx = 0.07	PM10 = 0.02
SOx = 0.01	CO2e = 541

Annual Energy Report

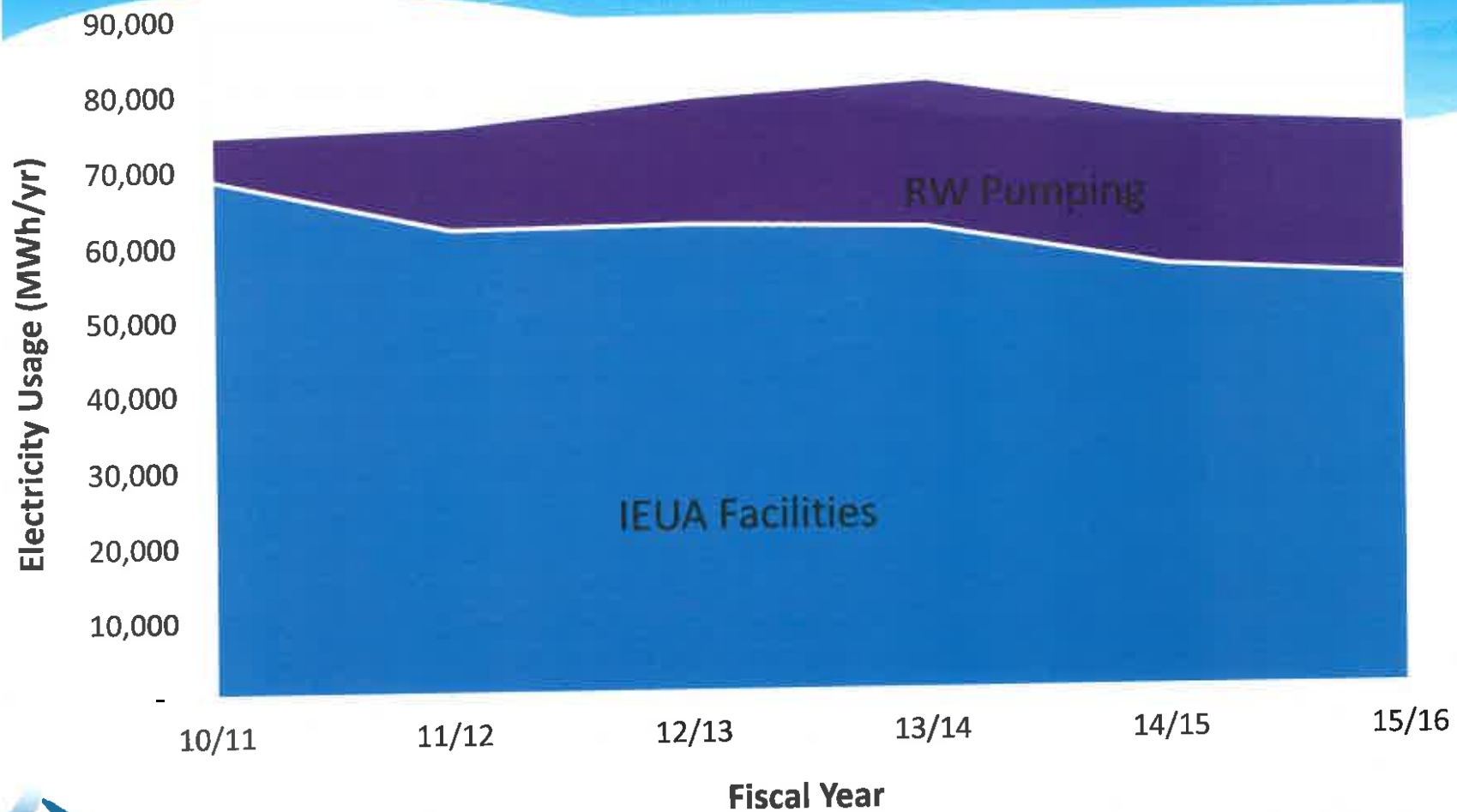


Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

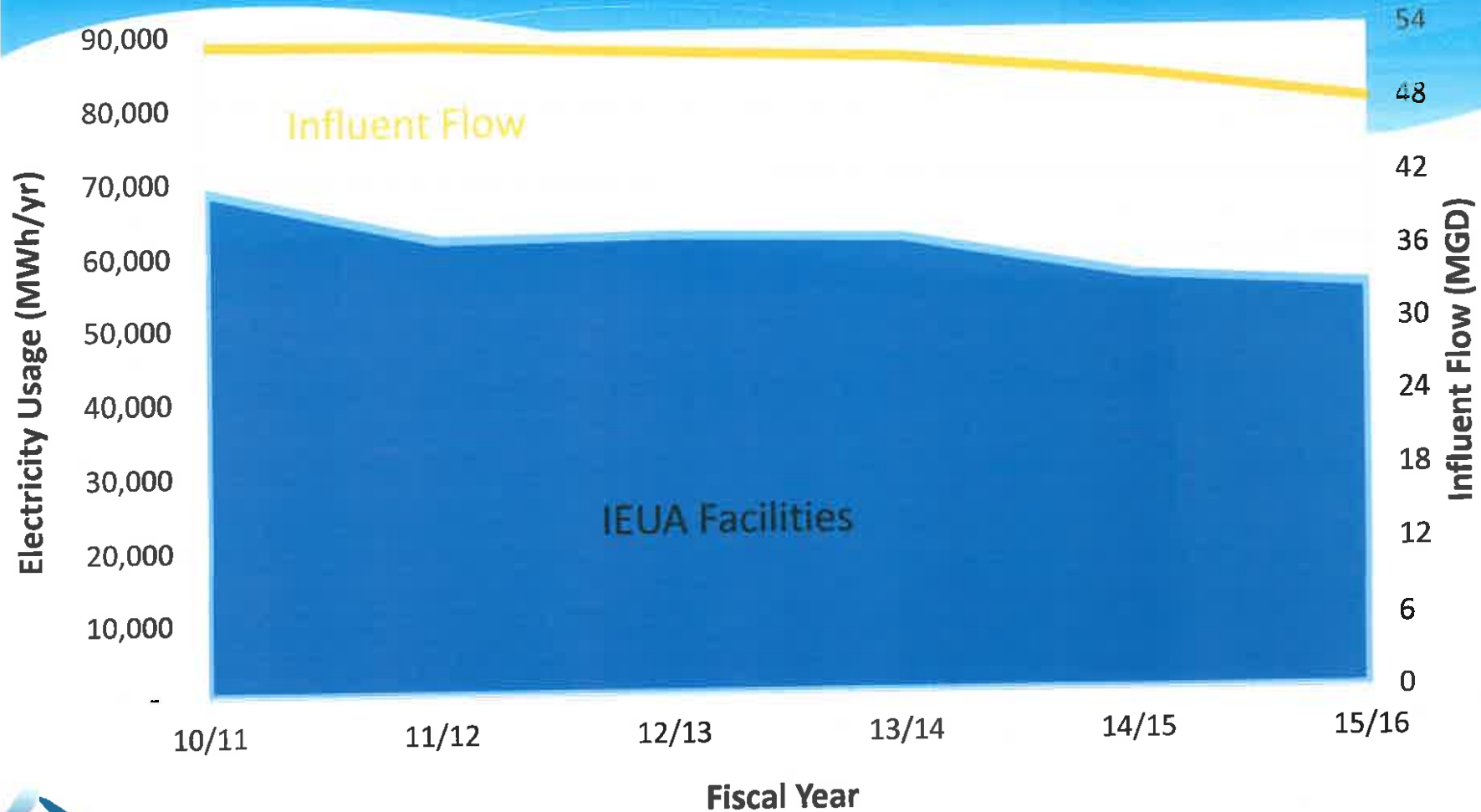
Pietro Cambiaso

IEUA Board of Directors Meeting
December 2016

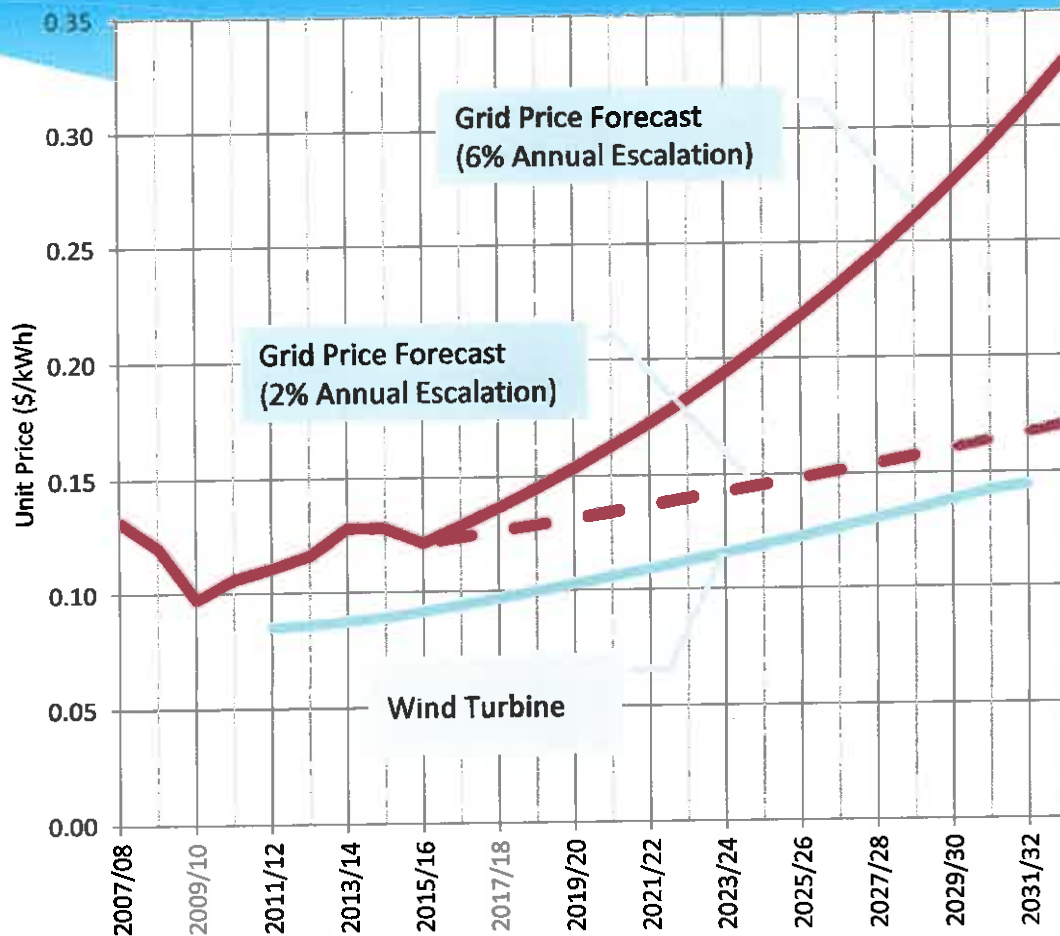
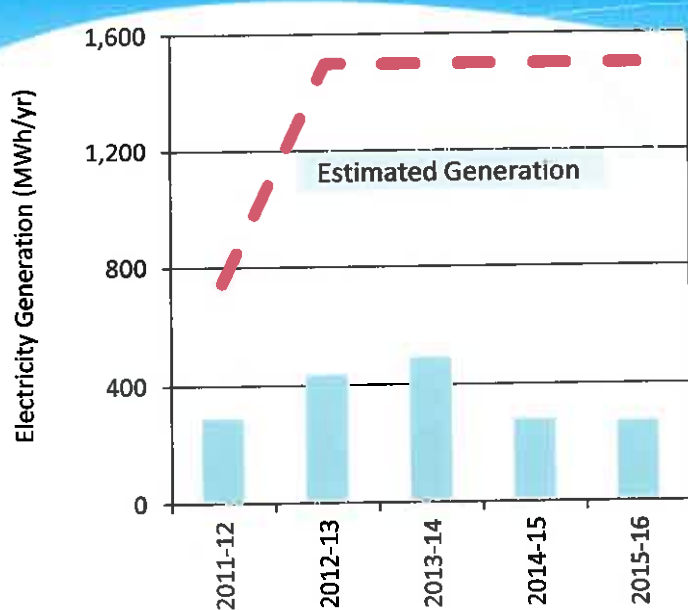
Electricity Usage



Electricity Usage

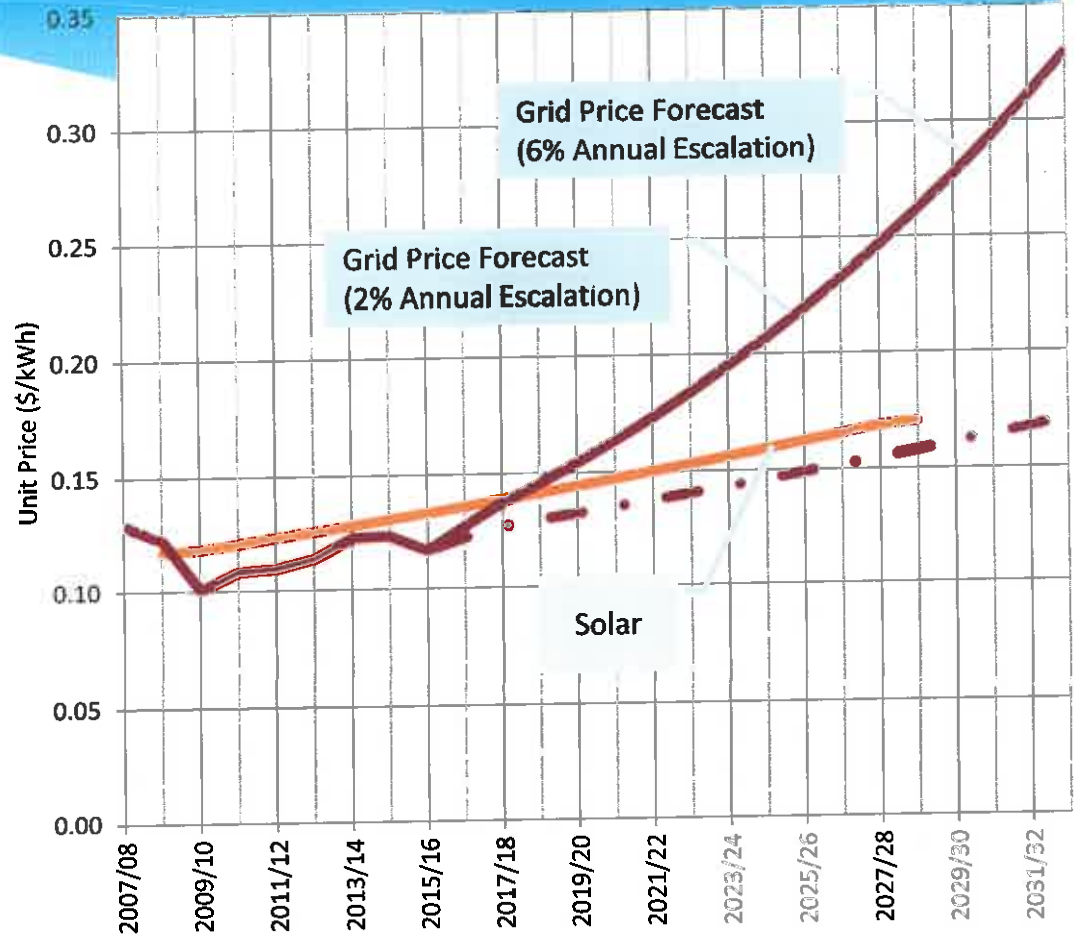
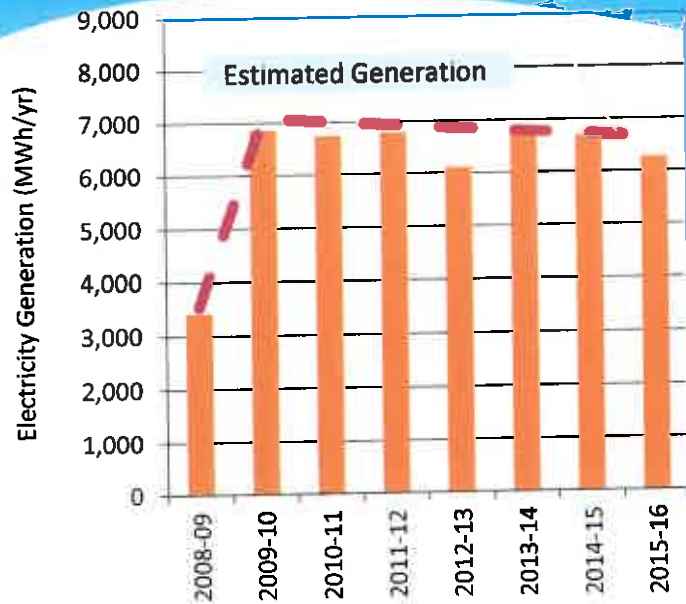


RP-4 Wind Turbine



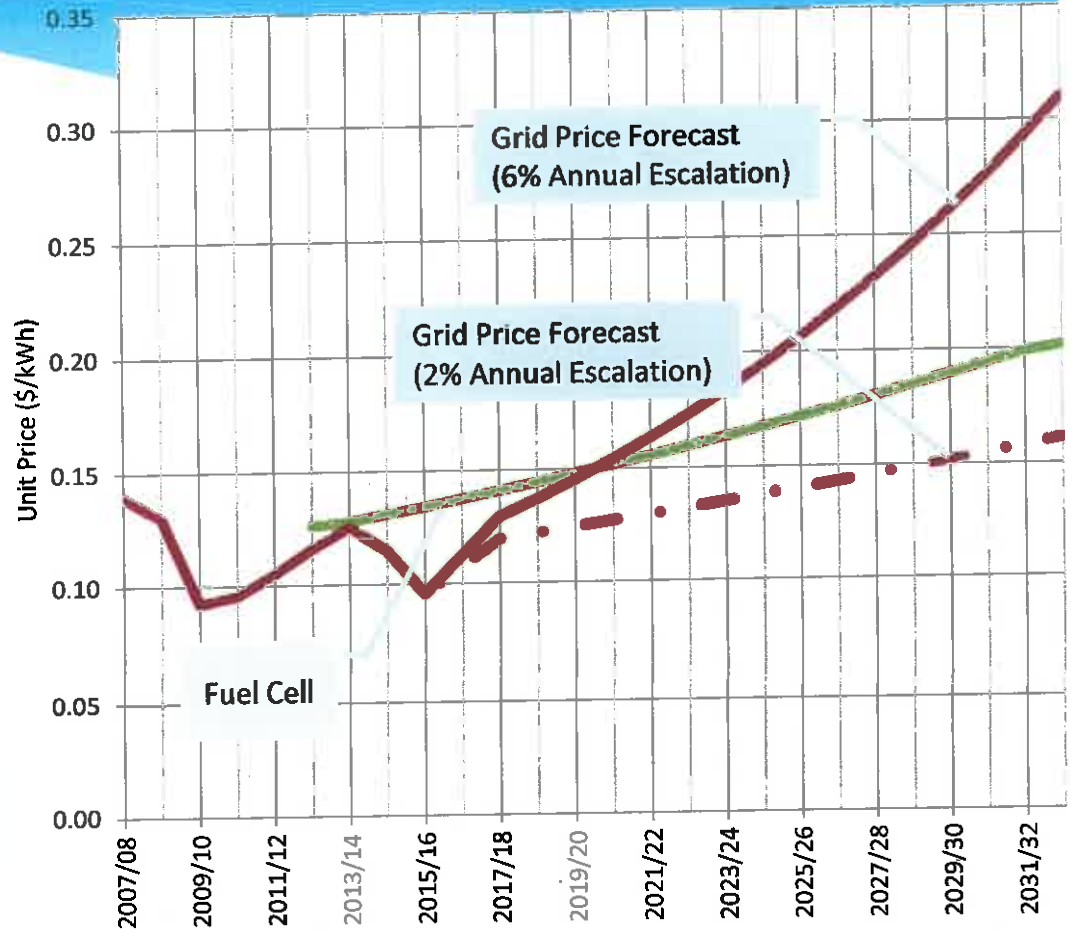
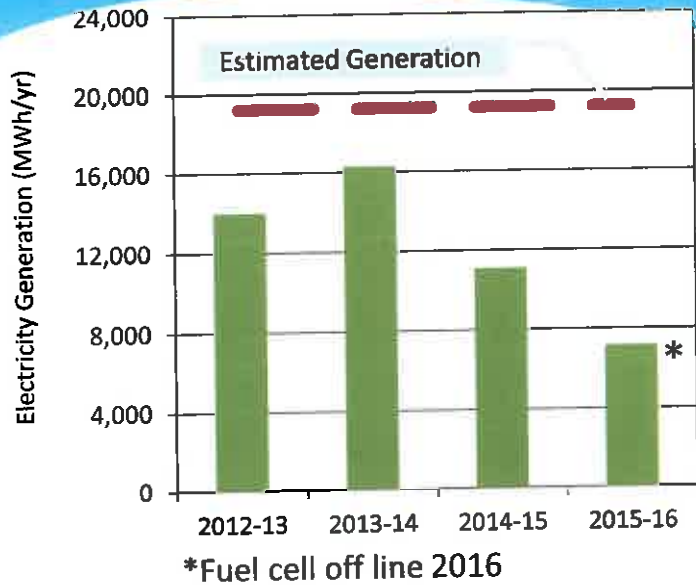
Savings FY 11/12 – FY 15/16	\$53,000
Range of Savings PPA Term (FY 11/12 – FY 31/32)	\$220,000 (2% Esc) \$620,000 (6% Esc)

IEUA Solar



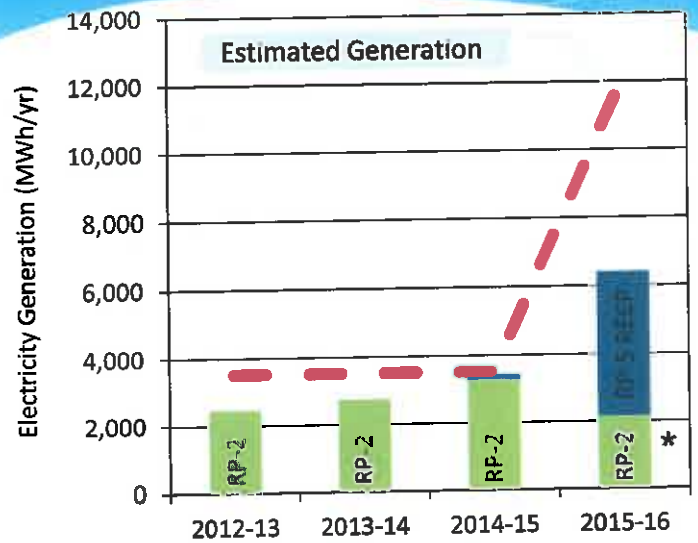
Savings FY 08/09 – FY 15/16	-\$550,000
Range of Savings PPA Term (FY 08/09 – FY 28/29)	-\$1,600,000 (2% Esc) \$2,460,000 (6% Esc)

RP-1 Fuel Cell

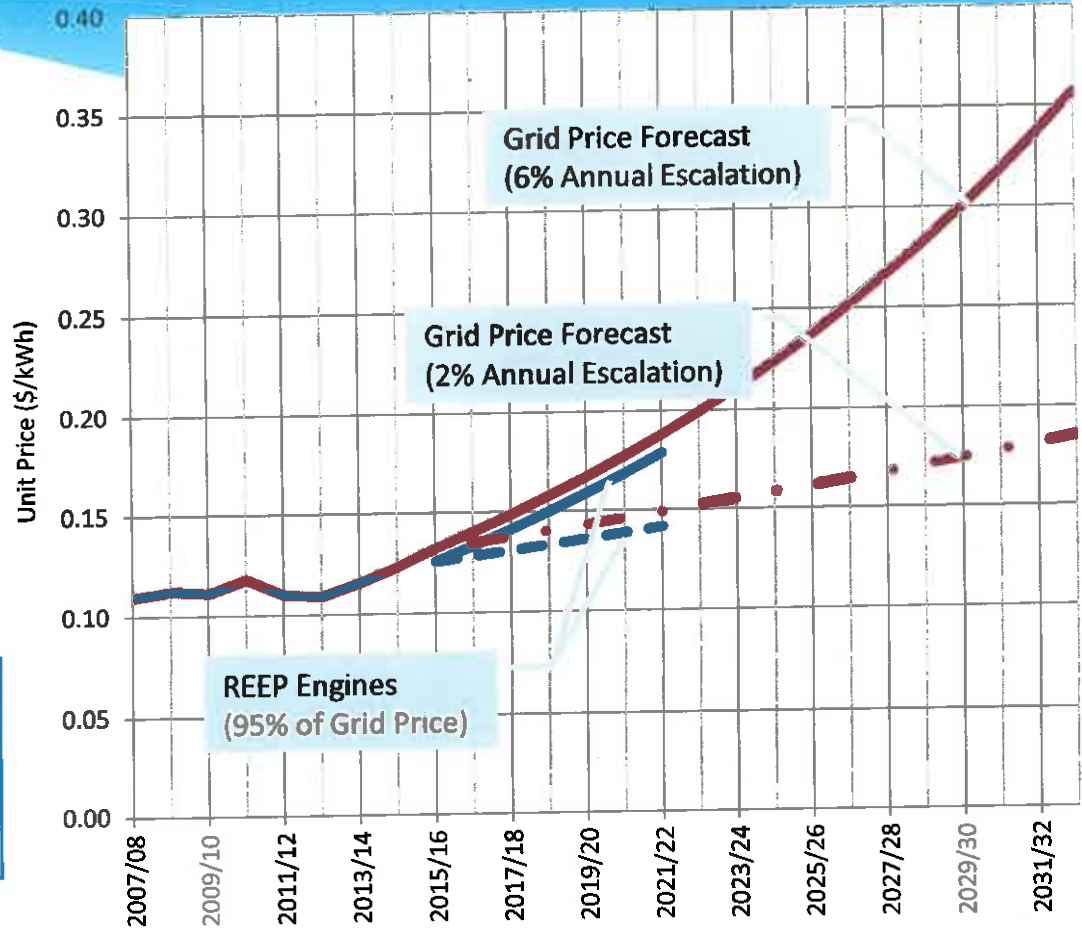


Savings FY 12/13 – FY 15/16	-\$620,000
Range of Savings PPA Term (FY 12/13 – FY 32/33)	-\$10,400,000 (2% Esc) \$9,400,000 (6% Esc)

Internal Combustion Engines



* RP-2 ICE currently off line (March 2016)



Savings FY 11/12 – FY 15/16	\$28,000
Range of Savings Lease Term (FY 11/12 – FY 21/22)	\$340,000 (2% Esc) \$400,000 (6% Esc)

Projects

■ Status

- * RP-2 engine off-line (03/2016)
- * Fuel cell off-line (07/2016)
- * Energy storage (2016/17)
- * Lighting retrofit (2016/17)
- * Pump efficiency (2016/17)
- * GHG Emissions Reporting
- * Oxygen transfer efficiency

■ Opportunities

- * IERCF rooftop solar
- * HQ carport solar
- * Energy demand management (UCR)
- * RP-2 microturbine
- * Beneficial use of biogas (PDR)
- * Organics initiative (PDR)
- * Energy contract negotiation

Next Steps: Energy Workshop (04/2017)

**INFORMATION
ITEM**

2T

Contracts and Facilities Services Lawn Conversion Improvements December 2016



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

Lucia Diaz
Facilities Program Supervisor

Improvement Overview

Facility	Sq. Footage of Turf Removed	Total Project Costs	Rebate Received	RW Reduction	AF Reduction
RP - 1	251,483	\$314,844	\$314,844	98%	27.6
RP - 5	221,337	\$361,549	\$261,999	85%	23.2
CCWFR	117,712	\$137,779	\$137,779	90%	13.78
IERCF	47,636	\$51,321	\$50,000	90%	5.15
Total	638,168	\$865,493	\$764,622		69.73

RP-1 Lawn Conversion Project



RP-5 Lawn Conversion Project



CCWRF Lawn Conversion Project



IERCF Lawn Conversion Project



**AGENCY
REPRESENTATIVES'
REPORTS**

4A



SAWPA

SANTA ANA WATERSHED PROJECT AUTHORITY
11615 Sterling Avenue, Riverside, California 92503 • (951) 354-4220

REGULAR COMMISSION MEETING TUESDAY, DECEMBER 20, 2016 – 9:30 A.M.

AGENDA

1. **CALL TO ORDER/PLEDGE OF ALLEGIANCE** (Thomas P. Evans, Chair)
2. **ROLL CALL**
3. **PUBLIC COMMENTS**
Members of the public may address the Commission on items within the jurisdiction of the Commission; however, no action may be taken on an item not appearing on the agenda unless the action is otherwise authorized by Government Code §54954.2(b).
4. **CONSENT CALENDAR**
All matters listed on the Consent Calendar are considered routine and non-controversial and will be acted upon by the Commission by one motion as listed below.
 - A. **APPROVAL OF MEETING MINUTES: DECEMBER 6, 2016**
Recommendation: Approve as posted.
 - B. **TREASURER'S REPORT – NOVEMBER 2016**
Recommendation: Approve as posted.
5. **INFORMATIONAL REPORTS**
Recommendation: Receive and file the following oral/written reports/updates.
 - A. **CASH TRANSACTIONS REPORT – OCTOBER 2016**
Presenter: Karen Williams
 - B. **INTER-FUND BORROWING – OCTOBER 2016 (CM#2016.109)**
Presenter: Karen Williams
 - C. **PERFORMANCE INDICATORS/FINANCIAL REPORTING – OCTOBER 2016 (CM#2016.110)**
Presenter: Karen Williams
 - D. **BUDGET VS. ACTUAL VARIANCE REPORT – FYE 2017 FIRST QUARTER – SEPTEMBER 30, 2016 (CM#2016.111)**
Presenter: Karen Williams
 - E. **FINANCIAL REPORT FOR THE FIRST QUARTER ENDING SEPTEMBER 30, 2016**
 - Inland Empire Brine Line (IEBL)
 - SAWPAPresenter: Karen Williams
 - F. **GENERAL MANAGER'S REPORT**

G. SAWPA GENERAL MANAGERS MEETING NOTES

- December 13, 2016

H. CHAIR'S COMMENTS/REPORT

I. COMMISSIONERS' COMMENTS

J. COMMISSIONERS' REQUEST FOR FUTURE AGENDA ITEMS

6. SPECIAL COMMENDATION – OUTGOING COMMISSIONER TERRY CATLIN

7. CLOSED SESSION

A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d)(1)

Name of Case: Spiniello Companies v. Charles King Company, Inc., Santa Ana Watershed Project Authority, The Ohio Casualty Insurance Company (Superior Court of Los Angeles BC616589)

8. NEW BUSINESS

A. REACH V REHABILITATION AND IMPROVEMENT PROJECT – PHASE I (CM#2016.107)

Presenter: David Ruhl

Recommendation: Find that the unfinished condition of the Reach V Rehabilitation and Improvement Project (the Project) after the termination for cause of the Project contractor continues to be an emergency that requires immediate action per the Commission's prior action on August 2, 2016.

9. ADJOURNMENT

PLEASE NOTE:

Americans with Disabilities Act: Meeting rooms are wheelchair accessible. If you require any special disability related accommodations to participate in this meeting, please contact (951) 354-4220 or kberry@sawpa.org. 48-hour notification prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility for this meeting. Requests should specify the nature of the disability and the type of accommodation requested.

Materials related to an item on this agenda submitted to the Commission after distribution of the agenda packet are available for public inspection during normal business hours at the SAWPA office, 11615 Sterling Avenue, Riverside, and available at www.sawpa.org, subject to staff's ability to post documents prior to the meeting.

Declaration of Posting

I, Kelly Berry, Clerk of the Board of the Santa Ana Watershed Project Authority declare that on Wednesday, December 14, 2016, a copy of this agenda has been uploaded to the SAWPA website at www.sawpa.org and posted in SAWPA's office at 11615 Sterling Avenue, Riverside, California.

/s/

Kelly Berry, CMC

2017 SAWPA Commission Meetings/Events

First and Third Tuesday of the Month

(NOTE: Unless otherwise noticed, all Commission Workshops/Meetings begin at 9:30 a.m. and are held at SAWPA.)

January 1/3/17 Commission Workshop 1/17/17 Regular Commission Meeting	February 2/7/17 Commission Workshop 2/21/17 Regular Commission Meeting
March 3/7/17 Commission Workshop 3/21/17 Regular Commission Meeting	April 4/4/17 Commission Workshop 4/18/17 Regular Commission Meeting
May 5/2/17 Commission Workshop 5/9 – 5/12/17 ACWA Spring Conference, Monterey 5/16/17 Regular Commission Meeting 5/25/17 OWOW Conference [Ontario Convention Center]	June 6/6/17 Commission Workshop 6/20/17 Regular Commission Meeting
July 7/4/17 No Meeting (Independence Day) 7/18/17 Regular Commission Meeting	August 8/1/17 Commission Workshop 8/15/17 Regular Commission Meeting
September 9/5/17 Commission Workshop 9/19/17 Regular Commission Meeting	October 10/3/17 Commission Workshop 10/17/17 Regular Commission Meeting
November 11/7/17 Commission Workshop 11/21/17 Regular Commission Meeting 11/28 – 12/1/17 ACWA Fall Conference, Anaheim	December 12/5/17 Commission Workshop 12/19/17 Regular Commission Meeting

**AGENCY
REPRESENTATIVES'
REPORTS**

4B



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

MWD MEETING AGENDA

Board Meeting - Revised Agenda Meeting with Board of Directors

December 13, 2016

12:00 p.m. – Board Room

MWD Headquarters Building

700 N. Alameda Street

Los Angeles, CA 90012

1. Call to Order

(a) Invocation: Mike McReynolds, Team Manager VII,
Engineering Services Group

(b) Pledge of Allegiance: Director Jesús E. Quiñonez

2. Roll Call

3. Determination of a Quorum

4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code § 54954.3(a))

5. OTHER MATTERS

A. Approval of the Minutes of the Meeting for November 8, 2016. (A copy has been mailed to each Director) Any additions, corrections, or omissions

Draft Minutes

B. Report on Directors' events attended at Metropolitan expense for month of November

C. Approve committee chair and vice chair assignments

D. Chairman's Monthly Activity Report

6. DEPARTMENT HEADS' REPORTS

A. General Manager's summary of Metropolitan's activities for the month of November

6A Report

B. General Counsel's summary of Legal Department activities for the month of November

6B Report

C. General Auditor's summary of activities for the month of November

6C Report

Management's Response

D. Ethics Officer's summary of activities for the month of November

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1 Adopt CEQA determination and appropriate \$1.65 million; award \$1,092,092 contract to Kaveh Engineering & Construction, Inc. for seismic upgrades to structures on the Allen-McColloch Pipeline; and authorize seismic upgrades at Carbon Creek Pressure Control Structure (Approps. 15441 and 15458). (E&O)

7-1 Board Letter and Attachments

7-1 Presentation

- 7-2 Adopt CEQA determination and appropriate \$1.57 million; award \$599,730 procurement contract to Integrated 8(a) Solutions, Inc. for two fixed cone valves; and authorize preliminary design to improve access at Copper Basin and Gene Wash Reservoirs (Approp.15373). (E&O)

7-2 Board Letter and Attachments

7-2 Presentation

- 7-3 Adopt CEQA determination and appropriate \$250,000; and authorize preliminary design of upgrades to the Lake Mathews Disaster Recovery Facility (Approp. 15376). (E&O)

7-3 Board Letter and Attachments

7-3 Presentation

- 7-4 Adopt CEQA determination and authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Westside Area Water Recycling Project. (WP&S)

7-4 Board Letter and Attachments

7-4 through 7-7 Presentation

- 7-5 Adopt CEQA determination and authorize entering into a Local Resources Program agreement with Los Angeles Department of Water and Power for the Terminal Island Recycled Water Expansion Project. (WP&S)

7-5 Board Letter and Attachments

- 7-6 Adopt CEQA determination and authorize entering into a Local Resources Program agreement with the Municipal Water District of Orange County and the El Toro Water District for El Toro Recycled Water System Expansion Phase II Project. (WP&S)

7-6 Board Letter and Attachments

- 7-7 Adopt CEQA determination and authorize entering into a Local Resources Program agreement with the Municipal Water District of Orange County and the Santa Margarita Water District for Lake Mission Viejo Advanced Purification Water Treatment Facilities. (WP&S)

7-7 Board Letter and Attachments

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

- 8-1 Adopt CEQA determination and appropriate \$2.16 million; award \$1.496 million procurement contract to EMC Corp. for data storage equipment; and authorize a storage system upgrade for Metropolitan's datacenter (Approp. 15487). (OP&T)

8-1 Board Letter and Attachment

8-1 Presentation

- 8-2 Adopt CEQA determination, appropriate \$1.54 million and authorize implementation of Information Technology Cyber Security Upgrades (Approp. 15378). (OP&T) [Any discussions of threats to public services or facilities to be heard in closed session pursuant to Gov. Code Section 54957(a). Consultation with Metropolitan's security operations manager]

- 8-3 Adopt CEQA determination and appropriate \$6.2 million; award \$594,384 procurement contract to Royal Wholesale Electric; and authorize: (1) completion activities for the Oxidation Retrofit Program at the Weymouth plant; (2) upgrade of the ozone control system at the Jensen plant; and (3) increase of \$788,000 to an agreement with Suez Treatment Solutions, for a new not-to-exceed total of \$1,695,000 (Approps. 15392 and 15486). (E&O)

8-3 Board Letter and Attachments

8-3 Presentation

- 8-4 Adopt CEQA determination and authorize the execution of the Operation, Maintenance, Replacement (OM&R), Ownership and Interconnections at Mead Substation Agreement between the Western Area Power Administration and Metropolitan for a term of 50 years. (E&O)

8-4 Board Letter and Attachment

8-4 Presentation

- 8-5 Adopt CEQA determination and authorize (1) renewal of the Municipal Water Quality Investigations Agreement between Department of Water Resources, the State Water Project Contractors Authority and participating urban State Water Project Contractors; and (2) renewal of the Municipal Water Quality Investigations Program Specific Project Agreement between members of the State Water Project Contractors Authority. (WP&S)

8-5 Board Letter and Attachment

8-5 Presentation

- 8-6 Adopt CEQA determination and adopt Second Supplemental Subordinate Resolution to the Master Subordinate Resolution authorizing the issuance of up to \$175 million of Subordinate Water Revenue Bonds, 2016 Authorization, and provide for transaction documents. (F&I)

8-6 Board Letter and Attachment

8-6 Presentation

- 8-7 Adopt CEQA determination and adopt Legislative Priorities for 2017/18. (C&L)

8-7 Board Letter

8-7 Presentation

- 8-8 Adopt CEQA determination and authorize leases for Cox and Wegis, Desert Milling, Inc., HayDay Farms, Inc., and Joey Deconinck Farms. (RP&AM) [Conference with real property negotiators; agency negotiators: Karen Donovan and Tim Blair; negotiating parties: Cox and Wegis, Desert Milling, Inc., HayDay Farms, Inc., Joey Deconinck Farms; for approximately 12,000 acres of land in the Palo Verde Valley, both north and south of Interstate 10, in Riverside County, California, also known as Riverside County Assessor's Parcel Nos. 821100018, 821100019, 821150018, 821160012, 821160013, 824200009, 824200014, 824200016, 824200020, 863140002, 863140004, 863150001, 863170005, 863170006, 863180003, 863180004, 863180005, 863220005, 866040004, 866080001, 866080002, 866080003, 866080005, 866080012, 866090002, 866090009, 866090010, 866090013, 866090014, 872150005, 872160006, 872160007, 872160008, 872160009, 872180009, 878020004, 878030009, 878030016, 878091001, 878091005, 878091006, 878091014, 815302008, 815310013, 815320007, 827190003, 827190004, 827190010, 833030012, 833050007, 833050008, 833050010, 833050012, 833050014, 833060001, 833060004, 833060018, 833060024, 833060025, 833060026, 833060027, 833100005, 833100007, 833100011, 833100012, 833100016, 833100017, 815190007, 815190012, 815190014, 815200007, 815200011, 827061004, 827061005, 827062006, 827062007, 827062008, 827062016, 827062017, 827071002, 827080004, 827080008, 827080027, 827080028, 830210009, 830210010, 830230006, 833140005, 833210013, 833210017, 833220002, 833220003, 833220004, 833230001, 833230002, 833270003, 833280002, 866130001, 866130002, 866130003, 866130004, 866240004, 866240009, 866250008, 866250009, 866250011, 869130001, 869270006, 869270010, 869291002, 869291003, 869291005, 869291009, 869292001, 869292002, 869292003, 875021001, 875021002, 875021006, 875021007, 875021008, 875021013, 875021014, 875022003, 875022004, 875022005, 875022006, 875022012, 875030014, 875030027, 875030028, 875040006, 875071001, 875071002, 875071003, 875071004, 875071005, 875071006, 875071007, 875071012, 875071013, 875071014, 875071015, 866210006, 866210010, 872080006, 872080007, 872080008, 872090005, 872090006, 872090007, 872090008, 872100001, 872100013, 872340014, 872340018, 872352003, 872352010, 872352017, 872360001, 872360003, 872370002, 872370008, 872370013, 872370014, 872370016, 872370018, 875131009, 875131010, 875171001, 875171002, 878060002, 878070001, 875250010, 878040008, 878050003, 878050004, 878050005, 878050006, 878050010, 878050011, 878050012, 878050013, 878092003, 878092016, 878092017, 878092018, 878101004, 878101005, 878151004, 878151005, 878152003, 878152031, 878202003, 878202005, 878240009, 878240010, 878240011, 878240012, 833210006, 833210012, 833260001, 833260003, 833260004, 833260005, 833270004, 833270005; under negotiation: price and terms of payment; to be heard in closed session pursuant to Gov. Code Section 54956.8]

Map of Lessees

- 8-9 Adopt CEQA determination and authorize contract for special disclosure counsel services with Norton Rose Fulbright US LLP, for the period ending February 28, 2020. (L&C) (Added)

8-9 Board Letter

8-9 Presentation

9. BOARD INFORMATION ITEMS

None

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

REVISED: Date of Notice: December 6, 2016

NOTE: At the discretion of the committee, all items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the committee.

This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

**AGENCY
REPRESENTATIVES'
REPORTS**

4C



Regional Sewerage Program Policy Committee Meeting

AGENDA

Tuesday, December 6, 2016

9:00 a.m.

Location

Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91710

Call to Order and Roll Call

Pledge of Allegiance

Public Comment

1. Informational Items

A. 2008A Revenue Bond Refinancing

DECLARATION OF POSTING

I, Laura Mantilla, Executive Assistant of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, December 1, 2016.

Laura Mantilla

**AGENCY
REPRESENTATIVES'
REPORTS**

4D

**CHINO BASIN WATERMASTER
ADVISORY COMMITTEE MEETING**

9:00 a.m. – November 17, 2016

WITH

Ms. Rosemary Hoerning, Chair

Mr. Brian Geye, Vice-Chair

At The Offices Of

Chino Basin Watermaster

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

AGENDA

CALL TO ORDER

AGENDA - ADDITIONS/REORDER

I. CONSENT CALENDAR

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

A. MINUTES

1. Minutes of the Advisory Committee Meeting held October 20, 2016 *(Page 1)*

B. FINANCIAL REPORTS

1. Cash Disbursements for the month of September 2016 *(Page 9)*
2. Watermaster VISA Check Detail for the month of September 2016 *(Page 23)*
3. Combining Schedule for the Period July 1, 2016 through September 30, 2016 *(Page 27)*
4. Treasurer's Report of Financial Affairs for the Period September 1, 2016 through September 30, 2016 *(Page 31)*
5. Budget vs. Actual Report for the Period July 1, 2016 through September 30, 2016 *(Page 35)*

C. ANNUAL FINDING OF SUBSTANTIAL COMPLIANCE WITH THE RECHARGE MASTER PLAN *(Page 53)*

Recommend to the Watermaster Board to adopt the finding that Watermaster is in substantial compliance with the Recharge Master Plan.

D. CHINO BASIN WATERMASTER 38TH ANNUAL REPORT *(Page 61)*

Recommend to the Watermaster Board to adopt the 38th Annual Report, along with filing a copy with the Court, subject to any necessary non-substantive changes.

II. BUSINESS ITEMS**A. USE OF SB 222 FUNDS IN FISCAL YEAR 2016/17 (Page 63)**

Provide direction to staff to use the SB 222 Funds of \$158,251 to pay for studies and investigations that aid in implementing the OBMP, and find that the proposed use is consistent with the original intent of the legislation.

B. CHINO BASIN WATERMASTER FISCAL YEAR 2016/2017 ASSESSMENT PACKAGE (Page 75)

Approve the Fiscal Year 2016/17 Assessment Package as presented, including no credit for Stormwater New Yield and postponing the assessment of Desalter Replenishment Obligation.

C. RESOLUTION TO LEVY REPLENISHMENT AND ADMINISTRATIVE ASSESSMENTS FOR FISCAL YEAR 2016/17 (Page 79)

Review Resolution 2016-09 as presented, and offer advice to Watermaster.

D. 2013 RMPU AMENDMENT – PROPOSED YIELD ENHANCEMENT PROJECTS (Page 85)

Approve the “Post-2014 Stormwater Recharge Program” as presented.

E. SUPPLEMENTAL WATER RECHARGE REVISED FORMS (Page 89)

Approve the revised Form 2 and its use instead of the existing Form 2.

F. CALENDAR YEAR 2017 ADVISORY COMMITTEE VOLUME VOTE (Page 113)

Approve the Calendar Year 2017 Advisory Committee Volume Vote as presented subject to Board approval of the 2016/17 Assessment Package.

III. REPORTS/UPDATES**A. LEGAL COUNSEL REPORT**

1. Responses to Questions for Clarification of Safe Yield Reset Tentative Orders
2. December 9, 2016 Court Hearing re Physical Solution Transfer Rate Substitution
3. Submittal of 2015 Ground-Level Monitoring Committee Annual Report
4. Alvarez CalPERS Appeal

B. ENGINEER REPORT

1. Prado Basin Habitat Sustainability Committee
2. Ground-Level Monitoring Committee
3. RMPU Project Support and MPI Analysis
4. Basin Monitoring Program Task Force

C. CFO REPORT

1. Fiscal Year 2016/17 Assessment Invoicing
2. Option to Purchase Desalter Replenishment Obligation

D. GM REPORT

1. FY 2015/16 Replenishment Water Order
2. Other

E. INLAND EMPIRE UTILITIES AGENCY

1. MWD Update (Page 123)
2. State and Federal Legislative Reports (Page 129)
3. Public Outreach and Communication Report (Page 142)

F. OTHER METROPOLITAN MEMBER AGENCY REPORTS

IV. INFORMATION

1. Cash Disbursements for October 2016 (*Page 148*)

V. COMMITTEE MEMBER COMMENTS

VI. OTHER BUSINESS

VII. CONFIDENTIAL SESSION - POSSIBLE ACTION

Pursuant to the Advisory Committee Pool Rules & Regulations, a Confidential Session may be held during the Watermaster Pool meeting for the purpose of discussion and possible action.

VIII. FUTURE MEETINGS AT WATERMASTER

11/15/16	Tue	9:00 a.m.	Groundwater Recharge Coordinating Committee (GRCC)
11/17/16	Thu	8:00 a.m.	Appropriative Pool Strategic Planning (Confidential Session Only)
11/17/16	Thu	9:00 a.m.	Advisory Committee Meeting
11/17/16	Thu	9:30 a.m.	Recharge Investigations and Projects Committee (RIPCom) CANCELLED
11/17/16	Thu	11:00 a.m.	Watermaster Board Meeting (Rescheduled from 11/24/16)
12/01/16	Thu	10:30 a.m.	Ground-Level Monitoring Committee Meeting


NOTE: There will be no regularly scheduled meetings at Watermaster in December 2016.

ADJOURNMENT

**GENERAL
MANAGER'S
REPORT**

Date: December 21, 2016

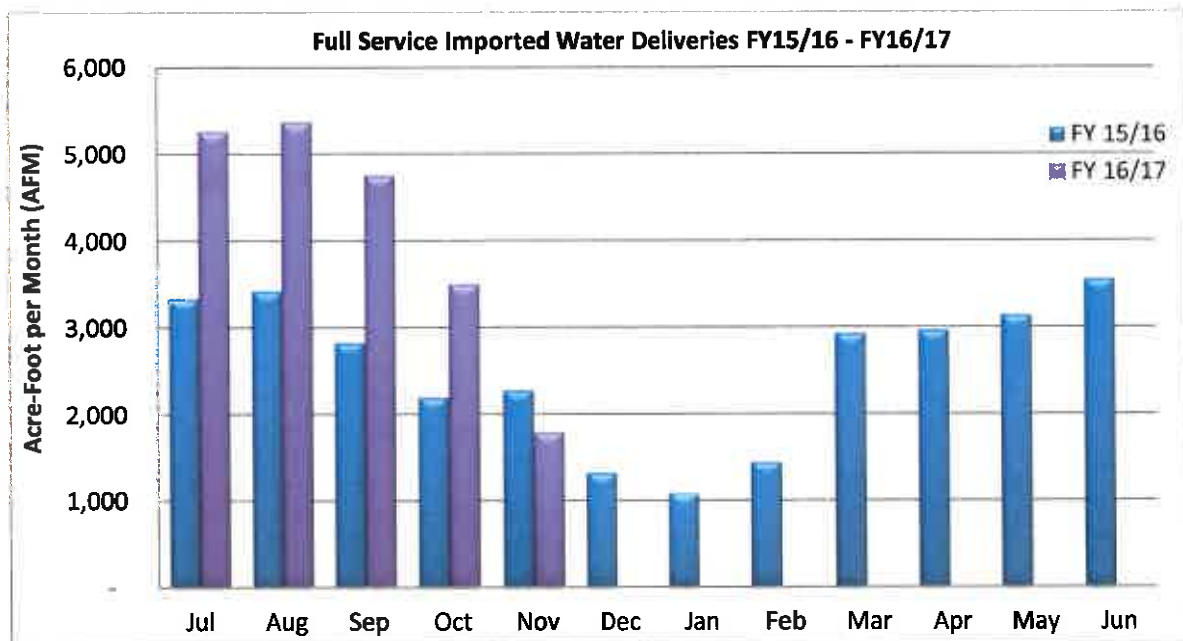
To: The Honorable Board of Directors

From: P. Joseph Grindstaff, General Manager 

Subject: General Manager's Report Regarding Agency Activities

PLANNING & ENVIRONMENTAL RESOURCES

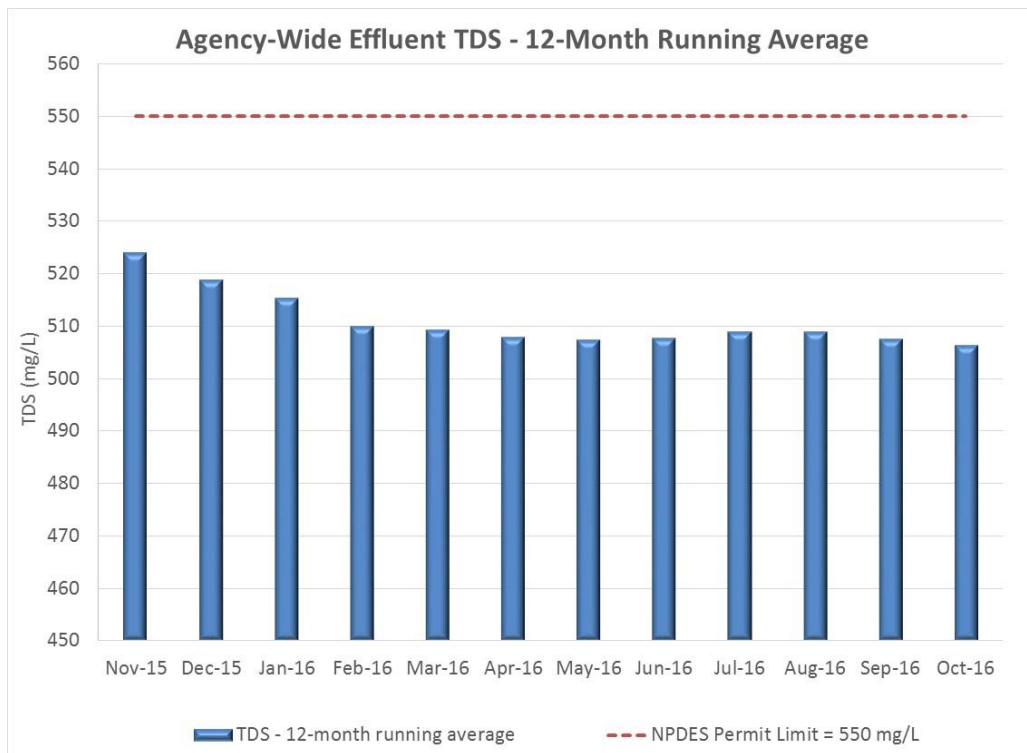
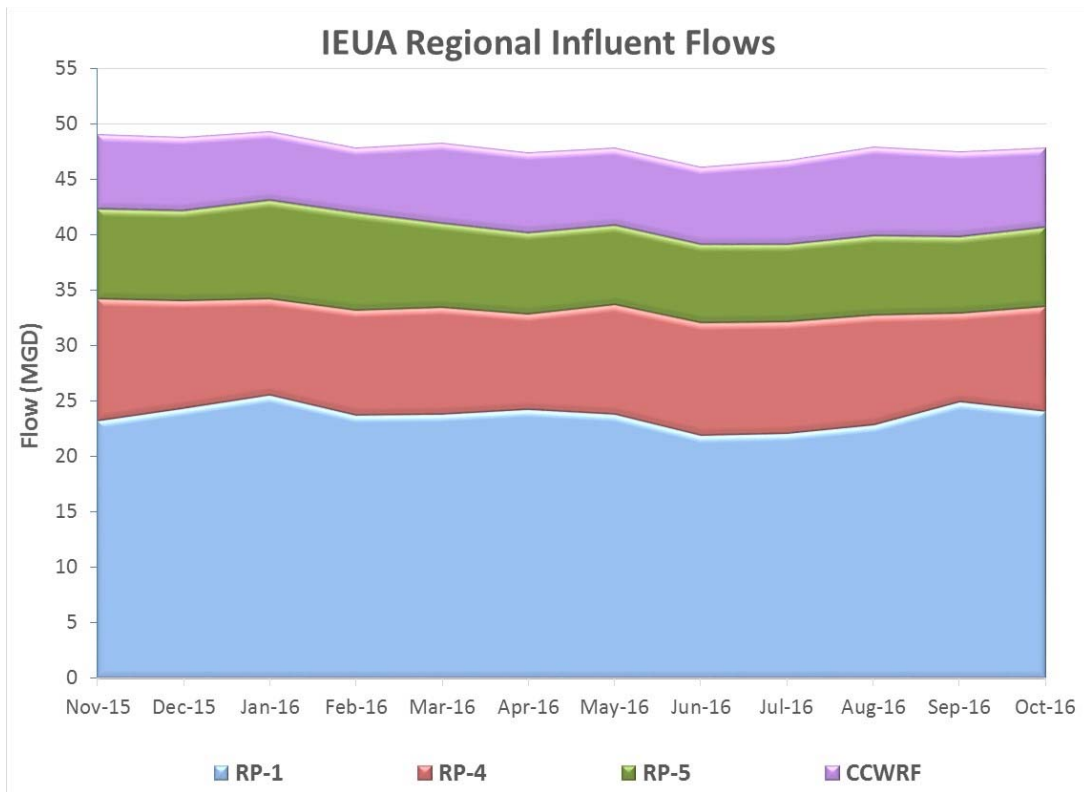
For FY16/17, the full service imported water deliveries for the month of November were lower compared to FY15/16.



The Agency-wide average influent flow for the month of October 2016 was 47.9 million gallons per day (mgd), which is a 0.4 mgd increase from the September 2016 total influent flow.

The discharge permit effluent limit for total inorganic nitrogen (TIN) is 8 mg/L. The 12-month running average TIN value for October 2016 was 6.1 mg/L.

The discharge permit effluent limit for total dissolved solids (TDS) is 550 mg/L. The 12-month running average TDS value for October 2016 was 506 mg/L.



Engine #2 at RP-5 resulted in excess NOx emissions on November 9th and 19th.

IERCF UPDATE

Operational Comments – Facility throughput for November averaged approximately 99% of permitted capacity at an average of 415 tons per day of biosolids and 175 tons per day of amendments (based on a 30-day month). The facility is operating well with no violations or lost time incidents.

Facility Biosolids Throughput

POTW	WET TONS MONTH	WET TONS YEAR TO DATE
LACSD	6,508.93	76,117.31
IEUA	4,896.55	55,916.29
OCSD	1,048.58	3,772.18
TOTAL	12,454.06	135,805.78

Compost Sales –Sales in November were greater than last year due to an increase in AG demand and an expansion of the sales area. Riverside County issued permits to IERCA authorizing the land application of compost to farms in the county significantly increasing our sales options in the area. IERCA is the first biosolids compost producer to receive the formal authorization and has operated with no issues or complaints. Strong sales are expected to continue through December. Compost inventory in the storage facility is 6,200.00 cubic yards of finished material.

Monthly Sales Summary

PRODUCT	CUBIC YARDS	AVERAGE PRICE PER CUBIC YARD	TOTAL REVENUE
Premium	20,650.40	\$1.22	\$25,217.01
Base	16,095.85	\$0.08	\$1,235.11
TOTAL	36,746.25	\$0.72	\$26,452.12

Fiscal Year-To-Date Sales Summary

MONTH	TOTAL YARDS 2016/2017	TOTAL YARDS 2015/2016	TOTAL REVENUE 2016/2017	TOTAL REVENUE 2015/2016
July	14,898.82	21,389.25	\$27,554.05	\$34,657.16
August	13,973.73	16,919.04	\$32,185.36	\$30,461.07
September	28,277.42	16,750.02	\$25,161.07	\$24,655.71
October	33,118.70	27,394.30	\$30,402.44	\$33,401.74
November	36,746.25	29,056.62	\$26,452.12	\$25,280.90
TOTAL	127,014.92	111,509.23	\$141,755.04	\$148,456.58
AVERAGE	25,402.98	22,301.85	\$28,351.01	\$29,691.32

Groundwater Recharge – October 2016

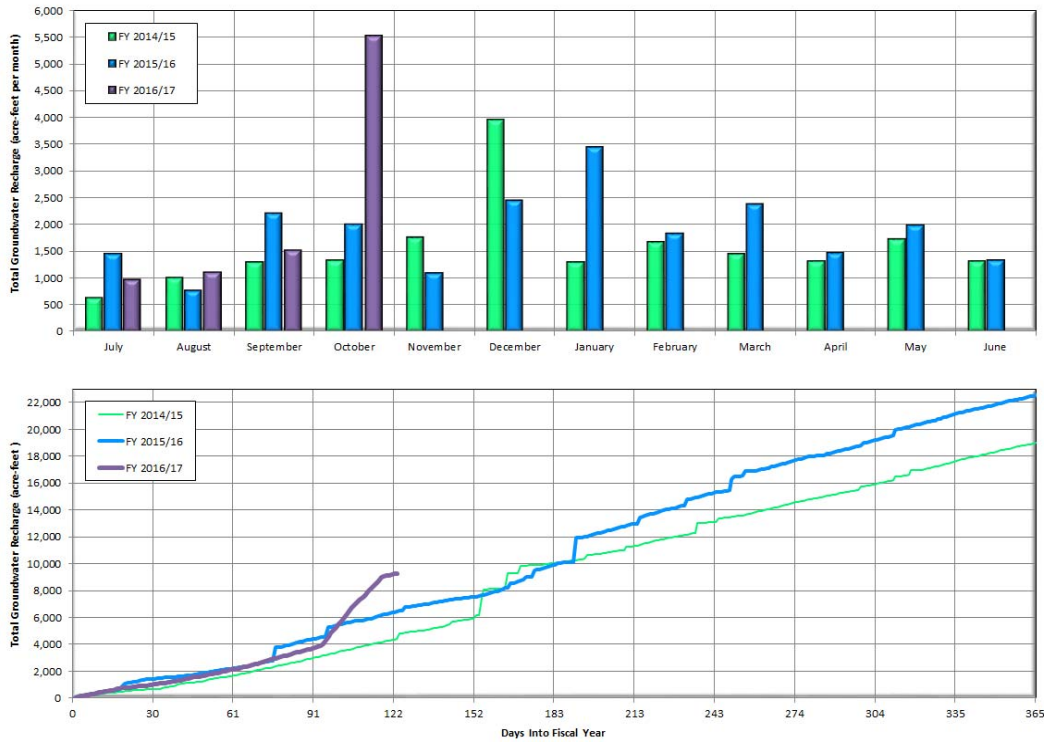
During October 2016, recycled water recharge totaled 1,340 acre-feet (AF). The CBWM order of 4,156 AF of imported water was completed. The capture of dry weather creek flows totaled 32 AF. There was a two-day rain event in October in which 370 AF of storm water was captured.

Groundwater Recharge – November 2016 (preliminary)

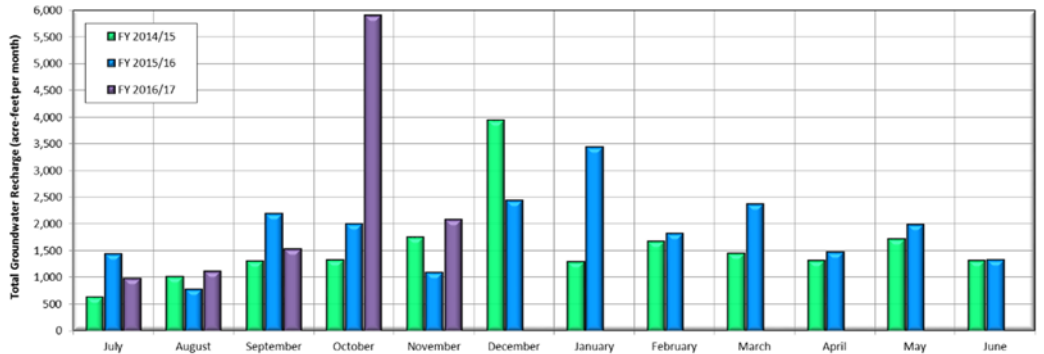
During November 2016, recycled water recharge totaled 1,452 AF. During the draining of the Rialto pipeline, 40 AF of imported water enter the basins and was recharged. There were two rain events in October in which 549 AF of storm water was captured. The capture of dry weather creek flows totaled 49 AF.

Monthly summaries of recharge by recharge site for the Chino Basin Groundwater Recharge Operations can be found at <http://www.ieua.org/category/reports/groundwater-recharge-reports>.

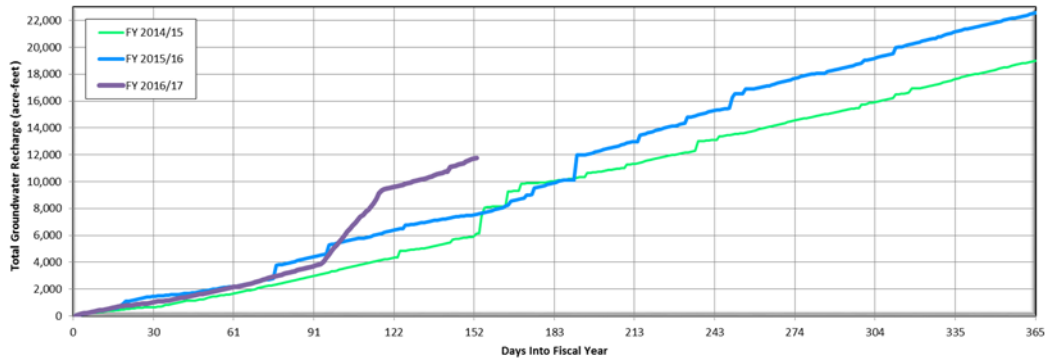
Total Groundwater Recharge – November 2016



Recycled Water Delivered to Groundwater Recharge – November 2016



Recycled Water Delivered to Groundwater Recharge – November 2016 (continued)

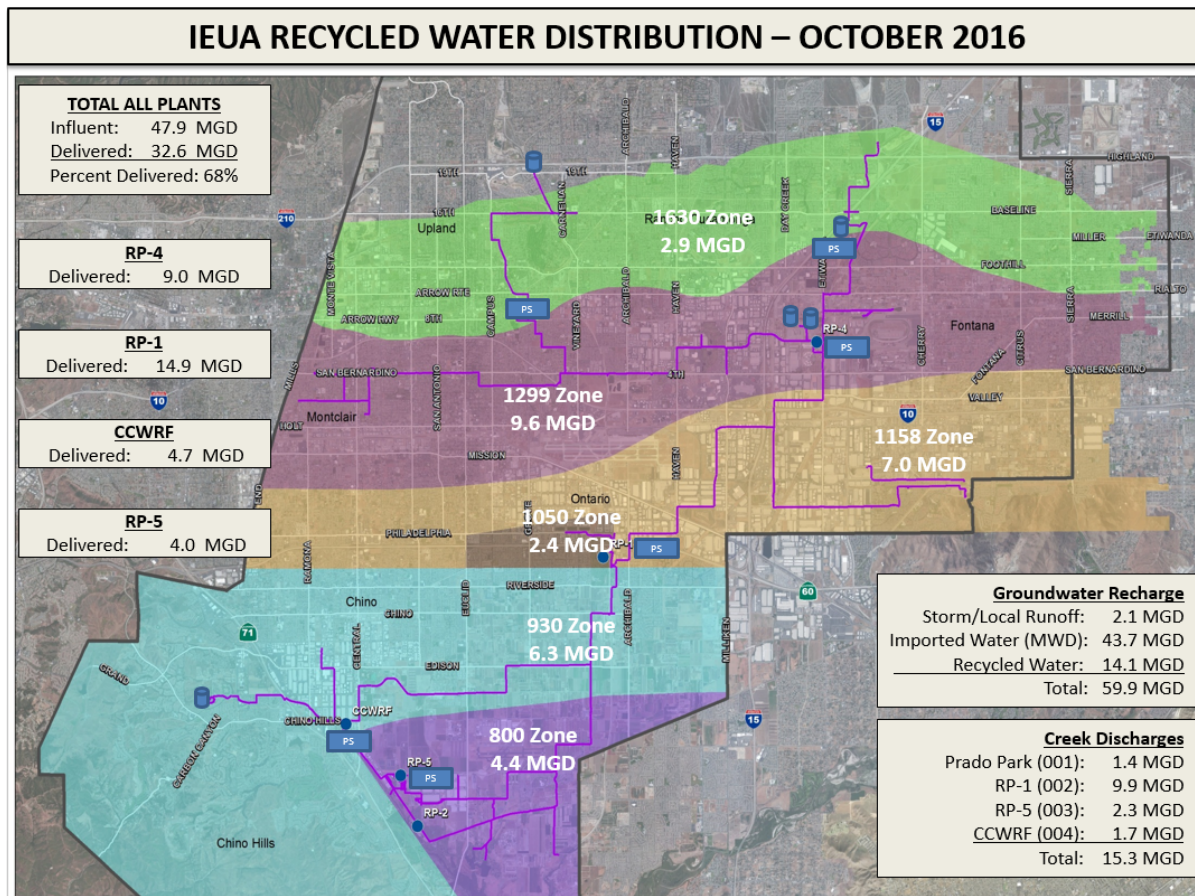


RW Distribution – October 2016

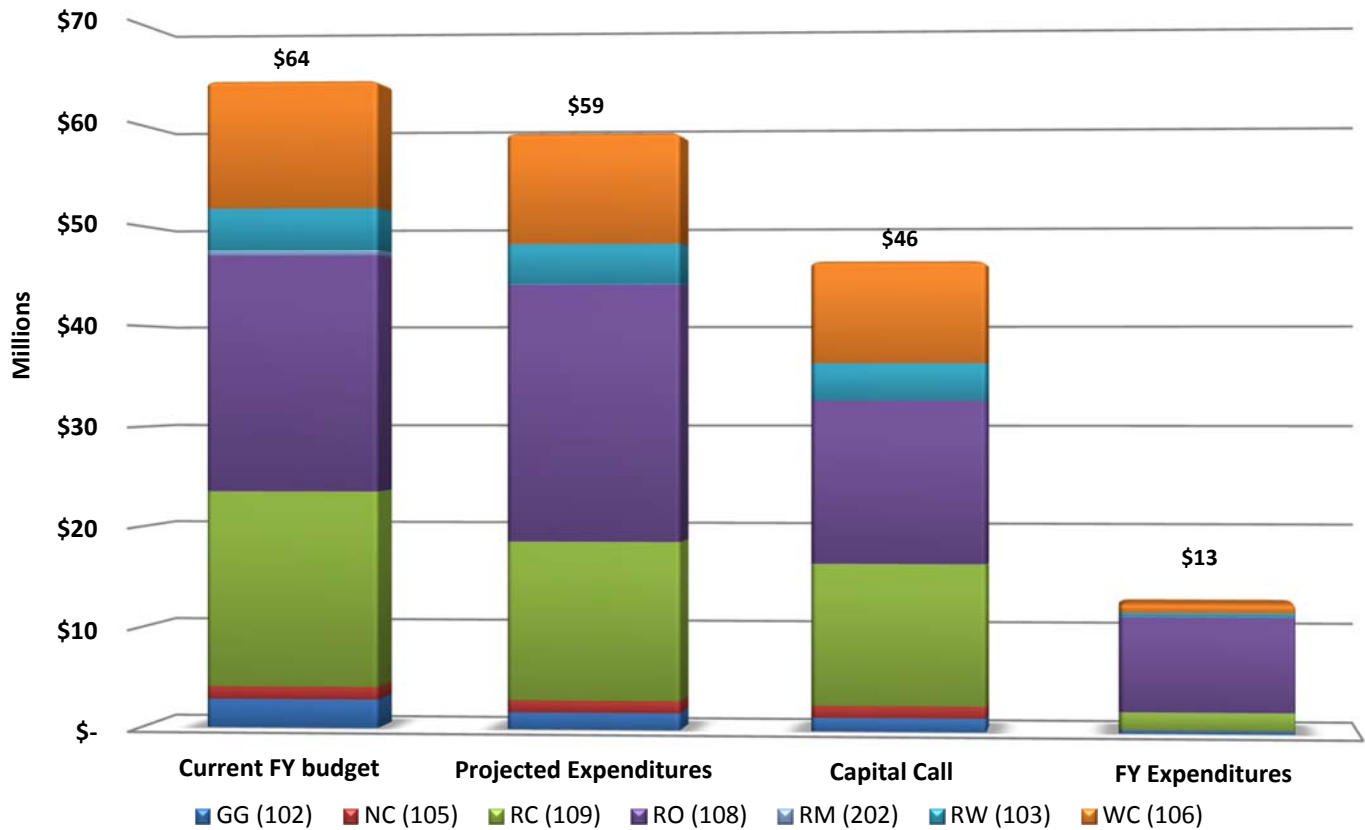
During October 2016, 68% (32.6 MGD) of IEUA recycled water supply (47.9 MGD) was delivered into the distribution system for both direct use customers (18.5 MGD) and groundwater recharge (14.1 MGD). Plant discharge to creeks feeding the Santa Ana River averaged 15.3 MGD.

RW Distribution – November 2016 (Preliminary)

During November 2016, 60% (29.1 MGD) of IEUA recycled water supply (48.5 MGD) was delivered into the distribution system for both direct use customers (13.3 MGD) and groundwater recharge (15.8 MGD). Plant discharge to creeks feeding the Santa Ana River averaged 19.4 MGD.



Engineering and Construction Management FY 16/17 Budget Status Update



Project Budget Variance > \$500,000						
	Project	Description	(A) FY 16/17 Forecast \$	(B) FY 16/17 Budget \$	(B-A) Variance (FY Budget - FY Forecast) \$	Reason for Variance
1	EN11031	RP-5 Flow Equalization and Effluent Monitoring	843,785	1,465,000	621,215	The project scope was reduced in consideration of the RP-5 expansion project, which will address or modify some of the project components. As a result of the scope reduction, project expenditures are expected to be less than anticipated.
2	EN13016	SCADA Enterprise System	891,531	1,504,652	613,121	Initiation of Phase II of the SCADA Enterprise project was delayed when the delivery method was re-evaluated for the remaining facilities to take advantage of potential grant funds and accelerate the overall project timeline. As a result of the delay, the FY16/17 spending will be lower than anticipated.
3	EN14019	RP-1 Headworks Gate Replacement	946,893	1,500,000	553,107	The consultant is four months behind schedule. Staff is working with the consultant to bring the schedule back on track.
4	EN15055	1630 W. Recycled Water Pump Station - Surge Tank Installation	501,282	1,340,000	838,718	The contractor's contract amount is considerably lower than the engineer's estimate. Additionally the project has a very low change order percentage.
5	EN19006	RP-5 SHF - RO	1,245,000	3,125,000	1,880,000	The schedule for the RP-1 and RP-5 Expansion PDR has been extended from January 2017 to March 2017 which leads into the design for the RP-5 Liquid Treatment Expansion, EN19001, and the RP-5 Solids Treatment Facility, EN19006. The award of the design contract for the RP-5 Liquids Expansion and RP-5 Solids Treatment Facility has been scheduled for April 2017.
			4,428,491	8,934,652	4,506,160	

General Manager's Report Regarding Agency Activities

December 21, 2016

Page 7 of 13

Bid and Award Look Ahead Schedule			
	Project Name	Projected Bid Opening Date	Projected Bid Award Date
	Dec-16		
1	EN11031.00 RP-5 Flow Equalization and Effluent Monitoring	11/15/2016	12/21/2016
	Jan-17		
2	EN16047.00 HQ Parking Lot FY15/16	12/15/2016	1/18/2017
3	RP-2 Microturbine	12/15/2016	1/18/2017
	Feb-17		
4	EN14018.00 RP-4 Disinfection Facility Improvements	1/15/2017	2/15/2017
5	EN17042.00 Digester 6 and 7 Roof Repairs	1/15/2017	2/15/2017
6	EN17059.00 - RP-1 Iron Sponges Installation	1/15/2017	2/15/2017
7	EP17003.00 RP-1 Training Room	1/15/2017	2/15/2017
	Mar-17		
8	EN13001.00 San Sevaime Basin Improvements	2/15/2017	3/15/2017
9	EN17015.00 Collection System Upgrades 16/17	2/15/2017	3/15/2017
10	EN17047.00 RP-1 Dewatering Silo/Conveyor Safety Improvement Repairs	2/15/2017	3/15/2017
11	EN17048.00 RP-1 Dewatering Vertical Conveyor Repairs	2/15/2017	3/15/2017
12	EN17051.00 CCWRF Valve Replacement	2/15/2017	3/15/2017
13	EN17052.00 RP-1 and RP-4 Safety Improvements	2/15/2017	3/15/2017
14	WR15021.00 Napa Lateral	2/15/2017	3/15/2017
	Apr-17		
15	EN13016.03 SCADA Enterprise System - (Regional Water Recycling Plant No. 4)	3/15/2017	4/19/2017
16	EN13016.04 SCADA Enterprise System - (Regional Water Recycling Plant No. 5)	3/15/2017	4/19/2017
17	EN14019.00 RP-1 Headworks Primary and Secondary Upgrades	3/15/2017	4/19/2017
	May-17		
18	CP16003.00 Headquarters Roofing Replacement	4/15/2017	5/17/2017
19	EN15013.00 RP-1 TWAS and Primary Effluent Piping Replacement 2014	4/15/2017	5/17/2017
	Jul-17		
20	EN14043.00 RP-5 RW Pipeline Bottleneck	6/15/2017	7/19/2017
21	EN16034.00 RW Pressure Sustaining Valve Installation FY 15/16	6/15/2017	7/19/2017
22	EN17039.00 8th St. Basin RW Turnout Discharge Retrofit	6/15/2017	7/19/2017
	Aug-17		
23	EN17044.00 RP-1 Power Reliability Generator Control Upgrades	7/15/2017	8/16/2017
	Oct-17		
24	RW15004.00 Lower Day Basin RMPU Improvements	9/15/2017	10/18/2017
	Nov-17		
25	EN11039.00 TP-1 Disinfection Pump Improvements	10/15/2017	11/15/2017
26	EN15002.00 1158 Reservoir Site Cleanup	10/15/2017	11/15/2017
	Dec-17		
27	EN13048.00 RP-1 Power System Upgrades	11/15/2017	12/20/2017

Fiscal Year 15/16 Capital Improvement Program

Agency-Wide														
No.	Project ID	Project Title	Budget					Contract						
			(a) Prior FY Expenditures thru 6/30/16 (\$)	(b) FY Budget 2016/17 (\$)	(c) FY 2016/17 Expenditures 7/1/16-10/31/2016 (\$)	(d) Total Expenditures to Date thru 10/31/2016 (A + C) (\$)	(e) Total Project Budget (\$)	(f) Phase	(g) Original Contract (\$)	(h) CO's/ Amendments (\$)	(i) CO's/ Amendments (H/G) (%)	(j) Contract Completion Date	(k) Projected/ Contract Completion Date (NOC)	(l) Float (J-K)
1	EN13016	SCADA Enterprise System (EN13016.02 RP-1)	5,058,331	1,504,652	311,531	5,369,861	13,900,000	Evaluation	1,926,650	71,271	3.70%	6/30/2020	7/8/2020	-8
2	EN17052	RP-1 and RP-4 Safety Improvements	-	760,000	86,143	86,143	760,000	Design	57,430	-	0.00%	6/30/2017	1/19/2017	162
3	EN16070	Agency-Wide Pumps Efficiencies Improvements	-	335,000	24,017	24,017	350,000	Construction	142,060	-	0.00%	4/30/2017	3/9/2017	52
4	EN17034	Agency-Wide Lighting Improvements	-	1,385,000	12,485	12,485	1,400,000	Construction	1,107,583	-	0.00%	6/2/2017	2/9/2017	113
5	EN17053	Agency-wide Recycled Water Pumps Overhaul Services	-	625,000	10,508	10,508	625,000	Construction	466,319	-	0.00%	4/28/2017	3/24/2017	35
6	EN13056	Agency-Wide HVAC Improvements- Pckg No. 2, (EN13056.01 RP-4 MCC)	885,445	192,968	214,348	1,099,794	1,131,500	Warranty	188,000	18,258	9.71%	10/20/2016	10/19/2016	1
7	EN15032	Agency-Wide HVAC Improvements- Pckg No. 3	742,334	26,750	4,366	746,700	1,155,000	Warranty	431,216	22,909	5.31%	5/10/2016	5/10/2016	0
8	EN16013	Agency-Wide Lighting Improvements	186,129	213,945	117,942	304,072	400,000	Warranty	293,000	(12,027)	-4.10%	6/2/2017	9/29/2016	246
9	EN17004	Agency-Wide Energy Efficiency Study	91,500	5,540	2,721	94,222	1,600,000	Warranty	17,780	-	0.00%	5/31/2016	6/28/2016	-28
10	EN16018	RC Emergency O&M Projects FY 15/16	17,685	60,000	26,272	43,957	500,000	N/A	Various Emergency Projects					
11	EN16019	RO Emergency O&M Projects FY 15/16	344,200	85,000	80,568	424,768	600,000	N/A	Various Emergency Projects					
12	EN16017	WC Emergency O&M Projects FY 15/16	397,778	30,000	1,424	399,202	500,000	N/A	Various Emergency Projects					
13	EN17018	RC Emergency O&M Projects FY 16/17	-	600,000	2,067	2,067	600,000	N/A	Various Emergency Projects					
14	EN17019	RO Emergency O&M Projects FY 16/17	-	600,000	5,456	5,456	600,000	N/A	Various Emergency Projects					
15	EN17017	WC Emergency O&M Projects FY 16/17	-	500,000	12,766	12,766	500,000	N/A	Various Emergency Projects					
16	EN17016	NRWS Emergency O&M Projects FY 16/17	-	200,000	1,040	1,040	200,000	N/A	Various Emergency Projects					
17	EN17021	RC On-Call Operations and Maintenance Support	-	250,000	-	-	250,000	N/A	Various Maintenance Projects					
18	EN17022	RO On-Call Operations and Maintenance Support	-	250,000	-	-	250,000	N/A	Various Maintenance Projects					
19	EN17020	WC On-Call Operations and Maintenance Support	-	250,000	1,564	1,564	250,000	N/A	Various Maintenance Projects					
20	EN17027	RC Safety Operations and Maintenance Support	-	250,000	-	-	250,000	N/A	Various Safety Projects					
21	EN17026	RO Safety Operations and Maintenance Support	-	250,000	-	-	250,000	N/A	Various Safety Projects					
22	EN17025	WC Safety Projects Operations and Maintenance Support	-	250,000	11,129	11,129	250,000	N/A	Various Safety Projects					
23	CW17003	RC OE Projects FY 16/17	-	50,000	5,119	5,119	50,000	N/A	Various Permit Projects					
24	CW17101	NRWS OE Projects FY 16/17	-	10,000	3,608	3,608	10,000	N/A	Various Permit Projects					
25	CW17005	WC OE Projects FY 16/17	-	50,000	16,724	16,724	50,000	N/A	Various Permit Projects					
Totals			7,723,402	8,733,854	951,800	8,675,203	26,431,500		4,630,038	100,411				

Carbon Canyon Wastewater Regional Facility (CCWRF)

No.	Project ID	Project Title	Budget				Contract							
			(a) Prior FY Expenditures thru 6/30/16 (\$)	(b) FY Budget 2016/17 (\$)	(c) FY 2016/17 Expenditures 7/1/16- 10/31/2016 (\$)	(d) Total Expenditures to Date thru 10/31/2016 (A + C) (\$)	(e) Total Project Budget (\$)	(f) Phase	(g) Original Contract (\$)	(h) CO's/ Amendments (\$)	(i) CO's/ Amendments (H/G) (%)	(j) Contract Completion Date	(k) Projected/ Contract Completion Date (NOC)	(l) Float (J-K)
26	EN17006	CCWRF Odor Control and Headworks Replacements	6,951	610,000	27,599	34,550	7,000,000	Evaluation	Contract Has Not Been Awarded Yet					
27	EN17051	CCWRF Valve Replacement	-	250,000	5,595	5,595	250,000	Evaluation	In-House Design - Contract Has Not Been Awarded Yet					
Totals			6,951	860,000	33,193	40,144	7,250,000							

Chino Desalter Authority (CDA)

No.	Project ID	Project Title	Budget				Contract							
			(a) Prior FY Expenditures thru 6/30/16 (\$)	(b) FY Budget 2016/17 (\$)	(c) FY 2016/17 Expenditures 7/1/16- 10/31/2016 (\$)	(d) Total Expenditures to Date thru 10/31/2016 (A + C) (\$)	(e) Total Project Budget (\$)	(f) Phase	(g) Original Contract (\$)	(h) CO's/ Amendments (\$)	(i) CO's/ Amendments (H/G) (%)	(j) Contract Completion Date	(k) Projected/ Contract Completion Date (NOC)	(l) Float (J-K)
28	EN16021	TCE Plume Cleanup	1,089,754	7,481,073	7,449,279	8,539,033	12,000,000	Design	CDA Managed Project					
Totals			1,089,754	7,481,073	7,449,279	8,539,033	12,000,000							

Collections

No.	Project ID	Project Title	Budget				Contract								
			(a) Prior FY Expenditures thru 6/30/16 (\$)	(b) FY Budget 2016/17 (\$)	(c) FY 2016/17 Expenditures 7/1/16- 10/31/2016 (\$)	(d) Total Expenditures to Date thru 10/31/2016 (A + C) (\$)	(e) Total Project Budget (\$)	(f) Phase	(g) Original Contract (\$)	(h) CO's/ Amendments (\$)	(i) CO's/ Amendments (H/G) (%)	(j) Contract Completion Date	(k) Projected/ Contract Completion Date (NOC)	(l) Float (J-K)	
29	EN17050	Septic Conversion PDR	-	200,000	-	-	1,000,000	Not Started	Project Has Not Started						
30	EN17014	NRWS Manhole Upgrades - 16/17	-	350,000	2,193	2,193	350,000	Evaluation	In-House Design - Contract Has Not Been Awarded Yet						
31	EN17015	Collection System Upgrades 16/17	-	500,000	6,092	6,092	500,000	Evaluation	In-House Design - Contract Has Not Been Awarded Yet						
32	EN22002	NRW East End Flowmeter Replacement	3,325	175,000	13,445	16,770	300,000	Evaluation	Contract Has Not Been Awarded						
33	EN11039	TP-1 Disinfection Pump Improvements	95,367	225,000	11,618	106,985	1,288,302	Pre-Design	99,336	-	0.00%	3/31/2017	3/28/2017	3	
34	EN13028	Preserve Lift Station	19,774	100,000	6,557	26,331	100,000	Bid and Award	Contract Managed by Developer						
35	EN15042	SBCFCD Sewer Easement	415	275,000	-	415	302,500	Land Acquisition	Not Applicable						
36	EN15044	SBCFCD NRW Easement	338	515,000	-	338	565,000	Land Acquisition	Not Applicable						
37	EN16071	San Bernardino Avenue Gravity Sewer	203,227	1,300,000	60,508	263,734	1,500,000	Construction	992,240	-	0.00%	2/27/2017	3/17/2017	-18	
38	EN13018	Montclair Diversion Structure Retrofit	1,068,186	180,000	129,317	1,197,504	3,030,095	Project Acceptance	557,565	(14,665)	-2.63%	7/17/2016	7/15/2016	2	
Totals			1,390,632	3,820,000	229,730	1,620,361	8,935,897	1,649,141		(14,665)					

General Manager's Report Regarding Agency Activities
 December 21, 2016
 Page 10 of 13

Groundwater Recharge

No.	Project ID	Project Title	Budget				Contract							
			(a) Prior FY Expenditures thru 6/30/16 (\$)	(b) FY Budget 2016/17 (\$)	(c) FY 2016/17 Expenditures 7/1/16- 10/31/2016 (\$)	(d) Total Expenditures to Date thru 10/31/2016 (A + C) (\$)	(e) Total Project Budget (\$)	(f) Phase	(g) Original Contract (\$)	(h) CO's/ Amendments (\$)	(i) CO's/ Amendments (H/G) (%)	(j) Contract Completion Date	(k) Projected/ Contract Completion Date (NOC)	(l) Float (J-K)
39	EN17038	GWR Level Transmitter Upgrades	-	200,000	-	-	200,000	Not Started	Project Has Not Started					
40	RW15003	RW15003 Recharge Master Plan Update Projects	622,207	3,100,000	370,678	992,886	7,490,500	Pre-Design	768,950	9,434	1.23%	12/29/2017	12/29/2017	0
41	RW15004	Lower Day Basin RMPU	205,693	1,155,000	22,076	227,769	2,480,000	Pre-Design	38,720	32,500	83.94%	10/21/2016	1/31/2017	-102
42	EN13001	San Savaine Basin Improvements	535,568	3,250,000	68,358	603,927	6,460,000	Design	358,828	4,734	1.32%	4/20/2019	4/20/2019	0
43	EN14047	GWR and RW SCADA Control Upgrades	233,626	455,263	76,197	309,823	932,000	Construction	250,988	-	-	1/23/2017	2/17/2017	-25
Totals			1,597,094	8,160,263	537,310	2,134,405	17,562,500		1,417,486	46,668				

Headquarters

No.	Project ID	Project Title	Budget				Contract							
			(a) Prior FY Expenditures thru 6/30/16 (\$)	(b) FY Budget 2016/17 (\$)	(c) FY 2016/17 Expenditures 7/1/16- 10/31/2016 (\$)	(d) Total Expenditures to Date thru 10/31/2016 (A + C) (\$)	(e) Total Project Budget (\$)	(f) Phase	(g) Original Contract (\$)	(h) CO's/ Amendments (\$)	(i) CO's/ Amendments (H/G) (%)	(j) Contract Completion Date	(k) Projected/ Contract Completion Date (NOC)	(l) Float (J-K)
44	EN16012	CIPO Enhancements	-	175,000	-	-	175,000	Not Started	Project Has Not Started					
45	EN17023	HQ Drainage Investigations	-	50,000	-	-	50,000	Not Started	Ongoing Monitoring Requirements					
46	CP16003	Headquarters Roofing Replacement	9,822	450,000	15,550	25,372	450,000	Evaluation	In-House Design - Contract Has Not Been Awarded Yet					
47	EN15052	Primavera Enhancements	116,435	57,447	201	116,636	178,400	Evaluation	80,000	-	0.00%	12/30/2016	12/30/2016	0
48	EN16048	As-Built Database Upgrades	24,599	150,000	6,546	31,145	200,000	Pre-design	In House Database					
49	EN16049	Conference Rooms Audio Visual Upgrades	72,777	626,453	47,183	119,961	1,349,230	Bid and Award	831,890	-	0.00%	2/7/2018	2/7/2018	0
50	EN16047	HQ Parking Lot FY15/16	50,765	415,000	12,132	62,896	443,000	Bid and Award	Bids exceeded Engineer's estimate. Rebid					
51	EN16055	Headquarters Back Up Generator	48,950	400,000	29,310	78,260	449,000	Construction	178,777	-	0.00%	2/13/2017	2/27/2017	-14
52	EN16068	Main Office Permit Office	18,068	293,000	51,352	69,419	312,000	Construction	52,890	14,702	27.80%	11/23/2016	12/14/2016	-21
Totals			341,416	2,616,900	162,273	503,690	3,606,630		1,143,557	14,702				

Recycled Water

No.	Project ID	Project Title	Budget					Contract						
			(a) Prior FY Expenditures thru 6/30/16 (\$)	(b) FY Budget 2016/17 (\$)	(c) FY 2016/17 Expenditures 7/1/16- 10/31/2016 (\$)	(d) Total Expenditures to Date thru 10/31/2016 (A + C) (\$)	(e) Total Project Budget (\$)	(f) Phase	(g) Original Contract (\$)	(h) CO's/ Amendments (\$)	(i) CO's/ Amendments (H/G) (%)	(j) Contract Completion Date	(k) Projected/ Contract Completion Date (NOC)	(l) Float (J-K)
53	EN17007	930 To 800 West CCWRF PRV	5,481	100,000	263	5,744	600,000	On-Hold	On Hold					
54	EN17011	RW Hydraulic Modeling FY 16/17	-	100,000	3,445	3,445	100,000	Study	Not Applicable					
55	EN15043	SBCFCD Recycled Water Easement	534,759	570,000	-	534,759	1,210,000	Land Acquisition	Not Applicable					
56	EN17041	Orchard Recycled Water Turnout Improvements	-	25,000	-	-	125,000	Not Started	Project Has Not Started					
57	EN12016	North CIM Lateral	14,631	450,000	1,582	16,212	450,000	Not Started	Project Has Not Started					
58	EN17039	8th St. Basin RW Turnout Discharge Retrofit	-	25,000	1,726	1,726	275,000	Evaluation	Contract Has Not Been Awarded					
59	EN17049	Baseline RWPL Extension	-	300,000	2,966	2,966	5,000,000	Evaluation	Contract Has Not Been Awarded					
60	EN15002	1158 Reservoir Site Cleanup	3,805	650,000	3,686	7,492	1,300,000	Evaluation	Contract Has Not Been Awarded					
61	EN16034	RW Pressure Sustaining Valve Installation FY 15/16	18,098	341,300	3,982	22,080	850,000	Evaluation	Contract Has Not Been Awarded					
62	EN17046	1630 East Pump Station Upgrades	-	100,000	3,372	3,372	300,000	Evaluation	Contract Has Not Been Awarded					
63	WR15021	Napa Lateral	60,019	500,000	22,938	82,957	6,050,000	Pre-Design	Contract Has Not Been Awarded					
64	EN17057	Wineville A.C. for the Electrical Panel at RP-3	-	15,000	1,298	1,298	15,000	Construction	15,000	-	0.00%	10/31/2016	10/31/2016	0
65	EN15055	1630 W. Recycled Water Pump Station - Surge Tank Installation	546,124	1,340,000	414,282	960,407	1,590,000	Construction	729,000	19,069	2.62%	10/14/2016	1/12/2017	-90
66	EN12014	East Avenue 1630 E RWP Relocation	504,666	388,148	12,944	517,610	890,108	Construction	480,000	28,134	5.86%	City of Rancho Cucamonga Project		
67	EN13045	Wineville RW Extension Segment B	10,786,069	85,000	33,321	10,819,391	11,865,300	Warranty	8,900,000	241,113	2.71%	7/25/2015	12/3/2015	-131
Totals			12,473,652	4,989,448	505,805	12,979,457	30,620,408		10,124,000	288,316				

GRANTS UPDATE

Board Activities:

Since the last General Manager’s report, the following item was processed through the IEUA Board:

Adopt Resolution No. 2016-12-3, authorizing the Agency to enter into financial assistance agreements with the U.S. Department of Interior - Bureau of Reclamation (USBR) WaterSMART: Title XVI Water Reclamation and Reuse Program Funding for Fiscal Year 2017.

Grant Awards

On December 1, 2016, the State Water Resources Control Board (SWRCB) awarded IEUA a \$10,000,000 grant for the Storm Water Grant Program Proposition 1 Round 1 Implementation Funding. The funding will be used for storm water management facilities for Wineville, Jurupa, and RP-3 Basins improvement and pumping and conveyance system.

Site Visits

On December 8, 2016, SAWPA conducted a site visit for the Regional and Residential Landscape Grant as well as the Lower Day Improvement and San Sevaine Improvement projects.

Grant/Loan Opportunities and Applications

IEUA staff submitted an application to SWRCB for the Groundwater Quality application, on November 14, 2016.

Grants staff is currently working on five upcoming USBR grants, including:

- Title XVI due December 2016
- WaterSMART Water and Energy Efficiency, Lower Colorado Region Water Conservation Field Services, due January 2017.
- WaterSMART Drought Resiliency, and Agriculture Water Conservation and Efficiency due February 2017.

	FUNDING AGENCY	PROGRAM NAME	PROJECT NAME	DATE SUBMITTED	TOTAL AMOUNT REQUESTED	TOTAL PROJECT COST
1	SWRCB	Stormwater Grant Prop 1	Chino Basin Improvement and Groundwater Cleanup Project	May 2016	\$10,000,000	\$21,000,000
2	SWRCB	Groundwater Quality Grant Prop 1	Chino Basin Improvement and Groundwater Clean-up Project	November 2016	\$11,377,018	\$22,800,000
3	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Planning	Planning & Design SRF Loan for Recharge Master Plan Update	July 2016	\$5,291,496	\$5,291,496
4	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Construction/Implementation	Recycled Water: Napa Lateral	December 2015	\$5,824,770	\$5,824,770
5	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Construction/Implementation	Recycled Water: San Sevaine Basin Improvement	December 2015	\$7,525,603	\$7,525,603

	FUNDING AGENCY	PROGRAM NAME	PROJECT NAME	DATE SUBMITTED	TOTAL AMOUNT REQUESTED	TOTAL PROJECT COST
--	----------------	--------------	--------------	----------------	------------------------	--------------------

General Manager's Report Regarding Agency Activities

December 21, 2016

Page 13 of 13

6	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Construction/Implementation	Recycled Water: RP-1-1158 Recycled Water Pump Station Upgrades	December 2015	\$4,659,816	\$4,659,816
7	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Construction/Implementation	Recycled Water: RP-5 Recycled Water Pipeline Bottleneck	December 2015	\$1,514,440	\$1,514,440
8	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Construction/Implementation	Recycled Water: Recycled Water Pressure Sustaining Valve Installation	December 2015	\$990,211	\$990,211
9	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Construction/Implementation	Recycled Water: RP-1 Parallel Outfall Pipeline,	December 2015	\$6,640,238	\$6,640,238
10	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Construction/Implementation	Recycled Water: Baseline Extension Project (Village of Heritage)	December 2015	\$4,077,339	\$4,077,339
11	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Construction/Implementation	City of Ontario Euclid/Riverside RW Distribution System Project	December 2015	\$22,639,081	\$22,639,081
12	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Construction/Implementation	IEUA-JCSD Intertie (also known as WRCWRA)	December 2015	\$52,000,000	\$52,000,000
13	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Construction/Implementation	IEUA-Pomona-MVWD Intertie	December 2015	\$51,000,000	\$51,000,000
14	SWRCB-LOAN	Clean Water State Revolving Fund (CWSRF) - Planning	RP-1/RP-5 PDR	November 2015	\$3,000,000	\$3,000,000
15	SAWPA	Integrated Regional Management Implementation Grant (IRWM) submitted by SAWPA	SARCCUP	October 2016	\$9,000,000	\$17,350,588
16	SWRCB	Drinking Water Prop 50	CDA II Expansion Project	November 2012	\$1,860,000	\$141,000,000
17	USBR	WaterSMART: Title XVI Water Reclamation and Reuse Program for FY 2017	Lower Chino Dairy Area Desalination and Reclamation	December 2016	\$5,200,000	\$141,000,000

Grant Reimbursements and Reporting Activities

- MWD Pilot Scale 3-D Fluorescence Excitation-Emission Matrix Grant Invoice Retention Release \$12,500.
- SAWPA/DWR San Sevaine Basin Grant Invoice payment received \$49,522.42.
- SAWPA/DWR Regional Residential Landscape Grant Invoice payment received \$31,144.78
- USBR CDA Chino Creek Wellfield Grant Invoice payment received \$120,367.49
- MWD CDA & CVWD BIOTTTA Grant Invoice and Retention Release \$114,693.21
- USBR Joint IEUA/CDA GW Wells & RW Intertie Pipeline Grant Invoice payment received \$409,306.68

Other Department Activities

Staff participated in a kick off meeting for the Proposition 84 Integrated Regional Water Management (IRWM) Round 2015 Grant. Staff from the Santa Ana Watershed Project Authority (SAWPA) and the Department of Water Resources (DWR) were also in attendance to go over the DWR Proposition 84 IRWM grant agreement and discuss the invoicing, various reports and other standard State grant stipulations in more detail.