



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

**MINUTES OF THE
JOINT MEETING OF THE
CHINO BASIN REGIONAL FINANCING AUTHORITY (CBRFA)
COMMISSIONERS
AND THE
INLAND EMPIRE UTILITIES AGENCY (IEUA)
BOARD OF DIRECTORS**

**WEDNESDAY, DECEMBER 21, 2016
9:00 A.M.**

IEUA DIRECTORS PRESENT:

Michael Camacho, Vice President
Steven J. Elie, Secretary/Treasurer
Jasmin A. Hall
Paul Hofer
Kati Parker

CBRFA COMMISSIONERS PRESENT:

Jasmin A. Hall, Vice President
Steven J. Elie, Secretary
Michael Camacho
Paul Hofer
Kati Parker

STAFF PRESENT:

P. Joseph Grindstaff, General Manager
Martha Davis, Executive Manager of Policy Development/AGM
Randy Lee, Executive Manager of Operations/AGM
Christina Valencia, Chief Financial Officer/AGM
Blanca Arambula, Deputy Manager of Human Resources
Kathryn Besser, Manager of External Affairs
Jerry Burke, Deputy Manager of Engineering
Sharmeen Bhojani, Manager of Human Resources
Javier Chagoyen-Lazaro, Manager of Finance and Accounting
Tina Cheng, Budget Officer
Jason Gu, Grants Officer
Sylvie Lee, Manager of Planning and Environmental Resources
Suresh Malkani, Principal Accountant
Jason Pivovaroff, Senior Engineer
John Scherck, Acting Deputy Manager of Engineering
Peter Soelter, Senior Internal Auditor
Shaun Stone, Manager of Engineering
Teresa Velarde, Manager of Internal Audit
April Woodruff, Board Secretary/Office Manager
Warren Green, Manager of Contracts and Facilities Services

OTHERS PRESENT:

- Doug Brown, Stradling, Attorneys at Law
- Peter Kavounas, Chino Basin Watermaster
- Kurt Berchtold, California Regional Water Quality Control Board
- Jean Cihigoyenette, JC Law Firm
- Tyler Old, PFM Group
- Edgar Tellez Foster, Chino Basin Watermaster
- Brian Thomas, PFM Group
- Debbie Harper, LSL CPAs and Advisors
- Brandon Young, LSL CPAs and Advisors
- Greg Newmark, Meyers Nave
- Scott Burton, City of Ontario
- Travis Hickey, Audit Committee Advisor

A Joint Meeting of the Chino Basin Regional Financing Authority Commissioners and Inland Empire Utilities Agency* Board of Directors was held at the office of the Agency, 6075 Kimball Avenue, Bldg. A, Chino, California on the above date.

Vice President Camacho called the meeting to order at 9:05 a.m. and he dispenses the pledge of allegiance to the flag. A quorum was present.

Vice President Camacho stated that members of the public may address the Board. There was no one desiring to do so.

Vice President Camacho asked if there were any changes/additions/deletions to the agenda. There was no one desiring to do so.

1. MANDATORY PRESENTATION – DISCLOSURE RESPONSIBILITIES UNDER THE FEDERAL SECURITIES LAWS – Mr. Doug Brown, Stradling, Attorneys at Law

Mr. Brown gave a mandatory PowerPoint presentation on the disclosure responsibilities under the Federal Securities Laws and consistent with the Agency’s Policy for Disclosure Procedures adopted by the Board in May 2014. He explained that the disclosure is necessary because the Agency issues securities in the public capital markets. He highlighted the “Materiality” standard, when do disclosure rules apply, the Agency’s disclosure requirements, disclosure principles, and topics of recent Securities and Exchange Commission enforcement actions. He closed his presentation by stating that full and transparent disclosure is essential; investors must be provided all material information when making their investment decision; officials participating in the disclosure process must be in a position to know material information; when in doubt disclose; and the Agency must be vigilant in training involved officials and staff and maintaining rigorous disclosure practices.

2. ACTION ITEMS

MINUTES

Upon motion by Commissioner/Director Hofer, seconded by Commissioner/Director Parker, and unanimously carried:

M2016-12-1

MOVED, to approve the minutes from November 16, 2016, Chino Basin Regional Financing Authority meeting.

ADOPTION OF RESOLUTIONS AUTHORIZING THE ISSUANCE OF 2017A REFUNDING REVENUE BONDS AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

Chief Financial Officer Christina Valencia stated the Agency currently has the 2008A bonds, which were issued at a very high interest rate of 5%. The refinancing of these bonds has been discussed on a number of occasions. Staff had planned to request Board authorization to refinance the bonds back in November. However, at the request of our member agencies, staff pulled the item on November 16, and conducted special meetings with the Regional Technical and Regional Policy Committees. A workshop with IEUA Board was also held which focused on the refinance. As part of that discussion with our member agencies and with the Board members, staff completed a thorough analysis of various refinancing options. Chief Financial Officer Christina Valencia stated that staff will not be going over all the different options today, since they were fully vetted at the Board workshop. She stated that staff's recommendation has not changed, and is still recommending the partial refunding/cash paydown. All member agencies are supportive of using available Capital Construction Reimbursement Account (CCRA) funds that the Agency has called and has received from the member agencies. These funds are held on behalf of the Agency by member agencies in their respective CCRA account pursuant to the Regional Contract until needed to finance regional wastewater capital costs. She noted that with the assistance from Mr. Doug Brown, the Agency's bond counsel, and financing team - Tyler Old and Brian Thomas from PFM Financial Advisors, various financing structures were evaluated in order to maximize savings. She stated that to gain the most savings is to pay down the longest maturities with the available \$50 million in cash reserves. Doing so will enable us to refinance the remaining portion for 20 years versus the 22 years that are remaining on the current amortization schedule. The present value savings will vary depending on the market conditions at closing.

General Manager Joe Grindstaff acknowledged the City of Ontario, who had some concerns about this matter, had sent a letter expressing that they are willing, in the spirit of cooperation, to support us in whatever direction the Board chooses to proceed.

Director Hofer stated that he would like the City of Ontario's letter be included in the administrative record (City of Ontario letter dated December 19, 2016 is attached hereto and made a part of the record). He also mentioned that the City of Ontario specifically asked that if the cash is not used, that it be returned to the member agency CCRA accounts. Director Hofer asked the Board to consider this request.

Ms. Valencia stated the resolution is written to allow the refinancing to up to \$125 million. This provides flexibility to modify the financing structure as needed to best leverage the market. She reported the credit reviews with both Moody's and Standard & Poor's were completed and rating reports are expected in early January. She added that included in the Board packet, was a copy of the official state in substantially complete form along with copies of the Installment Purchase Agreement, between IEUA and the Chino Basin Financing Authority stating wherein IEUA is pledging net revenues, primary from the Regional Wastewater Program, to support the debt. Also included were the Indenture of Trust with US Bank, the Underwriter Agreement between IEUA and Citi, the Escrow Agreement with our trustee, US Bank, and the Continued Disclosure Certificate which ties back to today's training stating that we fully understand our obligation as staff and Board members to comply with the continuing disclosure requirements. Ms. Valencia concluded her presentation and opened it to the Board for any questions.

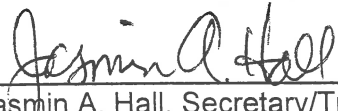
Upon motion by Commissioner/Director Elie, seconded by Commissioner/Director Hall, and unanimously carried:

M2016-12-2

MOVED, to:

1. The Commissioners of the Chino Basin Regional Financing Authority adopt Resolution No. 2016-8 authorizing the issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (2017A Bonds) in the principal amount not-to-exceed \$125,000,000 and approve the execution and delivery of certain documents in connection therewith and certain other matters; and
2. The Board of Directors of the Inland Empire Utilities Agency adopt Resolution No. 2016-12-2 authorizing the issuance of the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2017A (Inland Empire Utilities Agency) (2017A Bonds) in the principal amount not-to-exceed \$125,000,000 and approve the execution and delivery of certain documents in connection therewith and certain other matters.

With no further business, Vice-President Camacho adjourned the meeting at 9:40 a.m.



Jasmin A. Hall, Secretary/Treasurer

APPROVED: FEBRUARY 15, 2016 (IEUA)

CITY OF



ONTARIO

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ALAN D. WAPNER
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RUBEN VALENCIA
COUNCIL MEMBERS

December 19, 2016

AL C. BOLING
CITY MANAGER

SHEILA MAUTZ
CITY CLERK

JAMES R. MILHISER
TREASURER

Board of Directors
Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91708

Dear IEUA Board of Directors,

This letter is in regards to the IEUA Board action scheduled for December 21, 2016 related to the call for funds from the contracting agencies and the 2008A revenue bond refinancing. I would like to thank IEUA for not taking action in November as originally scheduled and instead coordinating the matter through the Regional Technical and Policy Committees. While the IEUA staff recommendation has not changed, it provided an opportunity for the contracting agencies to consider and provide advice on a matter that impacts the public we serve.

The IEUA staff recommendation is to refinance \$75 million of the 2008A revenue bonds and pay down the remaining \$50 million by calling funds held by the contracting agencies (CCRA accounts). Based on the additional analysis prepared by IEUA, and taking into account lost interest earnings to the contracting agencies, paying down now only makes sense to Ontario if low interest SRF loans are secured in the future to meet the total funding need. IEUA staff has expressed high confidence that this funding source can be realized in the next several years to meet the needs of the capital replacement and expansion program funding.

One of the concerns Ontario raised was the potential for having insufficient funds in the CCRA accounts which could trigger a demand deficit call for funds under the Regional Contract. Ontario understands that IEUA has studied its capital needs and funding resources and determined that using CCRA funds now will not create or increase the need for a demand deficit call in the future.

The recommendation for authorizing up to \$125 million in refinancing indicates that IEUA may not pay down the \$50 million depending on market conditions. If this ends up being the case, Ontario expects the CCRA call funds will be returned to the contracting agencies until such time that the funds are needed for capital improvements.

IEUA staff has indicated that the CCRA funds are due December 21, 2016. Ontario does not believe the call for funds, including this due date, was made consistent with the Regional Contract. Further, it presumes a certain outcome or decision by the IEUA Board of Directors in advance of the meeting. Assuming IEUA Board action is consistent with the staff recommendation and in the spirit of cooperation, Ontario will transfer CCRA funds as soon as possible thereafter.

The City of Ontario appreciates the continued effort from IEUA on behalf of the contracting agencies. We believe that policy decisions impacting the public within Ontario and the overlapping IEUA service area are best made through this collaborative effort.

Sincerely,

A handwritten signature in black ink that reads "Jim W. Bowman". The signature is written in a cursive style with a long, sweeping underline.

Jim W. Bowman
Ontario City Council Member

c: IEUA Policy Committee
P. Joseph Grindstaff, IEUA General Manager