



AGENDA

**WORKSHOP
OF THE
BOARD OF DIRECTORS**

**WEDNESDAY, MARCH 1, 2017
10:00 A.M.**

**INLAND EMPIRE UTILITIES AGENCY*
AGENCY HEADQUARTERS
EVENT ROOM – BUILDING B
6075 KIMBALL AVENUE
CHINO, CALIFORNIA 91708**

**CALL TO ORDER
OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS
WORKSHOP 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. WORKSHOPS

A. BUDGET WORKSHOP


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.

2. **ADJOURN**

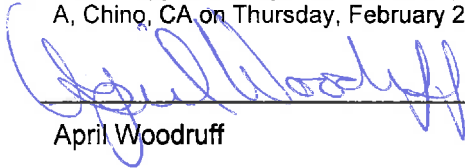
*A Municipal Water District

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

Declaration of Posting

Proofed by: 

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, February 23, 2017.



April Woodruff

WORKSHOP

1A

Budget Workshop

Board Meeting



Biennial Budget

- Adoption of two "one-year" budgets, beginning FY 2015/16 and FY 2016/17
- Appropriation limited to a single year
- Mid-cycle review to identify significant adjustments needed for the second year budget

Improve goal-setting and budgetary process

- Realistic timeframes for completing goals
- Produce a more policy-oriented budget process
- Focus on mid and long term planning
- Reduce staff time and effort in preparing annual budget, with shorter budget preparation/revision time in the second year
- Provide certainty, stability, and transparency



Business Outreach Program

- IEUA received >\$429M in State & Federal funding
 - Applied for an additional \$396M in State & Federal funding
- IEUA's Current Ten Year Capital Improvement Plan (TYCIP) is approximately \$735M
 - Includes 28 projects with potential partial or full State/Federal funding
 - Approximately \$396M or 54% of all TYCIP projects
- Opportunity to enhance and grow IEUA's Program
 - All Goods & Services
 - Materials, Supplies, Service providers, Consultants, Construction

Business Outreach Program

Ensure opportunity and encourage participation by Disadvantaged Business Enterprises (DBEs) in Procurement under EPA Financial Assistance Agreements

- **Strict EPA Guidelines to ensure opportunity**
 - ✓ **Fair Share Objectives**
 - ✓ **Six Good Faith Efforts**
 - New Contract Administration Requirements
 - Record Keeping & Reporting
 - Bidders List
- **Bidders must meet or exceed EPA DBE Certifications**
- **Non-Compliance means potential loss of all awarded funds for project and potential restrictions from additional funding opportunities**

✓ **EPA guidelines currently applied by IEUA**



Proposed Business Outreach Program

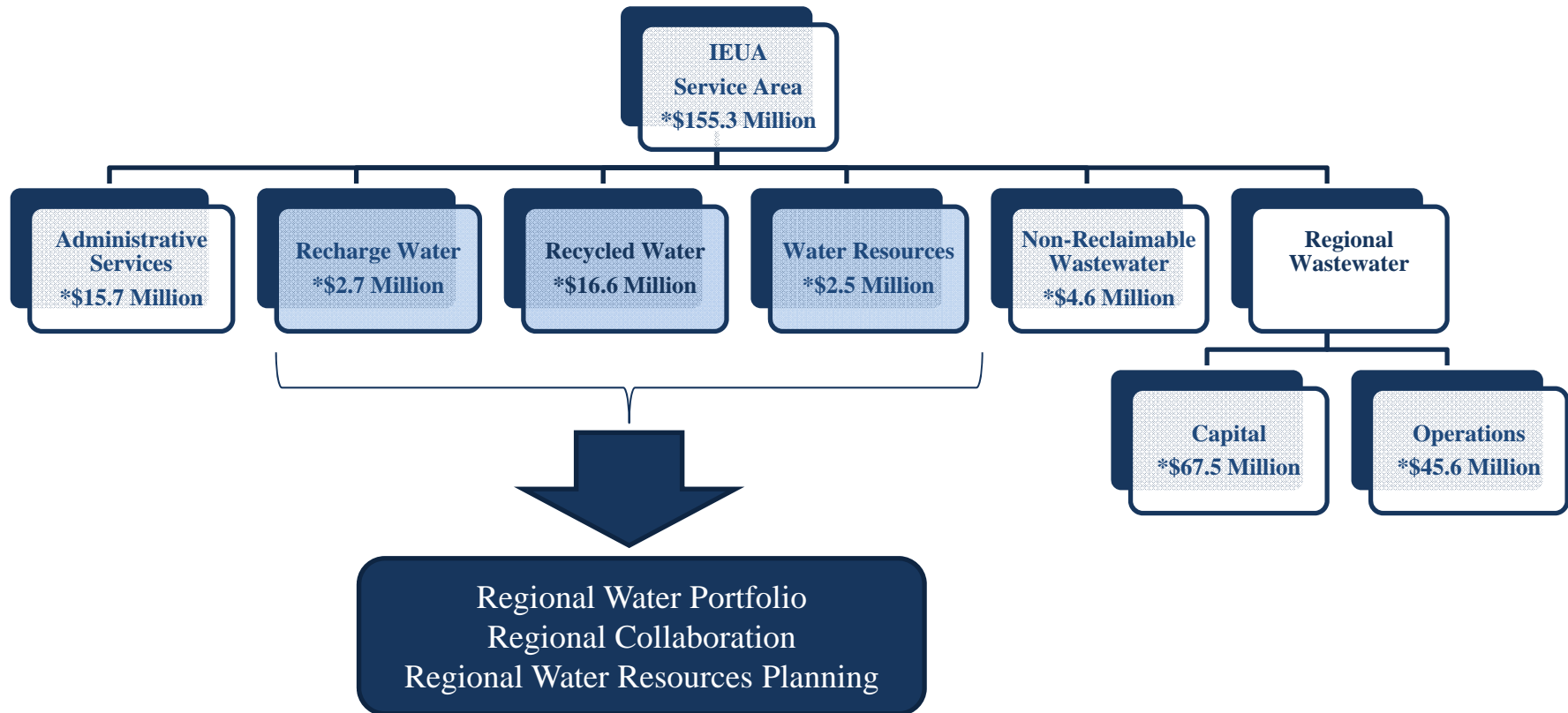
- Model after Metropolitan Water District
 - Market, outreach, and train DBEs and local businesses
 - Specify incentives in solicitations
 - Initial participation goal of 3%

Program Requirement	Preference Points on Proposals	Preference in Bid Reduction
Certified DBE	5 points	5%
Local Business	5 points	5%
		*Maximum \$\$ value subject to scale of project.

Based on 100 point scale

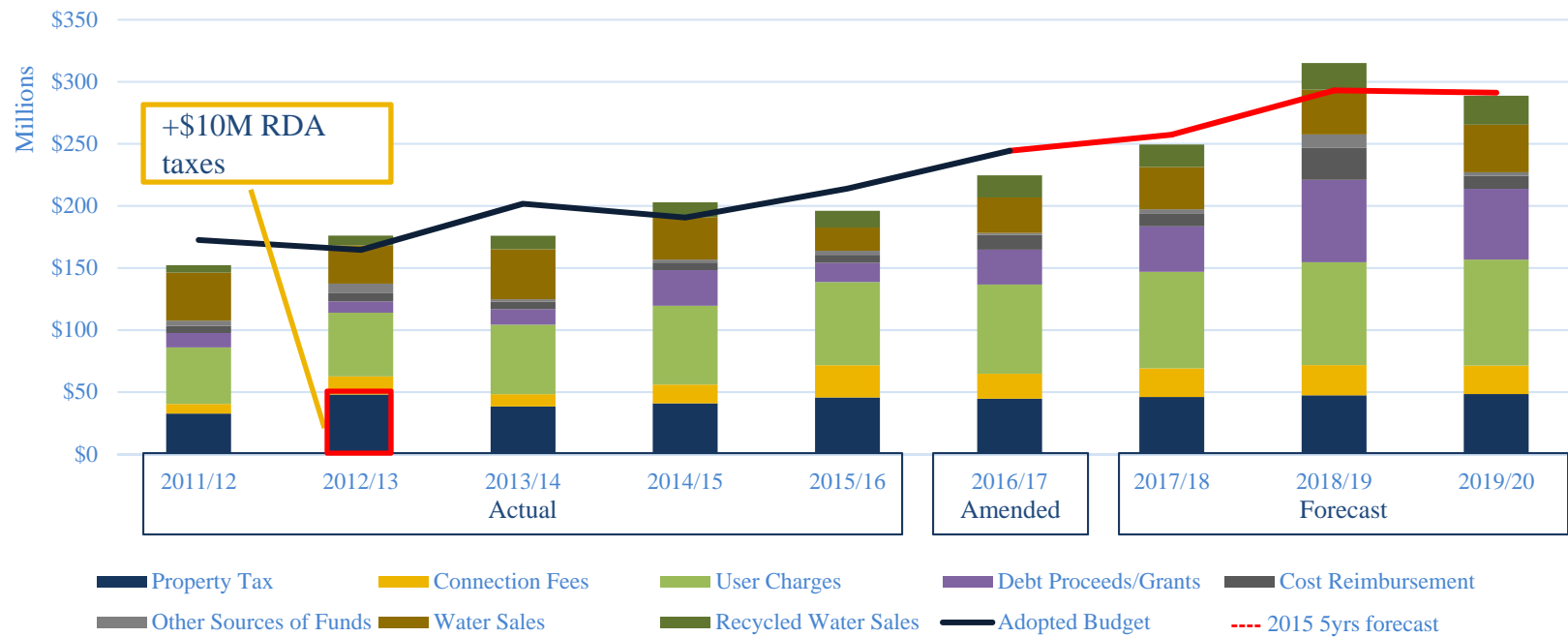
Agency Funds

* FY 2016/17 Amended Fund Balances as of the July 1, 2016



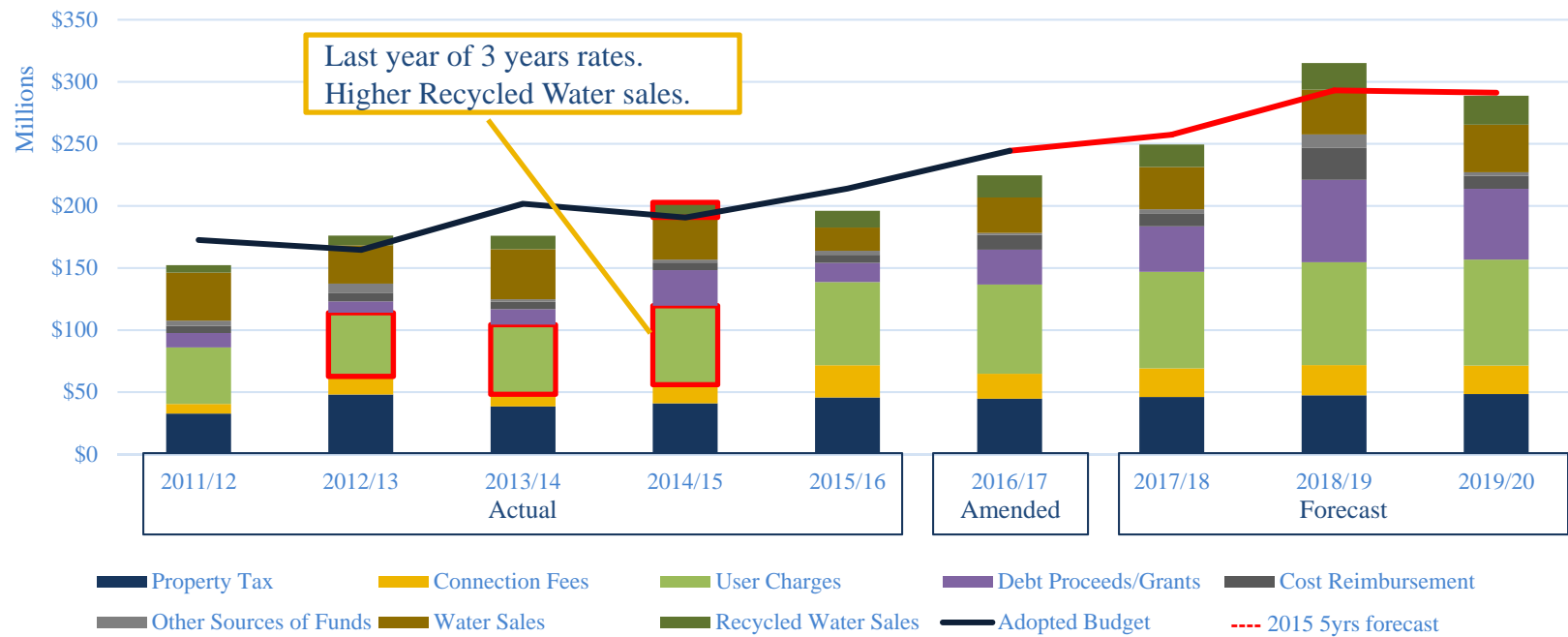
Consolidated Trends – All Funds

Sources of Funds
“Where monies come from”



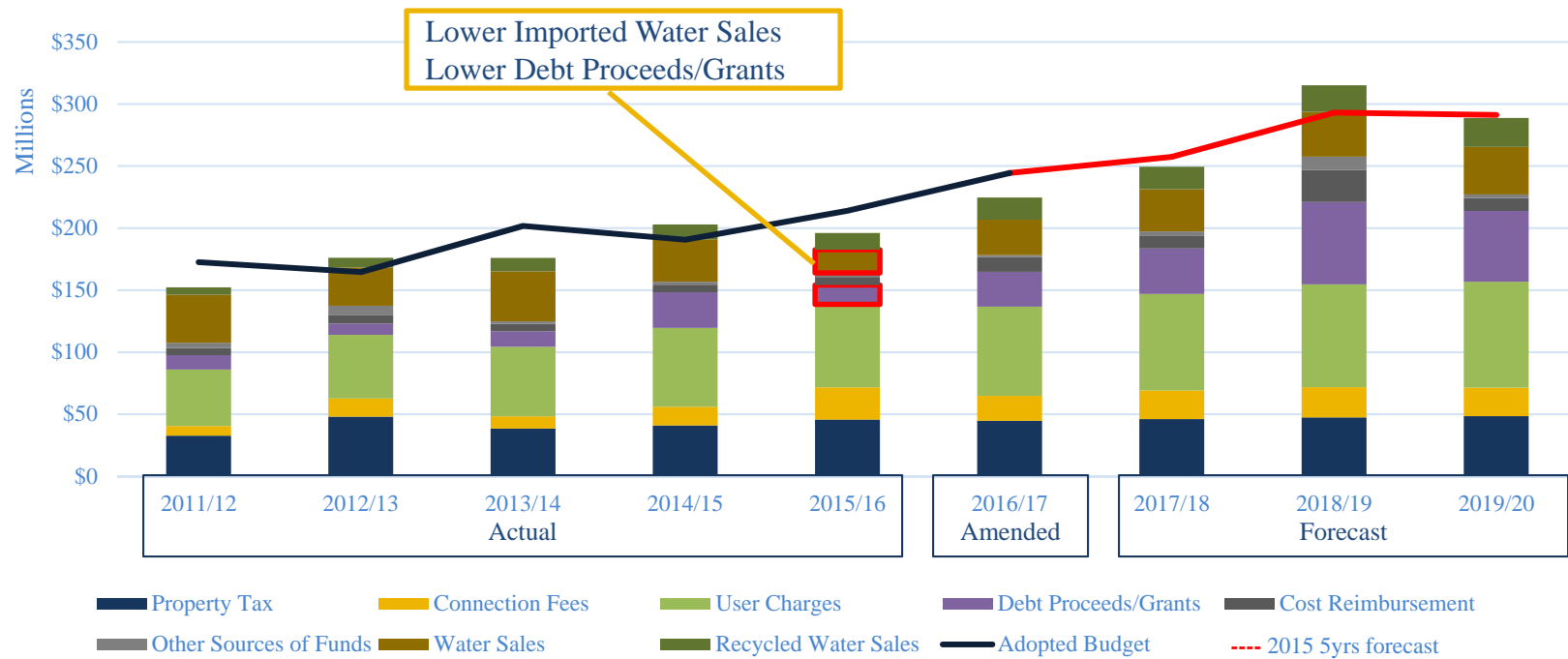
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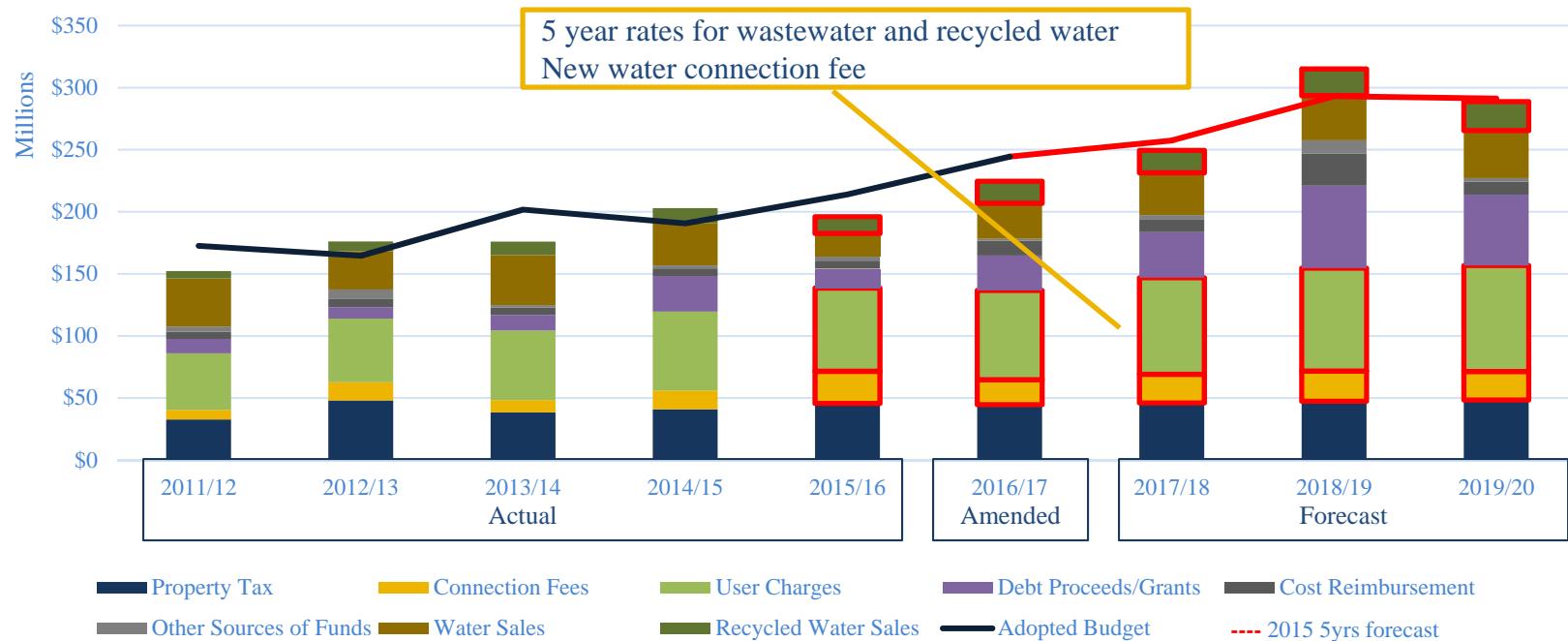
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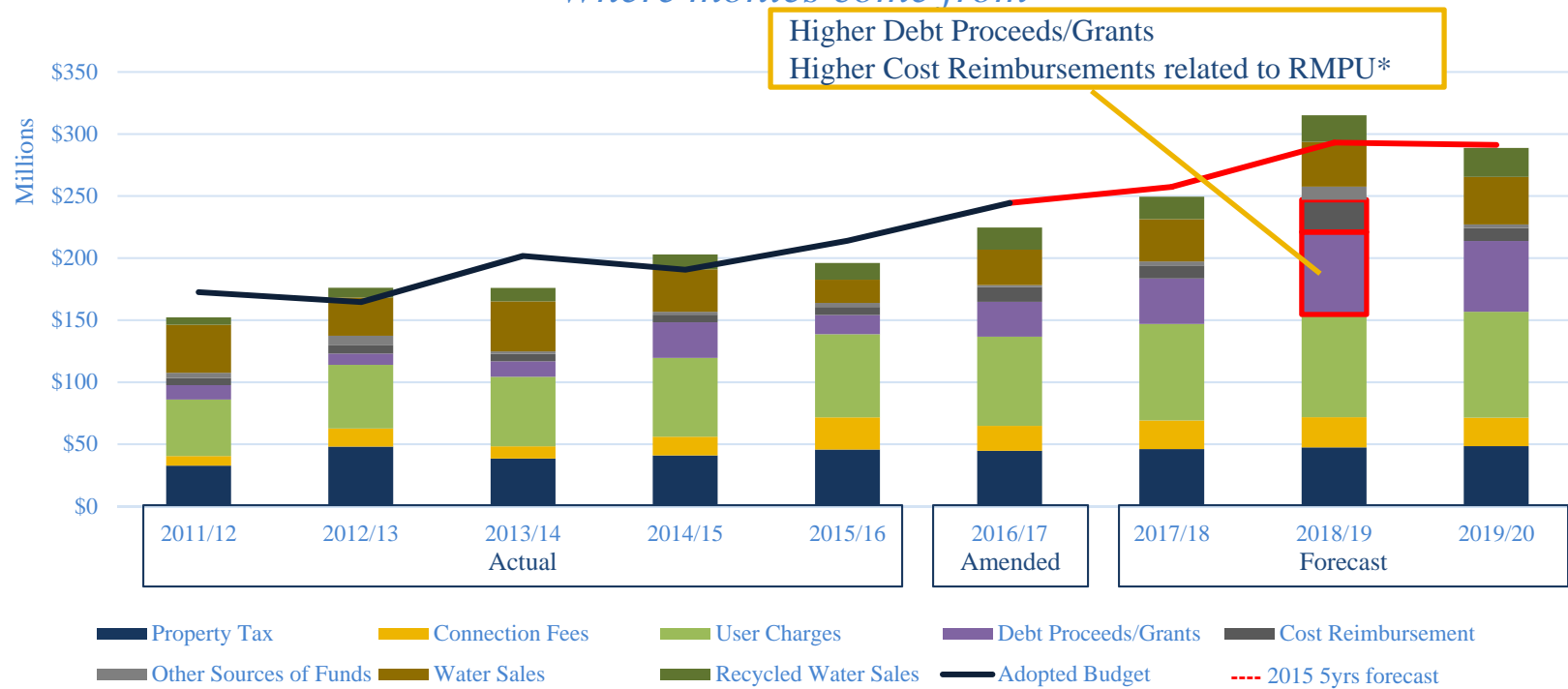
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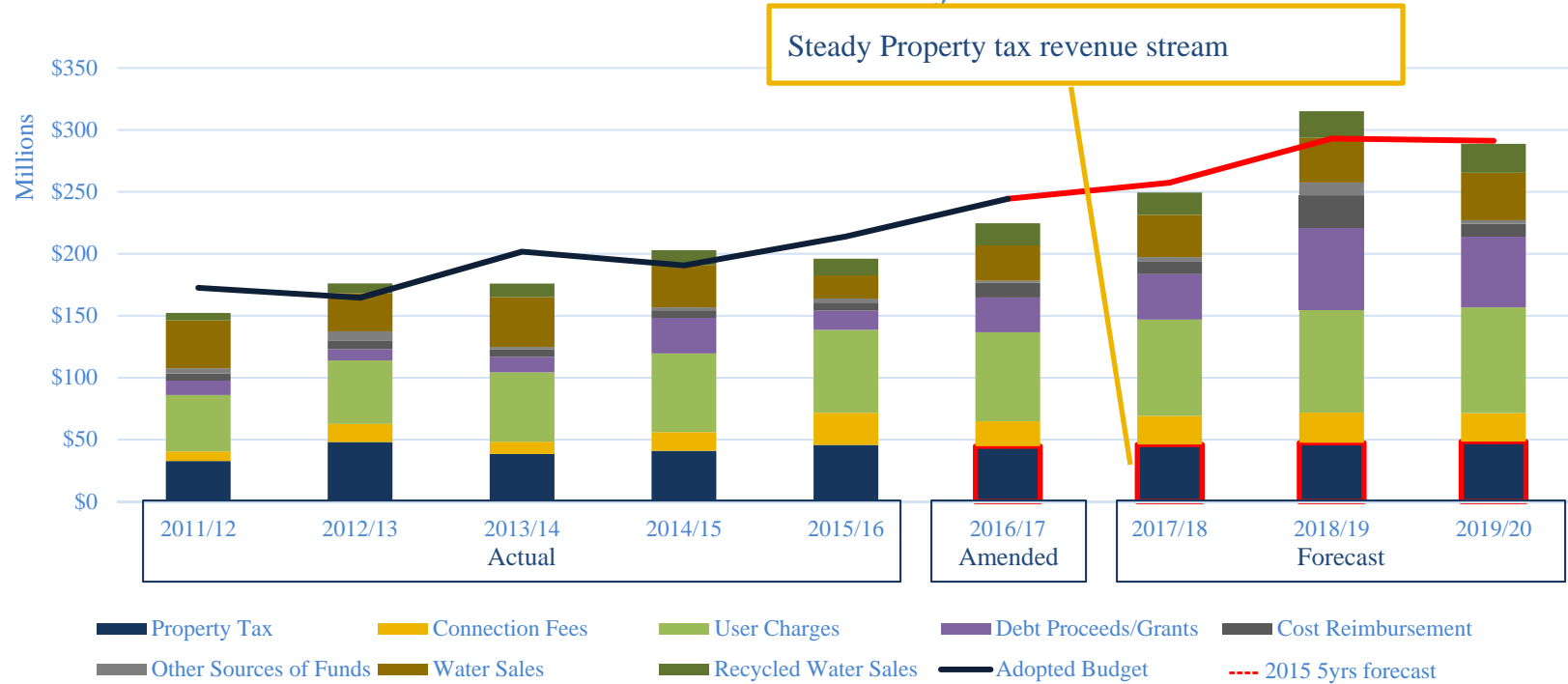
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“Where monies come from”

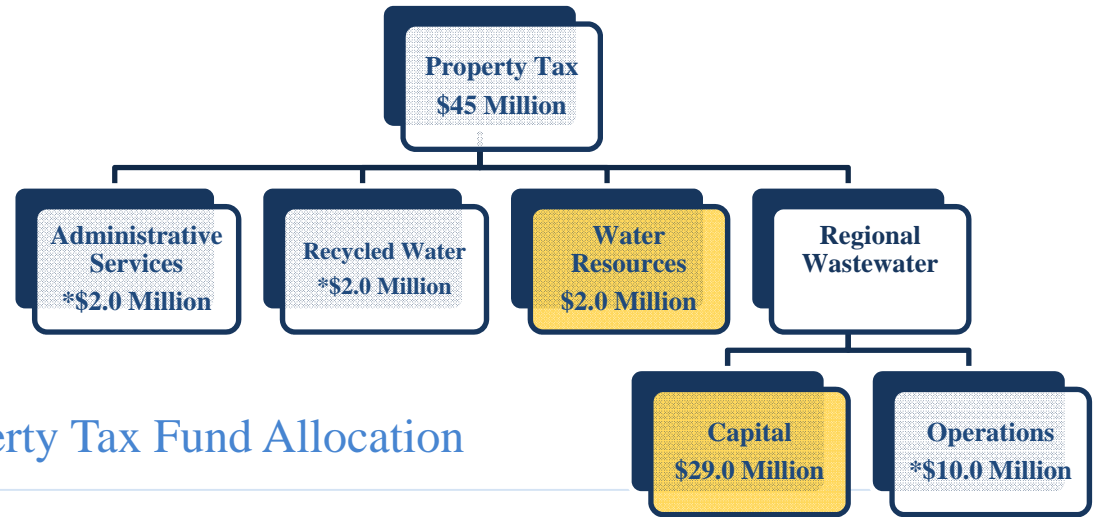


Consolidated Trends – All Funds

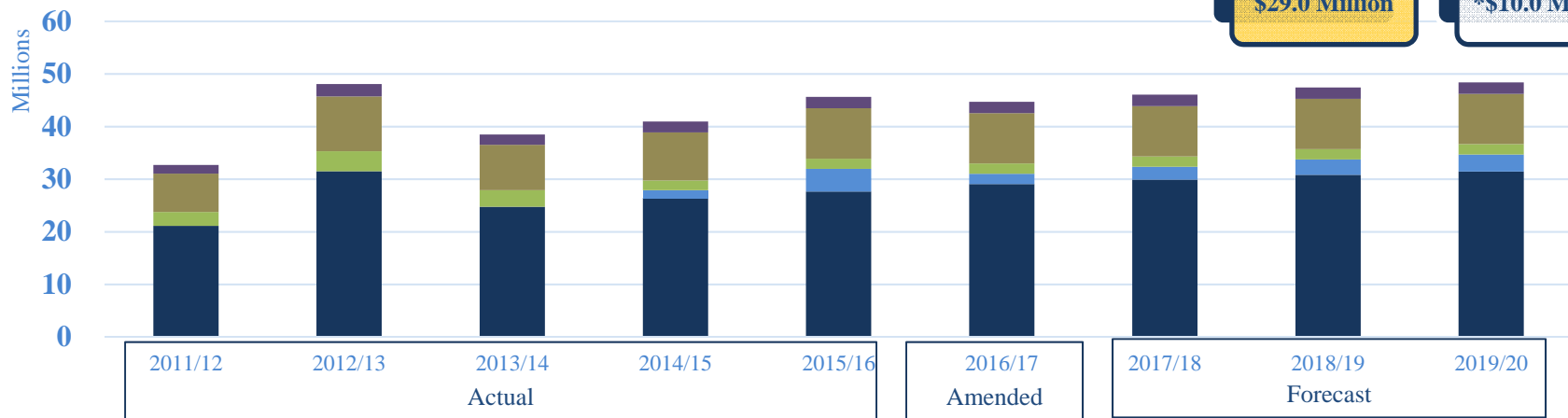
Sources of Funds
“Where monies come from”



Property Tax Fund Allocation



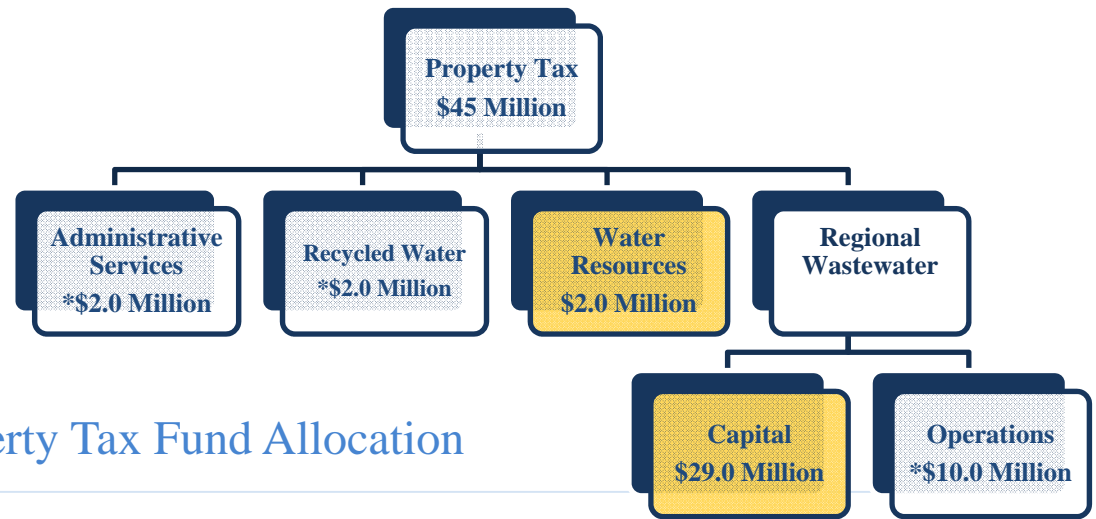
Property Tax Fund Allocation



■ Regional Wastewater Capital ■ Water Fund ■ Administrative Services ■ Regional Wastewater Operation ■ Recycled Water

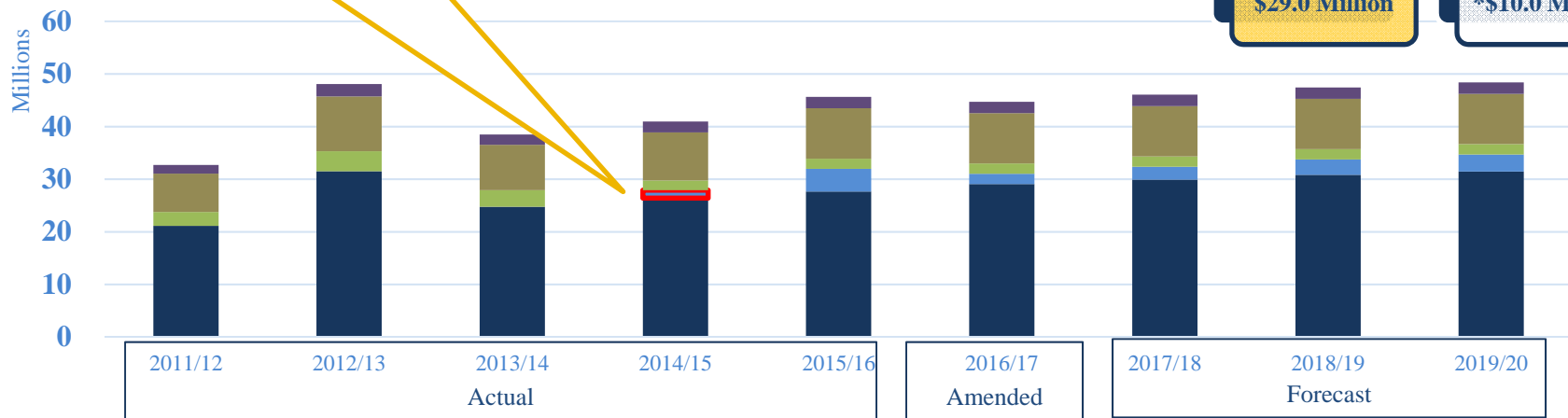
Property Tax Fund Allocation

- 65% allocated to Regional Wastewater Capital fund.
- 35% allocated to other funds.
 - Fixed amount as shown
 - Balance to Water Resources fund.



Beginning allocation to Water Resources fund from Administrative Services fund

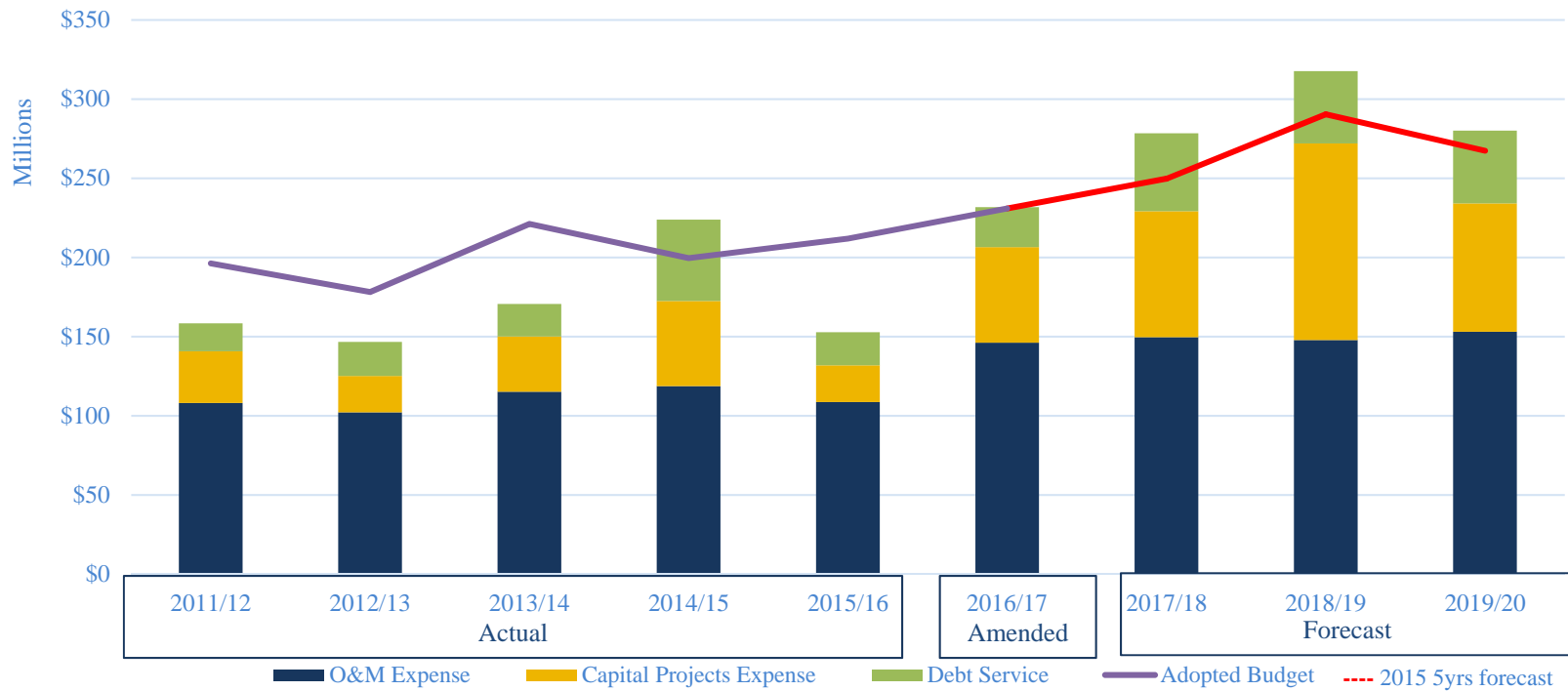
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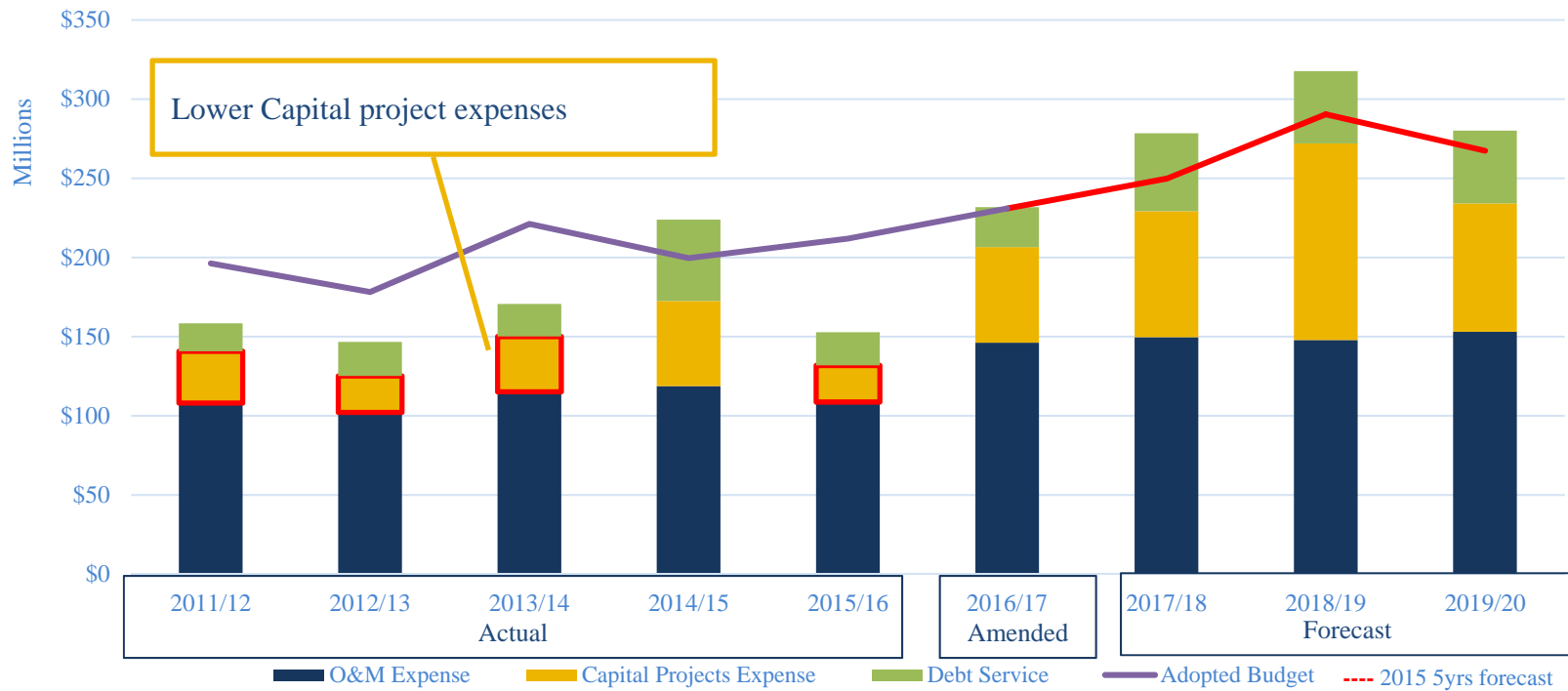
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”



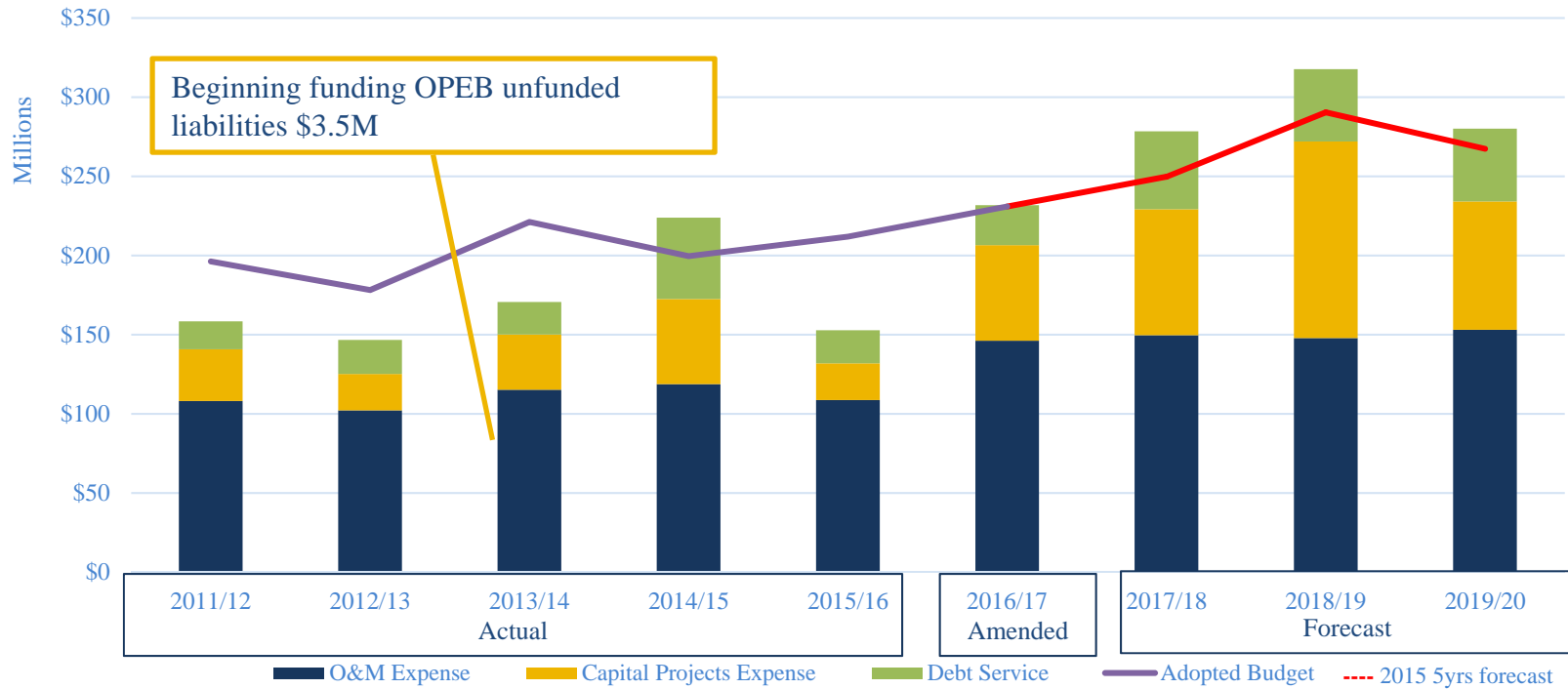
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”



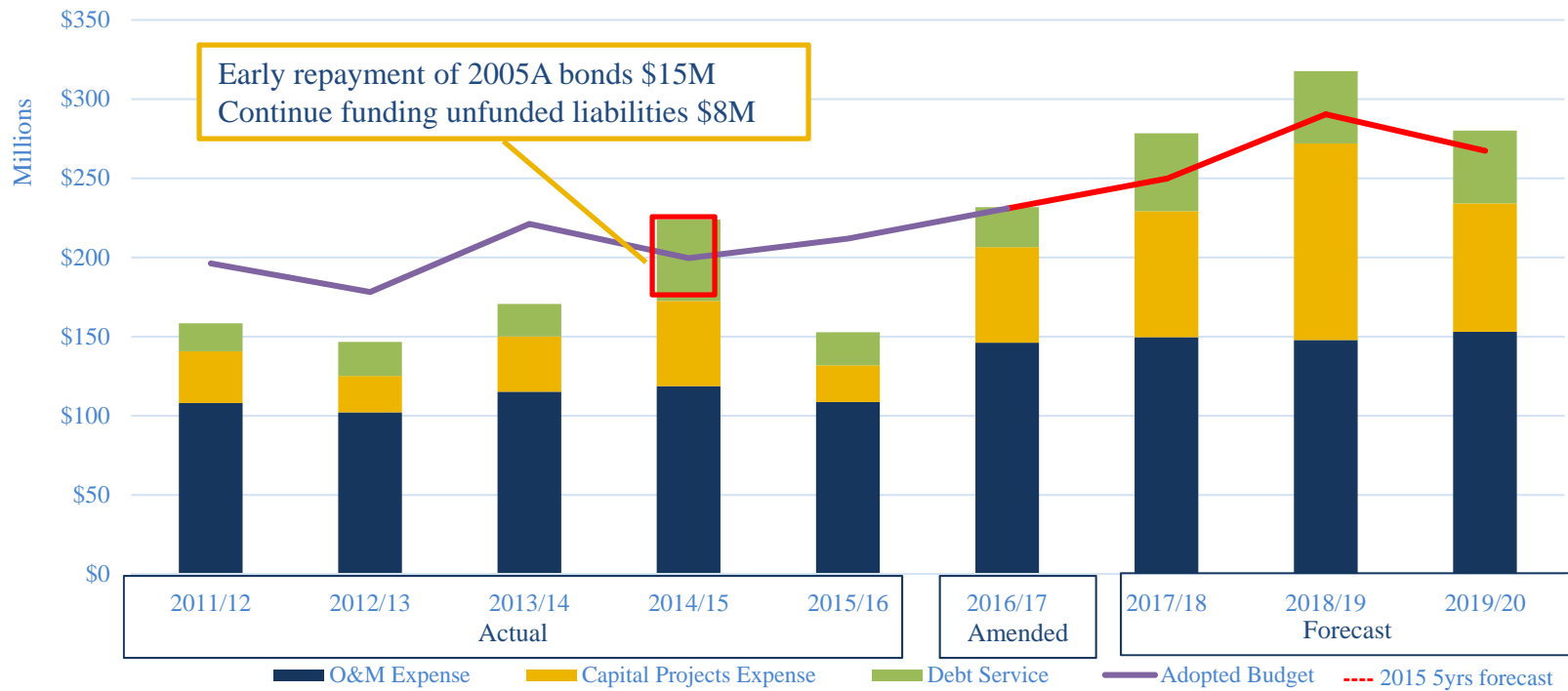
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”



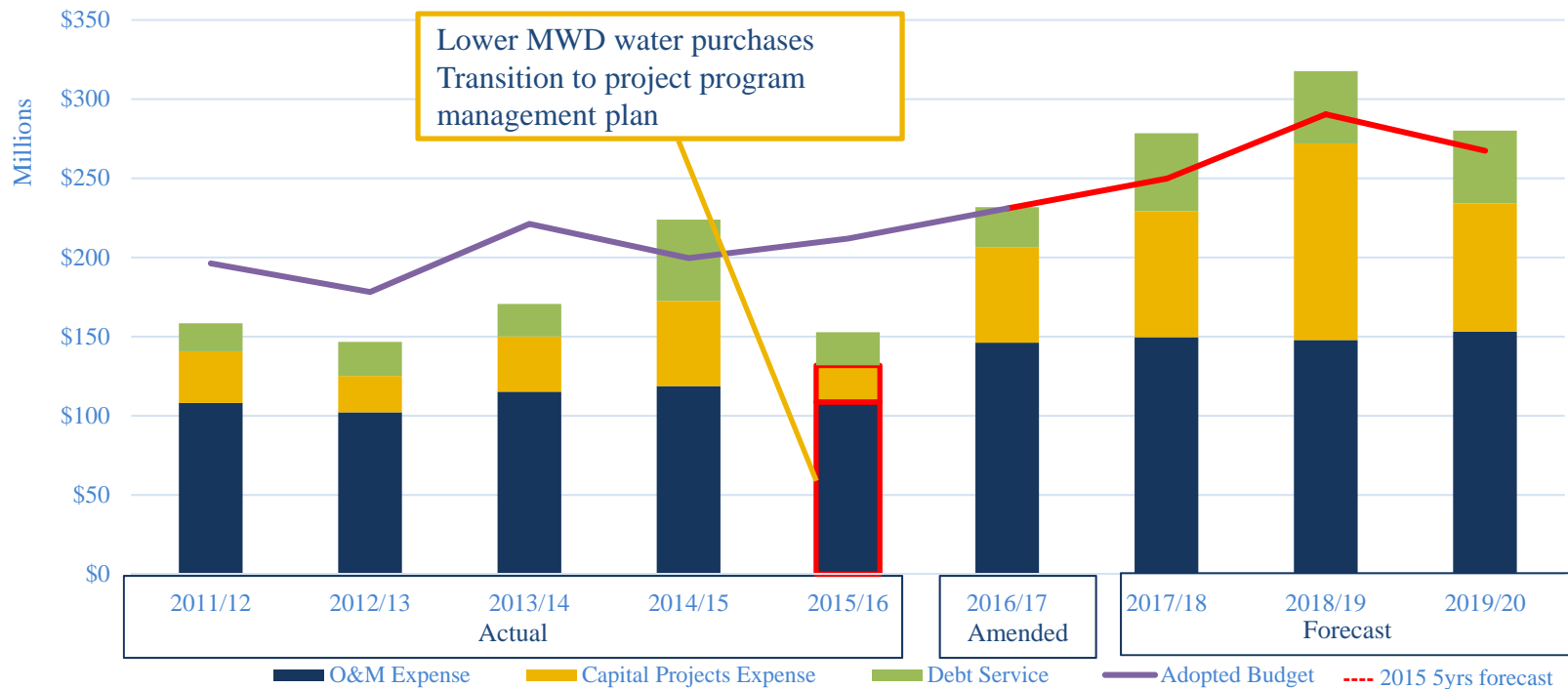
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”



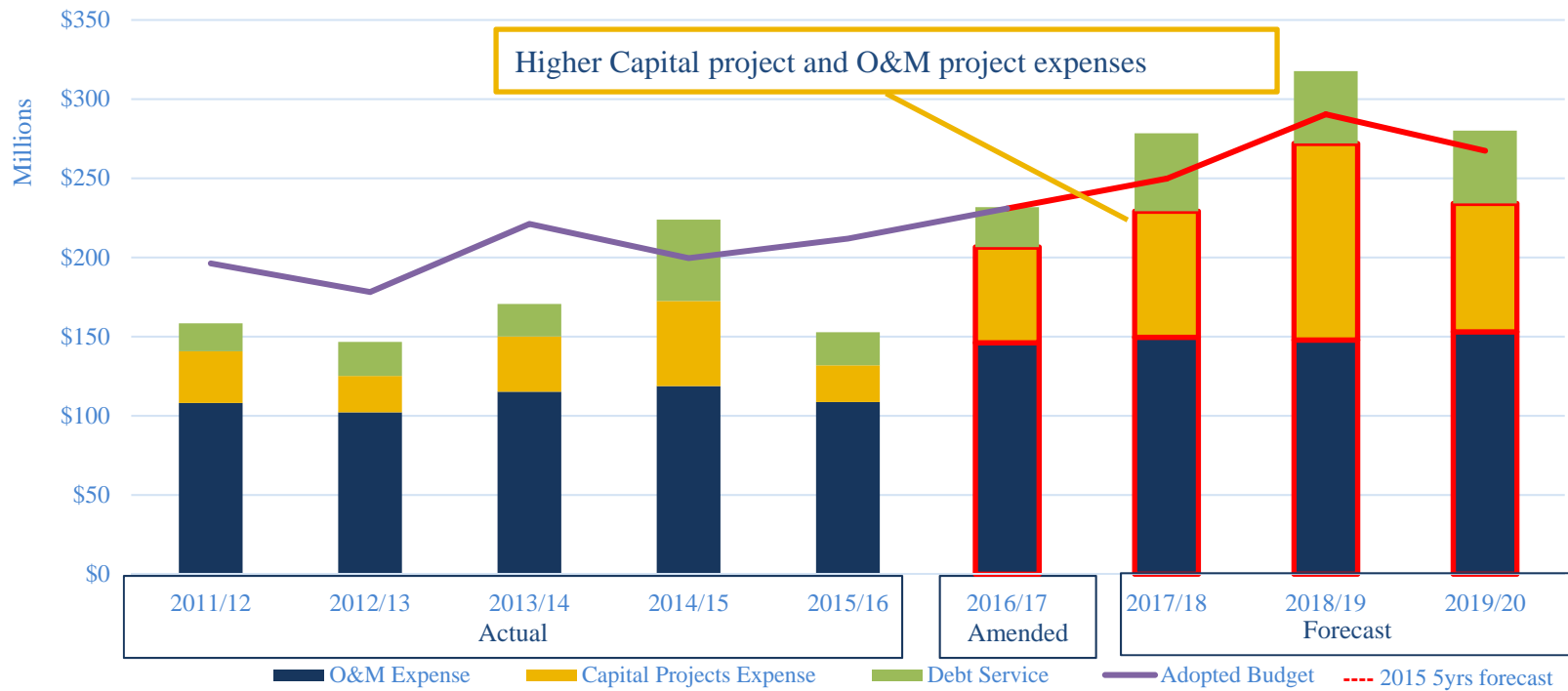
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”



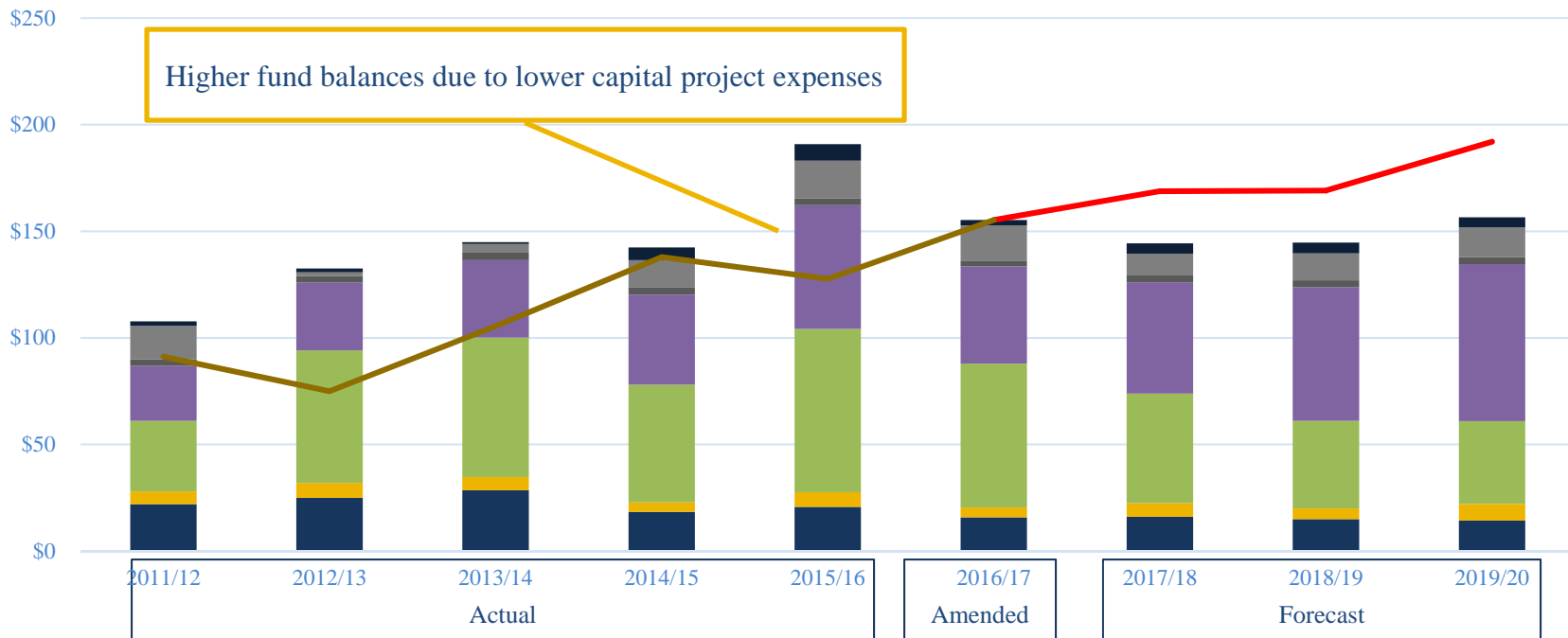
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”



Consolidated Trends – All Funds

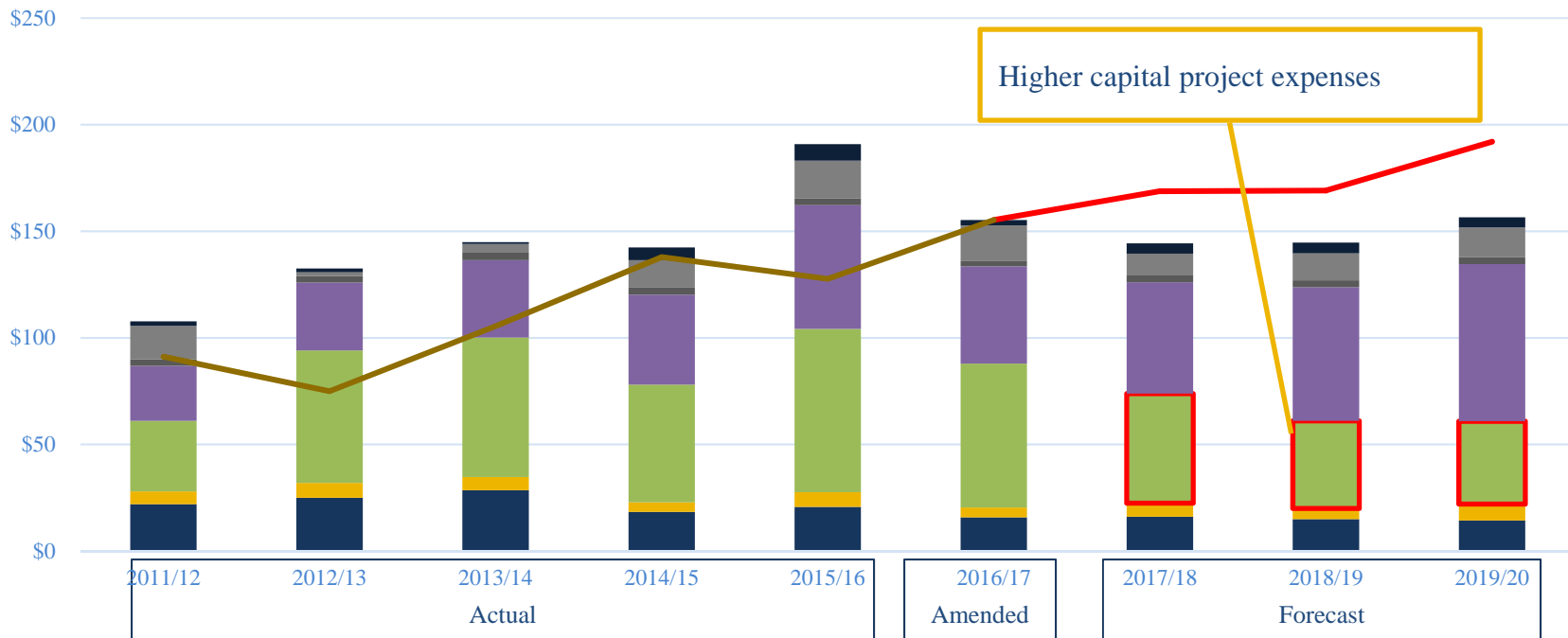
Fund balances



- Administrative Services
- Non-Reclaimable Wastewater
- Regional Wastewater Capital
- Regional Wastewater Operations
- Recharge Water
- Recycled Water
- Water Resources
- Adopted Budget

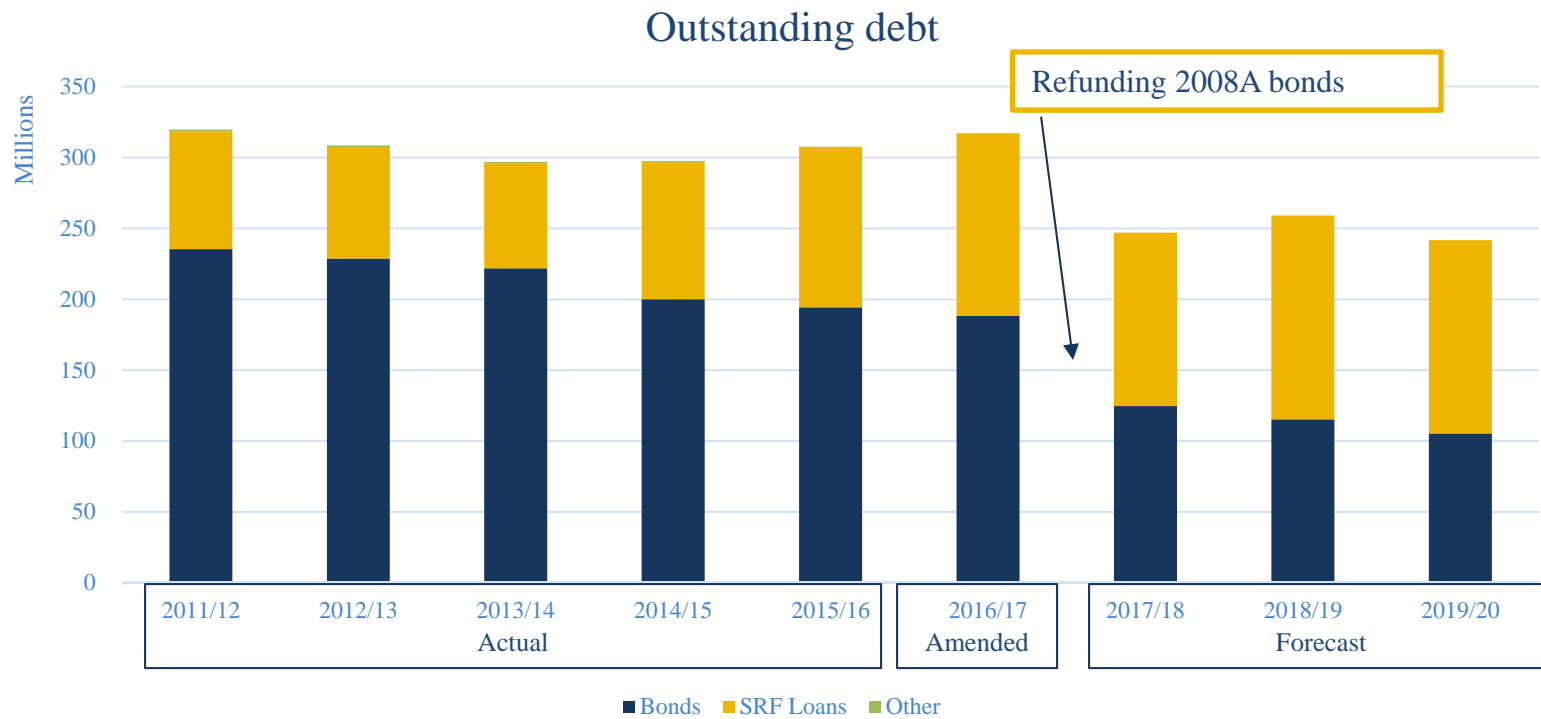
Consolidated Trends – All Funds

Fund balances



- Administrative Services
- Non-Reclaimable Wastewater
- Regional Wastewater Capital
- Recharge Water
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- Water Resources
- Regional Wastewater Operations
- Adopted Budget

Consolidated Trends – All Funds



Administrative Services Fund

Agency-wide Costs

Staffing

Benefits

Support Services

Cost Allocations



**FY 2016/17 Amended Budget
as adopted June 15, 2016**

\$ Million

Uses of Funds **\$64.1**

Employment costs	\$49.2
Capital improvement projects (CIP)	2.9
Operations & maintenance (O&M)	10.0
Transfers Out	2.0

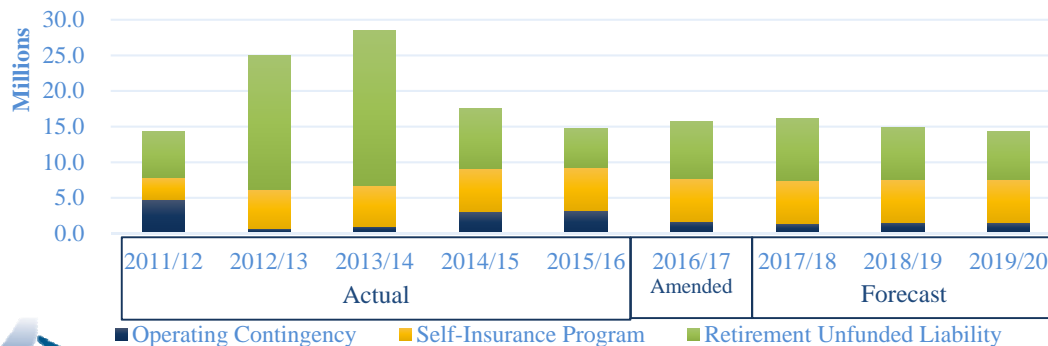
Sources of Funds **\$61.8**

Cost Allocations	\$55.4
Property tax	2.0
Contract cost reimbursements	1.5
Transfers In	2.9

Fund Balance **\$15.7**

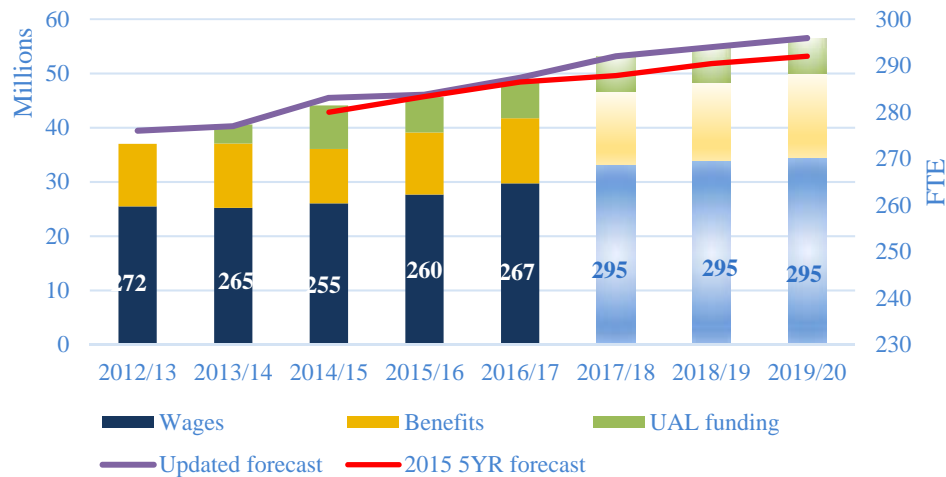
Operating Contingency	\$1.7
Self-insurance & Other	6.0
Retirement Unfunded Liabilities	8.0

Fund Balance



Administrative Services Fund

EMPLOYMENT COST



FTE, full time equivalent employee

UAL, unfunded accrued liabilities (employee retirement)

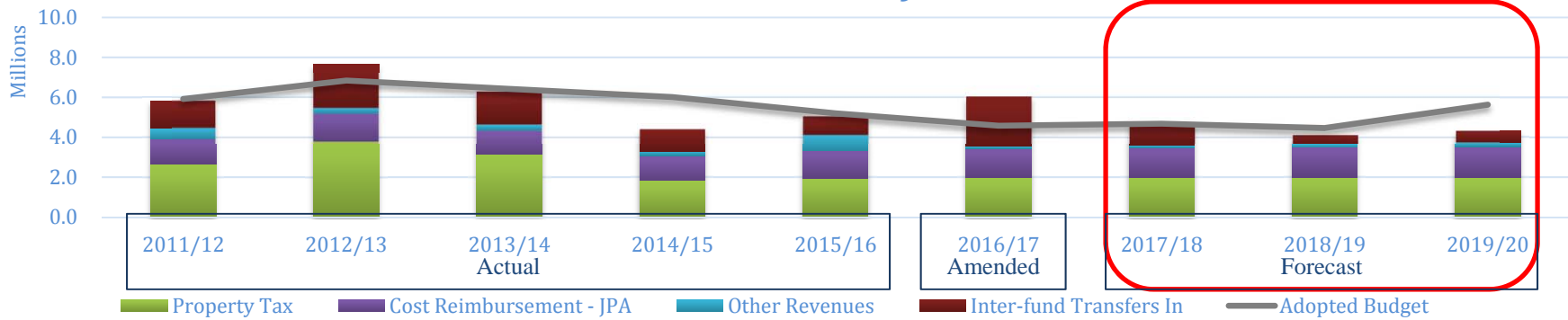
- 2015 5YR forecast for FY 2017/18 to FY 2019/20 assumed 290 FTEs, with a vacancy factor of 3% for a total of 281 active FTEs.
- FY 2017/18 Elimination of vacancy factor and creation of a pooled bank to support succession planning.

Employment cost allocated by Program	
Program	Allocation
Regional Wastewater Operations	60.0%
Regional Wastewater Capital	7.0%
Recycled Water	8.0%
Non-Reclaimable Wastewater	5.0%
Recharge Water	2.0%
Water Resources	4.0%
Regional Composting Authority	8.0%
Chino Basin Desalter Authority	3.0%
Administrative Services	3.0%
TOTAL	100%

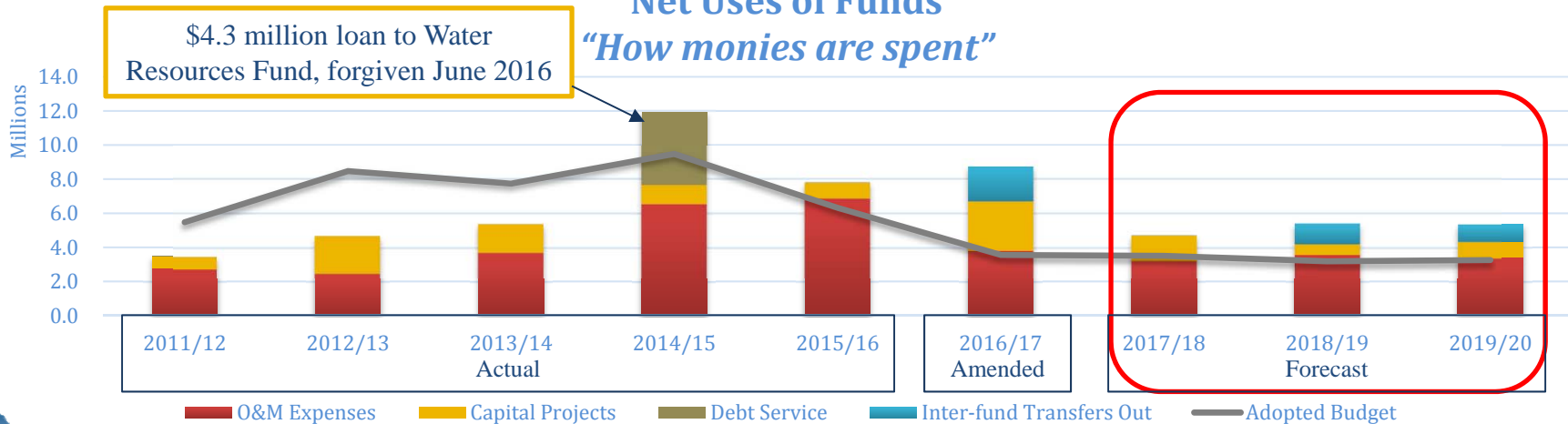
Administrative Services Fund Trends

Net of allocated costs to other funds

Net Sources of Funds "Where monies come from"



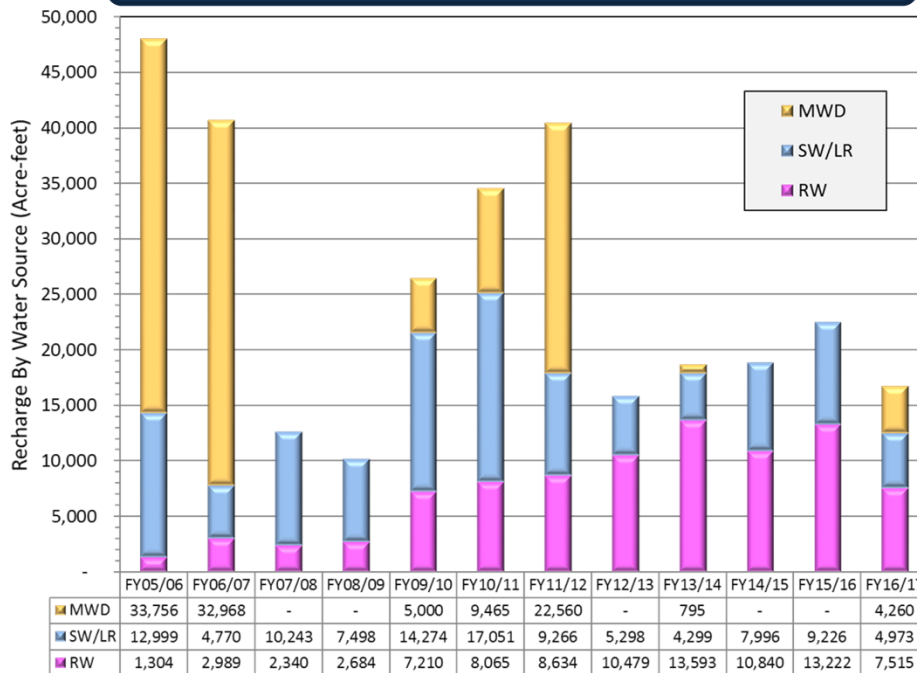
Net Uses of Funds "How monies are spent"



Recharge Water Fund

Groundwater Recharge Basins (19)

- Storm Water
- Recycled Water
- Imported Water



**FY 2016/17 Amended Budget
as adopted June 15, 2016**

\$ Million

Uses of Funds **\$7.3**

- Operations & Maintenance (O&M) \$1.8
- Capital improvement projects (CIP) 4.6
- Debt service 0.9

Sources of Funds **\$7.1**

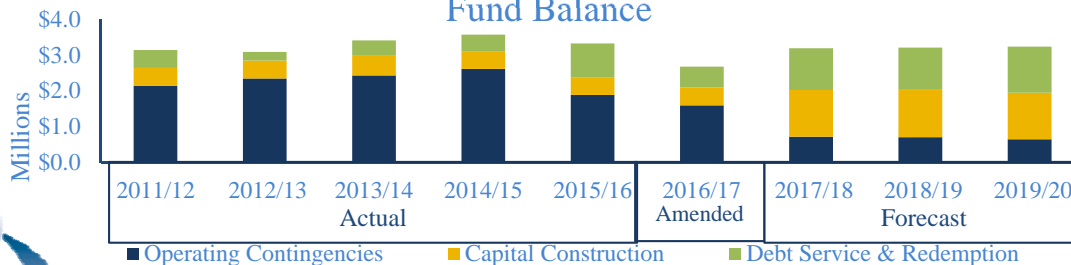
Contributions

- Watermaster \$5.4
- IEUA 1.7
 - Recycled water surcharge
 - Property tax

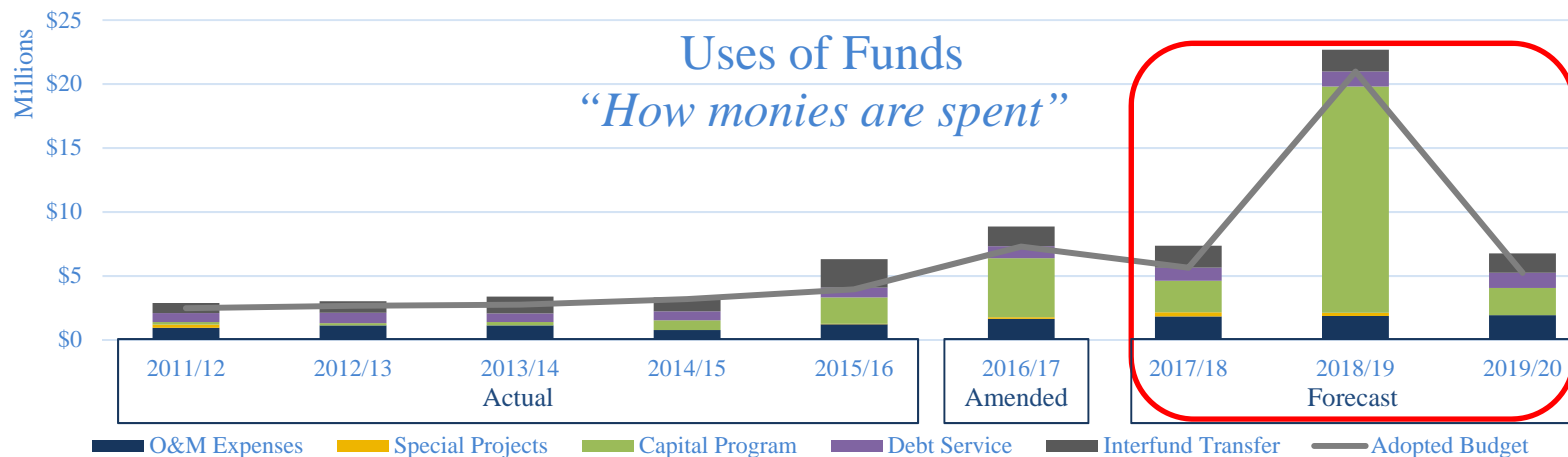
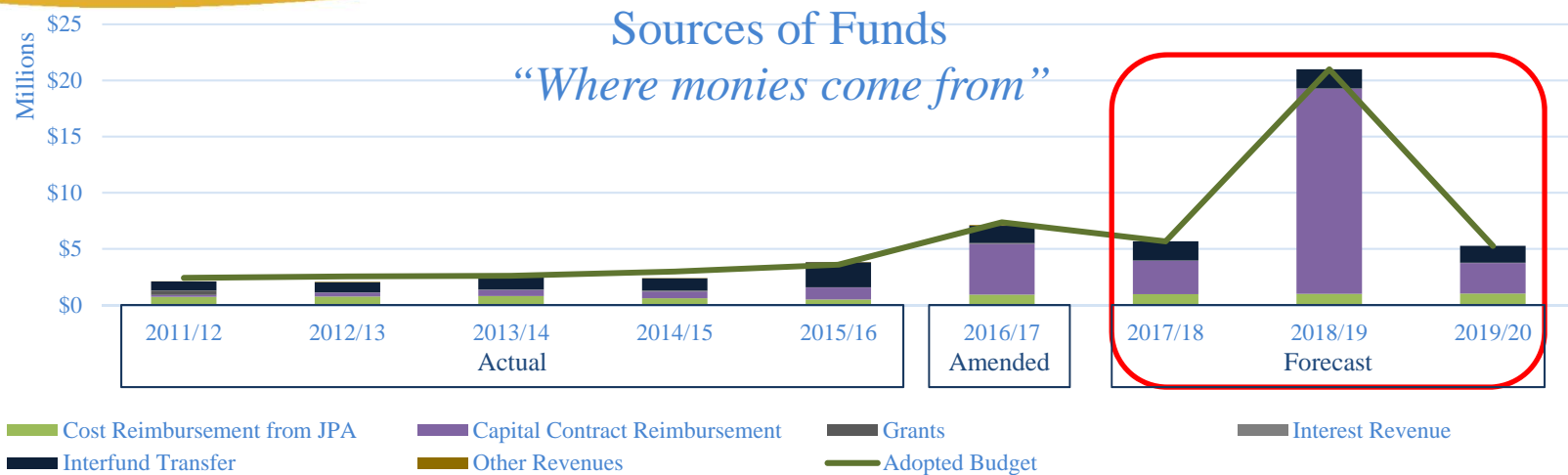
Fund Balance **\$2.7**

- Operating Contingency \$1.6
- Capital Construction 0.5
- Debt Service Reserve 0.6

Fund Balance



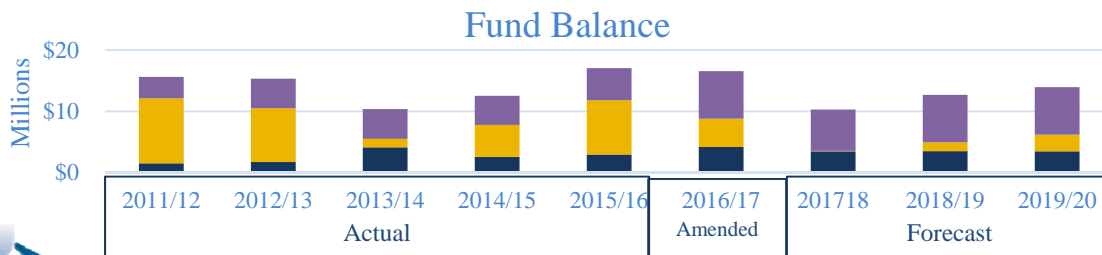
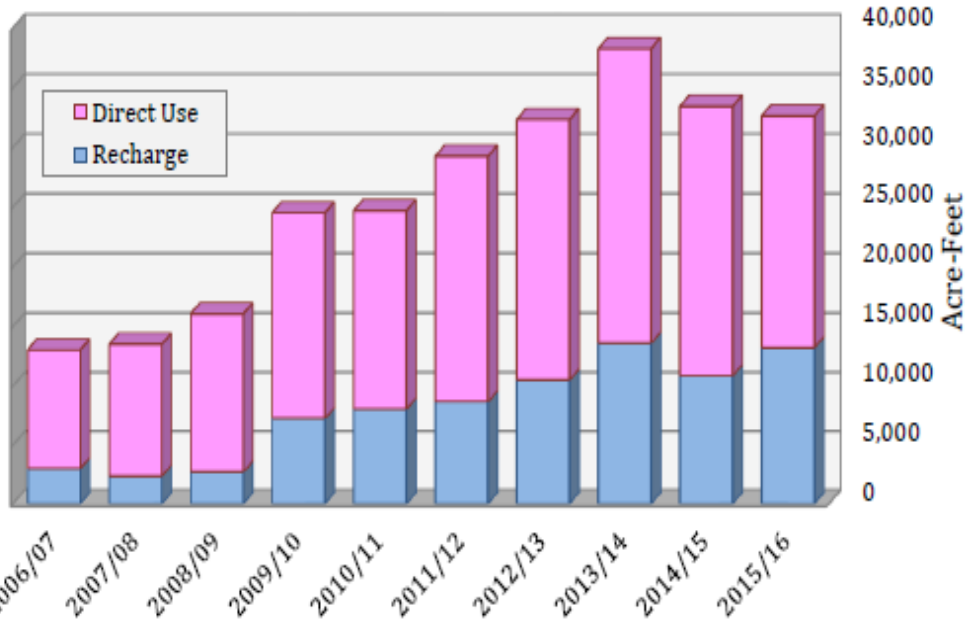
Recharge Water Fund Trends



Recycled Water Fund



Regional Recycled Water Distribution System

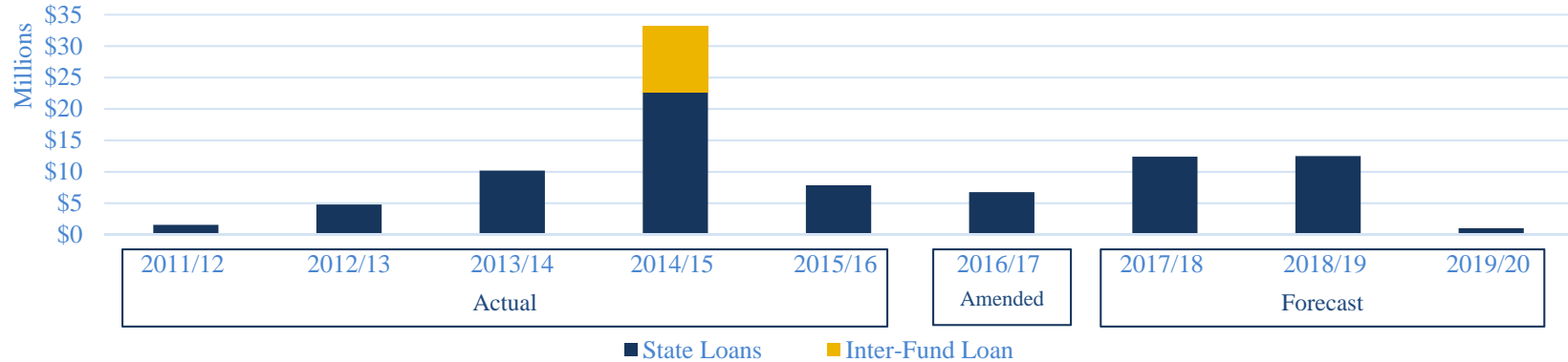


FY 2016/17 Amended Budget as adopted June 15, 2016

	\$ Million
Uses of Funds	\$34.0
Operations & Maintenance (O&M)	\$12.6
Capital improvement projects (CIP)	11.9
Debt service	6.7
Transfers Out	2.8
Sources of Funds	\$38.6
Recycled Water Sales	\$17.9
Direct use	
Groundwater recharge	
MWD LPP rebate	
Water Connection fees	2.9
Property tax	2.2
Contract Reimbursements	1.1
Debt Proceeds/Grants	13.0
Transfer In	1.5
Fund Balance	\$16.5
Operating Contingency	\$4.2
Construction	6.1
Debt Service	6.2

Recycled Water Fund

Debt Proceeds



Fiscal Year	Inter Fund Loans Due from Recycled Water Fund to:	Inter-Fund Loans \$ Million	Repayment Plan (Approved June 2014)
2007/08	Non-Reclaimable Wastewater Fund	\$9.0	2020-2024
2007/08	Regional Wastewater Capital Improvement Fund	3.0	2023-2025
2009/10	Non-Reclaimable Wastewater Fund	6.0	2024-2026
2014/15	Regional Wastewater Capital Improvement Fund	10.5	2023-2025
Total		\$28.5	

Recycled Water Fund

Five year rates adopted June 2015 for Fiscal Years 2015/16 – 2019/20.

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Effective Date		10/01/15	7/01/16	7/01/17	7/01/18	7/01/19
Direct Delivery/AF	\$290	\$350	\$410	\$470	\$480	\$490
Groundwater Recharge/AF	\$335	\$410	\$470	\$530	\$540	\$550

(AF) acre foot

Cost of service was the key driver for adopted rates.

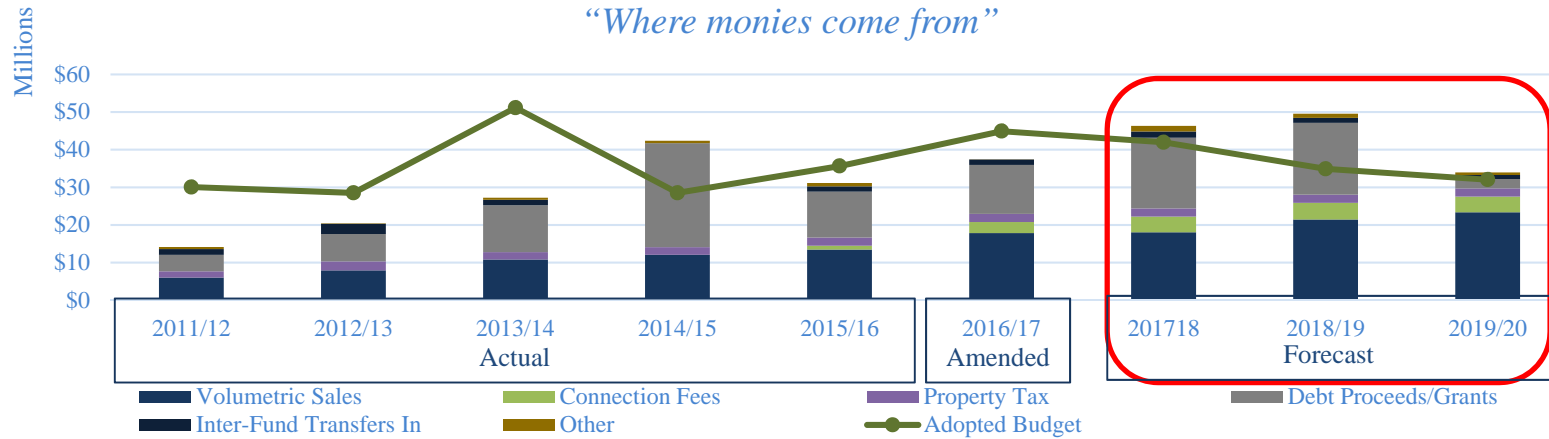
Water Connection Fee

	FY 2014/15	FY 2015/16	FY 2016/17		FY 2017/18	FY 2018/19	FY 2019/20
Effective Date		1/01/16	7/01/16	01/01/17	7/01/17	7/01/18	7/01/19
Water Connection Fee /MEU	N/A	\$693	\$693	\$1,455	\$1,527	\$1,604	\$1,684

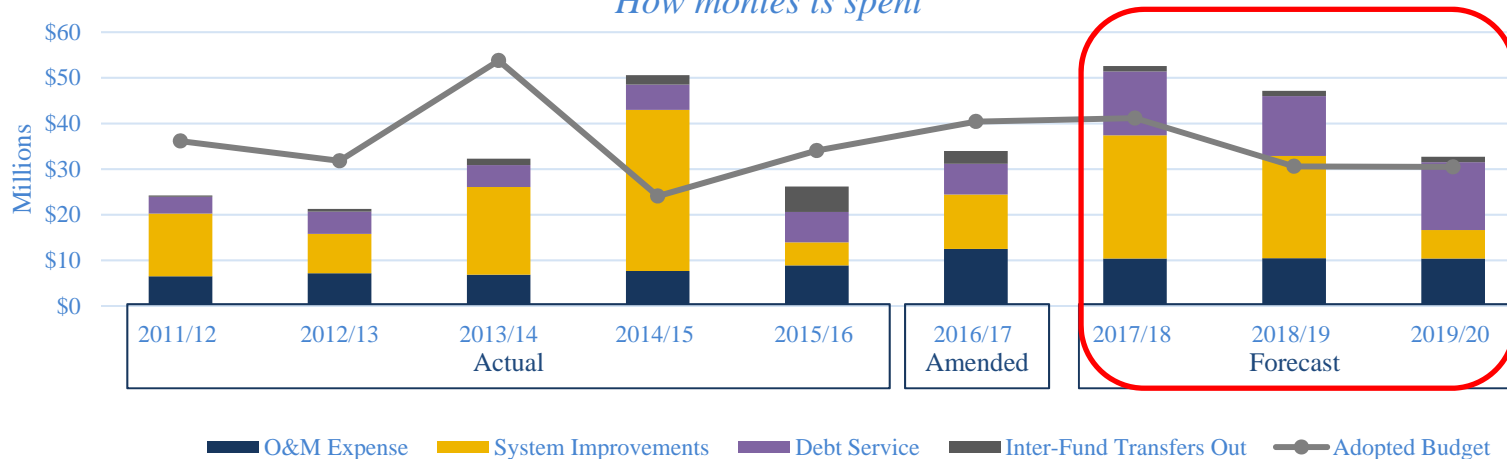
Phased implementation, assumes annual 5% increases beginning 1/1/17.

Recycled Water Fund Trends

Funding Sources
 "Where monies come from"



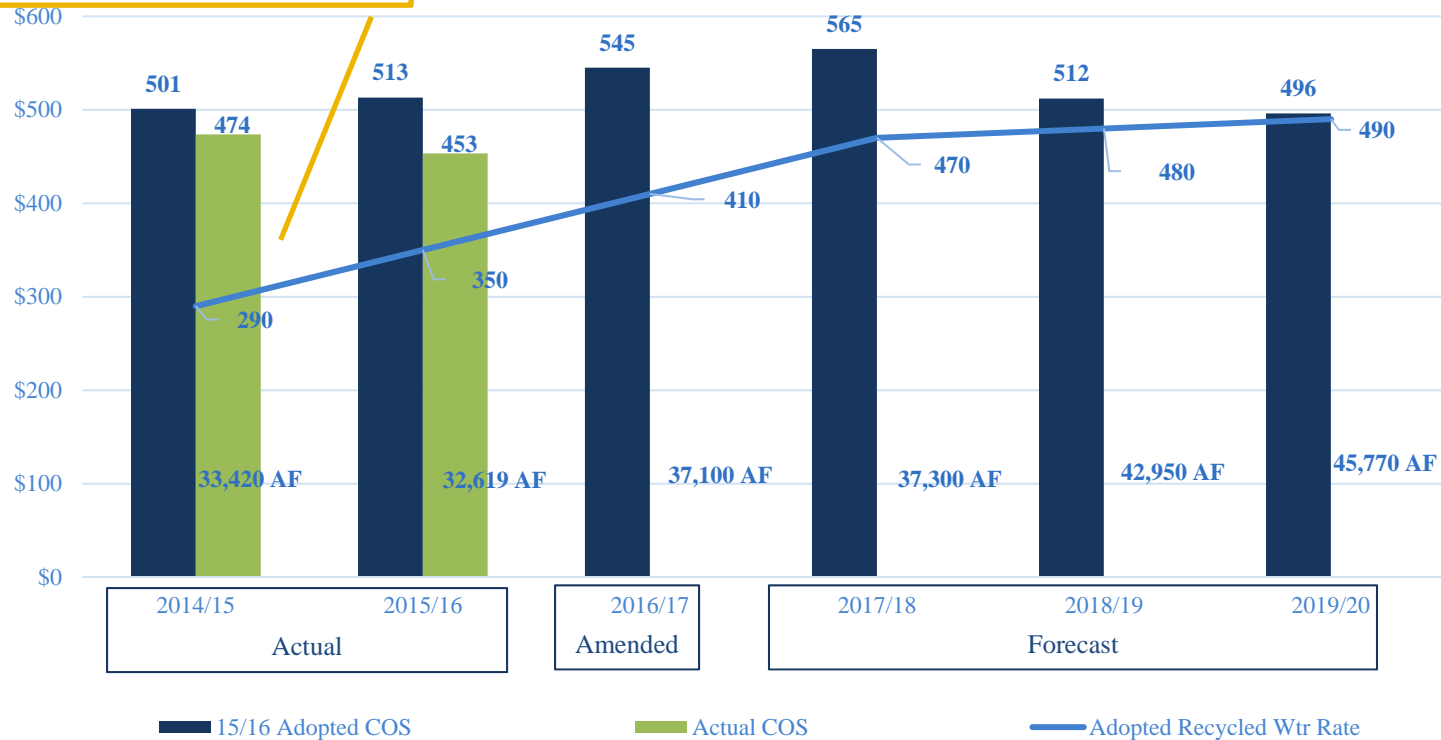
Uses of Funds
 "How monies is spent"



Recycled Water Cost of Service

1,000 AF higher sales than projected
\$0.5 M lower pumping cost

Recycled Water Cost of Service

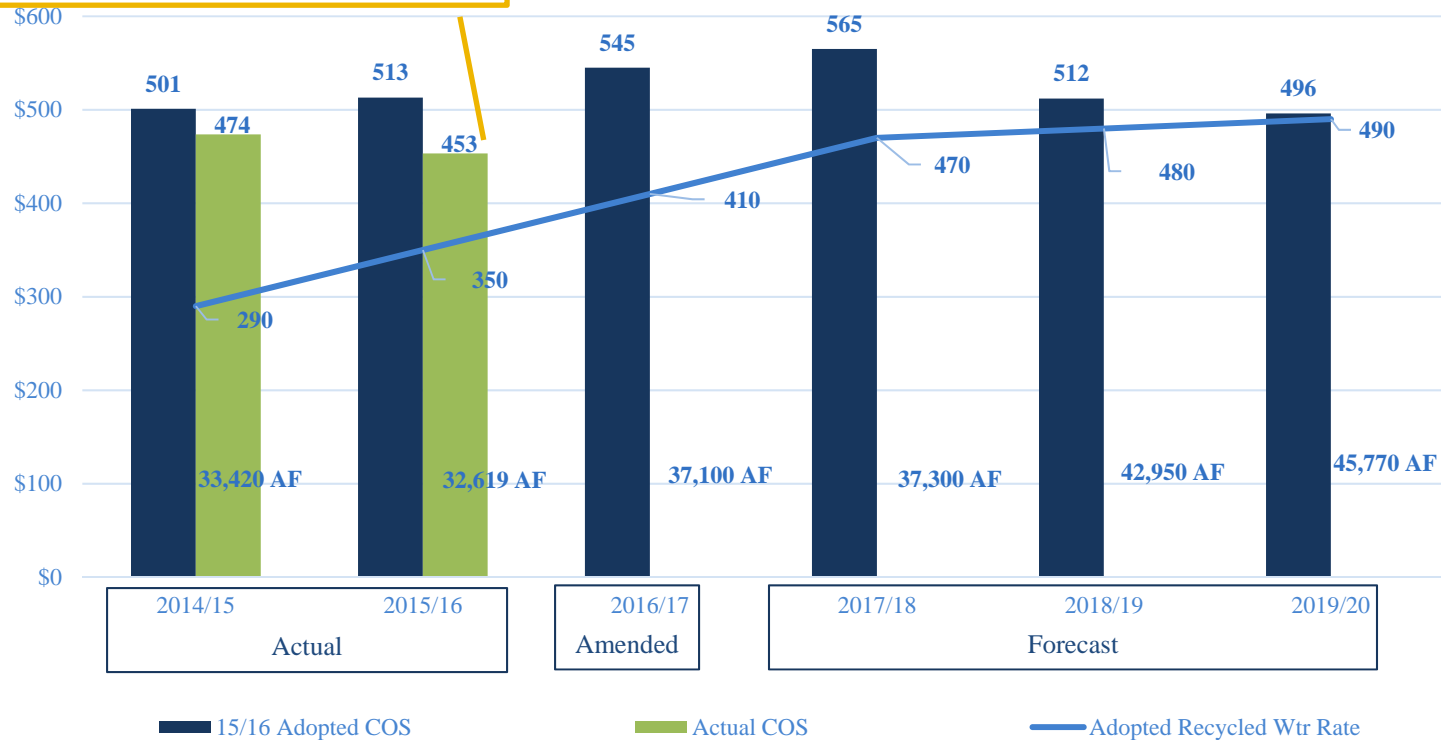


**Adopted Budget
FY 2015/16 as adopted June 17, 2015**

Recycled Water Cost of Service

2,800 AF lower sales than projected
\$2.0 M lower expenses

Recycled Water Cost of Service



**Adopted Budget
FY 2015/16 as adopted June 17, 2015**

Water Resources Fund



Regional Water Resources

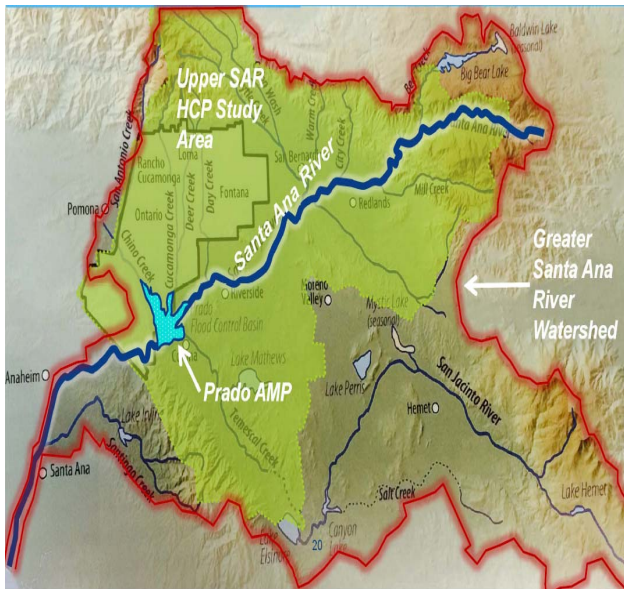
FY 2016/17 Amended Budget
as adopted June 15, 2016

Imported
Water

Water Use
Efficiency

Water
Resources
Planning

Water
Bank



\$ Million

Uses of Funds

\$45.1

Imported water purchases	\$31.9
MWD Readiness to serve fee (RTS)	3.2
Water use efficiency projects	5.7
Program support	2.3
Santa Ana River Watershed Projects	2.0

Sources of Funds

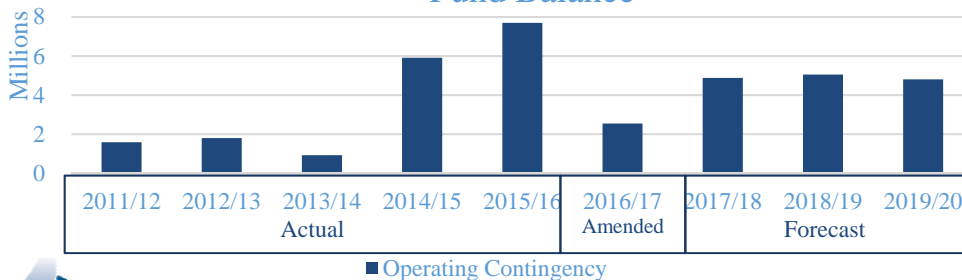
\$41.0

Imported water sales	\$28.7
MWD RTS pass through	0.5
Meter equivalent charges	3.9
Water connection fees	0.3
Property tax	2.0
Grants/rebates	2.4
Inter fund loan	3.2

Fund Balance

\$2.5

Fund Balance



Water Resources Fund Adopted Rates

Water rates effective October 1, 2016 approved on June 15, 2016. At the request of water member agencies, the Board approved;

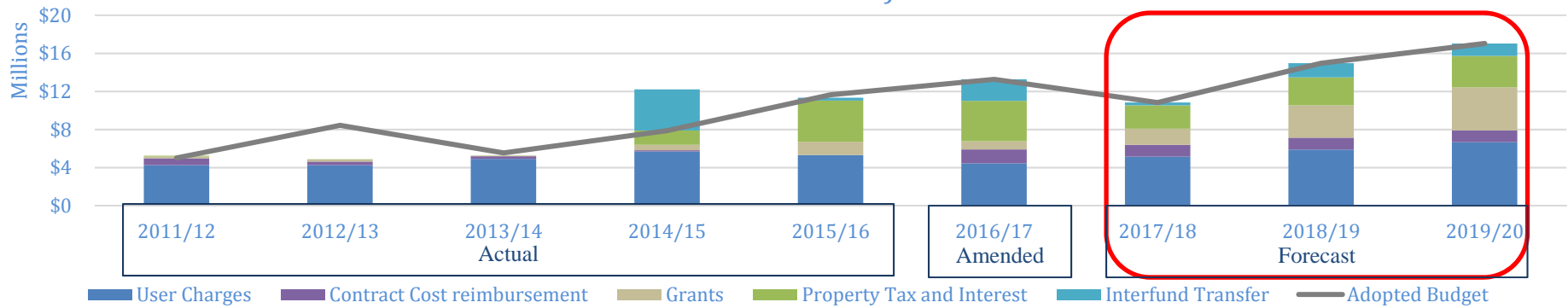
- 7 year phase-in of RTS to be supported by property taxes, estimated at \$16 million
- Forgiveness of \$4.3 million inter-fund loan due to Administrative Services fund
- Use property taxes to support future purchases of supplemental water

	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
RTS TYRA 7YR Phase In (Estimated rate per AF)	15% ~\$7.82	30% ~\$16.02	45% ~\$24.69	60% ~\$34.75	75% ~\$46.95	90% ~\$59.26	100% ~\$67.45
MEU rate: \$/MEU	\$0.90	\$0.95	\$0.99	\$1.04	Adjustments based on CPI		

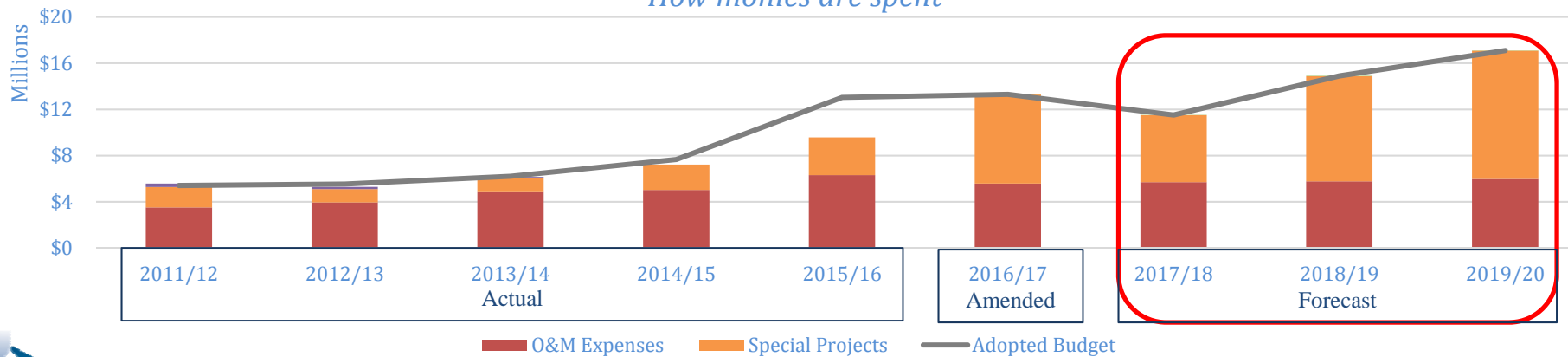
RTS TYRA – Readiness to Serve Ten Year Rolling Average consistent with MWD cost allocation methodology.

Water Resources Fund Trends

Sources of Funds
"Where monies come from"



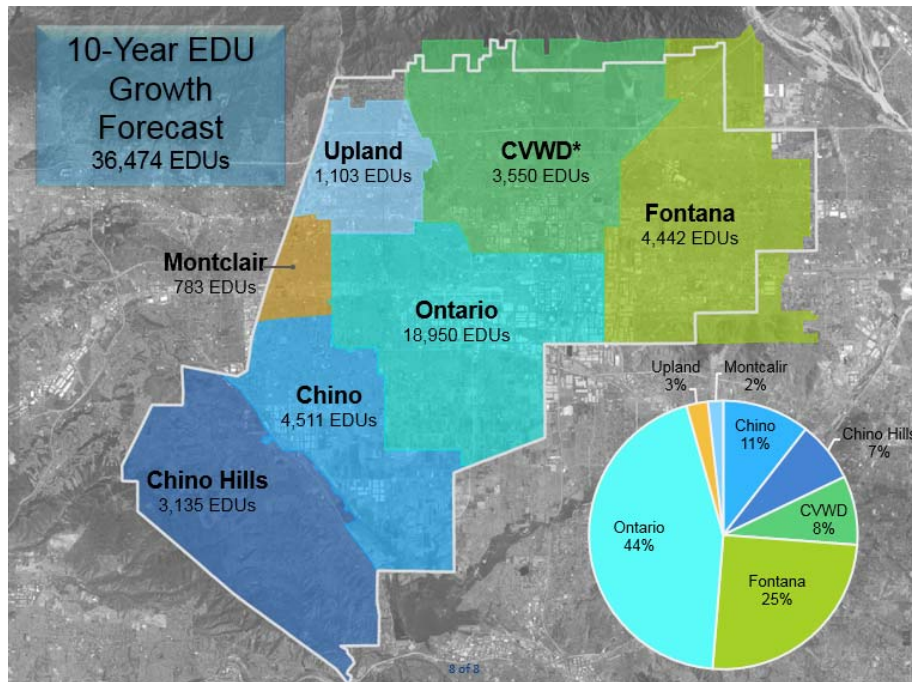
Uses of Funds
"How monies are spent"



Regional Wastewater Capital Improvement Fund

Support growth in service area

**FY 2016/17 Amended Budget
as adopted June 15, 2016**



Uses of Funds

\$ Million

\$51.5

Capital improvement projects (CIP)	\$20.0
Debt service	13.5
Program support	9.5
Transfers Out	8.5

Sources of Funds

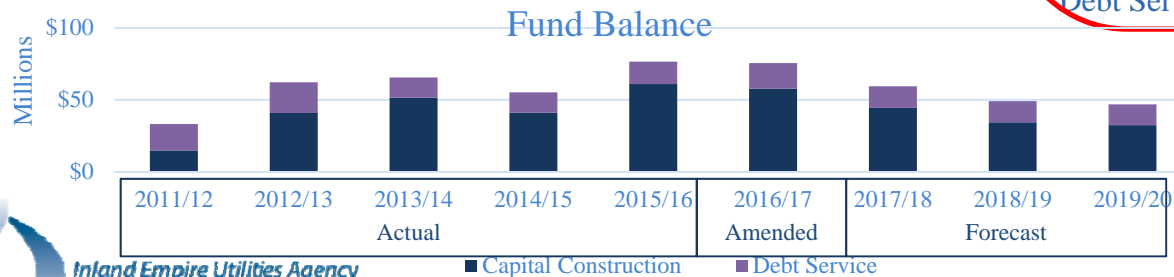
\$49.2

Property tax	\$29.1
Connection fees	17.2
Debt Proceeds/Grants	2.9

Fund Balance

\$67.5

Construction	\$19.7
CCRA held by member agencies	32.6
Debt Service	15.2



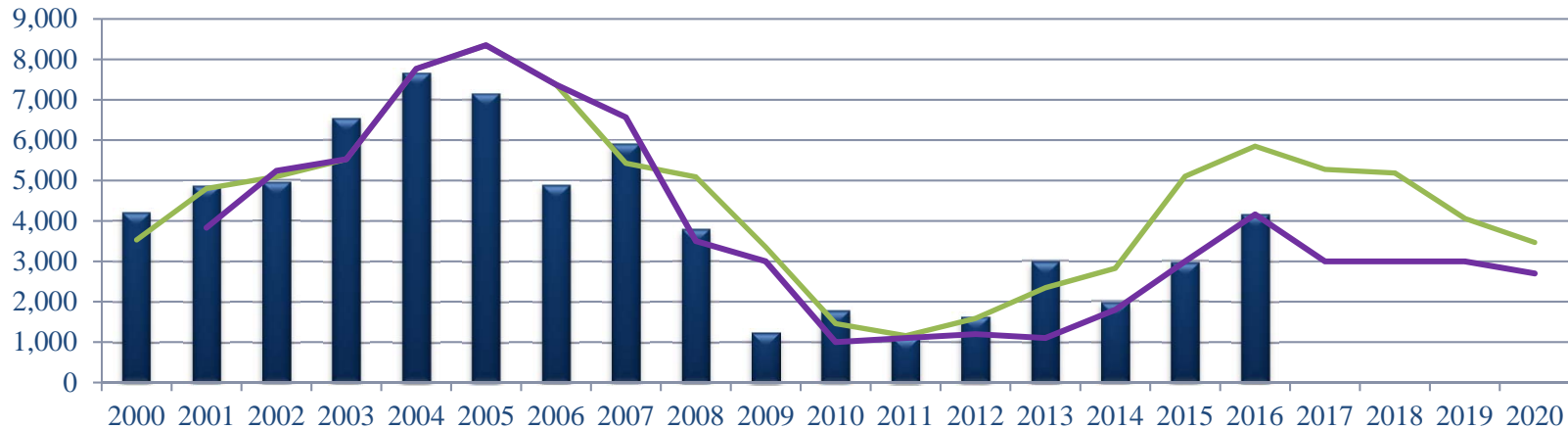
Regional Wastewater Capital Improvement Fund

Five year rates adopted June 2015 for Fiscal Years 2015/16 – 2019/20.

	FY 2014/15	FY 2015/16		FY 2016/17		FY 2017/18	FY 2018/19	FY 2019/20
Effective Date		7/01/15	1/01/16	7/01/16	01/01/17	7/01/17	7/01/18	7/01/19
Wastewater Connection Fee/EDU	\$5,107	\$5,107	\$5,415	\$5,415	\$6,009	\$6,309	\$6,624	\$6,955

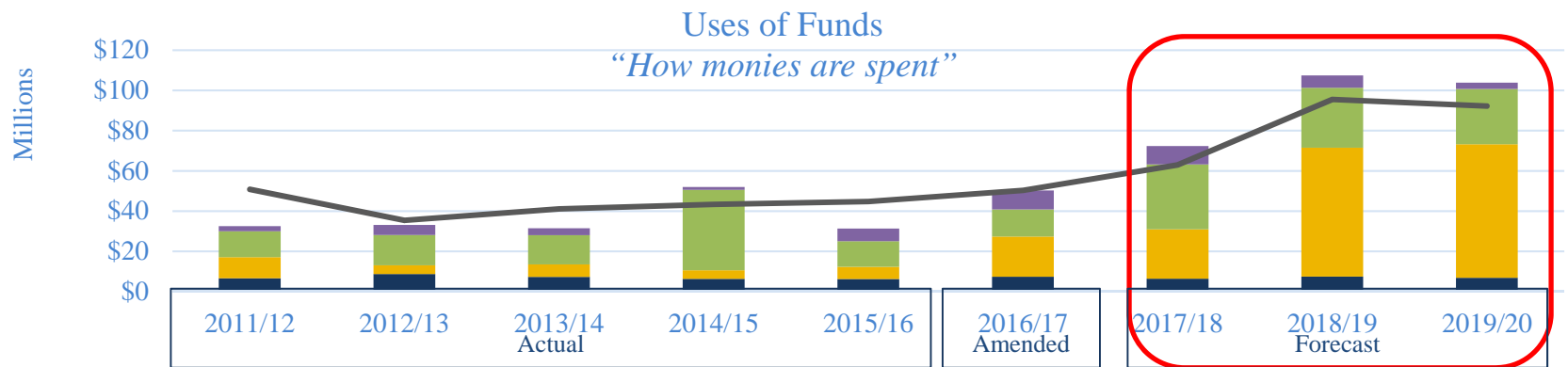
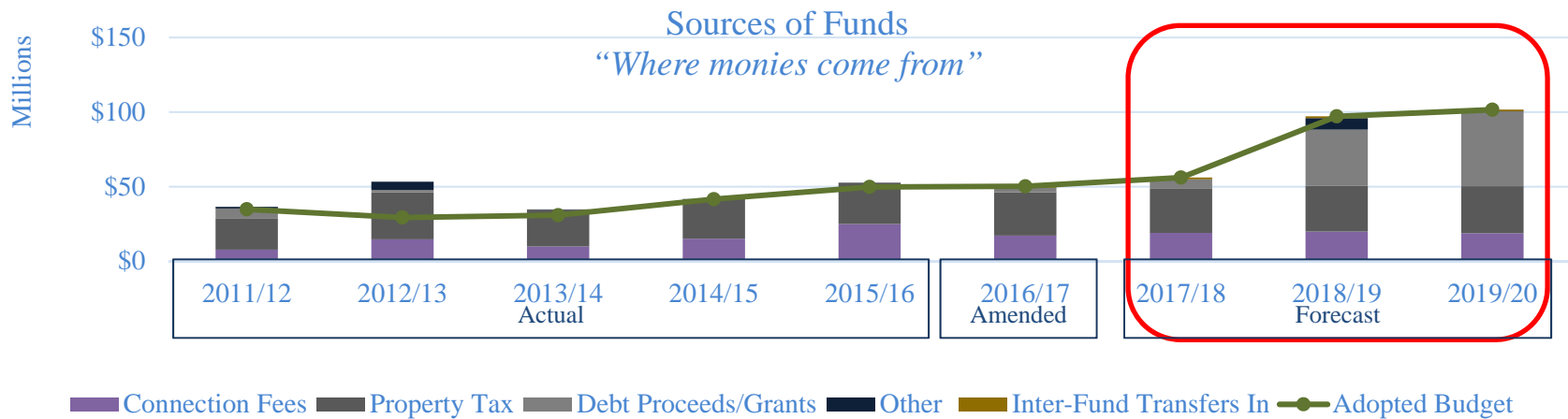
Phased implementation, assumes annual 5% increases beginning 1/1/17 for both connection fees.

New EDU Connection Comparative of Member Agency and Agency Forecasts to Actual Units



Actual EDU's Connected
 Member Agency Forecast
 IEUA Forecast

Regional Wastewater Capital Fund Trends



Regional Wastewater Operations and Maintenance Fund

Wastewater Collection

Wastewater Treatment

Bio Solids Disposal

Renewal Energy

Regional Water Recycling Plants and Facilities



FY 2016/17 Amended Budget as adopted June 15, 2016

\$ Million

Uses of Funds

\$89.7

Operations & Maintenance (O&M)	\$62.5
Rehabilitation & Replacement (R&R)	19.3
IERCA Labor	3.5
Debt Service/Inter Fund Loan	3.4
Transfer Out	1.0

Sources of Funds

\$87.8

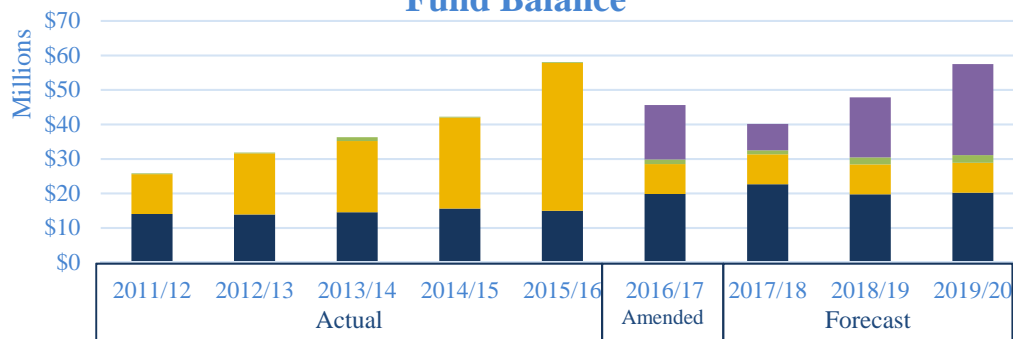
EDU volumetric	\$56.3
Property tax	9.6
IERCA Reimbursements	3.5
Debt Proceeds/Grants	12.3
Transfers Out	6.1

Fund Balance

\$45.6

Operating Contingency	\$19.8
Capital Replacement	24.5
Debt Service	1.3

Fund Balance



■ Operating Contingency ■ Rehabilitation/Replacement ■ Debt Service ■ Sinking Fund

Regional Wastewater O&M Fund Adopted Rates

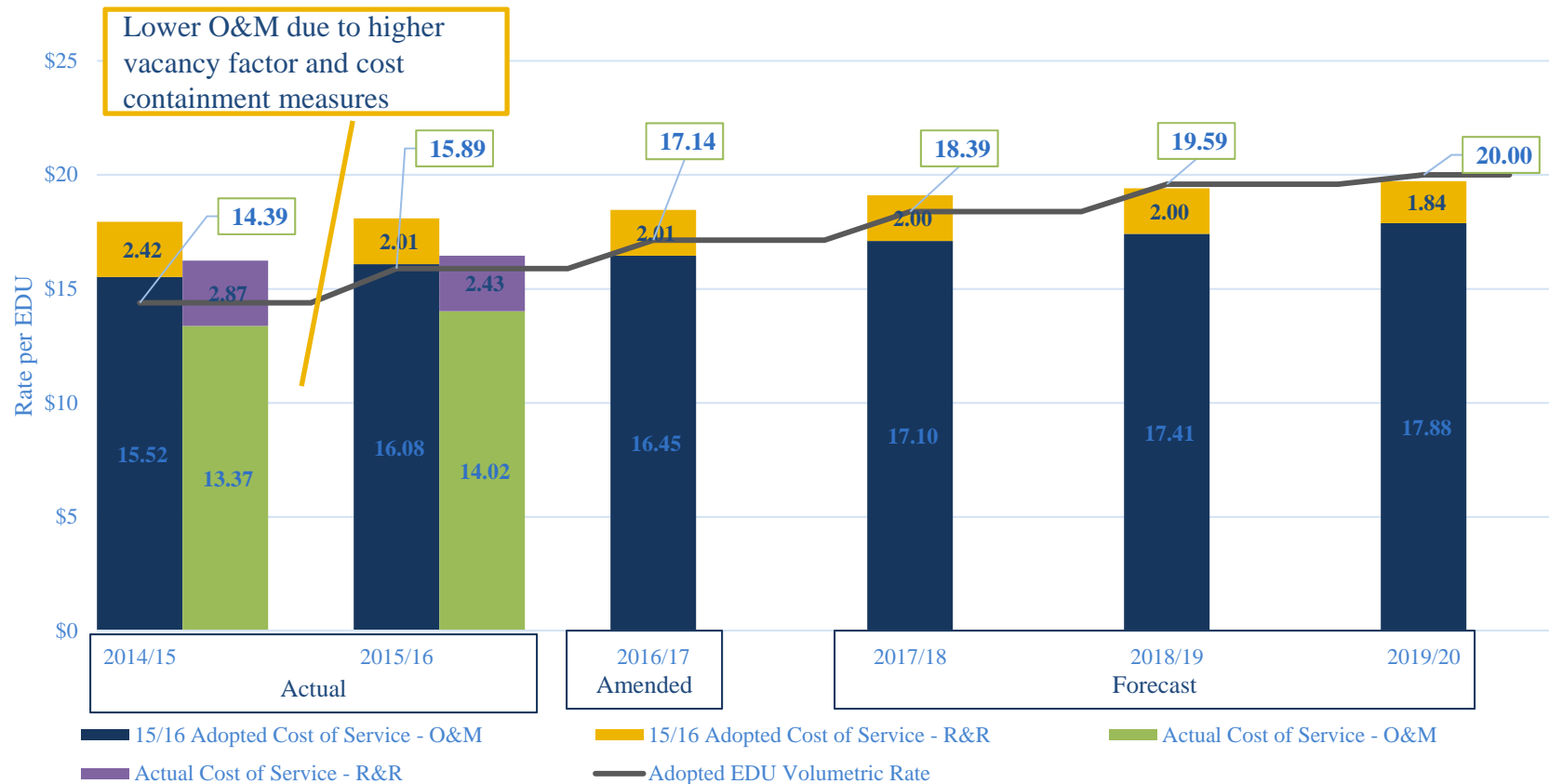
- Five year rates adopted March, 2015 for Fiscal Years 2015/16 – 2019/20.

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Monthly EDU Rate	\$14.39	\$15.89	\$17.14	\$18.39	\$19.59	\$20.00

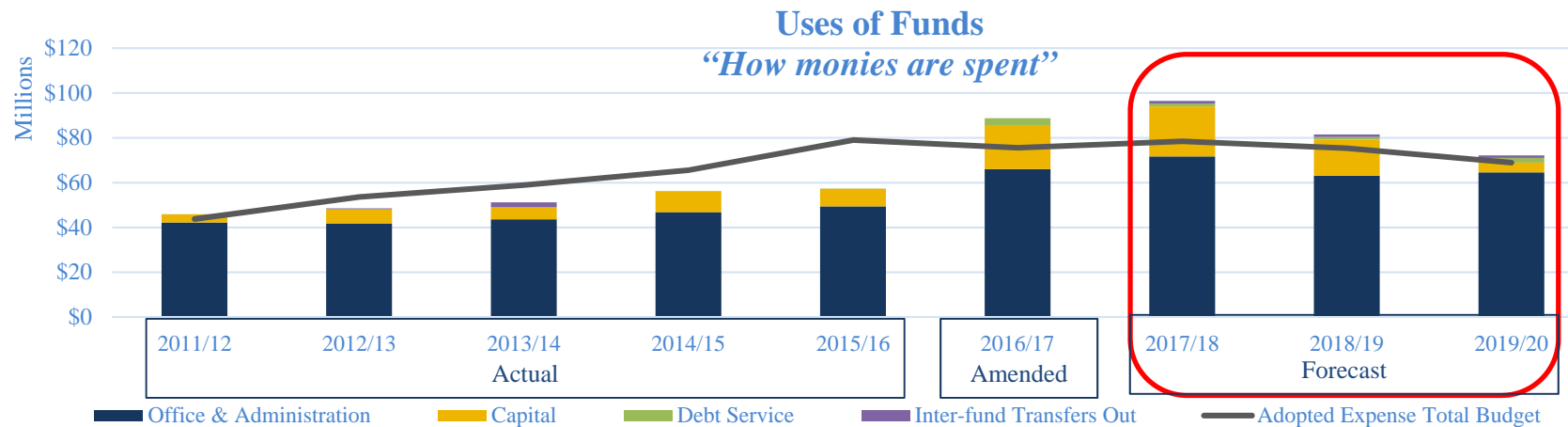
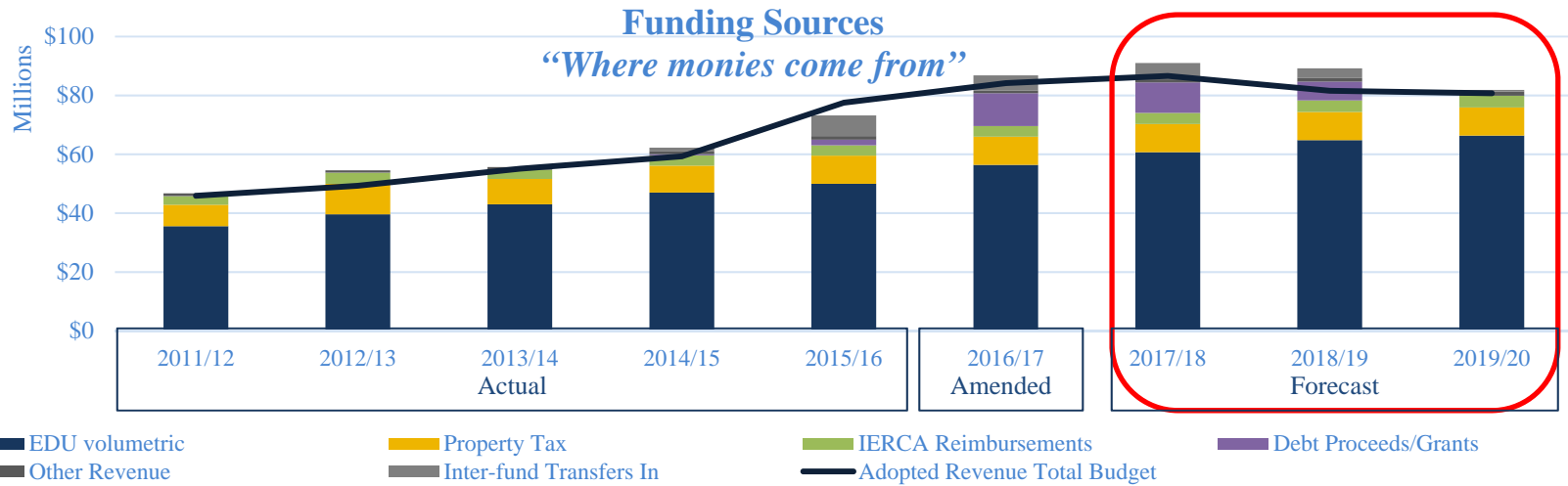
(EDU) Equivalent Dwelling Unit

Contracting Agency	EDU Billing Units (5 Year Average)
Chino	11%
Chino Hills	9%
Cucamonga Valley Water District (CVWD)	24%
Fontana	19%
Montclair	5%
Ontario	22%
Upland	10%
Total	100%

Regional Wastewater Operations & Maintenance Cost of Service



Regional Wastewater Operations Trends



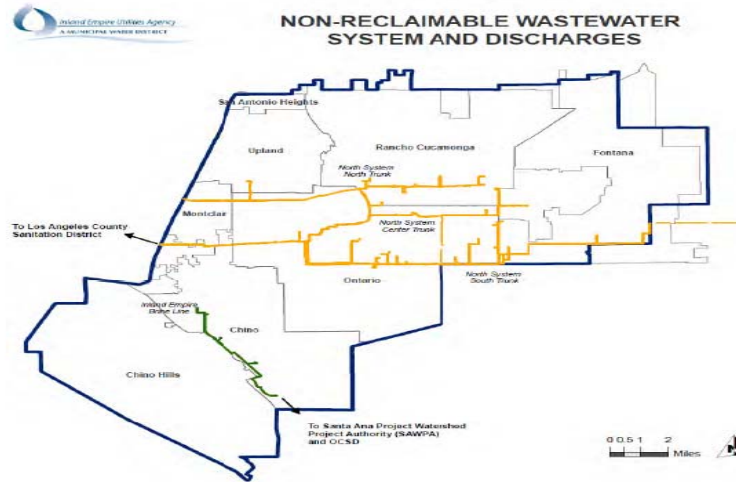
Non Reclaimable Wastewater

Sanitation District of Los Angeles County – North System
 Santa Ana Watershed Project Authority – South System

Exports export high-salinity industrial wastewater for treatment and discharge to the Pacific Ocean

North: 39 customers

South: 15 customers



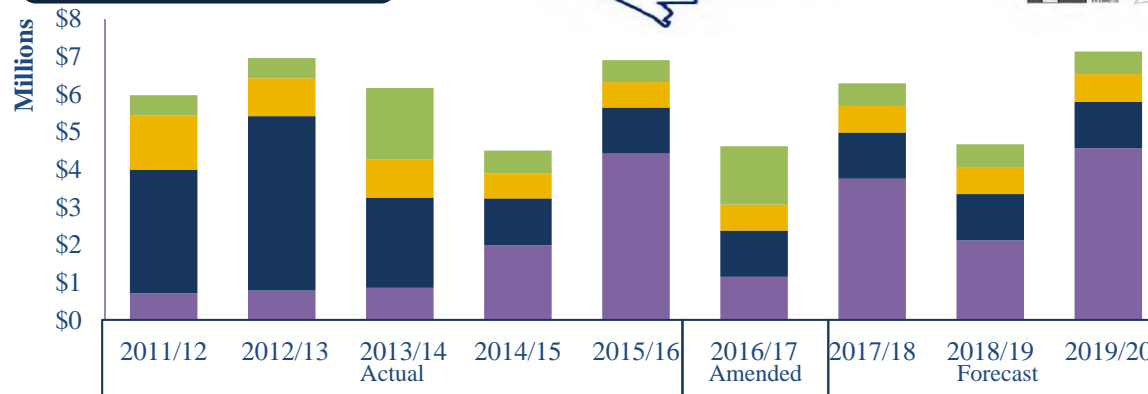
FY 2016/17 Amended Budget as adopted June 15, 2016

\$ Million

<u>Uses of Funds</u>	<u>\$11.9</u>
Operating Fees	\$6.1
Operations & Maintenance	3.4
System improvements	1.7
Debt	0.6
Transfers Out	0.1

<u>Sources of Funds</u>	<u>\$11.1</u>
Operating Fees Pass Thru	\$6.3
Agency Programs Charges	4.8

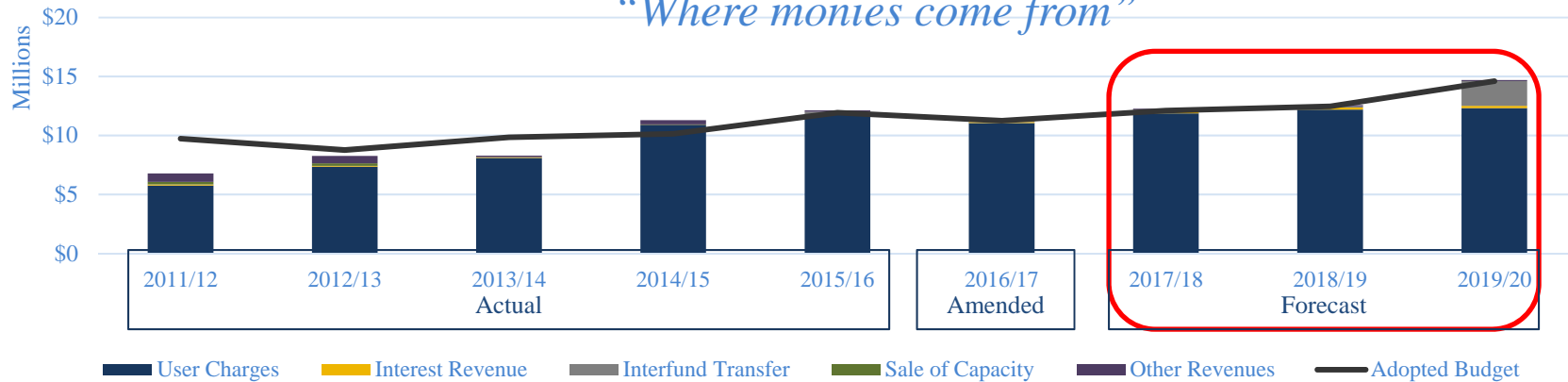
<u>Fund Balance</u>	<u>\$4.6</u>
Operating Contingency	\$1.1
Capital Construction	1.6
Debt Service Reserve	1.9



Non Reclaimable Wastewater Trends

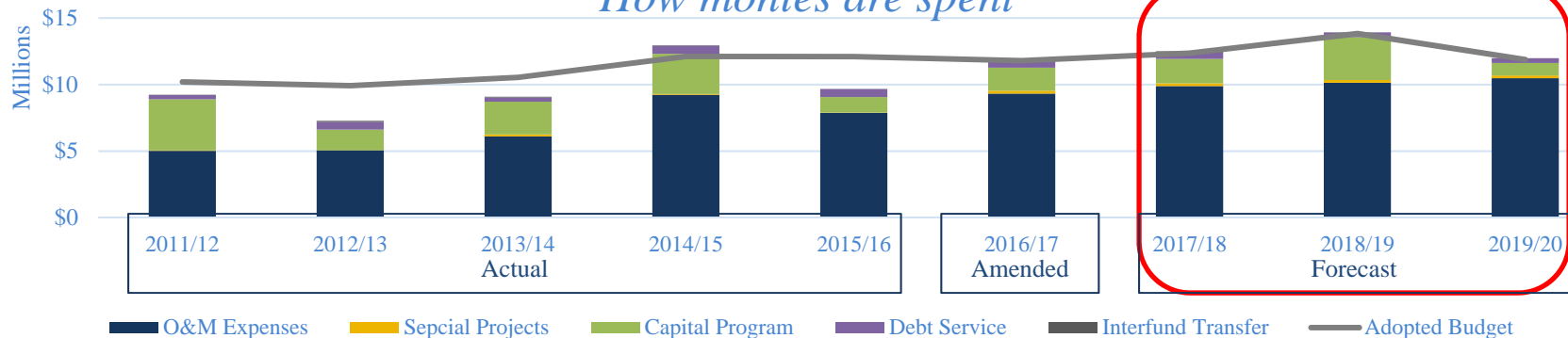
Sources of Funds

“Where monies come from”



Uses of Funds

“How monies are spent”



Next Step

Timeline in 2017	Event
March 8	IEUA Finance Committee review of Wastewater, Recycled Water, and Water Resources proposed biennial budget (FY 2017/18 and FY 2018/19)
March 15	IEUA board review proposed biennial budget of the above programs.
March 23	Regional Technical Committee review proposed biennial budget of the above programs
April 6	Regional Policy Committee review proposed biennial budget of the above programs
April 12/ April 19	IEUA Finance Committee/Board review proposed biennial budget of Non-reclaimable Wastewater, Recharge Water, and Administrative Services programs
May	Final presentation to IEUA Finance Committee and Board of Directors. Final presentation to Regional Technical Committee.
June	Final presentation to Regional Policy Committee. Approval by IEUA Board of Directors