



Date: September 1, 2010

To: The Honorable Board of Directors

From: Thomas A. Love
Chief Executive Officer/General Manager

Subject: General Manager's Report Regarding Agency Activities

INTERAGENCY WATER MANAGERS' MEETING

The next Interagency Water Managers' meeting is scheduled for September 16, 2010, as part of the Watermaster Advisory Committee agenda.

HUMAN RESOURCES

Records Management staff hosted a Records Management Best Practices presentation during the monthly Manager's Meeting on August 11, 2010. Guest speaker Wayne Wong, a management consultant within Kroll Ontrack's electronically stored information (ESI) consulting group, discussed a variety of topics including industry best practices, e-discovery, retention policies and schedules and the Public Records Request Act. Following the Manager's Meeting presentation, Mr. Wong also presented to the Agency's department liaisons for records management.

The CalPERS Health Benefits open enrollment period begins on September 13, 2010, and ends on October 8, 2010. During open enrollment, employees may enroll, add family members, or change health plans. Open Enrollment memos were distributed to employees on August 27, 2010. The memo outlines the summary of changes including plan rate information for 2011. Employees are encouraged to read the information as well as the actual plan documents before making any elections to change existing coverage. Additional information including important open enrollment information and materials are available on PIPES in the Human Resources web pages.

We're excited to announce our recent partnership with NEOGOV to automate the hiring process from requisition (RFVP form) to hire. NEOGOV works with over 600 public agencies and is tailored for the unique needs of public sector agencies. We are currently in Phase 1 (initial set-up and review) of the implementation process. The target 'go live' date is tentatively scheduled for late fall of 2010.

In September, Agency participants in the Southern California Local Government Supervisory Program at Cal Poly Pomona will focus on the subjects of Role of Supervision & Effective Communication Skills, and Successful Coaching.

General Manager's Report Regarding Agency Activities

September 1, 2010

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CURRENT STAFFING	
Regular Full-time Employees:	282
Contract/Limited Term Employees:	15
Interns:	16
TOTAL:	313

CURRENT RECRUITMENT ACTIVITIES	
Recruitments in Process/Offer Pending	6
Placement in Process:	1
No RFVP; Position on Hold:	7
Total Regular Vacancies (Excludes Contract & Intern Positions):	13

RECRUITMENTS/PLACEMENT IN PROCESS							
	Position	Department	RFVP Received	Closing Date	Salary Range	Tentative Placement Date	Notes
1	Deputy Manager of Constr. Mgmt.	425-Construction Management	04/14/10	5/21/10	UN103	10/10	Recruitment in Process
2	OIT-Senior Operator Grade V	540-RP1 Operations	6/29/10	Open Until Filled	OP088-OP097	9/10	Interviews held on 8/12 & 8/13
3	Compost Worker	590-Organics Mgmt	6/29/10	7/23/10	GU085	9/10	Written Exam held 8/23
4	Chief Financial Officer	210-Finance & Administration	7/10	8/23/10	EX104	10/1	Recruitment in Process
5	Control Systems Analyst	554-Integrated Systems Services	7/10	Open Until Filled	GU097	10/1	Recruitment in Process
6	Jr. Operations Assistant	580-RP2/RP5 Operations	7/10	7/30/10	UN096	8/10	Begins 9/5/10
7	Supervising Mgmt. Analyst	420-Engineering	8/10	9/17/10	SU099	10/10	Recruitment in Process

POSITIONS ON HOLD (4% Vacancy Factor)			
	Position	Department	Vacant Since
1	Sr. Water Resources Analyst	312-Planning & Water Resources	7/08
2	Executive Manager of Engineering	410-Engineering Administration	5/10
3	Construction Project Coordinator (Ltd Term)	425-Construction Management	1/10
4	Construction Project Coordinator	425-Construction Management	3/10
5	Sr. Engineer	517-Technical Services	2/10
6	Electrical Technician II	553-RP2/CC Elect/Instrument Maint	11/09
7	Warehouse and Inventory Technician	546-Maintenance Planning and Materials Management	8/10

CONTRACT/LIMITED TERM VACANCIES

None.

INTERN VACANCIES

Position	Department	RFVP Received	Closing Date	Salary Range	Tentative Placement Date	Notes	
1	Intern	115 – Public Information	07/10	Open Until Filled	UN999	9/10	Recruitment in Process
2	Intern	107-Internal Audit	8/10	Open Until Filled	UN999	10/10	Recruitment in Process

OPERATIONS

IERCF MONTHLY SALES REPORT FOR JULY 2010

Kellogg Garden Products, IERCF's largest customer, reduced their purchases in July due to a large project at the bagging facility in Ontario. Kellogg recently connected with IEUA recycled water system and shut down sections of their yard to trench for new piping to carry the water around their facility. Other customers reported lighter demand which is likely due to a continued soft economy and some hotter weather early in the month. Sales in August are trending toward 20,000 cyds which represent a normal month's compost production.

Monthly Sales Results July 2010

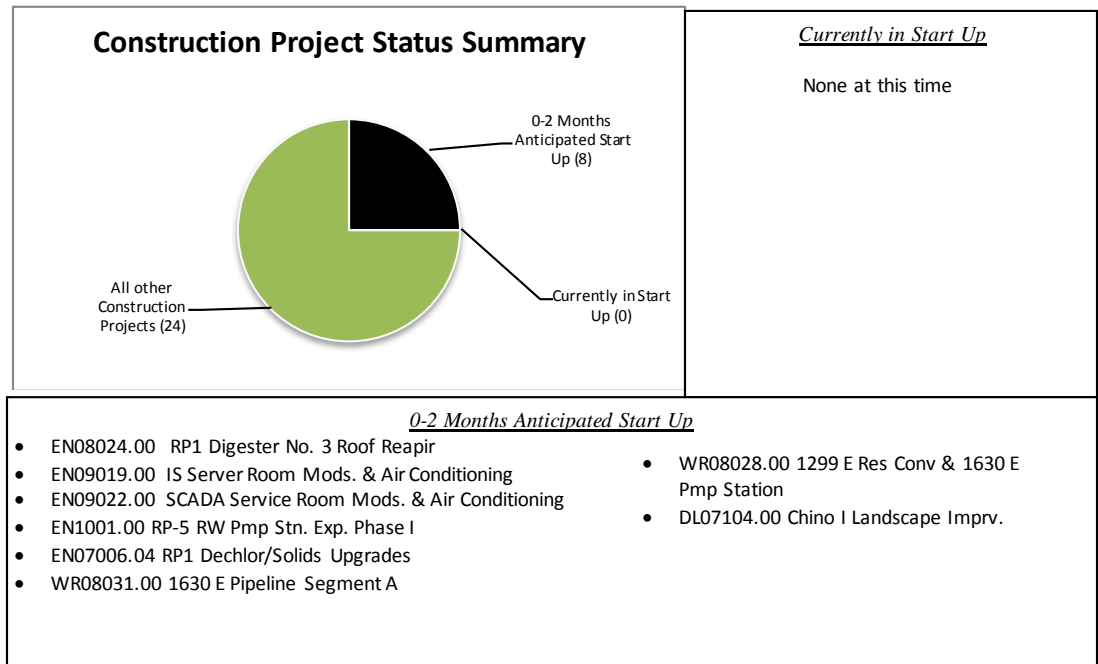
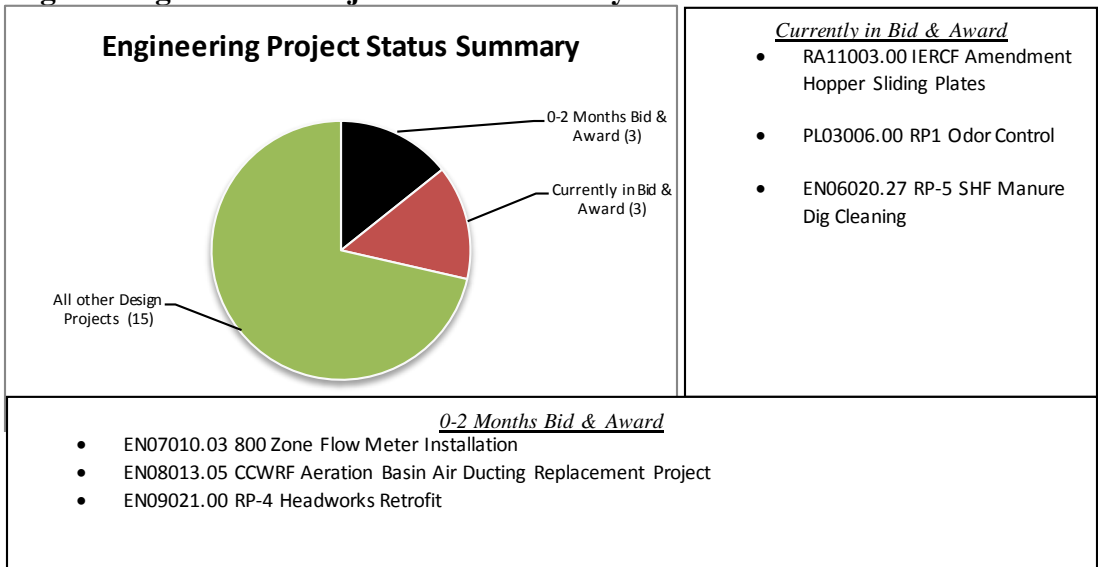
Month	Product	Tons	Cyds	Av. \$/cyd	Total \$
July	Premium	2,433.45	6,521.62	\$3.58	\$23,339.98
	Base	2,964.02	7,943.54	\$2.99	\$23,722.51
Total		5,397.47	14,465.16	\$3.25	\$47,062.49

YTD Sales Results through July 2010

Month	Total Tons	Total CYDs	Total \$
January	4,723.67	12,659.44	\$35,135.14
February	6,668.25	17,870.83	\$46,661.20
March	8,791.84	23,562.18	\$66,806.97
April	9,783.31	26,219.29	\$75,287.96
May	9,939.36	26,637.40	\$73,564.94
June	10,061.72	26,965.34	\$78,638.95
July	5,397.47	14,465.16	\$47,062.49
Total	55,365.62	148,379.64	\$423,157.65

ENGINEERING

Engineering Division Project Status Summary



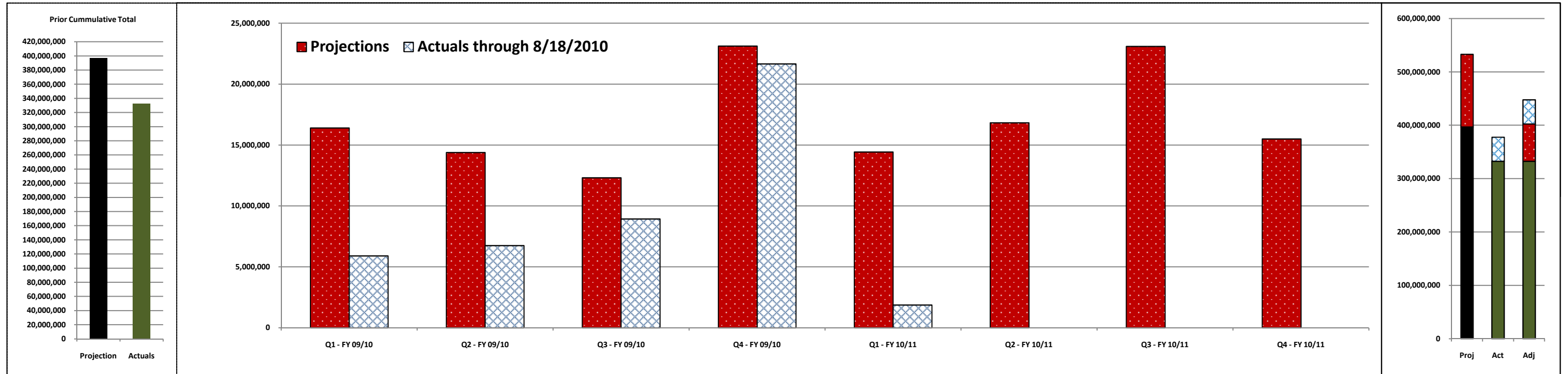
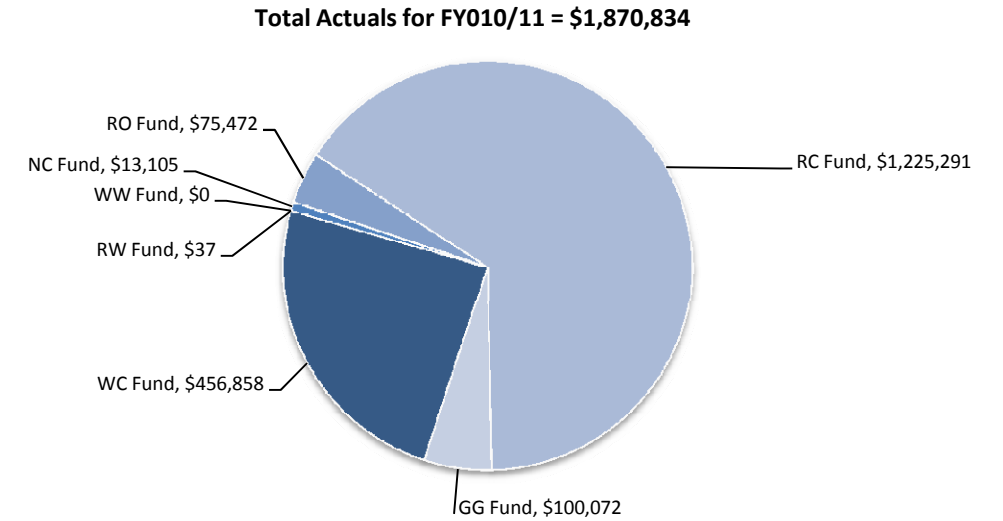
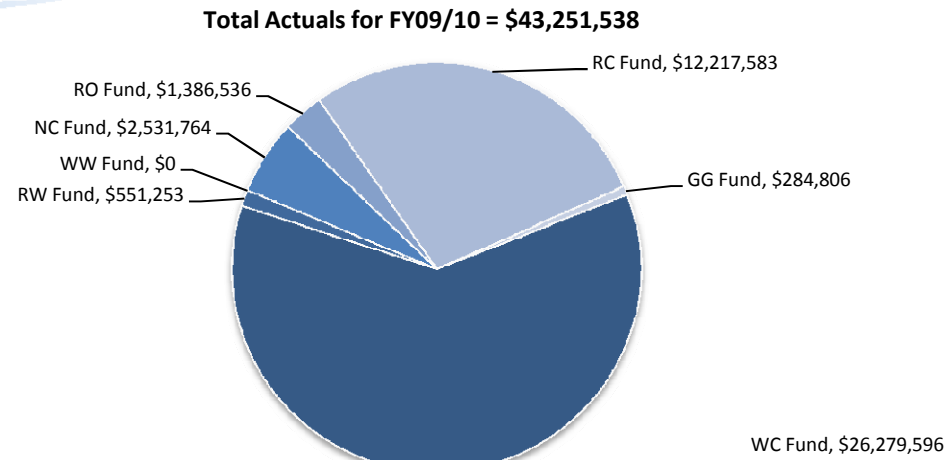
Engineering Division Construction Aggregate Metrics (Information is based on project in "active" status during FY 2009/10 and at least one change order)

Total Projects	Total Original Contracts	Change Order Amount	Change Order Ratio by Type		Total Adjusted Contracts
38	\$121,652,391	\$10,341,231	Added or Omitted	7.4%	\$131,993,622
			All Other Change Orders	1.1%	

INSERT ENGINEERING 11x17

[10331 Attach A.pdf](#)

Project Costs Forecast By Fund (Data Through 8/18/2010)



Fund	Prior Cummulative Total Through Jun 09		Q1 - FY 09/10 Jul 09 - Sep 09		Q2 - FY 09/10 Oct 09 - Dec 09		Q3 - FY 09/10 Jan 10 - Mar 10		Q4 - FY 09/10 Apr 10 - Jun 10		Q1 - FY 10/11 Jul 10 - Sep 10		Q2 - FY 10/11 Oct 10 - Dec 10		Q3 - FY 10/11 Jan 11 - Mar 11		Q4 - FY 10/11 Apr 11 - Jun 11		Total	
	Proj	Act	Proj	Act	Proj	Act	Proj	Act	Proj	Act	Proj	Act	Proj	Act	Proj	Act	Proj	Act	Proj	Act
WC Fund	119,077,472	70,830,564	7,539,681	1,935,226	10,187,645	4,495,351	8,160,137	6,318,745	14,745,448	13,530,273	5,387,905	456,858	8,577,112	14,606,447	8,250,000	196,531,847	97,567,018			
RW Fund	17,613,391	30,695,556	661,430	168,949	91,400	117,720	169,842	88,039	115,922	176,544	0	37	0	0	0	18,651,985	31,246,846			
WW Fund	8,466,937	4,064,888	88,409	0	88,409	0	88,409	0	88,409	0	298,146	0	298,146	298,146	298,146	10,013,158	4,064,888			
NC Fund	17,279,882	10,121,357	0	110,042	0	116,005	0	118,599	0	2,187,118	895,418	13,105	1,527,899	65,899	65,899	19,834,997	12,666,226			
RO Fund	6,057,728	179,804	1,648,638	706,297	1,048,823	230,294	531,564	258,495	543,528	191,451	1,507,026	75,472	1,575,409	604,475	233,775	13,750,966	1,641,812			
RC Fund	224,488,694	207,053,441	6,298,396	2,932,319	2,944,400	1,784,963	3,327,816	2,130,990	7,458,304	5,369,312	5,969,943	1,225,291	4,688,308	7,423,393	6,625,570	269,224,823	220,496,315			
GG Fund	3,941,611	9,737,621	171,000	55,819	30,000	11,662	35,556	21,032	165,000	196,293	372,912	100,072	157,205	91,705	26,136	4,991,124	10,122,499			
Total Projections	396,925,715	332,683,231	16,407,554	5,908,652	14,390,677	6,755,994	12,313,324	8,935,901	23,116,611	21,650,991	14,431,349	1,870,834	16,824,078	0	23,090,064	0	532,998,900	377,805,603		

-64,242,484	-10,498,902	-7,634,683	-3,377,423	-1,465,620	-12,560,515	-16,824,078	-23,090,064	-15,499,527	-155,193,297
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CONSTRUCTION MANAGEMENT

REGIONAL PLANT NO. 1 DEWATERING FACILITY EXPANSION, PROJECT NO. EN06015.00

SSC Construction continues with submittals which include major components such as the centrifuges, truck scale system, bridge crane, and monorail and hoisting equipment. Field activities include completion of approximately 60 percent of the first floor walls. In addition, site investigation and layout of the proposed 12kV routing is being finalized and potholing should begin shortly.

REGIONAL PLANT NO. 1 DEWATERING FACILITY EXPANSION, PROJECT NO. EN06015.01

Mike Bubalo Construction Company (MBCC) has completed all construction activities. Close-out activities have begun, which include the final submission of ARRA compliance support documents, O&M manuals, and finalization of all pay estimates and close-out documentation.

MAGNOLIA CHANNEL, PROJECT NO. EN06020.03

The contractor has completed installation of the 3-inch Sewer Force Main and 10-inch Fire Line, per the Agency's agreement with the Carson Companies. Lines have been successfully pressure tested. The contractor has completed grubbing of Area 1, adjacent to Kimball Avenue. As such, this area was grubbed with an onsite biological monitor the first week of August. Expected project completion is expected by January 2011, due to delays related to nesting birds on the project site. Work on Flower Street is not expected to begin until after mid September when Least-bell Vireo nesting ends.

REGIONAL PLANT NO. 1 ASSET MANAGEMENT ITEMS, PHASE II AND DECHLORINATION STATION UPGRADES, PROJECT NO. EN07006.04

No field construction activities were performed over the last couple of weeks. Close-out activities have begun, and punch list review and completion is ongoing. Close-out activities include final submission of O&M manuals, training and testing documentation, and finalization of all pay estimates and close-out documentation.

INSTALLATION OF PRV BETWEEN 1158 AND 1050, PROJECT NO. EN07010.01

Doty Bros successfully completed tie-ins and modifications to the 1150, 930, and the 1158 zones and are completing the piping system. The contractor, Engineering, and Construction Management Staff are coordinating start-up and programming integration with subcontractor, Trimax Invensys, for implementation in mid to late August 2010. In addition, it has been confirmed that the ABB meter delivery has been delayed to late August 2010.

TP-1 SBS PUMP IMPROVEMENTS, EN07006.04 /PRADO LAKE DISCHARGE MODIFICATIONS, PROJECT NO. EN07010.04

On July 21, 2010, the Board awarded the construction contract for the Prado Lake Discharge Modifications and the TP-1 SBS Pump Improvements to Sepulveda Construction for their low bid of \$390,904.

NRW COLLECTION SYSTEM ASSET MANAGEMENT, PHASE II, PROJECT NOS. EN07011.05, EN07011.07 AND EN06011.02

CM staff are reviewing as-built's and video compilation for project close-out. This will complete the project work pending the one-year warranty period.

1630 WEST RESERVOIR, PROJECT NO. EN08018.01

The pre-construction conference was held on August 11, 2010. The contractor has submitted their initial construction schedule and schedule of values for review by Construction Management staff. The contractor will continue to prepare and submit initial submittals (including mitigation plan, SWPPP, project signage), acquire permits, and secure a construction yard prior to mobilization and commencing any potholing efforts.

1630 WEST RECYCLED WATER PIPELINE SEGMENT C, PROJECT NO. EN08018.02

The pre-construction conference was held on August 11, 2010. The contractor has submitted their initial construction schedule and schedule of values for review by Construction Management staff. The contractor will continue to prepare and submit initial submittals (including mitigation plan, SWPPP, project signage), acquire permits, and secure a construction yard prior to mobilization and commencing any potholing efforts.

REGIONAL PLANT NO. 1 DIGESTER 3 ROOF REHABILITATION, PROJECT NO. EN08024.00

Coconstruction Inc. has completed the scope of work for sealing and repairing the water leaks within Digester No. 3. On July 30, 2010, RMS inspected and accepted the completed Digester 3 repair work performed by Coconstruction Inc. On August 2, 2010, CM staff began filling the subject digester to test tank compliance of ACI 350 Hydrostatic Test, HST, for open or covered tanks. If the testing meets the ACI standards, the project shall be transferred to operations for start-up.

CHURCH STREET LATERAL, PROJECT NO. EN09002

The contractor has completed the construction phase of the project. The Engineer is reviewing the red lined plans and preparing the record drawings. The landscape median work has been accepted by the city of Rancho Cucamonga and is now in the warranty phase.

1630 WEST RECYCLED WATER PIPELINE SEGMENT B, PROJECT NO. EN09003.01

The pre-construction conference was held on August 11, 2010. The contractor has submitted their initial construction schedule and schedule of values for review by Construction Management staff. The contractor will continue to prepare and submit initial submittals (including mitigation plan, SWPPP, project signage), acquire permits, and secure a construction yard prior to mobilization and commencing any potholing efforts.

IS/SCADA SERVER ROOM AND AIR CONDITIONING MODIFICATION, PROJECT NOS. EN09019 AND EN09022

All work is nearing completion, with the exception of the final air conditioner installation. The anticipated delivery date of the approved A/C units has been delayed until mid September 2010, due to delays in manufacturing by the supplier. CM staff is working with IS staff to alleviate any overheating issues related to the Agencies servers. A preliminary job walk is scheduled in the

former Guasti meeting room for the third week in August. Completion will allow IS staff to begin moving servers into this area.

REGIONAL PLANT NO. 5 RECYCLED WATER PUMP STATION EXPANSION, PROJECT NO. EN10001.00

With successful acceptance testing and training activities complete, the contractor can complete painting the pumps, motors, valves, and general piping. Additionally, they will submit their redlined drawings to be as-built by Stantec. The RP-5 Pump Station is expected to be completed by the first part of September with the job going to the Board of Directors in September/October for closure.

CONSTRUCTION OF THE CONCRETE SADDLES OVER THE EXISTING 27-INCH ETIWANDA INTERCEPTOR AND THE EXISTING 8-INCH NRW PIPELINE, PROJECT NOS. EN10003.01 AND EN03300.01

The contractor has submitted on all materials and schedules, which have been approved. Excavation of the footings for the concrete saddles has begun. Rebar has been delivered to the site and will be installed this week. Concrete placement was scheduled for August 20, 2010. Work has continued through August 26, 2010; cleanup and demobilization will occur shortly after.

REGIONAL PLANT NO. 1 ODOR CONTROL, PHASE 1B AND SOLIDS BYPASS, PROJECT NO. PL03006.00

A bid protest was rejected by the Agency's Legal Counsel from the second lowest bidder on this project. As such, this project will be recommended to the Board of Directors for award to the lowest apparent bidder, Coonstruction. Completion of sealing and media replacement of the bio-filter is scheduled for December 2010. A Request for Proposals is being prepared for removal and relocation of existing media to different Agency locations for soil dressing, which will be less expensive than land fill disposal. This proposal will be sent out in August.

RECYCLED WATER RETROFIT-GUASTI PARK, PROJECT NO. PU06507.01

The As-Built drawings have been issued to the County by Engineering. This completes the last action item for this job.

PHILADELPHIA PUMP STATION RECYCLED WATER RETROFIT, PROJECT NO. PU09709.01

The contractor has successfully completed the tie-in for both the new recycled water connection and potable water line. Cross-connection testing has been successfully implemented. Programming is complete and the contractor's original scope of work is complete. The City of Ontario accidentally locked out the recycled meter at the station due to their automated work order request which generated a lock-out for a business that has a meter but has not paid a bill. The City is working on resolving this program glitch so it does not happen again. CM is placing an emergency contact placard in the meter vault informing service personnel of the importance of this connection to maintain lubrication to critical wastewater pumps. CM is also following up on working with Operations and Engineering to develop a redundant system with the domestic system as a back-up to the NRW System.

IERCF AMENDMENT HOPPER PIPE BAFFLES, PROJECT NO. RA02041.02

Engineering has decided to put the final baffle fabrication and installation work out to bid to gain a better price. The bid opening was scheduled for August 19, 2010. Therefore, Project No. RA02041.00 will be closed out and a new project number will be assigned for this work pending receipt of an acceptable bid.

IERCF BACKUP GENERATOR, EMERGENCY LIGHTING, AND EXTERNAL RESTROOM INSTALLATION, PROJECT NO. RA08003.00

The Harmonic Filter component replacements were completed on August 16, 2010. The Bus-tie testing on the Harmonic Filters were completed successfully and the Harmonic Filters were certified by TCI for proper installation, testing, and operation. The North filter unit A/C unit had a compressor leak in the tubing. This issue is being resolved under warranty. TCI also advised they will contact Eaton to look at the cooling of the filter enclosures as it appears there is not adequate cooling air circulating between the dual enclosures within each Harmonic Filter unit. This may require the addition of air circulation fans. The contractor submitted the generator pad submittal that was reviewed and approved by the B&V design engineer and returned to the contractor. The contractor anticipates starting construction for the generator pad within the next two to three weeks.

1630 WEST RECYCLED WATER PIPELINE SEGMENT A, PROJECT NO. WR08023

The pre-construction conference was held on August 11, 2010. The contractor has submitted their initial construction schedule and schedule of values for review by Construction Management staff. The contractor will continue to prepare and submit initial submittals (including mitigation plan, SWPPP, project signage), acquire permits, and secure a construction yard prior to mobilization and commencing any potholing efforts.

1630 EAST RECYCLED WATER PUMP STATION AND 1299 EAST RESERVOIR CONVERSION, PROJECT NO. WR08028

The contractor has completed the manual start up of both the irrigation and fill basin modes and the auto start up sequencing was scheduled for August 23, 2010. The East Avenue street improvements are ongoing. The site asphalt removal is complete, and the grading and subgrade preparation is in progress.

1630 EAST RECYCLED WATER PIPELINE, SEGMENT A, PROJECT NO. WR08031

The contractor has been working with their electrical subcontractor, the PCSI, the Agency's DCS group, and Construction Management staff towards completion of the programming effort, instrumentation submittals, factory bench testing procedures, final hardware installations, testing, and the scheduling of training.

1630 WEST RECYCLED WATER PUMP STATION, PROJECT NO. WR08032

The pre-construction conference was held on August 11, 2010. The contractor has submitted their initial construction schedule and schedule of values for review by Construction Management staff. The contractor will continue to prepare and submit initial submittals (including mitigation plan, SWPPP, project signage), acquire permits, and secure a construction yard prior to mobilization and commencing any potholing efforts.

MAIN OFFICE BUILDING SETTLING ISSUES

A scope of work was developed to test for settling and evaluate soil conditions. CM is coordinating and providing field assistance with Engineering on this work. Pictures, soils reports and original Construction reports are being compiled for review by the Soils Engineer. Additionally, a precision survey is in progress to evaluate settling issues.

EL PRADO SARI CLEAN-OUT MANHOLE FAILURE

Four of the lids for the clean-outs on the SARI Line have failed, due to subsidence. Operations have also requested that two additional lids be raised in Chino Avenue. This request has been integrated into a bid set for competitive bidding. Bids were sent out to the Agencies Minor Construction, Maintenance, and Emergency Contractors. An assessment by the Agencies Biologist has determined no impacts related to Least-bell Vireo nesting along Prado Road. Based on questions posed by the contractors, two Addendums were generated to address permit issues with the City of Chino and Caltrans-related to MH location on Chino at off-ramp from the freeway. Work is expected to begin in September.

REGIONAL PLANT NO. 4 LAGOON SINK-HOLE AND BULGING

A scope of work has been prepared for a Design Engineer along with a more detailed budget for this project. CM is working with Engineering on constructability and corrective solutions for this project.

REGIONAL PLANT NO. 4 FERRIC LINE RE-ROUTING

This project re-routes the chemical lines up through the wall of the chemical building to minimize the potential for underground breakage under the containment area. Work has been completed with the exception of the tracing of the sodium hypochlorite line. Continued line testing indicates a higher than expected chlorine residual, which would tend to indicate a leak. Staff has requested an action plan from the contractor to determine where/if leakage is occurring. If this cannot be resolved, additional work to locate a possible leak will need to be undertaken. Work was expected to be completed by the end of August.

PUBLIC INFORMATION

Calendar of Events

August 2010

- August 6, Tour of RP-5 for Japanese delegation via UC Riverside
- August 24, SCAP meeting, Event Center
- August 12, County of San Bernardino Water Conference, Ontario Convention Center

September 2010

- September 1, IEUA Picnic, Event Room, 11:30 a.m.
- September 8, Montclair Day at the LA Fair
- September 9, Upland Day at the LA Fair
- September 17, Chino Day at the LA Fair
- September 18, Upland Family Fun Day, City of Upland
- September 24, Chino Hills Day at the LA Fair
- September 29, Ontario Day at the LA Fair

- September 30, Rancho Cucamonga Day at the LA Fair

October 2010

- October 1, Fontana Day at the LA Fair
- October 7, Annual Southern California Water Committee dinner, Pacific Palms Hotel
- October 7, Project WET Workshop, Frontier Project
- October 14, Retirement dinner for Director John L. Anderson, Chaffey College, Chino Campus, 5:30 p.m.
- October 22, Kids Environmental Festival, Cucamonga Valley Water District
- October 23, Regional Water Conservation/Landscape Fair, Chino Basin Water Conservation District

November 2010

- November 13, Cal State San Bernardino Water Resource Institute annual dinner

Outreach/Educational Inland Valley Daily Bulletin Newspaper Campaign

The monthly tips on ways to help conserve water continue to appear in our local newspapers each month.

Water Conservation Outreach

IEUA is continuing to work with conservation partners to plan the Regional Conservation message. The slogan is *Saving Water...It's the Right Thing to Do*. The movie theatre campaign will begin appearing at the end of May, and run through the end of September.

Regional Conservation Outreach Campaign

- Ongoing monthly ¼-page ads in the Inland Valley Daily Bulletin, Champion Newspaper, Fontana Herald News, and La Opinion.
- Ongoing water wise gardening classes.

Agency Tours

Numerous tours of RP-5 wastewater plant, HQ and Park were given during the month of August.

Educational Updates

WEWAC is preparing for the next Project WET Workshop to take place October 7th. In addition, WEWAC is planning to decorate and install a water wise garden at the LA County Fair.

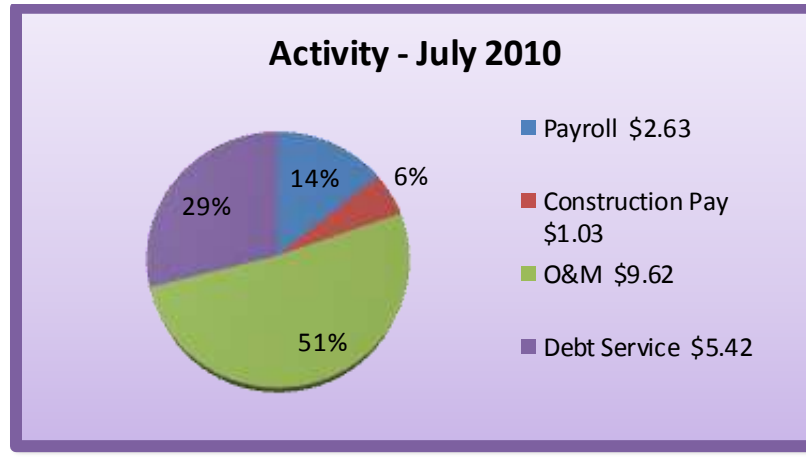
FINANCE AND ADMINISTRATION
MAJOR REVENUE

Major Revenues for the Period Ended July 31, 2010			
(millions) Target is 8%			
A	B	C	D
Major Revenue Categories	Amended Budget	Actual to Date (Jul 2010)	% of Actual Vs Budget (Col B/Col C)
User Charges	\$50.1	\$3.7	7%
Recycled Water Sales	\$3.5	\$0.1	4%
Recycled Water Rebates	\$2.1	\$0.0	0%
Property Tax	\$33.8	\$0.0	0%
Connection Fees	\$5.2	\$0.0	0%
Grants	\$10.5	\$2.0	19%
SRF Loans	\$21.3	\$3.9	18%
	\$126.50	9.64	8%

EXPLANATION:

- 1) User Charges and Recycled water sales “Actual To Date” for the month of July 2010 is based on the average of the previous 12 months; The actual for July 2010 will be billed in August.
- 2) “Grants & “SRF Loans” are actual amounts billed in July 2010.

Accounts Payable Disbursement Account



(\$ Millions) – During the Period July 1 through July 30, 2010, the Accounts Payable staff processed:

- 83 - ACH Remittances** **815 - Check Remittances**
23 - Wire Remittances **916 - Vendor Invoices and Credit Memos**

ACCOUNT/RECEIVABLES

IEUA Aging Report – As of 08/16/2010

IEUA Customer's (Note: Excludes IERCA, CDA and Grant customers)

Total Outstanding	Current	1-30	31-60	61-90	91-120	>120
\$12,954,571	\$12,879,425	\$68,347	\$4,266			\$2,532

Notes:

- 1) Current column, invoices billed, but not due yet.
- 2) Aging 1-30 days, balance pertains to invoices that were recently due from Department of Corrections.
- 3) Aging 31-60 days, balance pertains to Department of Corrections and Cintas I.
- 4) Aging over 120 days, balance pertains to JCPE; denied entrance to IEUA plants until payment is received.
 - As of 6/10 JCPE owner states he will declare bankruptcy and will pay owing balance within the next few weeks.

Customer CDA (Due to IEUA)

Total Outstanding	Current	1-30	31-60	61-90	91-120	>120
\$281,132		\$51,782	\$229,350	-	-	-

Notes:

- 1) Current column, pertains to expense (system due from/due to) posted during current month.
- 2) Aging 1-30 days, pertains to expense (system due from/due to) posted in August '10, billable in September and payable in October.
- 3) Aging 31-60 days, pertain to expense (system due from/due to) posted July '10, billable in August and payable September.
 - Aging 31-60 days, also includes amount posted in June '10, billable in July and payable in August.

Customer IERCA (Due to IEUA)

Total Outstanding	Current	1-30	31-60	61-90	91-120	>120
\$696,900		\$106,854	\$590,046	-	-	-

Notes:

- 1) Current column, pertains to expense (system due from/due to) posted in current month.
- 2) Aging 1-30 days, pertains to expenses (system due from/due to) posted in August '10, billable in September payable in October.
- 3) Aging 31-60 days, pertains to expense (system due from/due to) posted in July '10, billable in August and payable in September.
 - a. 31-60 days, also includes amounts posted in June '10, billed in July and payable in August.

Customer CBWM (On IEUA Books)

Total Outstanding	Current	1-30	31-60	61-90	91-120	>120
\$401	\$401	-	-	0	-	

Notes:

- 1) Current column, invoices billed, but not due yet.

Customer San Bernardino Co. Reg. Parks (Retrofit)

Total Outstanding	Current	1-30	31-60	61-90	91-120	>120
\$260,000	-		-	-		\$260,000

General Manager's Report Regarding Agency Activities

September 1, 2010

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Notes:

- 1) Aging over 120 days, pertains to invoice no. 1800001630, Public Retrofit Project; customer is reviewing IEUA billing (cost).
- 2) IEUA Accounts Receivable placed a call on 5/17/2010 to Bryan reminding him to provide status regarding the invoicing.
- 3) IEUA Accounts Receivable e-mailed Phil Krause (Chief of Planning) on 06/02/2010.
- 4) Mir Fattahi from IEUA sent Phil Krause an e-mail on 6/16/2010.
- 5) Phil Krause e-mailed IEUA staff on 06/17/2010, stating he will review invoices for payment status.

Investment Yield Comparables – 8 Week Run Rates

Investment Type	28-June	5-Jul	12-Jul	19-Jul	26-Jul	2-Aug	9-Aug	16-Aug
SWEEP ACCOUNT – CBB	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
CDARS (1 YR) –CBB	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
1 Yr CD – BofA	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%
1 Yr CD – Wells Fargo	0.30%	0.30%	0.30%	0.30%	0.20%	0.20%	0.20%	0.20%
1 Yr CD Citibank	0.75%	0.75%	0.75%	0.75%	0.70%	0.70%	0.70%	0.70%
LAIF	0.52%	0.52%	0.52%	0.53%	0.51%	0.52%	0.52%	0.52%
US. Treasuries:								
US. Treasuries – 3-Mos	0.13%	0.17%	0.16%	0.15%	0.16%	0.15%	0.16%	0.15%
US. Treasuries – 6 Mos	0.19%	0.22%	0.20%	0.20%	0.20%	0.20%	0.20%	0.19%
US. Treasuries – 12 Mos	0.29%	0.31%	0.31%	0.28%	0.27%	0.30%	0.27%	0.25%
US. Treasuries – 2 Yrs	0.69%	0.62%	0.63%	0.63%	0.60%	0.60%	0.54%	0.54%
US. Treasuries – 3 – Yrs	1.13%	1.01%	1.01%	1.02%	0.93%	0.94%	0.82%	0.80%
US. Treasuries 5 – Yrs	1.96%	1.80%	1.80%	1.81%	1.71%	1.73%	1.58%	1.48%
US Government Sponsored Entities Benchmark Bullets								
2 yr Agency Bullets	0.75%	0.75%	0.75%	0.72%	0.67%	0.53%	0.56%	0.52%
3 yr Agency Bullets	1.14%	1.14%	1.14%	1.05%	1.07%	1.32%	1.31%	1.25%
5 yr Agency Bullets	2.10%	2.10%	2.10%	1.90%	1.64%	1.93%	1.42%	1.38%

Investment /Market Update

- The average maturity is 797 days for current investments exclusive of LAIF and SWEEP. Including LAIF and SWEEP accounts, the average maturity is 279 days, (assuming 2 days to liquidate the LAIF investment and SWEEP account).

IEUA investment portfolio rate of return is estimated at 1.07% for the month of August compared to 1.1% as reported in June Treasurer's Report of Financial Affairs. The estimated 3 basis points decrease is primarily due to the continued yield decline in the LAIF investment. The average monthly effective yield for LAIF yield is .52% as of August 16, 2010, compared to .528% for the month of July and .531% for June. Our current investment includes GSE with an average yield to market of 2.01%, two accounts in CDARS at 1.26% APY (1 yr maturity) & .9% APY (to mature in Dec 2010), the combined CDARS yield is .95% and SWEEP at .80%.

On August 09, 2010, Citizen Business Bank (CVB Financial) made headline that it was being investigated by Securities and Exchange Commission regarding its lending practice. At this time we do not believe any of the funds at CBB are at risk, as they are fully collateralized and FDIC insured. On August 12, 2010 PFM (Agency's financial adviser) provided a Risk Assessment as follows:

Positives

- In general, SEC investigations are generally punitive monetarily in nature, such as imposing a fine for an inappropriate action. An SEC action would probably not cause the bank to close. Keefe, Bruyette & Woods suggests that even a \$1 million fine would have a minimal effect on earnings.
- Citizens Business Bank appears to be very well capitalized, with a Tier 1 Ratio 16%.
- The current share price (NASDAQ: CVBF) remains at \$7.86, even after the sharp decline on Monday, August 9th. The share price remains higher than the low set in 2009. There is still considerable investor confidence that CVB Financial Corp will remain in business.
- Citizen Business Bank is participating in the Temporary Account Guarantee Program ("TAGP"). Under TAGP, "non-interest bearing account" (defined as accounts paying less than 0.25% in interest) are fully insured by the FDIC. This may offer a secondary source of protection, with the first being collateral, depending upon the interest rate paid on balances.
- The decision of the Chief Financial Officer, Edward J. Biebrich, to announce his retirement on the same day the Sec subpoenas the firm was the cause of some concern and market speculation. However, on August 12, Mr. Biebrich announced that he will defer his retirement in order to assist in the SEC inquiry.

Concerns

- Based upon statements made by Citizens Bank, it looks like the SEC inquiry may be focused on whether or not CVBF is making adequate allowances on loan loss provisions. If adjustments have to be made, this may cause CVBF to restate prior financial statements. Therefore, the Agency may want to be cautious of placing too much emphasis or comfort on financial ratios that may be adjusted in the future. The statement released by Citizens Bank to customers specifically states that the inquiry is about "our loan underwriting guidelines, our allowance for credit allowances, our methodology for grading loans, and about the way we calculate our allowance for loan losses".

Various updates from Brokers & Bloomberg:

- **August 17** (Bloomberg) -- The Treasury Secretary Timothy F. Geithner and Housing and Urban Development Secretary Shaun Donovan gathered housing – industry stakeholders to seek advice as the administration prepares a housing-finance overhaul to be delivered in January. Geithner said the government must reduce its role in housing markets and ensure

Fannie Mae and Freddie Mac, the mortgage-finance companies operating under U.S. conservatorship, won't require future bailouts.

"The government's footprint in the housing market needs to be smaller than it is today," Donovan said at the conference, adding that Fannie Mae, Freddie Mac and the Federal Housing Administration guarantee more than 90 percent of all mortgage loans. "We need to work to foster a strong but healthy market for private capital to harness the vitality, innovation and creativity in our system in a responsible way."

The Treasury Chief also said that plans to reduce the portfolios of Fannie Mae and Freddie Mac should proceed "in a careful way." The government wouldn't back away from the companies' current obligations, that "We will make sure the GSEs have the resources to meet their financial commitments," Fannie Mae, based in Washington, and Freddie Mac of McLean, Virginia, have been sustained by almost \$150 billion in Treasury aid since September 2008 when they were seized by the government amid soaring losses on mortgage investments. The U.S. has promised unlimited support for the two companies.

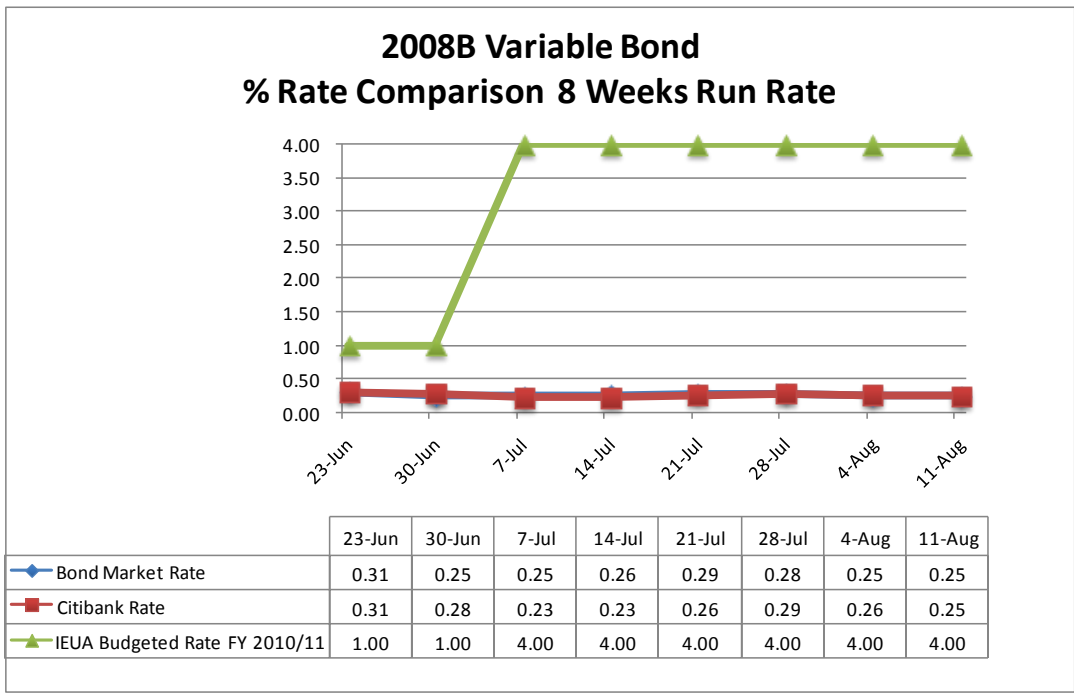
- **August 16** (Bloomberg) --Treasury 10-year note yields fell to their lowest level in more than 16 months as reports showed manufacturing in the New York region expanded less than forecast and foreign purchases of U.S. government debt climbed. Two – year note yields dropped to a record low as the Federal Reserve prepared to buy Treasuries tomorrow as part of its plan to spur the slowing economy by keeping borrowing costs low. A report from the National Association of Home Builders/Wells Fargo showed builders unexpectedly turned pessimistic

The Federal Reserve will likely reemerge as the biggest buyer of Treasuries when it resumes purchasing U.S. government securities today to prevent money from draining out of the financial system. The central bank will acquire Treasury notes due from 2014 to 2016 today and debt due in 2016 to 2020 on Aug. 19 with the proceeds from its maturing mortgage holdings. The Fed was the biggest buyer in the treasury market between March and October 2009 as it purchased \$300 billion in Treasuries to help keep borrowing costs low and bolster the housing market. Yields on benchmark 10-year note yields fell 11 basis points to 2.56 percent yesterday in New York, according to BGCantor Market Data.

- **August 16** (Citigroup – Comments on Credit article) – Federal Reserve policymakers sent a message this week that they will not sit idly in the face of subpar recovery and recurring threats to financial stability. We had anticipated (and hoped) that the FOMC's statement made two important changes relevant to the outlook.
 - First, the Committee downgraded its view of recovery with a primary focus on the near-term outlook and the recent slowing in employment, a key yardstick for gauging policy success. Like everyone else, policymakers are reassessing the view not only in terms of forward-looking indicators but in light of data suggesting recent growth has been less robust than thought.

- Second, the Committee followed through on press reports that they were considering reinvesting the proceeds of redeemed MBS and Agencies into longer – dated Treasury securities. At roughly \$20 billion plus per month, the amounts involved are very small in relation to a \$30 trillion dollar bond market or even the flow of net new monthly Treasury coupon issuance averaging about \$130 billion.

2008B Variable Bond Trend



Other Finance Division Updates on Significant Events:

- **CalPERS Employer Contribution Rate Increase**

On May 12, 2010, CalPERS notified public agencies of an increase in employer rate contributions beginning FY 2011/12. The increase is a result of updated actuarial assumptions based on a recently completed experience study. The updated study presents the results of the demographic experience study on the CalPERS data from 1997-2007. The last study was done in May 2004. The results include an average increase of 1.1% to 1.7% of payroll in the employer contribution rates for public agency miscellaneous plans covered under a 2.5% @55 benefit program. The estimated increase to the Agency’s rate is estimated to be 1.7%, for a total employer contribution rate of 16% beginning FY 2011/12. The estimated 16% rate is based on the Agency’s last actuarial projected rate of 12.7% + 1.7% for the new actuarial assumptions + 1.6% for the -28% investment return in 2009. The total employer and employee contribution is estimated to be 24.0% for FY 2011/12, (16.0% ER rate + 8% EE rate = 24.0%).

- **Letter of Credit (LOC) for the 2008B Bonds update**

Substitution of the Letter of Credit (LOC) provider for the 2008A Variable Rate Revenue Bonds continues. Citigroup is undergoing negotiations with Lloyd’s Bank to replace Dexia, the LOC provider. Even though, Dexia’s contract does not expire until April 15,

2011, both Citigroup and the PFM, the Agency financial advisor, strongly recommended the Agency to move forward with the substitution in order to avoid the anticipated rush of the estimated \$30 billion LOCs set to expire in 2011. On May 4, 2010 Dexia notified the Agency it was not going to renew the LOC past the expiration date.

- **Grants Update**

- **Annual Single Audit**

- The grant Staff is coordination with Mayer, Hoffman, McCann P.C., the Agency's external auditor, for the FY09/10 Grant Single Audit. Grant recipients that expend \$500,000 or more in a year in federal funds are required to have a single or program-specific audit for the year. The Single audit includes a report on compliance with federal regulations and internal control over financial reporting. All Federal grants and loans are reviewed during the Single Audit examination.

- **USBR Financial Review**

- The USBR Regional Finance Office will be conducting a Financial Assistance Review on the Northeast and Northwest Area Recycled Water Grant Projects. Recipients of ARRA funding for which the total project cost is estimated to exceed \$1,000,000 are required to have a Financial Assistance Review performed in order to ensure that expenditures are allowable, allocable, and reasonable; that the Recipient is in compliance with the terms and conditions of the award; and that the Recipient is accounting for ARRA funds appropriately.

- **SRF Loan Application Status**

- Grant Staff is working on an \$11,000,000 State Revolving Fund loan (SRF loan) funding application from the State Water Resources Control Board for the Agency's Wineville Recycled Water Pipeline Expansion Project. This SRF loan package includes credit review section and project review section. This SRF loan application is scheduled to be completed by the end of August, 2010. Grant Staff is also working with SWRCB to follow up on the other two SRF loan applications for the New Production Laboratory Project and for the Southern Area Recycled Water Project.