



Regional Sewerage Program Policy Committee Meeting

AGENDA **Thursday, February 6, 2014** **4:30 p.m.**

Location

Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91708

Thursday, February 6, 2014

Call to Order and Roll Call

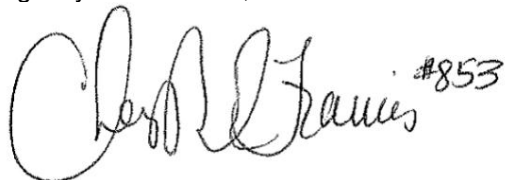
Pledge of Allegiance

Public Comment

- 1. Technical Committee Report – Jim Hill (Oral)**
- 2. Approval of Minutes**
 - A. Minutes of November 7, 2013 Meeting
- 3. Action Item**
 - A. Approval of the FY 2014/15 Ten Year Capital Improvement Program
- 4. Information Items**
 - A. Financial Update (Written)
 - B. Regional Contract Audit (Written)
 - C. Self-Regenerating Water Softener Update (Written)
- 5. Receive and File**
 - A. Building Activity Report (YTD)
 - B. Recycled Water Operations Summary
- 6. Other Business**
 - A. IEUA General Manager's Update
 - B. Committee Member Requested Agenda Items for Next Meeting
 - C. Committee Member Comments
 - D. Next Meeting – March 6, 2014
- 7. Adjournment**

DECLARATION OF POSTING

I, Cheyanne Reseck-Francis, Administrative Assistant of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, January 30, 2014.

A handwritten signature in black ink that reads "Cheyanne Reseck-Francis" with the number "#853" written to the right of the signature.

Cheyenne Reseck-Francis

**APPROVAL OF
MINUTES**

2A



Regional Sewerage Program Policy Committee Meeting

MINUTES OF November 7, 2013 MEETING

CALL TO ORDER

A regular meeting of the IEUA/Regional Sewerage Program – Policy Committee was held on Thursday, November 7, 2013, at the Inland Empire Utilities Agency located at 6075 Kimball Avenue, Chino, California. Earl Elrod, City of Chino, called the meeting to order at 5:00 p.m.

ATTENDANCE

Committee Members:

Earl Elrod	City of Chino
Acquanetta Warren	City of Fontana
Carolyn Raft	City of Montclair
Jim Bowman	City of Ontario
Debbie Stone	City of Upland
Kathy Tieg	Cucamonga Valley Water District
Terry Catlin	Inland Empire Utilities Agency

Absent Committee Members:

Paul Eaton	City of Montclair
Peter Rogers	City of Chino Hills

Others Present:

Braden Yu	Cucamonga Valley Water District
Cheyenne Reseck-Francis	Inland Empire Utilities Agency
Chris Berch	Inland Empire Utilities Agency
Christina Valencia	Inland Empire Utilities Agency
Craig Parker	Inland Empire Utilities Agency
Jasmin A. Hall	Inland Empire Utilities Agency
Javier Chagoyen-Lazaro	Inland Empire Utilities Agency
Jesus Plasencia	City of Chino
Jim Hill	City of Chino
P. Joseph Grindstaff	Inland Empire Utilities Agency
Rebecca Long	Inland Empire Utilities Agency
Rosemary Hoerning	City of Upland
Teresa Velarde	Inland Empire Utilities Agency

PLEDGE OF ALLEGIANCE

Committee Member Kathy Tiegs/CVWD led those present in the Pledge of Allegiance.

PUBLIC COMMENTS

There were no public comments.

(Committee Member Acquanetta Warren entered at 5:05 p.m.)

Committee Member Terry Catlin/IEUA introduced IEUA's newest Board member, and alternate on the Regional Policy Committee, Jasmin A. Hall.

1. TECHNICAL COMMITTEE REPORT

Jim Hill/City of Chino reported that at the October 3, 2013 Regional Technical Committee meeting, the Montclair Lift Station Construction Contract Award item, which is on the Regional Policy Committee agenda tonight, was approved as long as bids submitted are not any higher than \$3.3 million. He stated that the informational items received at the November 7, 2013 Regional Technical Committee meeting, are the same as those on the Regional Policy agenda tonight.

2. APPROVAL OF MINUTES**A. Minutes of June 6, 2013 Meeting**

Motion: By Kathy Tiegs/CVWD and seconded by Jim Bowman/City of Ontario to approve the minutes of the June 6, 2013 Policy Committee meeting.

Motion carried: Unanimously, with Earl Elrod/City of Chino abstaining.

3. ACTION ITEM**A. Montclair Lift Station Construction Contract Award**

Craig Parker/IEUA gave a presentation outlining that this construction award is for a 4 MGD sewage lift station that moves sewage from the Cities of Ontario, Montclair, and Upland. He stated that it is currently in poor condition and the equipment and controls are now obsolete, considering all the changes in technology which have occurred since it was built in 1976. Mr. Parker explained another issue which is called "ragging" in the industry, which is the result of baby wipes and other such products that are not biodegradable becoming lodged in the pumps and screens. He stated that the current process for clearing the system includes two maintenance personnel and operations personnel going three times a week, doing a diversion of flow through the Montclair Diverter, breaking down the pumps, and physically "de-ragging" the pumps, but the new pumps will be able to push the "rags" through and pump them into a gravity main which goes to RP-1. Mr. Parker stated that the old system currently just goes on and off, but the new system will include variable frequency drives which are able to ramp up and down based on the flow coming in. He outlined the project schedule for this project: bids should be advertised by the end of November, bids should be submitted in December, the contract should be awarded sometime in January, and the project should take about a year to complete. He noted that, as an existing facility, the funding for this project will come from the RO fund, which is funded by EDU fees, and will not come from the RC fund,

which is funded by connection fees, as it would if it were a new facility. He also noted that the Pretreatment & Source Control group is working with each of the member agencies to educate the public about not flushing baby wipes, etc., and that the Orange County Sanitation District has sent out a public announcement in an attempt to make this industry-wide issue known to the public.

Motion: By Jim Bowman/City of Ontario and seconded by Debbie Stone/City of Upland to approve the award of the construction contract for the Montclair Lift Station Upgrades, Project No. EN13054, for a not-to-exceed amount of \$3.3 million.

Motion carried: Unanimously.

4. **INFORMATION ITEMS**

A. **4th Quarter Budget Variance**

Christina Valencia/IEUA gave a presentation reviewing the 4th quarter budget total revenues, expenses, and fund balances. She stated that the higher revenues are mainly due to a one-time receipt of RDA money received as a result of the dissolution of the RDAs back in February 2012, the higher number of new EDU connection fees than budgeted, and recycled water sales. Ms. Valencia reviewed non-operational and operational expenditures, the estimated ending fund balance, and the fund balance historical trend. She stated that the debt coverage ratio is improving and that the unfunded liability from PERS is currently not being recorded on the books, as the Agency is not required to do so until FY 2015/16, but the Agency is setting aside about \$8 million between PERS and OPEB, which is currently on a pay-go basis.

B. **Self-Regenerating Water Softener Local Ordinance Implementation**

Rebecca Long/IEUA gave an oral update on the status of the ordinance adoption by member agencies. She stated that the Cities of Upland, Montclair, and Fontana have all adopted the ordinance, CVWD will adopt the ordinance within the next few months, and MVWD and the Cities of Chino, Chino Hills, and Ontario have not yet adopted the ordinance. Ms. Long mentioned that IEUA is in the process of marketing and publicizing the effects of using water softeners by working with local real estate agents, home developers, the “big box” stores, placing adds, and including information in constituents’ monthly water bills.

C. **Tech/Policy Meeting Scheduling**

Chris Berch reviewed some options for changing the current schedules the Technical and Policy Committee meetings. It was agreed upon that the Technical Committee will move to the last Thursday of the month at 4:00 p.m., and Policy will remain on the first Thursday of every month, but will move up to 4:30 p.m. from the currently scheduled time of 5:00 p.m.

5. **RECEIVE AND FILE**

A. **Building Activity Report (YTD)**

The Building Activity Report (YTD) was received and filed by the Committee.

B. **Recycled Water Operations Summary**

The Recycled Water Operations Summary was received and filed by the Committee.

C. 2013 IEUA Business Goals

The 2013 IEUA Business Goals item was received and filed by the Committee.

D. Ten Year Growth Forecast

The Ten Year Growth Forecast was received and filed by the Committee.

E. IEUA Agency Wide Organizational Chart

The IEUA Agency Wide Organizational Chart was received and filed by the Committee.

F. San Onofre Nuclear Generating Station Status and Economic Impacts

The San Onofre Nuclear Generating Station Status and Economic Impacts item was received and filed by the Committee.

6. OTHER BUSINESS**A. IEUA General Manager's Update**

P. Joseph Grindstaff/IEUA reported the following:

- Business Goals – everyone's participation and feedback is appreciated. The Business Goals were adopted by IEUA Board (as amended from Workshop) on 10/16/13, and are the basis for upcoming Mission, Vision, Values; and Strategic Planning effort.
- Organizational Update – Four Manager positions have not been filled (Finance, Pretreatment & Source Control, Contracts & Procurement, and Safety) resulting in a consolidation of departments: Accounting and Finance; Pretreatment & Source Control and Compliance; Safety and Human Resources; and Risk and Contracts. There will be a new position soon, titled Executive of Engineering/Planning. Also, Sylvie Lee (Recycled Water) and Craig Proctor (Pretreatment & Source Control) are now in the Planning department.
- Grant Update – A handout was passed out displaying a summary developed by Christina Valencia and Jason Gu, which shows ~\$250M in grants and ~\$150M in State Revolving Funds since 2000.
- Operational Updates – Recycled Water had another outstanding delivery month (September 2013 = 86% recycled water utilization). Groundwater Recharge had best recycled water groundwater recharge month in history of program (1,400 AF in September even with competing peak demands).
- Building Activity – Lower than planned by Agencies/IEUA to date. FY13/14 projected at 3,230 EDU, actual (through August) is 323, and planned to date is 600 (i.e. ~50% of target)
- Energy Update – San Onofre is down and will stay that way. It produced ~2,200MW (equivalent power needed for 1.4M homes). Recap of meetings with Governor's Office (Senior Advisor Rechtschaffen) from May 15, 2013 and November 20, 2013, stating that net energy metering and food waste were major topics, and there is another meeting scheduled with the Governor's office in the next few weeks.
- Upcoming Tech/Water Workshop (3rd Thursday) topics will include:
 - Integrated Water Resource Plan (including conservation)
 - Facilities Master Plan
 - Asset Management

- Long Range Plan of Finance
- SAR Action Team
- Local Limits
- EDU Audit – will start before negotiating the new regional sewerage contract. Beginning in December, the Internal Audit department will be auditing one member agency per month to complete this task.

Committee Member Terry Catlin/IEUA stated that he appreciates the support from member agencies in completing these EDU audits.

B. Committee Member Requested Agenda Items for Next Meeting

None.

C. Committee Member Comments

Committee Member Kathy Tiegs/CVWD thanked IEUA for its efficiencies and significant changes over the past 6 months.

Committee Member Earl Elrod/City of Chino mentioned a meeting with Mr. Grindstaff and Mr. Berch in which he learned that IEUA's solar panels are turned off when they produce more electricity than the Agency needs because SCE is not willing to pay the Agency for any electricity that IEUA would be able to put back into the grid. He stated that he found this interesting.

D. Next Meeting – February 7, 2014

7. **ADJOURNMENT** - Meeting was adjourned at 5:40 p.m.

Transcribed
by:

Cheyenne R. Reseck-Francis
Administrative Assistant, IEUA

**ACTION
ITEM**

3A



Date: January 30/February 6, 2014
To: Regional Committees
From: Inland Empire Utilities Agency
Subject: Fiscal Year 2014 through 2024 Ten-Year Capital Improvement Plan

RECOMMENDATION

It is recommended that the Regional Committees approve and make recommendation to the IEUA Board of Directors (Board) to approve the proposed Fiscal Year (FY) 2014/15-2023/24 Ten Year Capital Improvement Plan (TYCIP).

BACKGROUND

Each year, pursuant to the terms of the Regional Sewage Service Contract, the Inland Empire Utilities Agency submits a ten-year forecast of capacity demands and capital projects or Ten-Year Capital Improvement Plan (TYCIP) to the Regional Technical and Policy Committees. The current TYCIP identifies projects for the FY 2014/15 through FY 2023/24 that are needed for the rehabilitation, replacement, or expansion of the facilities owned or operated by the Agency.

In the past, the Budget and TYCIP have been written in tandem, with the TYCIP functioning as the supporting, second volume of the budget. This year the timeline for the TYCIP has been accelerated in an effort to streamline the project identification and prioritization phase of the financial planning process. The financial planning and budget for FY 14/15 will be discussed in detail in the FY 14/15 Operating and Capital Program Budget which will be published in June, 2014.

A new feature of this TYCIP was the development of a project ranking system based on the timing and criticality of projects. Drivers used to determine the timeframe and criticality during which a project would be undertaken include the regulatory and permitting requirements, wastewater flow projections, asset age, performance, efficiency, and grant or funding availability.

Two major themes that have carried over from the FY 2013/14 TYCIP to the FY 2014/15 TYCIP are the continuing need for maintenance, repair, and replacement of aging equipment and facilities and the need for expansion of the Regional System to meet future growth. Maintaining the Agency's facilities and infrastructure is critical to ensure the long-term reliability and quality of services that the Agency is committed to provide.

A major project that has been carried over from the FY13/14 TYCIP is the expansion of the RP-5 solids processing. Expansion of RP-5 liquids processing has been delayed due to projects currently under consideration, such as local lift stations that could be operated as part of the regional program. Flow forecasts and expansion options will be further explored in the Wastewater Facilities Master Plan which is currently underway.

In addition to the Wastewater Facilities Master Plan, IEUA is in the midst of updating several key planning documents, including the Long-Range Plan of Finance, Asset Management Plan, Recycled Water Program Strategy, Recharge Master Plan, Water Use Efficiency Business Plan, 2015 Urban Water Management Plan, and EIR. It is anticipated that these planning efforts will result in new priorities for the region and will be completed by fall 2014. Projects identified in these documents will be further refined and included in next year's TYCIP to meet the region's future needs.

ATTACHMENTS

The TYCIP was posted on the Agency website on January 16, 2014 under the News & Reports, financial reports. http://www.ieua.org/news_reports/financial.html



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FY 14/15-23/24 TYCIP

FY 14/15 TYCIP Key Changes



Accelerated schedule

- Streamlined project identification and prioritization

Rearranged and condensed

- Simpler to navigate
- Increased usability by staff
- Establishes framework for new projects

FY 14/15 TYCIP Key Changes

Project ranking based on:

Timing

- High= 1-2 years
- Medium= 3-5 years
- Low= 6-10 years out

Criticality

- Critical= essential, regulatory requirements
- High= proposed regulations, enhance performance
- Medium=increase efficiency, cost savings
- Low/Grant Dependent= beneficial, funding contingent



FY 14/15 TYCIP Schedule

1/16/14 Draft TYCIP Posted Online

1/30/14 Regional Tech Committee

Action Item: TYCIP

2/6/14 Regional Policy Committee

Action Item: TYCIP

2/12/14 IEUA Committees

Action Item: TYCIP

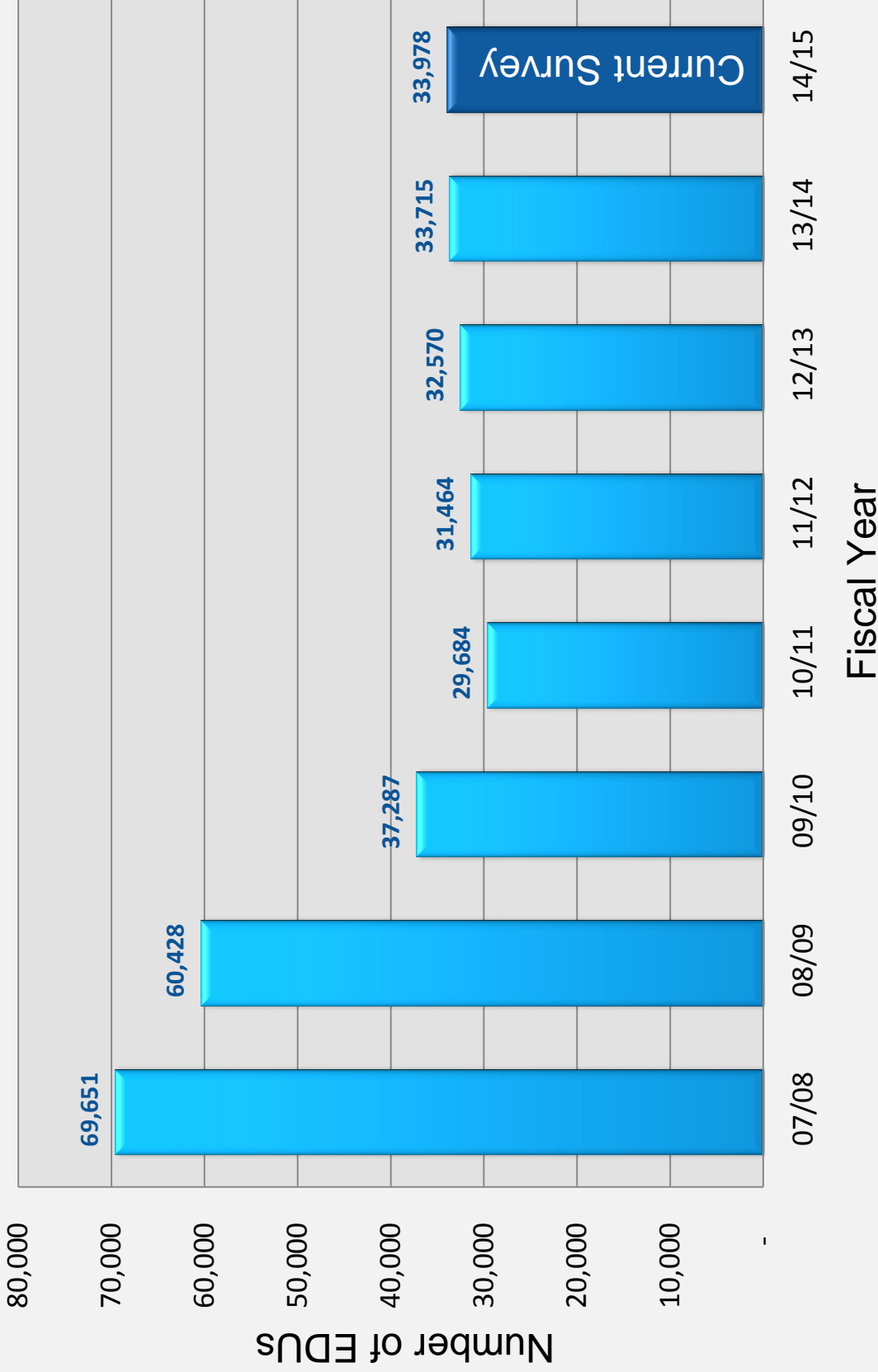
2/19/14 IEUA Board

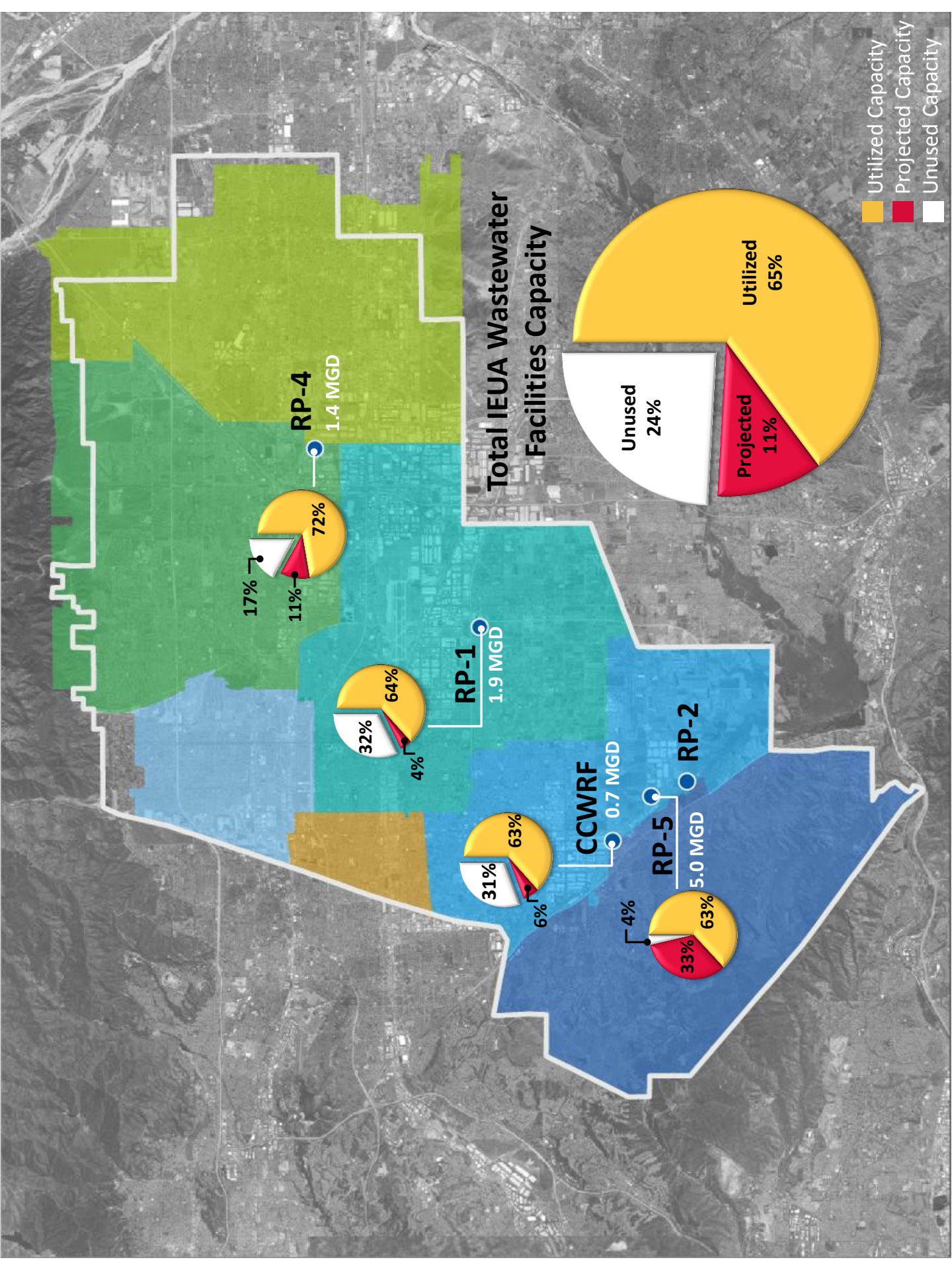
Action Item: TYCIP



Previous Survey Results

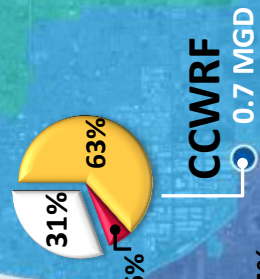
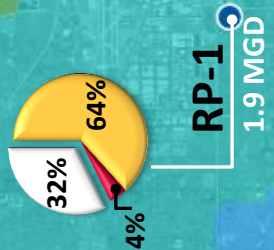
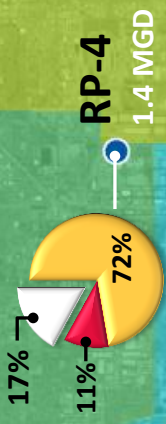
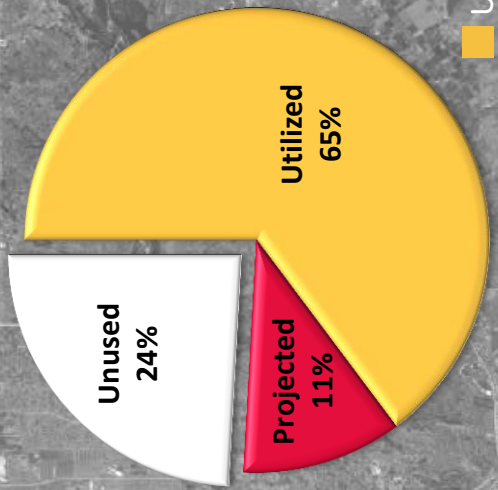
10-Year Total EDU Growth Forecasts





Utilized Capacity
 Projected Capacity
 Unused Capacity

Total IEUA Wastewater Facilities Capacity

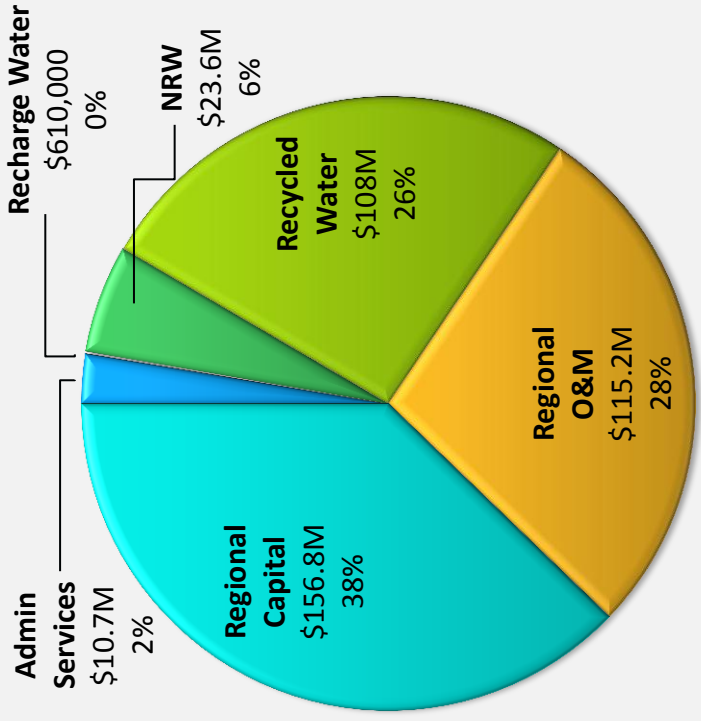


TYCIP Budget Estimate by Fund

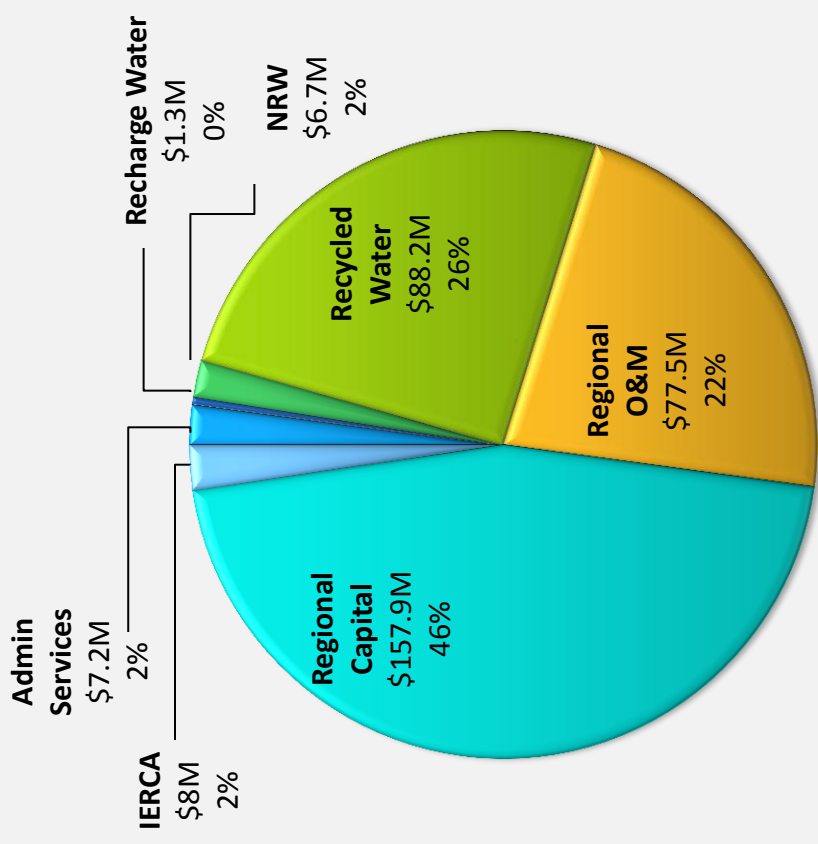
Description		FY 14/15	FY15/16	FY16-24	TYCIP Total
GG	Administrative Services Fund	\$1,116,000	\$1,025,000	\$5,014,000	\$7,155,000
RW	Recharge Water Fund	\$175,000	\$125,000	\$1,000,000	\$1,300,000
NC	Non-Reclaimable Wastewater Fund	\$3,122,000	\$360,000	\$3,180,000	\$6,662,000
WC	Recycled Water Fund	\$27,924,000	\$17,622,000	\$42,641,000	\$88,187,000
RO	Regional Operations and Maintenance	\$13,682,000	\$7,115,000	\$56,718,000	\$77,515,000
RC	Regional Capital Improvement Fund	\$7,171,000	\$5,270,000	\$145,501,000	\$157,942,000
RCA	Organics Management/IERCA	\$2,798,000	\$1,200,000	\$4,000,000	\$7,998,000
TOTAL		\$55,988,000	\$32,717,000	\$258,054,000	\$346,759,000

TYCIP FY13/14 & FY14/15 Comparison

FY13/14: \$415M



FY14/15: \$347M



Major Projects >\$5M in FY14/15 TYCIP

Project	FY 14/15	FY15/16	FY16-24	TYCIP Total
New Operations Lab	\$1.1M	\$10M	\$6M	\$17.1M
Headworks Rehab	-	-	\$10.5M	\$10.5M
RP-1 Sludge Thickening	-	-	\$8.4M	\$8.4M
Aeration System Improvements	-	-	\$6.3M	\$6.3M
RP-5 Solids Handling Expansion			\$100.3M	\$100.3M
SCADA Enterprise System	\$1.6M	\$2M	\$6M	\$9.6M
Wineville Pipeline Segment A	\$12M	\$3.7M	-	\$15.7M
1630 E. Reservoir & Seg. B	-	-	\$5.4M	\$5.4M
Wineville Pipeline Segment B	\$10M	\$1.8M	-	\$11.8M
Napa Lateral	\$0.2M	\$3M	\$2.8M	\$6M
TOTAL	\$24.9M	\$20.5M	\$145.7M	\$191.1M



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Questions?

**INFORMATION
ITEM**

4A



Date: January 30/February 6, 2014
To: Regional Committees
From: Inland Empire Utilities Agency
Subject: Financial Update

RECOMMENDATION

This is an informational item for the Regional Committees to receive and file.

BACKGROUND

This item was presented at the IEUA Board of Directors meeting on January 22, 2014.



Date: January 22, 2014

To: The Honorable Board of Directors

From: P. Joseph Grindstaff
General Manager

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

Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: FY 2014/15 Budget Workshop #1: Financial Position and Business Goals

RECOMMENDATION

This is an informational item for the Board to review.

BACKGROUND

In October 2013, the Board of Directors approved the IEUA Business Goals integrating the Agency-wide policies and level of service to better communicate the Agency's commitment to provide reliable, affordable, and high quality service to our customers. These Business Goals set up the framework for the Agency's strategic long, intermediate and immediate term planning initiatives currently underway, including; the Strategic Plan, Asset Management Master Plan, Ten Year Capital Improvement Plan, Wastewater Facilities Master Plan, Recycled Water Program Strategy, Integrated Resources Plan, Energy Plan, Long Range Plan of Finance, and the FY 2014/15 Budget.

Over the next several months, Agency management will be facilitating a series of budget workshops for the Board of Directors (Board), as outlined in Appendix A. These workshops will provide the Board an assessment of the Agency's current financial position, an overview of foreseen major challenges and opportunities, and proposed key strategies needed to meet the Agency's Business Goals, with an emphasis on Fiscal Responsibility. Additionally, through discussion and analysis of multiple scenarios, these workshops are intended to facilitate consensus on financial policy decisions to support the long term vision of the Agency.

The goal of the first workshop is to review management's proposed long, intermediate and immediate term goals, and obtain guidance from the Board on the proposed goals for the preparation of the FY 2014/15 budget and the ensuing four year forecasts.

Financial Position

Total fund reserve balances at the end of FY 2012/13 of \$145 million was one of the highest levels in the last 10 fiscal years, exclusive of debt proceeds, and reflected an increase of nearly \$30 million compared to FY 2011/12.

A combination of factors attributed to the recovery in total fund reserves; higher revenues primarily due to an economic recovery throughout 2013, ongoing cost containment efforts, and continued deferral of significant “noncritical” capital projects.

Sources of funds:

- **Connection fees:** These fees are highly correlated to the economic environment, making it the most volatile source of funds. For FY 2012/13 member agencies reported close to 3,000 new EDU connections, nearly twice the number of units reported in the prior fiscal year. However, the beginning of the FY 2013/14 has seen a slow start with only 645 new EDU connections reported through the end of November 2013. This rate of volatility requires a more conservative and prudent approach when forecasting this source of revenue.
- **Property taxes:** The slow and steady recovery of the housing market and improvement of assessed property values has stabilized property tax receipts and, to some degree, facilitates our ability to better forecast future trends. The only uncertainty relates to the ongoing distribution of “unobligated funds” as a result of the dissolution of the Redevelopment Agencies (RDAs). In FY 2012/13 the Agency received an additional \$10 million in property taxes related to the dissolution of RDAs. Although we anticipate these types of distributions to continue as RDA Oversight Agencies wind down business affairs, it is highly unlikely future distributions will be of a similar magnitude.
- **Regional Wastewater multiyear rates:** FY 2012/13 was the first fiscal year for implementation of multiyear rates adopted by the Board on February 2012, (Appendix B). In addition to providing rate stability to our member agencies, as one of the primary sources of funds, these multiyear rates have also helped to strengthen the Agency’s financial position. Agency management supports the use of multiyear rates in the future to achieve its goal of having rates that fully recover the program’s cost of service.
- **Recycled Water multiyear rates:** Similar to the Regional Wastewater multiyear rates, the Recycled Water Program implemented multiyear rates in FY2012/13 with the main goal to achieve full cost of service rates and minimize its dependence on other Agency programs.

Uses of funds:

- **Operating & Maintenance (O&M) Costs:** Successful cost containment efforts over the past several years have maintained overall operating expenses at the level of FY 2007/08, while at the same time sustaining the Agency’s committed level of service.
- **Debt Service:** After refinancing 1994 bonds in 2010, the only new debt incurred by the Agency has been low interest State Revolving Fund (SRF) loans to support the expansion

of the Recycled Water Distribution System and replacement of the RP1 Dewatering Facility. Future indebtedness will be associated with the priorities identified in the Ten Year Capital Improvement Plan (TYCIP).

- **Capital Improvement Program (CIP):** Primarily due to the economic recession, the Agency’s Capital Improvement Program has been dramatically contained over the past 5 years, beginning with the deferral of over \$200 million of major capital projects in 2008. However, management recognize the continual need to invest in the maintenance, repair and rehabilitation of existing equipment and facilities, as well as the need to stay ahead of future growth through timely expansion of its Regional system. These themes are the basis for multiple initiatives currently in process to revamp the Agency’s CIP.

Agency Business Goals

The Agency Business Goals, adopted by the Board in October 2013, will serve as the basis for the Agency’s Strategic Plan and the departmental goals and objectives that will drive the FY 2014/15 Operating Budget. The six Agency Business Goals are comprised of: Fiscal Responsibility, Workplace Environment, Business Practices, Water Reliability, Wastewater Management, and Environmental Stewardship. For Fiscal Responsibility, the key objectives include:

Fiscal Responsibility		
Long term > 5 years	Intermediate Term 2-5 years	Immediate 1 year
<ul style="list-style-type: none"> • Sustain Full Cost of Service Rates 	<ul style="list-style-type: none"> • Transition to biennial budget and adopt multi-year rates • Achieve full cost of services 	<ul style="list-style-type: none"> • Implement adopted Regional Wastewater and Recycled Water rates • Tighten budget request and forecast • Implement new NRW North System rate structure • Instill Lean management principles • Reduce staffing level and maintain 5% vacancy factor
<ul style="list-style-type: none"> • Maintain AAA credit rating and a minimum Debt Coverage Ratio (DCR) of 2.90x 	<ul style="list-style-type: none"> • Achieve AAA credit rating by FY 2017/18 	<ul style="list-style-type: none"> • Refine fund reserve policy
<ul style="list-style-type: none"> • Fully fund retirement Unfunded Accrued Liabilities (UALs) 	<ul style="list-style-type: none"> • Establish a funding plan for retirement Unfunded Accrued Liabilities (UAL) 	<ul style="list-style-type: none"> • Refine fund reserve policy
<ul style="list-style-type: none"> • Fully fund annual PAYGO 	<ul style="list-style-type: none"> • Establish a PAYGO policy for R&R projects 	<ul style="list-style-type: none"> • Fund R&R requirements per Asset Management Plan
<ul style="list-style-type: none"> • Maintain minimum total fund reserves of \$200- \$250 million 	<ul style="list-style-type: none"> • Allocate \$5-10 million of property tax receipts to enhance regional water resources • Increase reserves by \$15 million per fiscal year 	<ul style="list-style-type: none"> • Refine fund reserve policy

|
PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

None.

Appendix A – FY 2014/15 Budget Workshop Outline

WORKSHOP 1: FINANCIAL POSITION AND PROPOSED GOALS **January 22, 2014**

1. Financial position overview

- a. Key drivers
- b. Trend in total funding sources and uses of funds
- c. Trend in total fund reserve balances and debt coverage ratio

2. Agency Business Goals: Fiscal Responsibility

- a. Long term goals: > 5 years
- b. Intermediate term goals: 2 to 5 years
- c. Immediate goals: FY 2014/15 Budget

WORKSHOP 2: Challenges, Opportunities & Strategies **February 5, 2014**

1. Challenges & opportunities related to funding sources

- a. Economic recovery
- b. Stable and reliable funding sources
- c. New borrowings to support capital investment

2. Challenges and opportunities related to uses of funds

- a. Cost containment – “doing more with less”
- b. Succession planning and investment in employee development
- c. Long term planning to support operational and capital requirements

3. Strategies

- a. Adoption of multi-year budgets and rates
- b. Sustainment of full cost of service for all programs
- c. Reallocation of property taxes
- d. Funding of CIP through combination of PAYGO and new debt
- e. Prudent long term planning for financial, capital, employees, and regional water resources
- f. Establishment of financial policies and fund reserve thresholds
- g. Improvement of the Agency’s financial condition
- h. Renew Regional Sewage Service Contract
- i. Predefinition of budget scenarios

WORKSHOP 3: FINANCIAL POLICIES AND BUDGET SCENARIOS **March 5, 2014**

1. Financial policies consensus and threshold definitions

2. Long Range Plan of Finance Model: Budget Scenarios analysis
3. Other key areas identified in prior workshop

WORKSHOP 4: COMPILE AND SUMMARIZE POLICY DECISIONS

April 2, 2014

1. Funding plans for long term obligations and key initiatives
2. Financial policies and reserve threshold targets
3. FY 2014/15 Preliminary budget overview

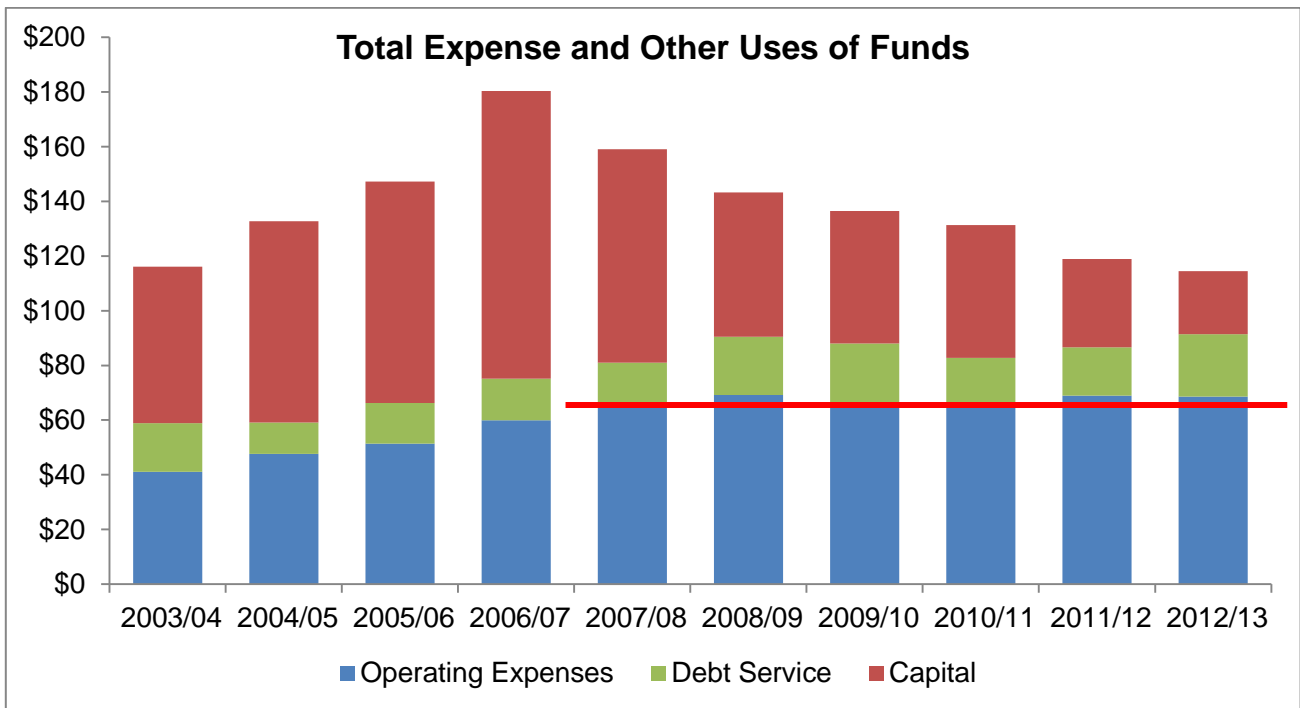
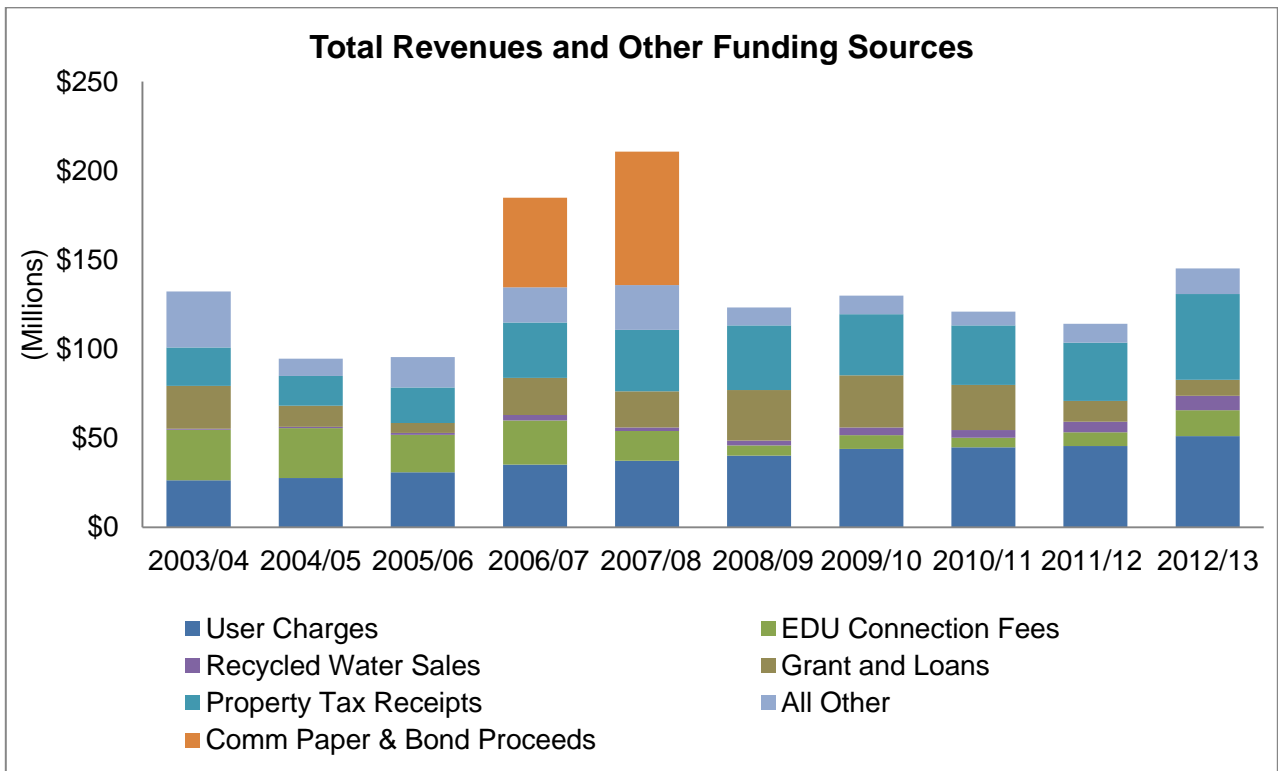
Appendix B – Agency Program Rates

Program	Rate	FY 2012/13 Effective July 1, 2012	FY 2013/14 Effective July 1, 2013	FY 2014/15 Effective July 1, 2014
Regional Wastewater*	Monthly EDU Volumetric Fee	\$12.39	\$13.39	\$14.39
	New Per EDU Connection Fee	\$4,909	\$5,007	\$5,107
Recycled Water*	Direct Delivery Rate Per AF	\$155	\$215	\$290
	Groundwater Recharge Per AF	\$195	\$255	\$335
Imported Water Surcharge	Per AF	\$12	\$13	TBD
Imported Water Rate**	Tier 1 Per AF	\$560 January 1, 2012	\$593 January 1, 2013	\$593 January 1, 2014
		\$593 January 1, 2013	\$593 January 1, 2014	TBD
	Tier 2 Per AF	\$686 January 1, 2012	\$743 January 1, 2013	\$593 January 1, 2014
		\$743 January 1, 2013	\$735 January 1, 2014	TBD

*Rates adopted on February 1, 2012

** Imported water rates effective per calendar year

Appendix C – Total Sources and Uses of Funds



Appendix D – Acronyms

AF – Acre Foot
CIP - Capital Improvement Program/Projects
Comm. Paper – Commercial Paper
DCR - Debt Coverage Ratio
EDU - Equivalent Dwelling Unit
FY – Fiscal Year
HQ - Headquarters (buildings A and B)
IRP – Integrated Resources Plan
LRPF – Long Range Plan of Finance
O&M - Operation and Maintenance
R&R - Repair and Rehabilitation
RDA - Redevelopment Agencies
RP-1 - Regional Water Recycling Plant #1
RP-4 - Regional Water Recycling Plant #4
RP-5 - Regional Water Recycling Plant #5
SRF – State Revolving Fund (loans)
TYCIP – Ten Year Capital Improvement Plan
UAL - Unfunded Accrued Liabilities



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

FY 2014/15 Budget Workshop #1

**Board of Directors
January 22, 2014**

Agenda



- ❖ Financial Position Overview
- ❖ Business Goals: Fiscal Responsibility

Financial Position Overview

Ten Year Historic Trend

Key Drivers



Cause	Effect
Minimal rate increases	Unable to achieve full cost of service rates
Property taxes used to supplement O&M	Reduced R&R and CIP funding
Construction of new facilities (RP-5, HQ & expansion of RP-4)	Increasing debt service costs and reduction of debt coverage ratio (DCR)
Expansion of the recycled water program	

Current Financial Position

FY 2012/13- 2014/15

Key Drivers

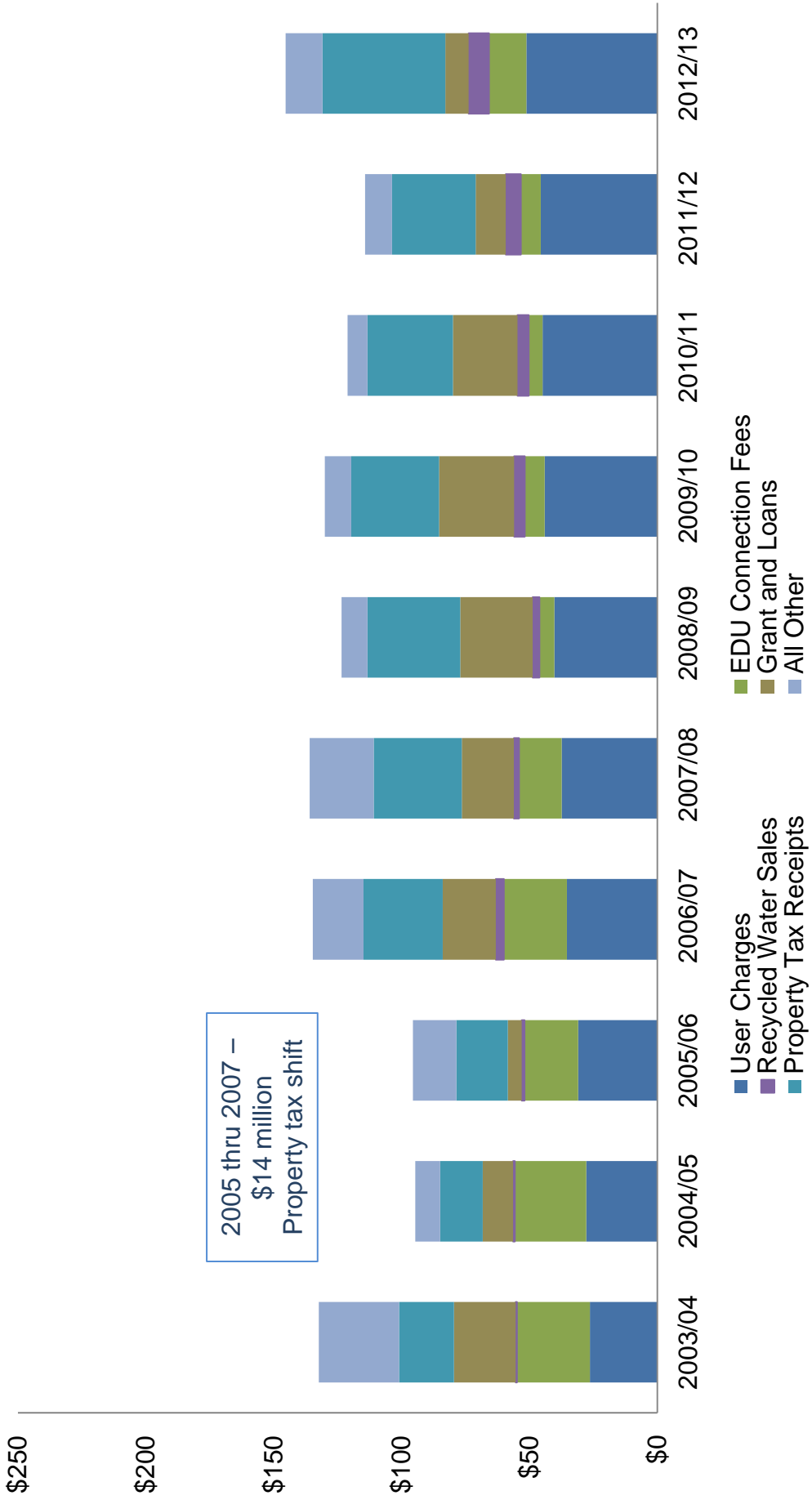


Cause	Effect
Adopted multi-year rate increases	Reduced the shortfall in cost of service
Property taxes reallocated to support debt service & CIP	Mitigated higher rate increases for recycled water
2012 Dissolution of Redevelopment Agencies (RDAs)	One-time revenue available to fund long term obligations
Rise in new development and assessed property values due to economic recovery	Improved debt coverage ratio and increased total fund reserves to \$145 million at end of FY 2012/13

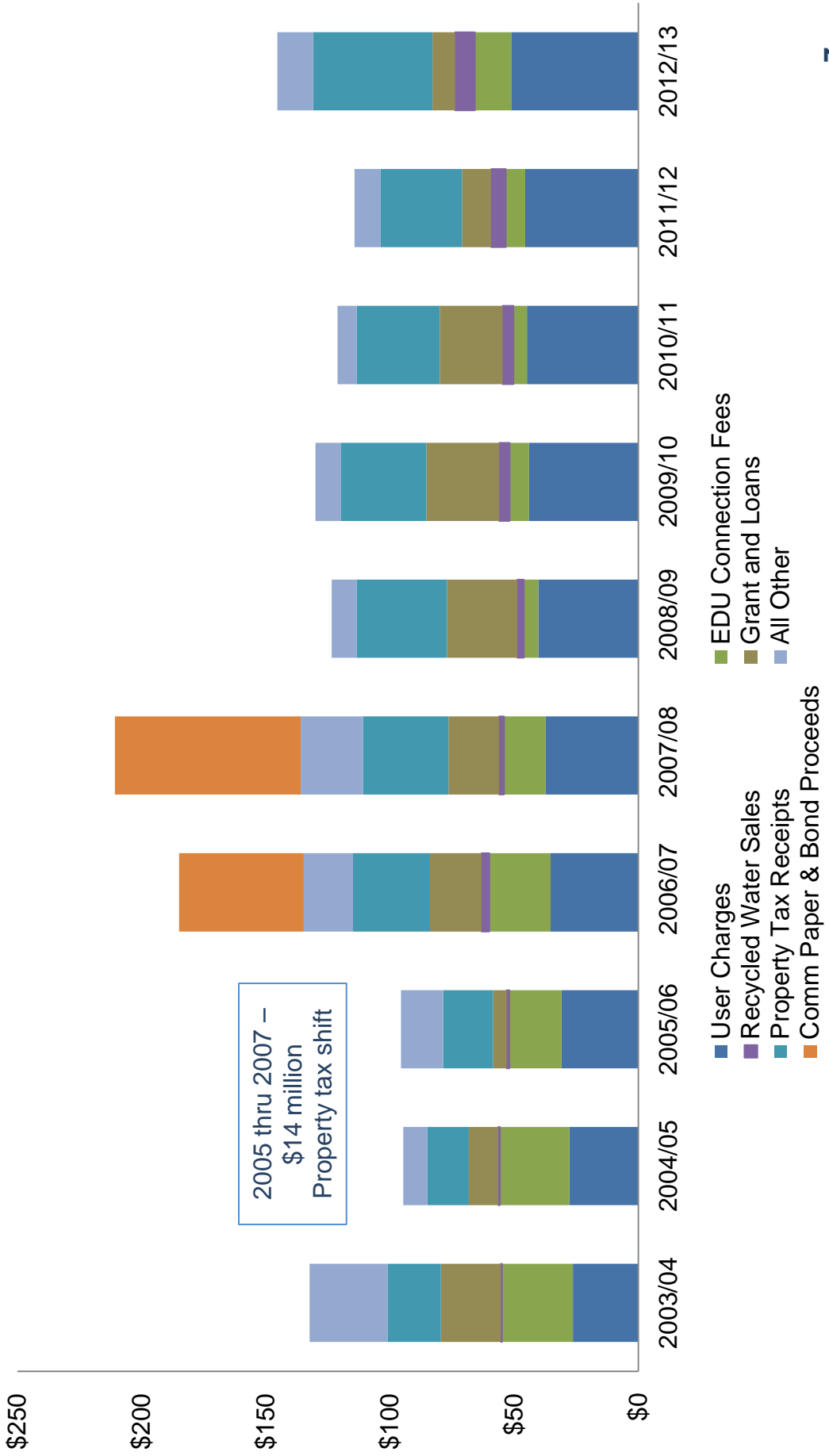


SOURCES AND USES OF FUNDS TREND

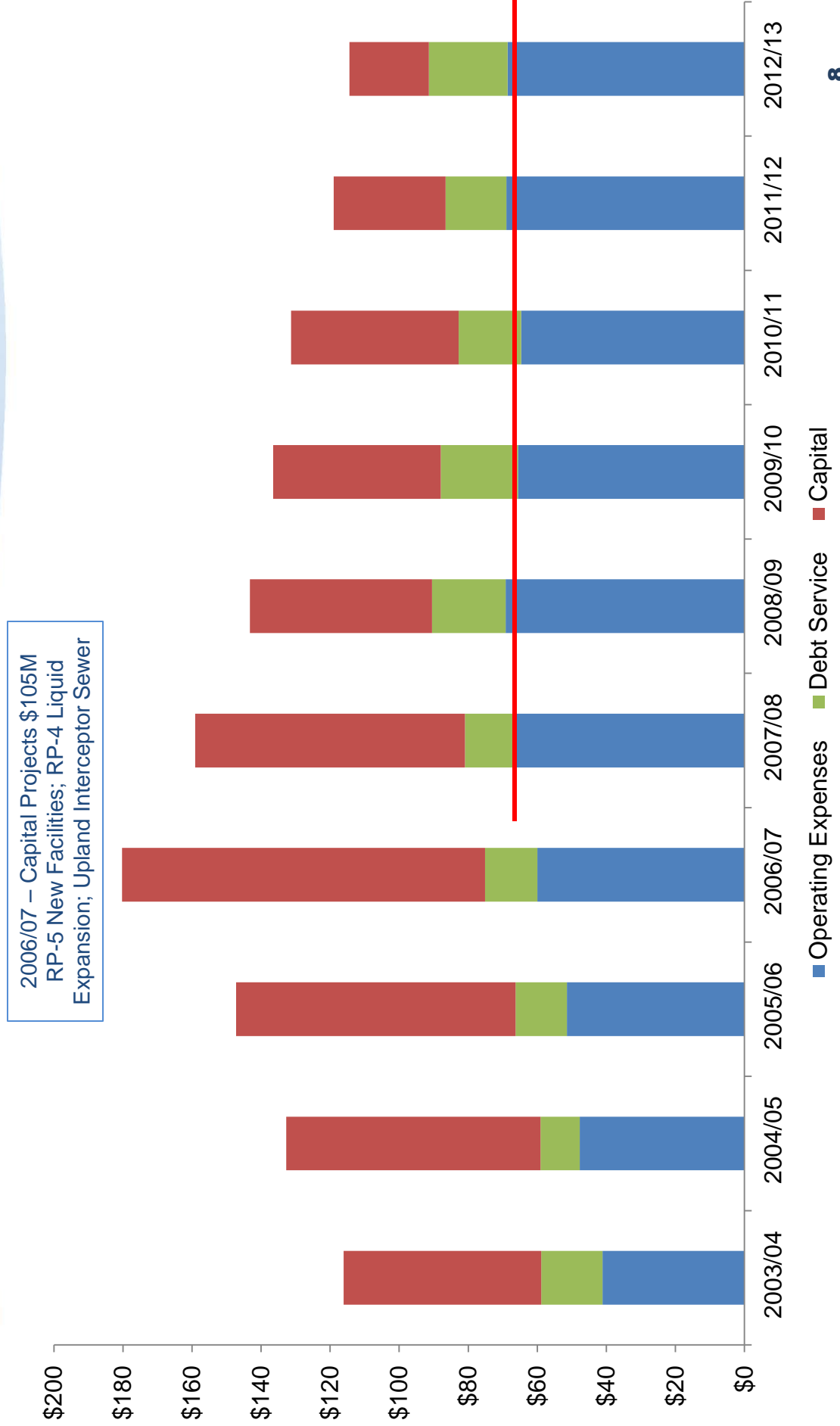
Total Revenues and Other Funding Sources Excluding Debt Proceeds (\$Millions)



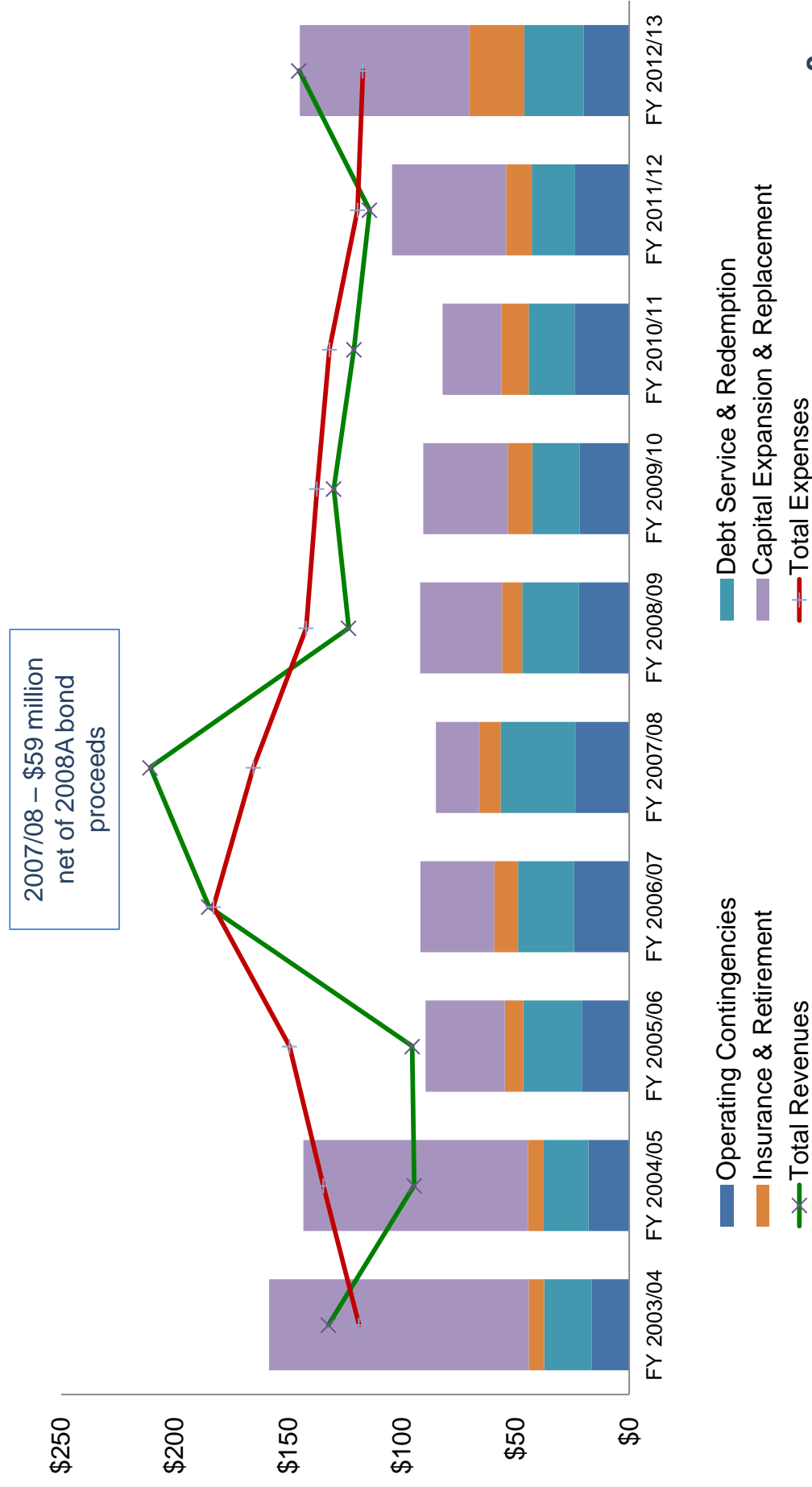
Total Revenues and Other Funding Sources Including Debt Proceeds (\$Millions)



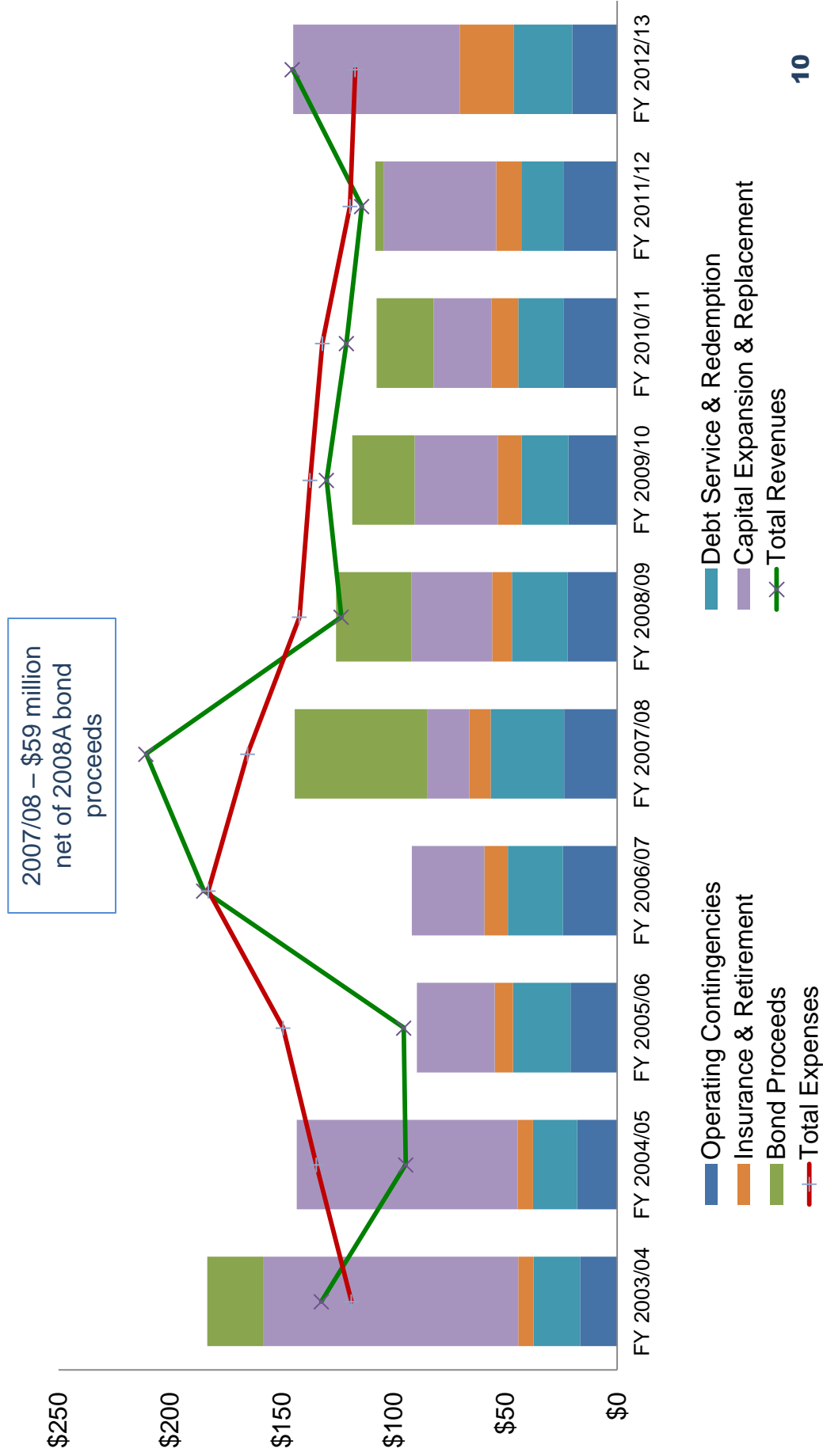
Total Expenses & Other Uses of Funds (\$Millions)



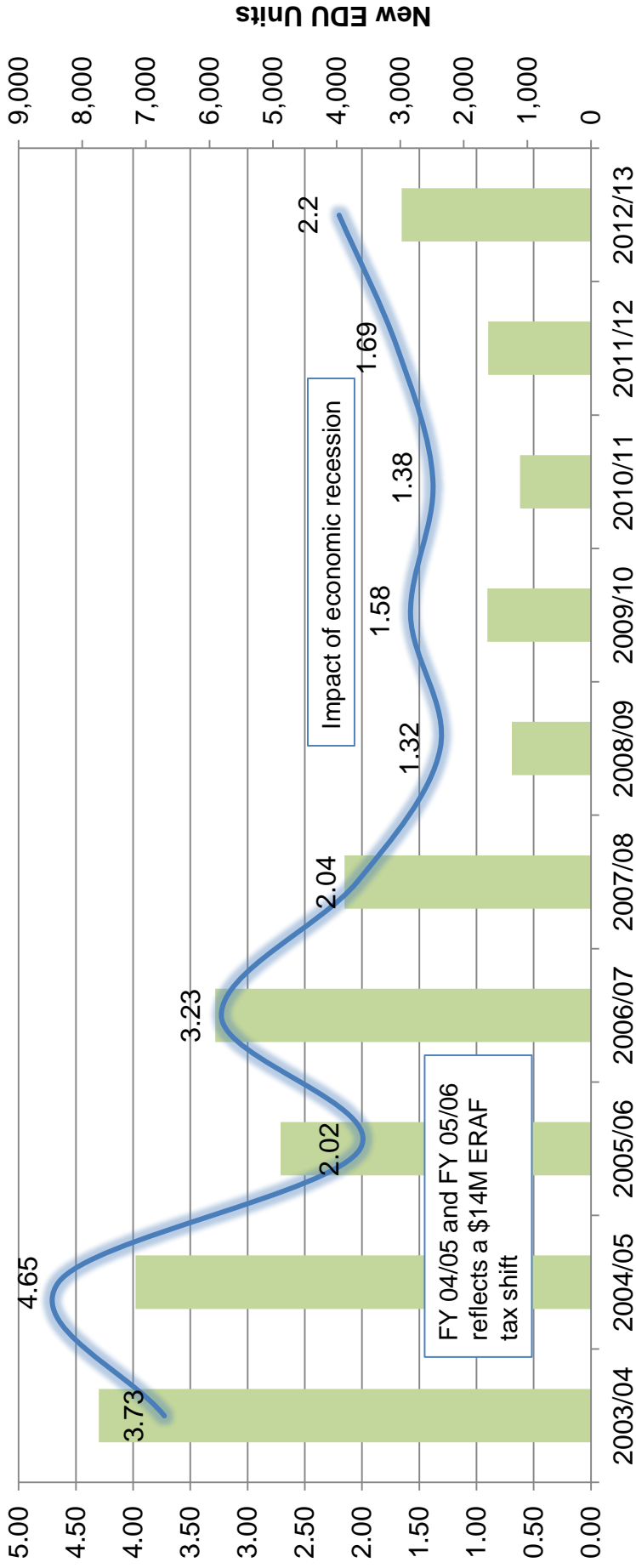
Total Fund Reserves- All Funds Excluding Debt Proceeds (\$Millions)



Total Fund Reserves- All Funds Including Debt Proceeds (\$Millions)



Total Debt Coverage Ratio (DCR) Trend

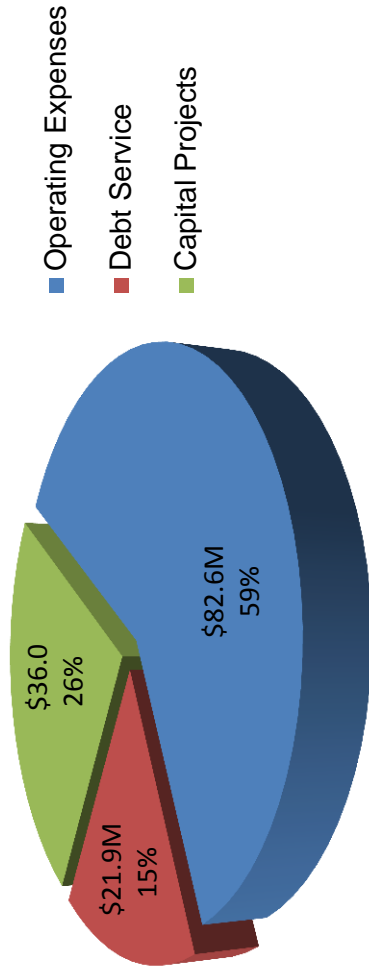


❖ Fitch average rating for medium sized wastewater agencies:
1.9x AA and 2.7x AAA

Total Sources and Uses of Funds FY 2013/14 Projected Actual



Total Expenses & Other Uses of Funds \$141 Million



*Excludes \$40 Million of MWD Imported water delivery (based on the FY 13/14 MWD adopted rate of \$593/AF)

Total Revenues & Other Funding Sources	(\$Millions)	% of Total
User Charges	\$57.4	47.7%
Property Tax	40.8	28.9%
Connection Fees	17.5	12.4%
State Loans	10.6	7.5%
Recycled Water Sales	9.2	6.5%
Grants	2.8	2.0%
Other Revenues	10.9	7.7%
Fund Reserves (Replenishment)	(8.2)	(5.8%)
Total Revenues & Other Funding Sources	\$141.0	100%



Inland Empire Utilities Agency

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BUSINESS GOALS: FISCAL RESPONSIBILITY

Agency Business Goals (Adopted October 2013)



- Fiscal Responsibility
- Workplace Environment
- Business Practices
- Water Reliability
- Wastewater Management
- Environmental Stewardship

Fiscal Responsibility

Long Term Goals: >5 years



Goal	Effect
Sustain full cost of service rates	Moderate rate increases
Maintain AAA credit rating and a minimum DCR of 2.90x	Minimize borrowing costs
Fully fund retirement unfunded accrued liabilities (UALs)	Safeguard benefits for active and retired employees
Fully fund annual PAYGO	Reduce future debt borrowings
Maintain total fund reserves in the range of \$200-250M	Ensure the Agency's fiscal health

Fiscal Responsibility

Intermediate Term Goals: 2 – 5 years



Goal	Effect
Transition to biennial budget and adopt multi-year rates	Enhance financial stability and dependability
Achieve full cost of service	Use property taxes to support future capital investments
Achieve AAA Rating by FY 2017/18	Minimize future borrowing costs
Establish funding plan for retirement unfunded accrued liabilities (UALs)	Ensure the Agency's ability to meet its obligations to current and retired employees
Establish PAYGO policy for R&R projects	Ensure funding for R&R and reduce future debt borrowings
Allocate \$5-\$10M of property tax receipt to enhance regional water resources	Ensure available funding for water resources related investments
Increase reserves by at least \$15M per year	Ensure financial stability and safeguard Agency's fiscal health ¹⁶

FY 2014/15 Budget Goals & Key Assumptions



Goal	Effect
Implement adopted rates for Wastewater & Recycled Water programs	Moving towards full cost of service rates
Tighten budget requests and forecasts	Support multi-year rates and budgets
Implement new NRW North System rate structure	Stable and predictable rates
Instill LEAN management principles	Enhances efficiency and effectiveness across the Agency
Reduce staffing level and maintain a 5% vacancy factor	Continual commitment to cost containment
Refine fund reserve policy	Ensures financial stability
Fund R&R requirements per Asset Management Plan	Supports service reliability and sustainability

Implement Adopted Multi-Year Rates



Program	Rate	FY 2012/13 Effective July 1, 2012	FY 2013/14 Effective July 1, 2013	FY 2014/15 Effective July 1, 2014
Regional Wastewater*	Monthly EDU Volumetric Fee	\$12.39	\$13.39	\$14.39
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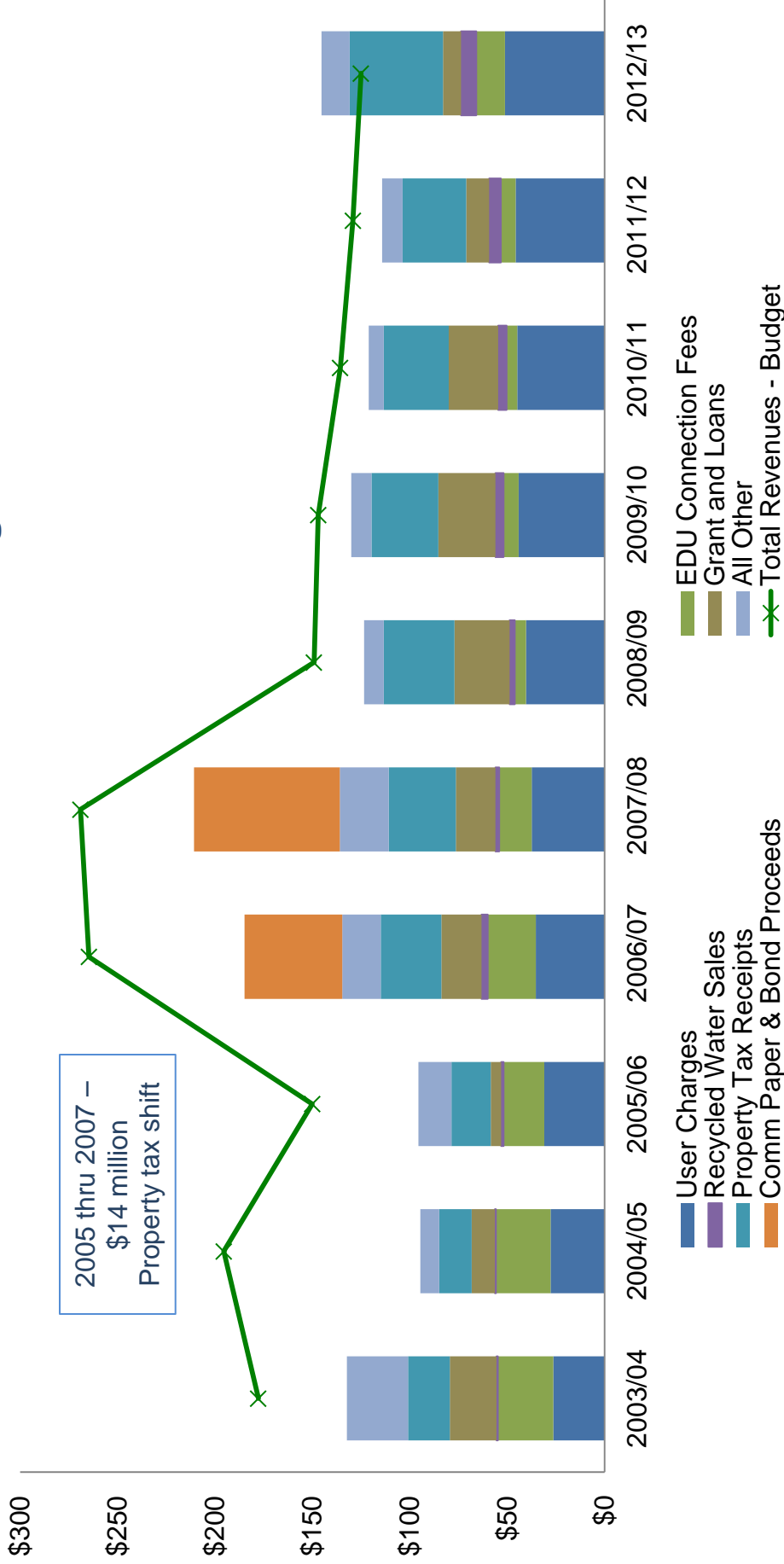
*Rates adopted on February 1, 2012

** Imported water rates effective per calendar year

Tighten Budget Requests to Minimize Variances (\$Millions)



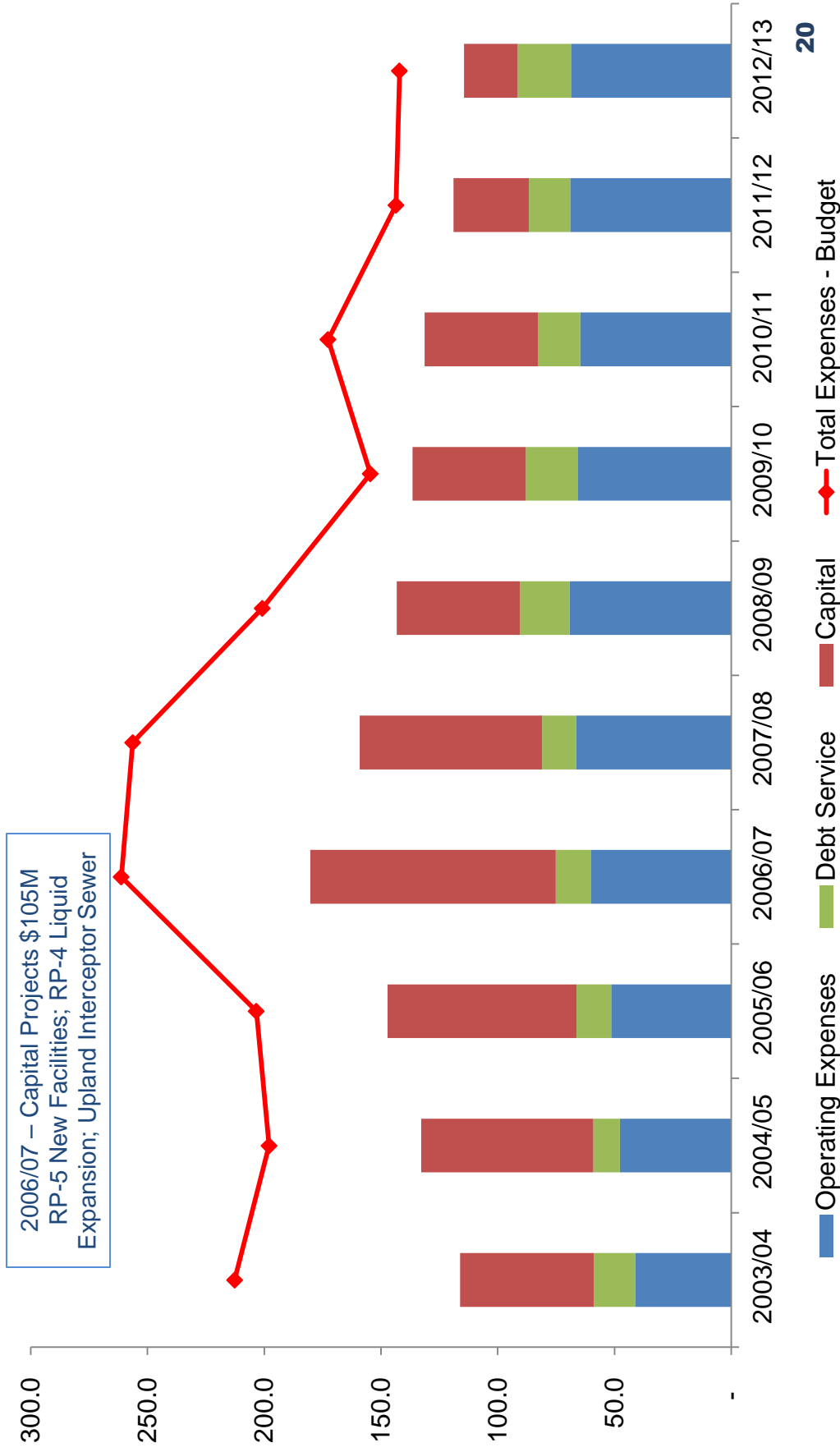
Total Revenue & Other Funding Sources



Tighten Budget Requests to Minimize Variances (\$Millions)



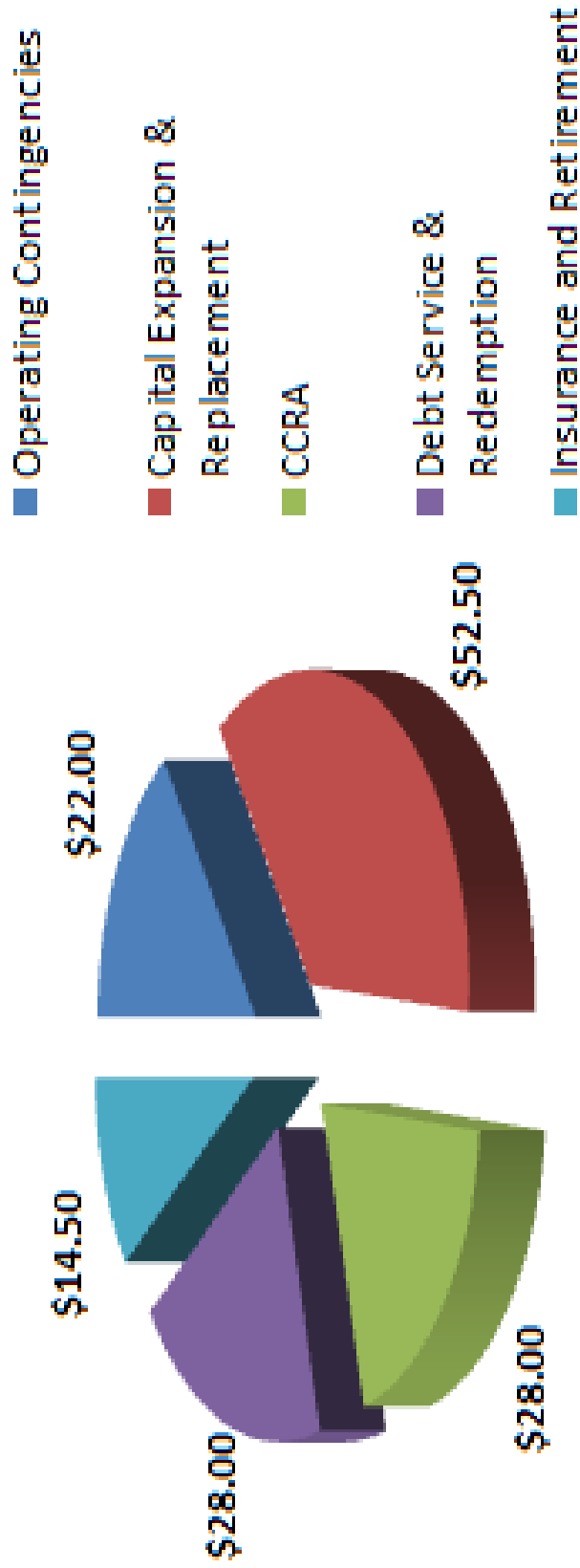
Total Expenses



CURRENT RESERVE BALANCES



FY 2012/13 CASH POSITION



Refine Fund Reserve Policy



Current Reserve Categories

Proposed Reserve Categories

Bond Operating	}	Operating Contingency
Rate Stabilization		
Debt Service		Debt Service & Redemption
Capital Construction	}	Capital Construction
CCRA Capital		
CSDLAC Prepayment		
Infrastructure Maintenance/Replacement Reserve	}	Rehabilitation/Replacement (R&R)
Imported Water Rate Stabilization		
Exposure / Liability and Worker's Compensation		Water Resources Reserve
Retirement Pension and OPEB		Insurance and Worker's Comp.
Retirement Pension and OPEB		Retirement Pension and OPEB

Implement New Rate Structure for NRW North System



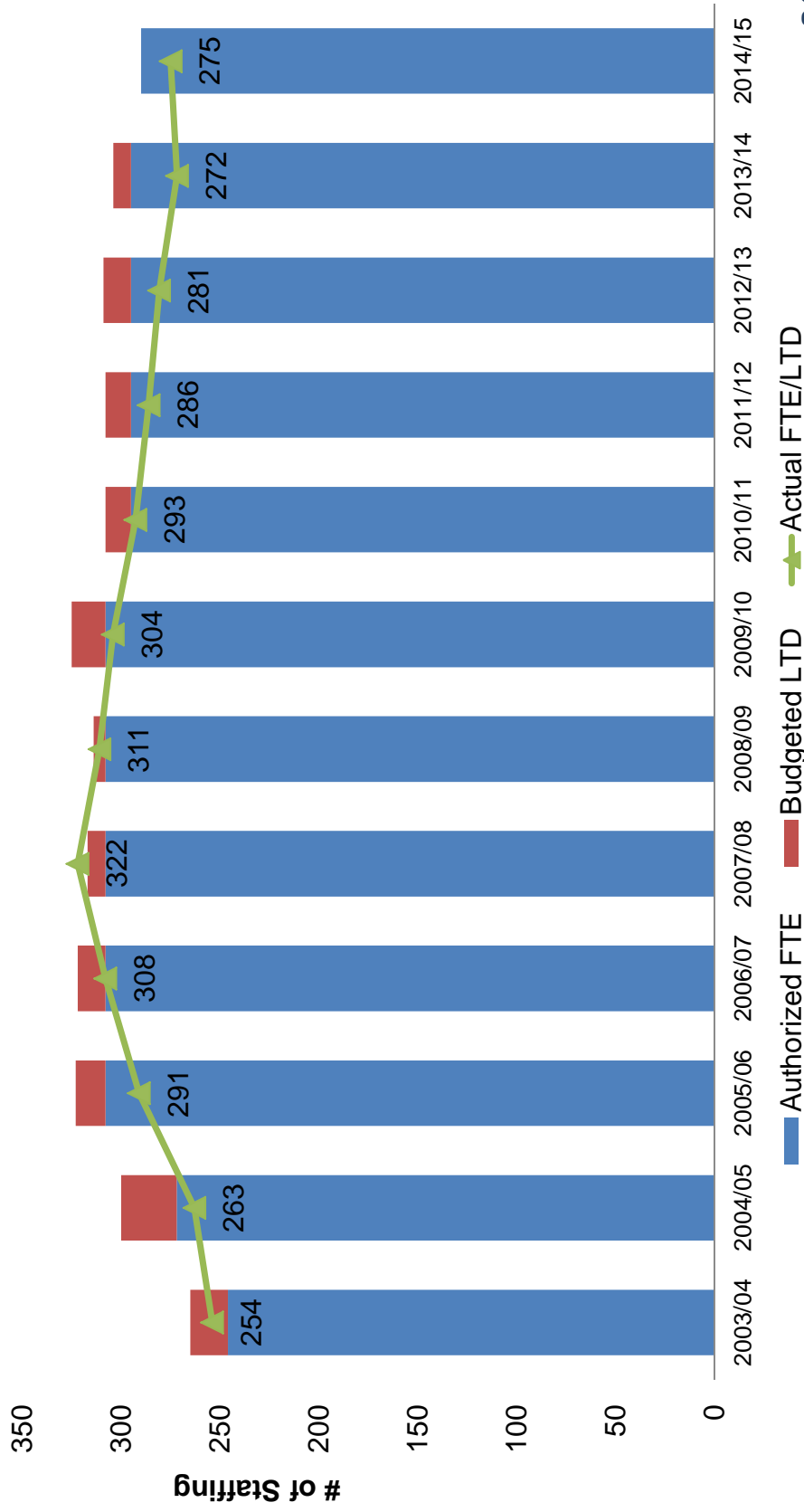
- ❖ Execute new Capacity Rights Agreement with industries with an effective date of July 2014

Pass-Thru Rate Component	Current	Proposed
4Rs Capacity	✓	x
Volumetric Flow	✓	✓
Peaking Factor (PF=2*avg.gpm)	x	✓
COD	✓ (Above threshold)	✓ (No threshold)
TSS	✓ (Above threshold)	✓ (No threshold)
Ad-Valorem Tax	x	✓

Reduce Staffing Level



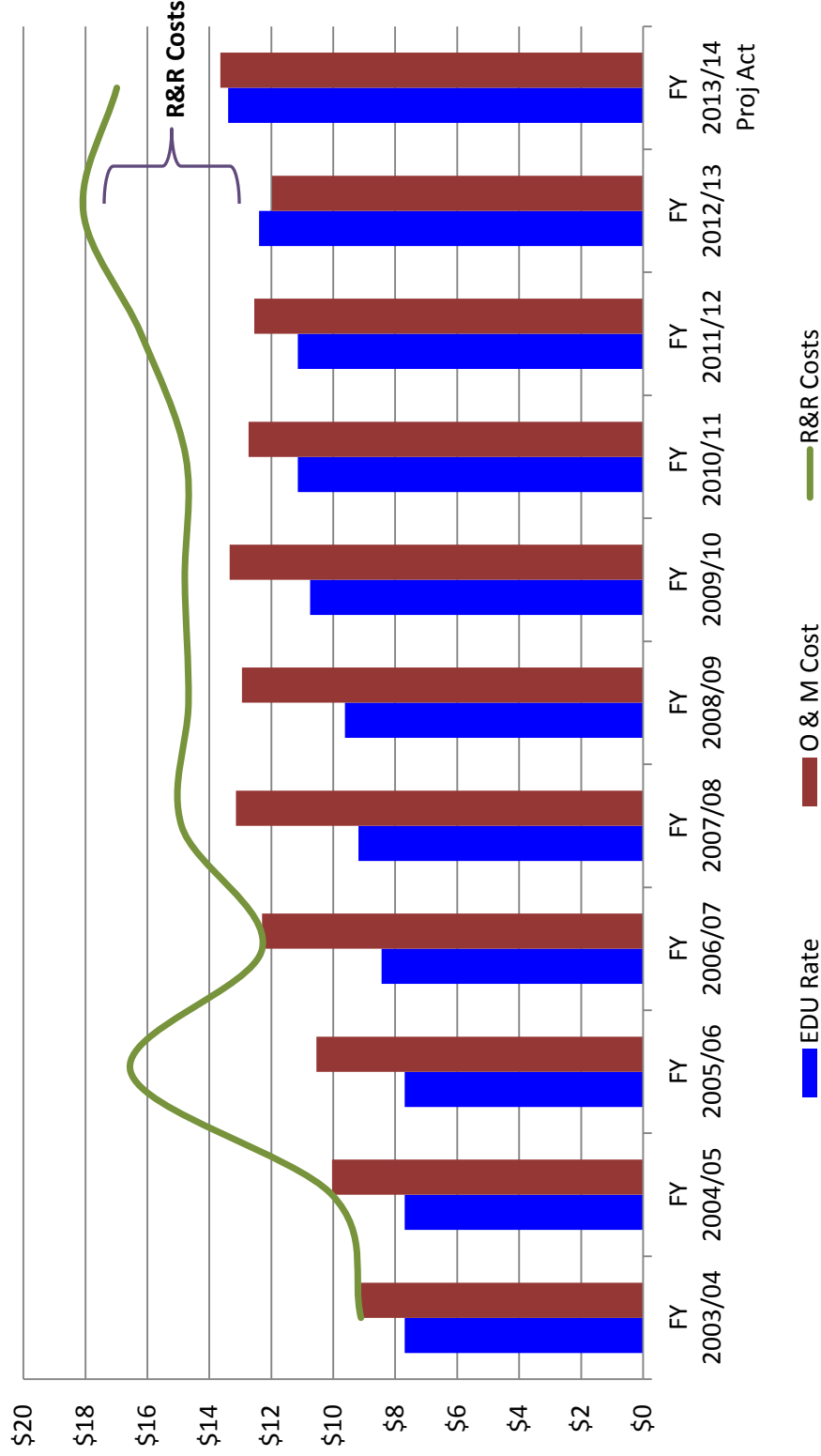
❖ Reduce authorized positions from 295 to 290 FTEs, and maintain a 5% vacancy factor



Fund R&R Requirements per Asset Management Plan



Rate per EDU



Instill LEAN management principles



- ❖ To support efficiency and effective improvements throughout the Agency
- ❖ Key component for change



- ❖ Unify work processes across departments
- ❖ Multiply knowledge to the workforce
 - Learning to see
 - Give a voice to the process and customer

Next Steps: WORKSHOP 2: February 5, 2014



❖ Funding Sources: Challenges and Opportunities

- *Economic Recovery*
- *Stable and Reliable Funding Sources*
- *New Borrowings*

❖ Uses of Funds: Challenges and Opportunities

- *Cost Containment*
- *Succession Planning & Investment in Employee Development*
- *Long Term Planning: Operational and Capital Requirements*

❖ Strategies

- *Long Term Planning: Documents and Execution*
- *Financial Policies*
- *Budget Scenarios*



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

QUESTIONS?

**INFORMATION
ITEM**

4B



Date: January 30/February 6, 2014
To: Regional Committees
From: Inland Empire Utilities Agency
Subject: Chino Basin Regional Service Contract Review

RECOMMENDATION

This is an informational item for the Regional Committees to receive and file.

BACKGROUND

The Chino Basin Regional Sewage Contract (Regional Contract or Contract) provides that Inland Empire Utilities Agency (IEUA) owns and operates the Regional Sewerage System and is obligated to receive and treat all of the sewage delivered to its facilities by the seven member Regional Contract Agencies (RCAs or member agencies). The term of the Regional Contract is 50 years and will expire in 2023.

Pursuant to the Regional Contract, IEUA charges a fee to connect to the Regional Sewerage System. A connection fee is defined as one Equivalent Dwelling Unit (EDU). Exhibit “J” of the Contract sets forth the provisions for EDU computations. Per the Contract, the member agency is required to collect and hold, on behalf of Inland Empire Utility Agency (IEUA), certain Capital Capacity Reimbursement Payments “connection fees”.

On June 6, 2013, the Regional Policy Committee and on June 19, 2013, the IEUA Board of Directors approved to amend Exhibit “J” as recommended by the Building Activity Reporting (BAR) Subcommittee formed to standardize monthly reporting, create a centralized data depository, implement GIS tracking of all BAR activity, and clarify language in Exhibit “J” to ensure consistent application.

Continuing in this path to achieve consistency and equity amongst the member agencies and the approaching expiration of the Contract in 2023, the IEUA Board has requested the Agency’s Internal Audit Department conduct a comprehensive study to determine how the Contract is administered within each member agency. The intent of the study is to gain a better understanding of how each of the member agencies administer the Contract, including how EDU’s are forecasted, calculated, recorded and reported. The audit period will cover July 1, 2012 through December 31, 2013, and where necessary the review period will be expanded.

The areas for review will encompass; evaluating processes to identify new building activity, improvements, additions or changes to existing building, calculation and reporting of EDU’s for the different types of customers, including:

- Residential Buildings
- Public Service Facilities
- Industrial Customers
- Commercial Businesses
- Extra-Territorial Areas

The benefits to conducting this comprehensive study are to understand the various processes employed to carry out, administer, and enforce the Contract by each of the seven member agencies. Additionally, the Contract review will evaluate the different methodologies applied in administering the contract with the goal of gathering best practices and establishing uniformity in procedures. This comprehensive study will also provide the Agency with information to better serve the member agencies and more effectively address inquiries and concerns. Most importantly, results and information gathered through this study, will provide facts and information so that all parties may work together to define clear contract language in future contracts.

IEUA appreciates the member agencies and their staffs' support and cooperation in assisting the Agency's Internal Audit staff through this process. Any questions can be submitted to the Manager of Internal Audit.

Timeline

It is anticipated the review of each member agency will last approximately 6 to 8 weeks, with the goal of completing the entire review by the Fall of 2014. The audit staff will begin with the Contract Review of the City of Upland. Auditors have already initiated communication and will begin field work in February.

An update on the progress of the Contract Review will be provided at subsequent meetings.

**INFORMATION
ITEM**

4C



Date: January 30/February 6, 2014

To: Regional Committees

From: Inland Empire Utilities Agency

Subject: Status Report on Self-Regenerating Water Softener Regional Ordinance and Rebate Program

RECOMMENDATION

This is an informational item for the Regional Committees to review.

BACKGROUND

In 2009, Governor Schwarzenegger signed the IEUA-sponsored AB 1366, which provides local governments with expanded authority to regulate residential self-regenerating water softeners, especially in areas of the state with identified salt problems (e.g., water bodies that are adversely impacted by salinity and high use groundwater basins that are hydro-geologically vulnerable to salinity pollution). The bill applies only to cities and local and regional agencies that own and operate a community sewer or water recycling facility.

In January 2011, the Water Softener Task Force recommended that IEUA adopt an amendment to Ordinance No. 87 to prohibit the *future* installation in homes of one type of water softener – the self-regenerating salt-based devices (exchange tank services for water softeners are explicitly permitted). The Task Force further recommended that IEUA adopt the regional ordinance amendment first, and that the contracting agencies follow, adopting their individual ordinances at their earliest convenience. This recommendation was unanimously approved by both the Technical and Policy Committees in February 2011.

Consistent with AB 1366 (2009, Feuer) IEUA properly noticed and held a public hearing on June 15, 2011 to discuss amendments to IEUA Ordinance No. 87, to prohibit the future installation of residential self-regenerating water softeners. IEUA received unanimous public support for the ordinance. On July 20, 2011, the IEUA Board adopted the amendment to IEUA Ordinance No. 87 prohibiting the future installation of self-regenerating water softeners. Thirty days later on August 20, 2011, the ordinance took effect.

IEUA staff plan to promote the removal of self-regenerating water softeners in the region through the marketing of the rebate program, which provides a rebate to residents up to \$2,000 for the removal of their self-regenerating water softeners. This will be accomplished through ads, bill inserts and articles.

Additionally, staff will work with local realtors, developers and big box stores to educate them on the use of traditional water softeners and promote alternative options for their customers. Following is a list of tactics and strategies staff will use to implement this program:

- IEUA will continue to advertise the rebate program through local newspapers, bill inserts, city newsletters and articles.
- IEUA will offer water softener displays and display boards addressing water softener facts about the rebate program to contracting agencies for use in public spaces.
- IEUA will work with big box retailers (Lowe’s, Home Depot, etc.) asking that they remove self-regenerating water softeners from their shelves as part of implementing the regional ordinance.
- IEUA will work with local realtors and developers to promote public education about the water softener ordinance and the availability of the rebate program.

As shown in the table below, currently four contracting cities/agencies have adopted a water softener ordinance including the city of Upland, city of Montclair, City of Fontana and Monte Vista Water District. Cucamonga Valley Water District is currently in the process of adopting the ordinance; the ordinance is expected to be adopted in the spring of 2014. Three of IEUA’s contracting cities; including City of Chino, City of Chino Hills and City of Ontario do not currently have ordinances adopted.

Table 1 – Ordinance Status

Ordinance Adopted	Adoption of Ordinance in Process	Ordinance Not Adopted
City of Upland	Cucamonga Valley Water District (CVWD) – Set to hold Public Hearing in Spring 2014	City of Chino
City of Montclair		City of Chino Hills
City of Fontana		City of Ontario
Monte Vista Water District		

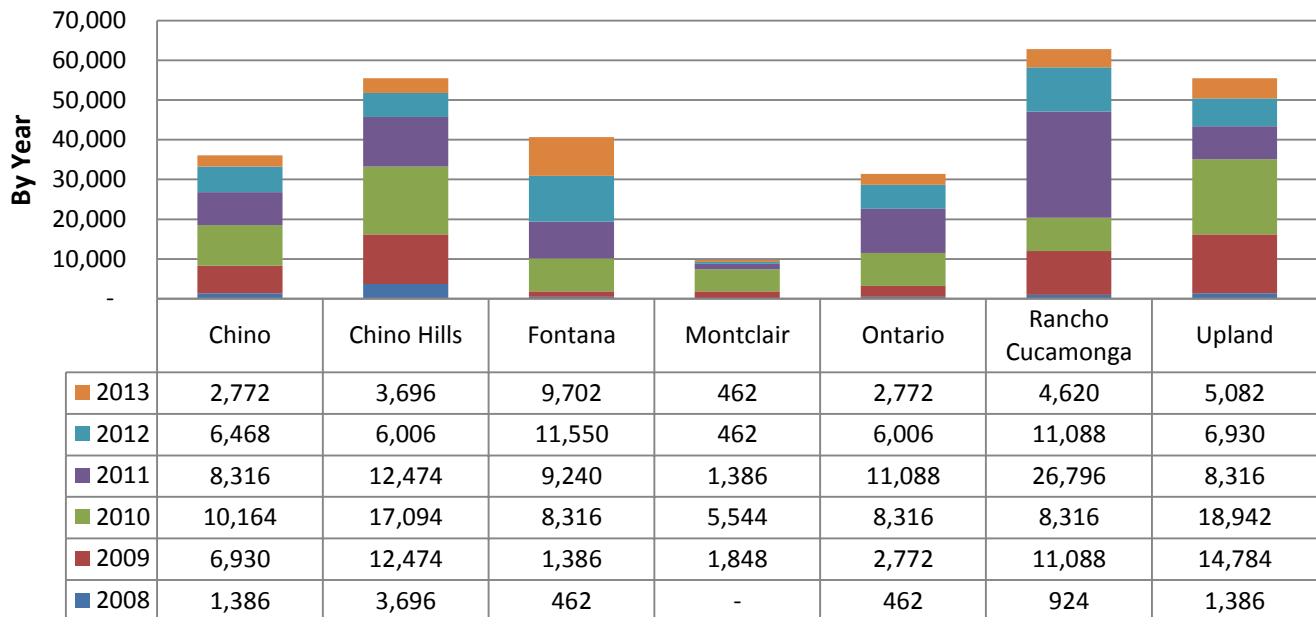
Table 2 shown below, illustrates the quantities of inquiries, approved applications and water softeners removed based on the period from 7/1/2008 through 12/16/2013.

Table 2 – Water Softener Applications

City	Inquired	% of Total	Approved	% of Total	SRWS Removed	% of Total
Chino	89	12%	80	11%	78	12%
Chino Hills	150	20%	137	20%	120	19%
Fontana	105	14%	97	14%	88	14%
Montclair	27	3%	26	4%	21	3%
Ontario	80	10%	75	11%	68	11%
Rancho Cucamonga	163	21%	153	22%	136	22%
Upland	150	20%	132	19%	120	19%
Total:	764		700	91.6%	631	82.6%

Table 3 shown below, illustrates the quantities of salt that has been avoided as a direct result of the water softener removals from 7/1/2008 to 12/16/2013.

Table 3 – Salt Avoided (lbs.)



**RECEIVE AND
FILE**

5A

Building Activity Report - YTD Fiscal Year 2013/14



Legend

- Service Area
- Unincorporated

EDU (YTD)

Residential

- <=1.0
- 1.0 - 10.0
- >10.0

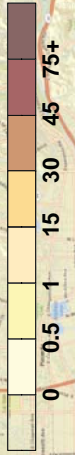
Commercial

- <=1.0
- 1.0 - 10.0
- >10.0

Industrial

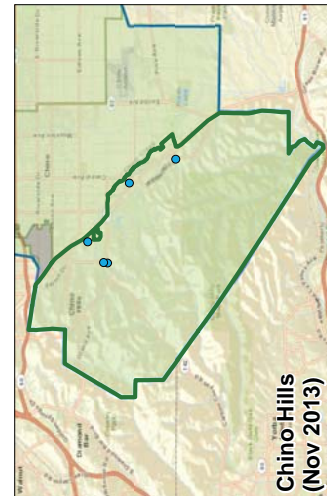
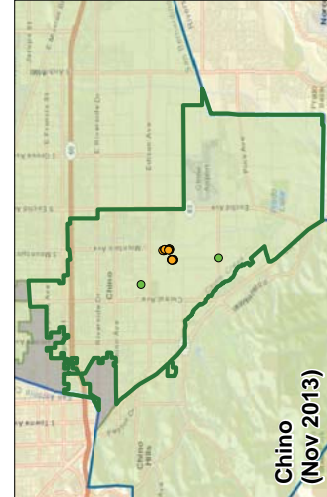
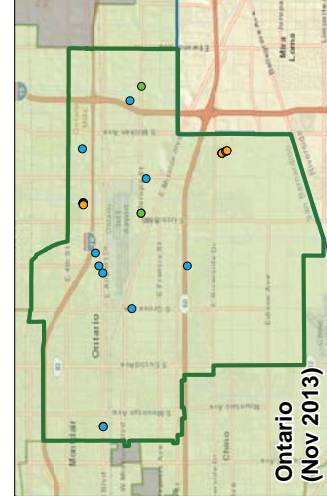
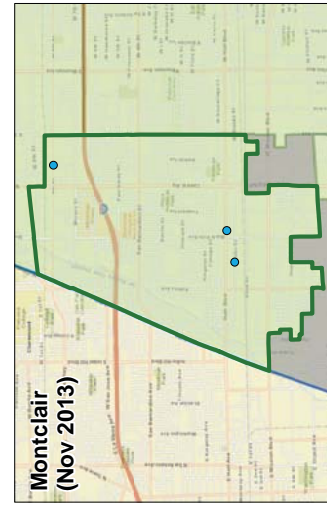
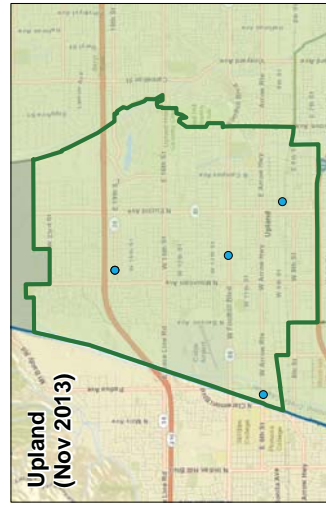
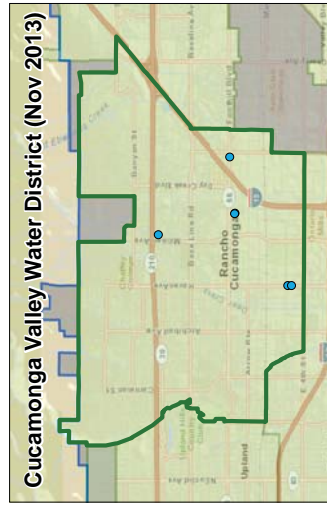
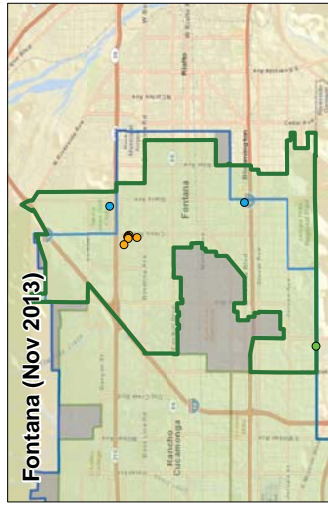
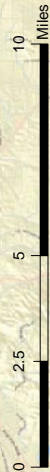
- <=1.0
- 1.0 - 10.0
- >10.0

HALF MILE GRID: TOTAL EDU's (YTD)



TOTAL EDU BY CONNECTION TYPE (YTD)

Contracting Agency	YTD Actual		Projected	
	Residential (EDUs)	Commercial/Industrial (EDUs)	Total (EDUs)	Total (EDUs)
Chino Hills	190	29	219	665
Chino Hills	1	6	7	553
CWWD	40	42	82	364
Fontana	48	42	90	510
Montclair	6	7	13	200
Ontario	136	61	197	1300
Upland	8	29	37	223
Total	429	216	645	3815

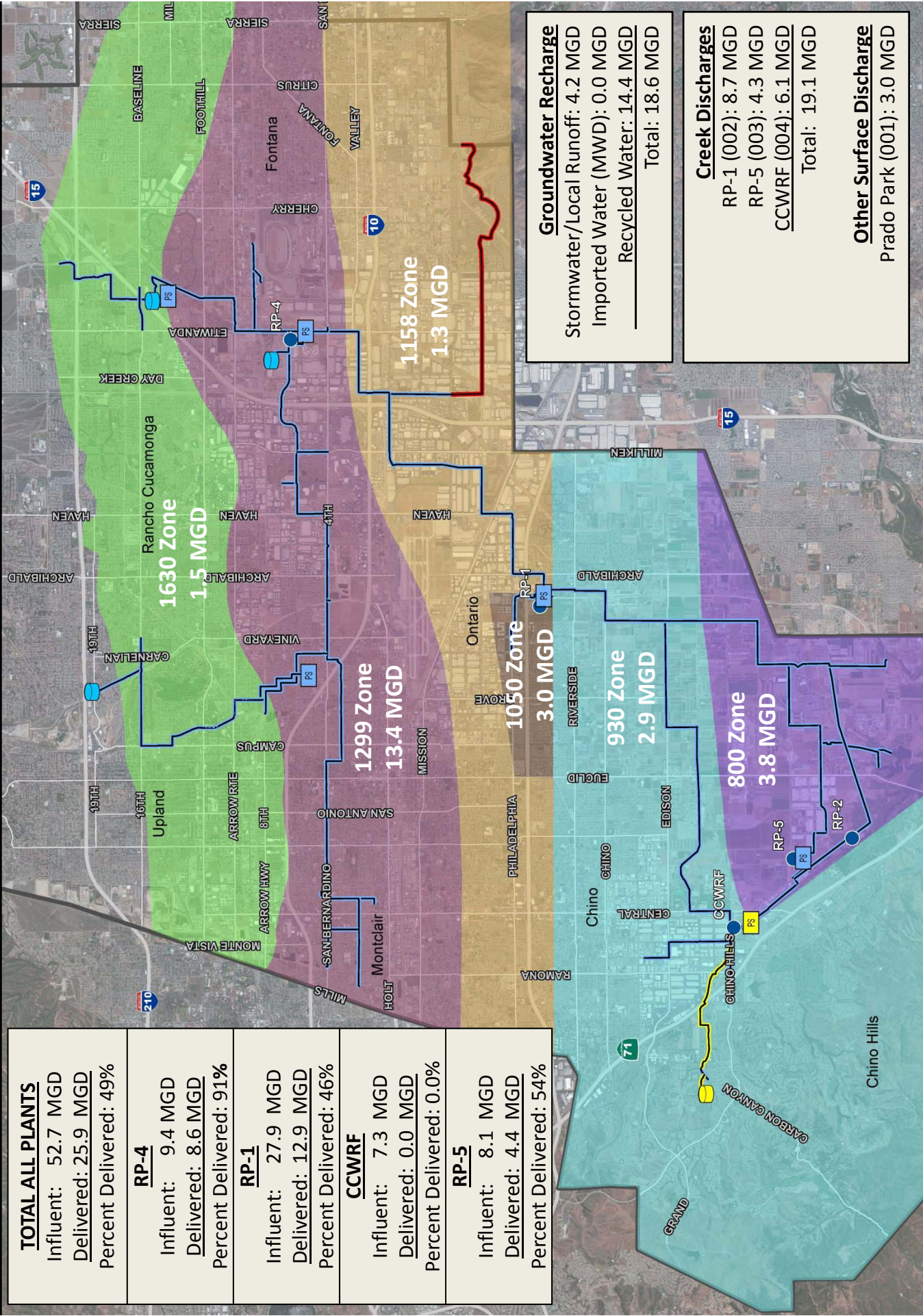


**RECEIVE AND
FILE**

5B

IEUA RECYCLED WATER DISTRIBUTION - DECEMBER 2013

<p>TOTAL ALL PLANTS Influent: 52.7 MGD Delivered: 25.9 MGD Percent Delivered: 49%</p>
<p>RP-4 Influent: 9.4 MGD Delivered: 8.6 MGD Percent Delivered: 91%</p>
<p>RP-1 Influent: 27.9 MGD Delivered: 12.9 MGD Percent Delivered: 46%</p>
<p>CCWRF Influent: 7.3 MGD Delivered: 0.0 MGD Percent Delivered: 0.0%</p>
<p>RP-5 Influent: 8.1 MGD Delivered: 4.4 MGD Percent Delivered: 54%</p>



Groundwater Recharge
 Stormwater/Local Runoff: 4.2 MGD
 Imported Water (MWD): 0.0 MGD
 Recycled Water: 14.4 MGD
 Total: 18.6 MGD

Creek Discharges
 RP-1 (002): 8.7 MGD
 RP-5 (003): 4.3 MGD
 CCWRF (004): 6.1 MGD
 Total: 19.1 MGD

Other Surface Discharge
 Prado Park (001): 3.0 MGD

Recycled Water Recharge Deliveries / Plan - December 2013 (Acre-Feet)

Deliveries are draft until reported as final.

Basin	12/1-12/4	12/5-12/11	12/12-12/18	12/19-12/25	12/26-12/31	Month Actual	Month Plan	Year To Date Actual	Year To Date Actual	Status as of 12/19/13
Ely	69.9	76.9	110.2	76.8	79.6	413.4	200	2140	2140	On 6 to 8 CFS
Banana	0.0	0.0	0.0	0.0	0.0	0.0	0	514	514	Off Pending TN reduction
Hickory	26.8	21.0	21.0	21.0	18.0	107.8	200	660	660	3 cfs
Turner 1 & 2	0.0	63.5	72.3	3.6	34.6	174.0	150	572	572	4-5 CFS, alternate with Turner 4
Turner 3 & 4	9.8	0.0	0.0	52.4	22.6	84.8	50	1063	1063	4-5 CFS, alternate with Turner 1
8th Street	5.0	32.9	13.4	32.8	36.4	120.5	50	854	854	3-4 cfs
Brooks	22.0	15.5	35.3	12.7	18.6	104.1	50	1062	1062	Basin full, intermittent 2-3 cfs as WL allows
RP3	20.5	57.0	67.5	53.1	53.2	251.2	150	0	0	4-5 CFS
Declaz	0.0	0.0	0.0	0.0	0.0	0.0	0	280	280	No RW delivery mechanism
Victoria	0.0	23.1	38.7	29.1	27.3	118.2	250	232	232	4 CFS
San Sevaine	0.0	0.0	0.0	0.0	0.0	0.0	0	3,462	3,462	Off until cooler weather due to Midgeflies
Total	154.0	289.9	358.4	281.5	290.3	1,374.1	1100	7,377	7,377	AF, past FY End of Month Actual

