

**MINUTES OF THE REGULAR
MEETING OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, OCTOBER 6, 2010
10:00 A.M.**

DIRECTORS PRESENT

John Anderson
Michael Camacho, Secretary/Treasurer
Terry Catlin, President
Gene Koopman
Angel Santiago, Vice President

STAFF PRESENT

Thomas A. Love, Chief Executive Officer/General Manager
Patrick Sheilds, Executive Manager of Operations
Tina Cheng, Budget Officer
Michael Chung, Manager of Fiscal Management
Gabe DeSaddi, Manager of Construction Management
Warren Green, Manager of Safety and Risk Management
Leanne Hamilton, Senior Engineer
Gina Hillary, Manager of Human Resources
Cameron Langner, Manager of Contracts & Procurement
Randy Lee, Manager of Operations
Suresh Malkani, Accounting Supervisor
Beth Olhasso, LT Water Resources Analyst I
Craig Parker, Manager of Engineering
Ryan Shaw, Associate Engineer
Christina Valencia, Manager of Financial Planning
Teresa Velarde, Manager of Internal Audit
April Woodruff, Board Secretary

OTHERS PRESENT

Jack Allingham, Retiree
Jean Cihigoyenette, Cihigoyenette, Grossberg & Clouse
Tom Dodson, Dodson and Associates
Dara Hendrix-Kodera, Abacus
Tim Mim Mack, CDA Coordinator
Miles Petroff
Mark Sanfilippo
Susie Spears, Retiree
Greg Woodside, OCWD

A regular meeting of the Board of Directors of the Inland Empire Utilities Agency* was held at the office of the Agency, 6075 Kimball Avenue, Bldg. A., Chino, California on the above date.

President Catlin called the meeting to order at 10:00 a.m., and he led the pledge of allegiance to the flag. A quorum was present.

President Catlin stated that members of the public may address the Board.

Mr. Jack Allingham thanked Agency staff for the report he got regarding the salts content here at the basin, primarily at RP-1. He stated, however, that at RP-1 the milligrams per liter of salts over what comes in at the headworks entering the plant, and what is discharged into Cucamonga Creek of over 20 milligrams per liter higher than what comes in. He said that this is from the report given by Mr. Berch to himself, and he finds it difficult to accept that it is alright for the Agency to do it, but it's not alright for the citizens to do it. He stated that that is an interesting concept to him, that in order to meet the discharge requirements, it is required that you add these chemicals. He further stated, "That maybe these particular chemicals need to be looked at and something else come up with or devised to get rid of the bacteria and the nasty things that are in the water." Mr. Allingham also stated, "Again, it's interesting that as a citizen you're trying to stop me from adding minute amounts of salts. First of all, I don't have a water softener, so it's not something I am contesting in that way. But the minute amount that comes through the citizens, over what the Agency is adding. You are adding less than a 50% increase, and that's commendable in itself, but it still bothers me that it's alright for you to do it as a corporation or as a private entity, but it's not alright for the private citizens to do it." Mr. Allingham also noted that what comes in at the headworks does not take into account possible dumpings from other sources other than water softeners. He stated that it is hard to detect where this increase in the salts content is truly coming from, so to pick on water softeners in the individual homes where those people are trying to cut back on their pipe replacements, cleaning materials that it takes to get rid of hardwater spots on their appliances, and less detergent use.

He thanked the Board for their time.

President Catlin asked if there were any additions/deletions to the agenda. Chief Executive Officer/General Manager, Thomas A. Love, stated that there were no changes to the agenda.

PUBLIC HEARING AND ADOPTION OF THE PEACE II AGREEMENT SUBSEQUENT PROGRAM ENVIRONMENTAL IMPACT REPORT (SEIR)

President Catlin called the Public Hearing to order.

Mr. Tom Dodson from Dodson and Associates provided a brief overview of the purpose of the Hearing. He stated that for the past two years, he and Agency staff have been working to complete this update of the Optimum Basin Management Program Environmental Impact Report, which is called the Subsequent Environmental Impact Report (SEIR). Mr. Dodson stated that Peace II agreement is simply a change in the way the basin is going to be operated, and its primary objective is to achieve hydraulic control. He stated that the means of achieving the hydraulic control is through two (2) mechanisms. One is to increase the current pumping within the southern portion of the basin within the Chino Creek well field to extract an additional total of 13,000 acre feet, to augment the supplies going to the desalters so they move from 27,000 acre feet to 40,000 acre feet. He stated that the second component is a Re-operation Program within which an additional 400,000 acre feet would be withdrawn through the basin and maintained at that level over the next twenty years, as a mechanism to assist in achieving hydraulic control. He further stated that there are two (2) primary objectives of achieving hydraulic control – one, it is required by the Regional Board so the we can continue to use recycled water in this basin; two, is to be able to achieve continuous extraction of groundwater to be treated and used, and enhance the water quality of the water that is discharged through Prado Basin, that moves down the Santa Ana River into Orange County. Mr. Dodson stated that the purpose for the California Environmental Quality Act is to provide this Board and the public with sufficient information to make an informed decision about implementing the Peace II Agreement. Mr. Dodson provided a brief historical background on the stages of the Peace II Agreement. He reported that Agency staff distributed the DSEIR for public review starting on May 10, 2010, and ending on June 23, 2010, and seven (7) comment letters were received and incorporated in the final SEIR, along with the responses to each of the comments raised. He reported that he and Agency staff continue to work with OCWD staff's concern of potential impacts to riparian habitat and mitigation measure 4.4-3. Mr. Dodson stated that he and Agency

staff worked with OCWD staff to create language, and received a general agreement on the language with a few minor issues that still remain to be resolved. Mr. Dodson reported that OCWD submitted a written comment recommending the following text be added to mitigation measure 4.4-3: which reads; *“An impact shall be presumed adverse and significant if more than 5 percent of the vegetation is adversely impacted by the Peace II Agreement, as determined by the Committee. Any such significant and adverse impact shall be mitigated by Watermaster and IEUA, at their cost, in a manner determined appropriate by the Committee.”* He explained that IEUA and Watermaster, plus the stakeholders who will be implementing this project, are responsible for implementing any mitigation. He stated that it is not appropriate to allow the Committee to assume the responsibility for the Agencies. Therefore, alternative language is being proposed that responds to OCWD’s request. He stated that staff is recommending the following language for the Board of Directors to incorporate today into the mitigation measure for 4.4-3: *“Prior to January 1, 2013, the Committee shall identify the performance standards(s) for determining significance of potential Peace II Agreement impacts to Prado Basin Riparian Habitat for implementation by IEUA and Watermaster.”* Mr. Dodson noted that this language gives a date well prior to when the actual pumping will occur, and it gives us a chance to come up with scientifically based measures. He concluded his report by stating that staff is recommending that with this change, that the Board adopt the Peace II Agreement Subsequent Program Environmental Impact Report.

President Catlin inquired on who would make up the Committee. Mr. Dodson replied that the Committee has not yet been defined; however, anyone within the basin would be allowed to participate, and it is stated that way in the mitigation measure.

Director Koopman noted that if everything works the way it should work, there will not only not be outflow from the basin, but there will actually be water coming back off the river and back into the basin. He stated that he doesn’t want to see the Agency’s hands tied because we are making better use of recycled water as time goes on, and hopefully, we will continue doing that. He stated that that might change if we have to start cutting usage back in order to send it down the river.

Mr. Dodson stated that there is analysis in the document which shows that the volume of water coming into Prado Basin at this point, even given the programs that the Agency is implementing and will implement, will far exceed that which is required to deliver downstream.

President Catlin opened the Public Hearing at 10:24 a.m., and receiving no comments, the Public Hearing was closed at 10:24 a.m.

Upon motion by Director Anderson, seconded by Director Santiago, and unanimously carried:

M2010-10-1
MOVED, to

1. Certify the Final Peace II Agreement Subsequent Program Environmental Impact Report (SEIR) and determine that the documentation is adequate and reflects the independent judgment of the Inland Empire Utilities Agency (Agency) acting as the CEQA lead agency on behalf of Chino Basin Watermaster;

Continued...

M2010-10-1, continued.

2. Approve the Peace II Agreement Program and authorize the Chief Executive Officer/General Manager to file the Notice of Determination that relies upon the Final Peace II Agreement Subsequent Program Environmental Impact Report as the basis for complying with CEQA for approving the Peace II Agreement Program for the implementation within the Chino Basin Watermaster and the stakeholders in the Chino Groundwater Basin; and
3. Authorize the Chief Executive Officer/General Manager to file the Notice of Determination for the Peace II CEQA and pay the \$2,842.25 filing fee to the San Bernardino County Clerk of the Board.

Subject to the incorporation of amended language to the Peace II SEIR mitigation measure 4.4-3, which states, "*Prior to January 1, 2013, the Committee shall identify the performance standard(s) for determining significance of potential Peace II Agreement impacts to Prado Basin Riparian Habitat for implementation by IEUA and Watermaster.*"

CONSENT CALENDAR

President Catlin asked if anyone wished to remove any item from the Consent Calendar. There was no one desiring to do so.

Upon motion by Director Santiago, seconded by Director Koopman, and unanimously carried:

M2010-10-2

MOVED, approval of the Consent Calendar.

- A. The Board approved the minutes from the September 15, 2010, Board of Directors' meeting.
- B. The Board approved the Treasurer's Report as submitted.
- C. The Board:
 1. Accepted the work as performed by Olsson Construction as complete under the construction contract for the RP-2 SARI Dump Site Relocation, Project No. EN07117 and RP-2 Dewatered Lake Storage System, Project No. EN06014; and
 2. Authorized the Chief Executive Officer/General Manager to execute the Notice of Completion.

INFORMATION ITEMS

SELECTION OF METROPOLITAN WATER DISTRICT BOARD CHAIRMAN

Chief Executive Officer/General Manager, Thomas A. Love, stated that Director Koopman had requested that this item be placed on the agenda. Mr. Love reported that the term of the current

MWD Chairman is expiring in October. He stated that on the MWD Board agenda for October, there is an agenda item to discuss and consider the selection of the MWD Chairman of the Board. He further stated that the nomination period does not officially close until the Board meeting. Mr. Love reported that the current MWD Chair has served two (2) consecutive terms, and under MWD's administrative code, a MWD Director may not serve more than two (2) consecutive terms, unless that portion of the code is waived by a vote of the Board, which has occurred in the past with Chairman Phil Pace. He also reported that Chairman Tim Brick has indicated an interest in serving another term, as well as former Chairman Colonel Jack Foley from Orange County. However, there may be other interested parties or nominations that could be put on the floor up until the MWD Chairman Selection agenda item at the October MWD Board meeting.

Director Koopman commented that it will take a real strong candidate for the position of MWD Chairperson with the issues currently going on at MWD. He stated that he believes that Mr. Jack Foley is a good candidate for the position. He asked to hear Director Santiago's opinion on the matter.

Director Santiago commented that he felt it is too early to determine who the front runner is. He stated that the nomination period will remain open until the time the item comes up on the agenda, and additional nominations may come from the floor. Director Santiago assured the IEUA Board that he has had meetings and long discussions regarding the Chair position, and will do his due diligence in selecting the best candidate for the position.

LEGISLATIVE REPORTS

Chief Executive Officer/General Manager, Thomas A. Love, provided a list of Bills that the Agency has been watching, as well as a list of Bills that a position has been taken. He reported that the Governor has vetoed a number of Bills, including some that pertained to the Bell issue. He reported that regarding the budget, a deal has been reached among the Governor, Speaker of the Assembly, President Pro Tem of the Senate, and the minority leaders of both houses (Big 5); however, no details of the deal have been released. Mr. Love also reported that there are two (2) committees hearing today (October 6) on the budget, Revenue and Taxation Committee and the Budget Conference Committee to discuss the budget. He reported votes on the budget are scheduled for tomorrow (October 7).

FISCAL YEAR 2011/12 RATE PROPOSALS

Manager of Financial Planning, Christina Valencia, gave a PowerPoint presentation on the FY 2011/12 Proposed Rates for Regional Wastewater and Recycled Water Programs. She highlighted the Rate Scenarios, Cost Containment Results, Influencing Factors (reduced revenues and higher CalPers benefit costs), Changes in Key Assumptions for FY 2011/12, Cost of Service Objective, Debt Coverage Ratios, and Targeted Reserves & Fund Balances. Ms. Valencia noted that this item will be presented to the Regional Tech Committee tomorrow (October 7).

Chief Executive Officer/General Manager, Thomas A. Love, stated that two of the three scenarios presented have a net zero sum, if implemented. He stated that staff feels that Scenario B takes a more smooth approach to the rate increases and might be the better scenario to implement. He stated however, if the member agencies feel that Scenario A, keeping a 41 cent rate increase effective July 1, 2012, is a better choice - that is also okay. Mr. Love stated that in November, staff will present a similar presentation to the Regional Policy Committee. He stated the objective is to work through all the issues and address any questions early, to adopt the rates by the end of February to allow the retail agencies sufficient time for the Prop 218 process.

IEUA MONTHLY WATER NEWSLETTER

The IEUA Monthly Water Newsletter was received and filed by the Board.

CHIEF EXECUTIVE OFFICER/GENERAL MANAGER'S REPORT

The Chief Executive Officer/General Manager's Report was received and filed by the Board.

Chief Executive Officer/General Manager, Thomas A. Love, reported that two Asset Management Program Board Workshops are being planned for the first half of December to define the level of service that the Board expects the Agency to maintain to provide service to our customers, which will include regulatory agencies. He noted that background information to prepare the Board members for the December workshops will be provided to the Board at the November meeting. Mr. Love announced that, with the Board's approval of the PPA Agreement for the Fuel Cell Project at the last meeting, the agreement was executed on Friday (October 1). President Catlin thanked the IEUA staff involved in this project for their hard work. Mr. Love acknowledged Manager of Engineering, Craig Parker and his engineering staff; Manager of Contracts and Procurement, Cameron Langner and his staff; and Manager of Maintenance, Ernest Yeboah and his staff for all their hard work and diligence.

BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS

There were no Director requested future agenda items.

DIRECTORS' COMMENTS AND CONFERENCE REPORTS

Director Anderson reported that he attended the California Special Districts Association Annual Conference from September 20-23. He reported that he collected a lot of information from the conference and distributed the information to various IEUA staff members. He stated that the Special Districts Association offers many beneficial services and the Agency should take advantage of the services offered. He also reported that he attended the AQMD's 22nd Annual Clean Air Awards Luncheon, along with Director Camacho and Thomas A. Love.

President Catlin reported that he attended the 5th Annual ACWA Regions 8, 9, & 20 Fall Program on September 30. He reported that the topic of the program was salt management for the Santa Ana River Watershed, and that there were some interesting discussions on the subject. He reported that there was also a tour of the Chino II Desalter, Inland Empire Biosolids Treatment Plant and Prado Wetlands. President Catlin stated that he also attended the Chino Basin Watermaster Strategic Planning Conference on October 4 and 5. He reported that Associate Engineer, Ryan Shaw gave a presentation on water demand and how it impacts the capital projects.

CLOSED SESSION

The Board went into closed session at 11:07 a.m., A. **PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION:** (1) IEUA vs. Mr. Anthony Maglica, Case No. RCV098354; (2) Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010; (3) Taisei-T&K Joint Venture vs. IEUA. Case No. CIVRS 914130 (4) Westco vs. IEUA, Case No. 37-2009-00108161-CU-BC-NC; (5) Martin vs. IEUA, Case No. CIVRS 1000767; B. **PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR:** (1) Property: RP-1 Fuel Cell; Negotiating Parties: Biofuels Energy, LLC, UTS/HDR/Filanc, and Otto H. Rosentreter Co.; Under Negotiation: Price and Terms of Lease; (2) Property: Parcel on the northeast corner of El Prado and Flower; Negotiating Parties: The Carson Companies; Under Negotiation: Price and Terms of Sale; (3) Property: RP-5 SHF; Negotiating Parties: Environ Strategy; Under Negotiation: Terms of Lease; C. **PURSUANT TO GOVERNMENT CODE SECTION 54957.6 – CONFERENCE WITH LABOR NEGOTIATOR:** Meet and Confer Negotiations – General Unit and Operators' Association; Negotiating Parties: Patrick Sheilds and Gina Hillary; D. **PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL MATTERS:** 1. Chief Executive Officer/General Manager; 2. Manager of Internal Audit; 3. Board Secretary

The meeting resumed at 12:05 p.m. and General Counsel, Jean Cihigoyenette, stated that the below-mentioned matters were discussed in Closed Session, and the Board took the following actions:

Regarding Conference with Legal Counsel – Existing Litigation:

Taisei-T&K Joint Venture vs. IEUA, Case No. CIVRS 914130

The Board took no reportable action.

Regarding Conference with Legal Counsel – Existing Litigation:

IEUA vs. Mr. Anthony Maglica, Case No. RCV098354

Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010

Wesco vs. IEUA, Case No. 37-2009-00108161-CU-BC-NC

Martin vs. IEUA, Case No. CIVRS 1000767

The Board did not discuss these items.

Regarding Conference with Real Property Negotiator:

Property: RP-1 Fuel Cell

Negotiating Parties: Biofuels Energy, LLC, UTS/HD/Filanc, and Otto H. Rosentreter Co.

Under Negotiation: Price and Terms of Lease

Property: Parcel on the northeast corner of El Prado and Flower

Negotiating Parties: The Carson Companies

Under Negotiation: Price and Terms of Sale

Property: RP-5 SHF

Negotiating Parties: Environ Strategy

Under Negotiation: Terms of Lease;

The Board did not discuss these items.

Regarding Conference with Labor Negotiator:

Meet and Confer Negotiations – General Unit and Operators' Association

Negotiating Parties: Patrick Sheilds and Gina Hillary

The Board did not discuss these items.

Regarding Personnel Matters

Chief Executive Officer/General Manager
Manager of Internal Audit
Board Secretary

The Board did not discuss these items.

With no further business, President Catlin adjourned the meeting at 12:06 p.m.

Secretary

APPROVED: OCTOBER 20, 2010