



Regional Sewerage Program Technical Committee Meeting

AGENDA

Thursday, May 29, 2014

4:00 p.m.

Location

Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91708

Thursday, May 29, 2014

Call to Order and Roll Call

1. Approval of Minutes

A. Minutes of April 24, 2014 Meeting

2. Action Item

A. FY 2014/15 Budget Approval (Written/Powerpoint)

3. Informational Items

A. IEUA Strategic Plan (Written)

B. Response to the City of Montclair Billing Questions (Oral)

C. Property Tax Use Overview and Proposed Re-Allocation (Written)

4. Receive and File

A. Building Activity Report (YTD)

B. Recycled Water Operations Summary

C. Draft Policy Committee Agenda for June 5, 2014

D. Sustainable Rate Structures

E. IEUA Quarterly Water Newsletter

5. Other Business

A. IEUA General Manager's Update

B. Committee Member Requested Agenda Items for Next Meeting

C. Committee Member Comments

D. Next Meeting – June 26, 2014

6. 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, May 22, 2014.



Cheyenne Reseck-Francis

**APPROVAL OF
MINUTES**

1A



Regional Sewerage Program Technical Committee Meeting

MINUTES OF April 24, 2014 MEETING

CALL TO ORDER

A regular meeting of the IEUA/Regional Sewerage Program – Technical Committee was held on Thursday, April 24, 2014, at the Inland Empire Utilities Agency located at 6075 Kimball Avenue, Chino, California. Jesus Plasencia, City of Chino called the meeting to order at 3:59 p.m.

ATTENDANCE

Committee Members:

Jesus Plasencia	City of Chino
Chuck Hays	City of Fontana
Nicole Greene	City of Montclair
Ryan Shaw	City of Ontario
John Bosler	Cucamonga Valley Water District

Absent Committee Members:

P. Joseph Grindstaff	Inland Empire Utilities Agency
Jim Hill	City of Chino
Steve Nix	City of Chino Hills
Mike Hudson	City of Montclair
Scott Burton	City of Ontario
Rosemary Hoerning	City of Upland

Others Present:

Stephanie Riley	Inland Empire Utilities Agency
Craig Proctor	Inland Empire Utilities Agency
Christina Valencia	Inland Empire Utilities Agency
Craig Parker	Inland Empire Utilities Agency
Ernest Yeboah	Inland Empire Utilities Agency
Javier Chagoyen-Lazaro	Inland Empire Utilities Agency
Tina Cheng	Inland Empire Utilities Agency
Majid Karim	Inland Empire Utilities Agency
Sylvie Lee	Inland Empire Utilities Agency
Connie Gibson	Inland Empire Utilities Agency
Kathy Tieg	Cucamonga Valley Water District
Carrie Corder	Cucamonga Valley Water District
Braden Yu	Cucamonga Valley Water District

1. APPROVAL OF MINUTES**A. Minutes of March 27, 2014 Meeting**

Motion: By Chuck Hays/City of Fontana and seconded by Ryan Shaw/City of Ontario to approve the minutes of the March 27, 2014 Technical Committee meeting.

Motion carried: Unanimously, with Jesus Plasencia and Nicole Greene abstaining.

2. INFORMATIONAL ITEMS**A. Rotation of Chair Agency**

Christina Valencia/IEUA thanked the City of Chino for serving since July 2012. Ms. Valencia reported that the chair agency is due to rotate in July 2014. The City of Ontario will chair starting in July, 2014. The meetings will continue to be held at the Inland Empire Utilities Agency location.

B. Cost Containment Update

Christina Valencia/IEUA gave a presentation reviewing the cost containment efforts of the Agency as requested by Jim Hill/City of Chino. Ms. Valencia stated that this plan was adopted in FY 2008/09 in response to the economic turn down. She stated a total of \$245 million in cost reduction has been achieved through FY 2012/13. She stated that Agency has given no COLA's, eliminated performance incentives, and employees began paying a portion of the CalPERS employee rate in October 2011. Ms. Valencia reported \$7 million in present value savings from the refinancing of the 1994 revenue bonds. The Agency also deferred a total of \$218 million in capital projects. Ms. Valencia stated that cost containment is a key objective within the IEUA business goals adopted by the Board in October of 2013, the Agency is continuing cost containing efforts in the proposed FY 2014/15 budget and four year forecasts, including debt service costs will be reduced by \$2 million in FY 2015/16 within the refunding of the 2005A bonds, and permanent reduction of five full time equivalent positions.

C. FY2014/15 Draft Budget

Christina Valencia/IEUA gave a presentation reviewing the FY 2014/15 Preliminary Regional Wastewater, Recycled Water and Recharge Water Programs budget as stated per the regional contract. Ms. Valencia provided a schedule overview, stating the budget is anticipated to be adopted by the IEUA Board in June, 2014. Ms. Valencia presented the re-allocation of property taxes for FY 2014/15, stating that 3% of property taxes are proposed to be allocated to the Water Resources Program to help fund water education and water use efficiency projects such as WaterSmart. This will lower the Administrative Services allocation from 8% in previous years to 5% for FY 2014/15. She stated that the 3% reallocated from the GG fund will have no impact on the Regional Wastewater Fund and is within the IEUA Board's discretionary authority. Ms. Valencia stated that with the intent to reach cost of service for the Regional Wastewater program. Ms. Valencia provided an overview of the Agency's debt, highlighting that the 2005A bonds will be paid off in FY 2014/15. She stated that a capital call may be necessary in September 2014. Ms. Valencia stated that employment increases can be attributed to COLA's, funding of the pension unfunded accrued liability, and an increase in

CalPERS rates offset by a reduction in staffing level of 5 FTE positions and employees picking up an additional 1% of the employee paid member contribution rate. Beginning July 1, 2014, employee will be paying a total of 4%. She provided an overview of the DCR, stating that the Board goal is to achieve an AAA rating. However the rates forecasted are being driven by cost of service and not the DCR or credit rating objectives. The current forecasted rates do not include increases in projected flows from future growth or any projects that will be defined as part of the long term planning documents currently under review, such as the Facility Master Plan and the Integrated Resources Plan. Ms. Valencia stated that there was no plan to change the already adopted rates for FY 2014/15 for the Regional Wastewater and Recycled Water Programs. Future incremental rate increases will be needed in future years to achieve full cost of service as illustrated in the cost of service graph comparisons for both programs.

D. Regional Wastewater Ordinance

Craig Proctor/IEUA gave a presentation regarding the Regional Wastewater Ordinance. Mr. Proctor gave brief background of the ordinance, highlighting deficiencies found during the pretreatment compliance audit. He stated that changes to the ordinance include updating definitions to the federal standards, revisions to mirror the EPA's ordinance. Once the Ordinance is approved by RWQCB it will be presented to the IEUA Board for adoption.

E. Pretreatment Program Update

Craig Proctor/IEUA gave a presentation providing a status update of the pretreatment program. Mr. Proctor stated that the local limits study contract will be awarded in May, 2014, with a kick off meeting held in June, 2014. The study is expected to be completed by March 2015. Mr. Proctor stated that a new agreement has been finalized with Los Angeles County Sanitation District (LACSD) for the non-reclaimable wastewater system, effective July 1, 2014. The new contract provides stable rates and fully recovers the cost of service. He also provided a status update on the pretreatment program audit, Inland Empire Brine Line and a compliance update.

3. RECEIVE AND FILE ITEMS

A. Draft Minutes of the Pretreatment Subcommittee Meeting

The draft minutes of the April 2, 2014 Pretreatment Subcommittee meeting were received and filed by the Committee.

B. Building Activity Report (YTD)

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

C. Recycled Water Operations Summary

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

D. Draft Policy Committee Agenda for May 1, 2014

The Draft Policy Committee Agenda for May 1, 2014 was received and filed by the Committee.

4. **OTHER BUSINESS**

A. **IEUA General Manager’s Update**

Christina Valencia/IEUA reported the following:

- A workshop will be held at SAWPA on May 13, 2014 for Round Three of the OWOW projects, round 3.
- MWD announced that the State Water Project (SWP) would be increased from 0% to 5%.
- IEUA has contracted Consultant Tom Ash, to present at the May 15th Joint Technical Committee and Water Managers meeting. Tom Ash recently presented at the CVWD rate workshop for April 10, 2014.

B. **Committee Member Requested Agenda Items for Next Meeting**

Nicole Greene/City of Montclair requested the procedure for refunding IEUA’s portion of EDU fees under the circumstances of a building permit expiring on a project.

Ryan Shaw/City of Ontario requested an update on the three-year rates to be presented at the Policy Committee on May 1, 2014 as a separate information item.

Chuck Hays/City of Fontana requested that a written narrative on the Water Resources Program and the reallocation of property taxes.

John Bosler/CVWD requested an information item be presented to the committee regarding how property taxes are used, and a clarification on the impact of pursuing an AAA rating and the benefits and costs between an AA+ and AAA rating, describing the impacts on stakeholders. Mr. Bosler stated that a written request would be submitted to IEUA.

C. **Committee Member Comments**

None.

D. **Next Meeting – May 29, 2014**

5. **ADJOURNMENT** - Meeting was adjourned at 5:03 p.m.

Transcribed
by:

Stephanie Riley
Administrative Assistant, IEUA

ACTION
ITEM

2A

Date: May 29/June 5, 2014

To: Regional Committees

From: Inland Empire Utilities Agency

Subject: Fiscal Year 2014/15 Proposed Budget for the Regional Wastewater, Recycled Water, and Recharge Water Programs

RECOMMENDATION

It is recommended that the Regional Technical and Policy Committees (Committees) review and make recommendation to the IEUA Board of Directors (Board) to approve the proposed Fiscal Year (FY) 2014/15 Budget for the Agency's Regional Wastewater, Recycled Water, and Recharge Water programs.

BACKGROUND

An overview of the preliminary budget for the Agency's Regional Wastewater, Recycled Water and Recharge Water programs for Fiscal Year (FY) 2014/15 was presented the Regional Technical Committee on April 24, 2014 and the Regional Policy Committee on May 1, 2014. There are no significant changes to the key assumptions as highlighted below.

FY 2014/15 Key Budget Assumptions

The FY 2014/15 Proposed Budget for the Regional Wastewater and Recycled Water programs is based on the last year of the multi-year rates adopted by the Board in February 2012, for Fiscal Years (FYs) 2012/13 – 2014/15.

Table 1: Multi-Year Adopted Rates for Regional Wastewater and Recycled Water Programs

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

While the multi-year rates have helped to move the Agency closer to its ultimate goal (2007 Long Range Financial Plan) of achieving rates that recover the full cost of service, as illustrated in Exhibit A, the adopted rates for FY 2014/15 are still below the total cost of service for both the Regional Wastewater Operations & Maintenance (RO) and Recycled Water (WC) funds. Other key assumptions are summarized in Table 2.

Table 2: Other Key Assumptions for FY 2014/15 Budget

Revenues and Other Funding Sources	Expenses and Other Uses of Funds
3,000 new EDU connections, conservatively less than the 5,106 units projected by member agencies.	Permanent reduction of 5 full time equivalent (FTE) positions from 295 to 290, plus continued commitment to maintain a vacancy factor of up to 5%, equivalent to 15 FTEs.
3.2 million total number of billable volumetric EDUs; slight increase of .25% over projected actual for current fiscal year.	3% COLA offset by an additional 1% employee funded PERS contribution rate. Effective 7/1/14, classic employees will be paying 50% of the 8% employee contribution rate. Estimated \$1.2 million compensation adjustment resulting from the Class & Compensation Study underway
32,000 acre feet (AF) total recycled water deliveries (21,500 AF direct plus 10,500 AF recharged water deliveries).	Prefunding the unfunded accrued liabilities (UAL) for retirement benefits; \$4.5 million (pension) plus \$1.5 million (OPEB).
3% increase in property tax receipts consistent with the San Bernardino County Tax Assessor projected increase in assessed property values. No change in the allocation of property taxes for the Regional Wastewater and Recycled Water programs is proposed for FY 2014/15.	Retirement of high interest bonds callable in November 2014, \$16 million.
Low interest State Revolving Fund (SRF) loans and grants for the Southern and Central/Wineville Area recycled water construction projects.	Capital Improvement Plan (CIP) based on the FYs 2015-2014 TYCIP adopted in February 2014.

Not included in the proposed FY 2014/15 O&M Budget and adopted TYCIP are projects still to be identified with the completion of various long term planning documents currently underway, such as the updated Wastewater Facilities Master Plan, Integrated Resources Plan, and Recycled Water Program Strategy. Projects emerging from these long term documents will be integrated into next year's TYCIP and operating budget.

Regional Wastewater Capital Improvement (RC) Fund

A major revenue source for the RC fund is the fees levied for new connections to its regional wastewater system, referred to as new EDU connections fees. Pursuant to the Regional Sewage Service Contract (Regional Contract), member agencies collect and hold these funds in a trust

account (Capital Construction Reimbursement Accounts) until they are “called” or requested by the Agency to support Regional capital expenditures. Following the 2008 economic downturn, the number of new EDU connections plummeted from an annual average of 5,400 units over the preceding ten fiscal years (FY 1998/99 – FY 2007/08) to 1,318 units in FY 2008/09 and 1,116 units in FY 2010/11.

As mentioned above, a spur of new development increased new EDU connections to 1,614 units in FY 2011/12, and followed suit in FY 2012/13 with an additional 2,996 units, ending well above the 1,700 budgeted units. As of March 2014, the number of new EDU connections year to date of 1,340 units is shy of the levels in previous fiscal years. This volatility is an important reminder of the need to take a more conservative approach in forecasting and budgeting future connections. Hence, the new EDU connections for FY 2014/15 have been lowered to 3,000 units, well below the 5,106 units projected by member agencies.

Table 2: FY 2014/15 RC Fund Major Revenues & Other Sources of Funds

Fund	Major Revenue Category	Amount \$Millions	Key Assumptions
Regional Wastewater Capital (RC)	New EDU Connections Fees	\$15.3	3,000 new EDUs connections compared to 1,800 units projected for FY 2013/14. New EDU connection fee to increase from \$5,007 per EDU to \$5,107/EDU effective 7/1/14.
	Property Tax Receipts	\$26.1	Assumes a 3% increase in FY 2014/15. Allocation of 65% of total property tax receipts to RC fund are designated for debt service costs in FY 2014/15.

Property tax receipts are another major funding source for the RC fund. Improvement District “C” (IDC) taxes allocated to the RC fund represent 65%, or approximately \$26.1 million of the total property taxes received by the Agency. In FY 2014/15, property taxes in the RC fund are fully designated to support debt service costs of \$30.2 million, which includes early repayment of the 2005 bonds callable in November 2014.

Table 4: FY 2014/15 RC Fund Major Expenses & Other Uses of Funds

Fund	Major Expenses Category	Budget \$Millions	Key Assumptions
Regional Wastewater Capital Improvement (RC)	Operating Expenses	\$5.7	Administrative costs for support of the Regional capital program.
	Debt Service Costs	\$30.2	Includes principal & interest for 2005A, 2008A, 2008B and 2010A bonds and SRF loan for RP-1 Dewatering Expansion Facility. Also included \$14.2M for retirement of 2005A bonds.

Capital Project Costs	\$6.0	See Table 3 for summary of major capital projects.
Inter-Fund Transfers	\$1.9	Capital and debt service cost support to the Administrative (GG), Recycled Water (WC), and the Recharge Water (RW) funds.

In addition to debt service costs, the other major expenditure in the RC fund is capital expenditures. A total of \$5.5 million in capital project costs is budgeted in FY 2014/15, which accounts for nearly 23% of the proposed \$26.0 million capital improvement plan (CIP) for FY 2014/15. Some of the major projects for FY 2014/15 are listed on Table 5.

Table 5: FY 2014/15 RC Fund Major Capital Projects

Project Name	Total Project Budget \$Thousands	FY 2014/15 Budget \$Thousands
RP-5 Flow Equalization & Effluent Monitoring	\$2,144	\$700
Agency Wide HVAC Improvements	\$1,244	\$600
Fontana Interceptor Relief & Sewer Manholes Rehab.	\$3,035	\$600
CCWRF Odor Control System Replacement	\$5,070	\$500
Collection System Repairs Phase V	\$575	\$400

Regional Wastewater O&M (RO) Fund

The Regional Wastewater Operations & Maintenance (RO) fund accounts for the revenue and operating costs directly related to the domestic sewage collection, treatment, and disposal service and organic management activities, including employment costs to operate and support the Inland Empire Regional Composting Authority (IERCA). Over 77%, or \$45.9 million, of the \$59.3 million operating revenue and other funding sources are generated from monthly EDU volumetric fees charged to the Agency's contracting member agencies for collection and treatment of domestic sewage. Other revenue and funding sources include \$8.8 million of property tax receipts (equivalent to 22% of total property tax receipts) and \$3.5 million in reimbursement from IERCA.

Table 6: FY 2014/15 RO Fund Major Revenues & Other Sources of Funds

Fund	Major Revenue Category	Budget \$Millions	Key Assumptions
Regional Wastewater Operations &	Monthly EDU Volumetric Charges	\$45.9	Projected growth of 0.25% in the number of billable EDUs compared to FY 2013/14 adopted budget. EDU Volumetric rate to increase from

Maintenance (RO)			\$13.39/EDU to \$14.39/EDU effective 7/1/14.
	Property Tax Receipts	\$8.8	Assumes a 3% increase in FY 2014/15 in assessed property values, per county assessor. Allocation of 22% of total property tax receipts to RO Fund are designated to support debt service and capital replacement and rehabilitation (R&R).
	Contract Reimbursement	\$3.5	Reimbursement of employment costs from the IERCA

Total operating costs of \$56.3 million budgeted in FY 2014/15 show an increase of \$7.1 million compared to the FY 2013/14 amended budget of \$49.2 million and an increase of \$11.3 million compared to FY 2013/14 projected actuals of \$45.0 million. The projected higher costs in FY 2014/15 are primarily due to higher employment costs which include; implementation of the salary increases partially offset by an increase in employee funded pension contribution rates as per the negotiated MOUs, \$4.5 million to support the prefunding of the unfunded accrued liability (UAL) for pension benefits, additional costs associated with retirement benefits (PERS employer rate) and insurance premiums, and an estimated \$1.2 million compensation adjustment related to the Class and Compensation (C&C) study currently underway. Utilities and chemical costs are projected to increase in FY2014/15 due to additional use of natural gas and polymers for the Fuel Cell and RP-1 Dewatering facilities, respectively. Both facilities are now in full operation. Table 7 below is a summary of the major expense categories and key assumptions.

Table 7: FY 2013/14 RO Fund Major Expense Categories

Fund	Major Expense Category	Budget \$Millions	Key Assumptions
Regional Wastewater Operations & Maintenance (RO)	Employment	\$28.4	Permanent reduction of Full Time Equivalent (FTE) positions from 295 to 290, maintain a vacancy factor of up to 5%, 3% COLA per MOUs, 5% increase in CalPERS employer contribution rate, increase of employee funded pension contribution rate from 3% to 4%. Additionally includes \$4.5M to pay down retirement UAL and \$1.2M estimated compensation adjustment resulting from the Class & Compensation study underway.
	Utilities	\$7.2	Electricity rates maintained at \$0.12 kWh for direct access; Increase of the use of natural gas for RP-1 Fuel Cell
	Chemicals	\$4.5	Higher dosage of polymer due to RP-1 Dewatering centrifuge, and Sodium Hypochlorite in RP-1 Tertiary in anticipation of secondary clarifiers shut down for maintenance.
	Biosolids Recycling	\$3.6	Increase tipping fees to \$54 per ton by the IERCA
	Contract Work/Special (O&M) Projects	\$2.2	Major maintenance repair projects identified in the Agency's Asset Management Plan: Underground Piping Rehabilitation, RP1/RP2 Digester Cleaning Annual Rehabilitation of Clarifiers Aeration

System Rehabilitation, Biofilter Media Replacement

Maintenance and replacement and rehabilitation (R&R) of aging equipment and facilities are critical elements of the adopted FYs 2015-2014 TYCIP. Beginning in FY 2008/09, the Agency implemented a cost reduction initiative in response to the economic downturn. As part of the cost containment effort, R&R projects deemed to be non-critical at that time were deferred. Since then, the Agency completed development of the Asset Management Plan to more accurately assess the condition of the Agency’s physical assets. The R&R projects proposed for FY 2014/15 are based on the results of condition assessments and are essential to ensuring the Agency can sustain its committed level of service to its customers.

Over the next ten years, over \$50 million of R&R projects are budgeted in the RO fund to uphold the operational reliability of the Agency’s regional facilities. The proposed R&R budget for FY 2014/15 is \$10.2 million; major projects include:

Table 8: FY 2014/15 RO Fund Major R&R Capital Projects

Project Name	Total Project Budget \$Thousands	FY 2014/15 Budget \$Thousands
Montclair Lift Station Upgrades	\$2,915	\$2,500
SCADA Enterprise System Upgrade	\$9,625	\$1,000
RP-4 Headwork Retrofit	\$1,200	\$900
CCWRF Secondary Clarifier #3 Rehab	\$1,100	\$800
Major Equipment Rehabilitation	\$4,000	\$700
RP-2 Drying Beds Rehabilitation	\$1,100	\$600

Recycled Water (WC) Fund

A key initiative for the Agency is to optimize the beneficial reuse of recycled water and provide a cost effective and reliable alternative to imported water for the region, as specified in the Recycled Water Three Year Business Plan (TYBP) adopted in December 2007. Since the adoption of the TYBP, projected recycled water deliveries have been reduced significantly. Originally, total connected demand was projected to reach 50,000 acre feet per year (AFY) by FY 2010/11; 33,000 AFY direct deliveries and 17,000 AFY recharge water deliveries.

The 50,000 AFY delivery’s goal has been revised due to a combination of factors including delayed execution of major construction projects and a stagnation in the number of direct use connections. Two key projects that have been delayed include the Southern Area and Central/Wineville Area projects; originally planned for completion in FY 2009/10 and FY

2010/11, respectively. Completion of the Southern Area project construction is currently targeted for 2015; and Central/Wineville Area project in FY 2015/16. Based on the current project plan, the 50,000 AFY goal is now expected to be achieved by FY 2019/20; nine years later than originally planned.

Total recycled water deliveries are not anticipated to increase significantly in FY 2014/15, despite the significant increase in recharge deliveries this year. Recharge deliveries are expected to exceed the 10,000 AF budgeted this fiscal year. As of February, recycled water deliveries totaled 17,254 AF, including 9,222 AF of recharge and 9,669 direct deliveries. The key driver for the increase is the current drought which resulted in the declaration of a drought state of emergency by Governor Brown in January 2014, followed by a second emergency proclamation on April 25, 2014. Given the uncertainty of the drought continuing in FY 2014/15, direct deliveries and recharge deliveries are budgeted at 21,500 AF and 10,500 AF, respectively. These projections result in a total budget of 32,000 AF in total recycled water deliveries for FY 2014/15; a decrease of 3,000 AF over the projected actual for FY 2013/14.

Based on the multi-year rates adopted by the Board in February 2012 (Exhibit A), total recycled water sales are budgeted at \$9.5 million; \$6.0 million direct sales and \$3.5 million for recharge sales. The Metropolitan Water District of Southern California Local Project Program (MWD LPP) rebate of \$2.1 million is another key operating revenue source. This annual rebate is set to expire on June 2017.

Table 9: FY 2014/15 WC Fund Major Revenue & Other Sources of Funds

Program	Major Revenue Category	Budget \$Millions	Key Assumptions
Recycled Water (WC)	Direct Sales	\$6.0	21,500 AF, similar to FY 2013/14 projected actual. Rate to increase from \$215 per Acre Foot (AF) to \$290/AF effective 7/1/14.
	Recharge Sales	\$3.5	10,500 AF, a reduction of 3,000 over FY 2013/14 projected actual. Rate to increase from \$255/AF to \$335/AF.
	MWD LPP Rebate	\$2.1	\$134/AF rebate for recycled water sales up to 13,500 AF per FY. Rebate is set to expire in June 2017.
	Property Tax Receipts	\$2.0	Continuation of 5% of property taxes allocation from RO Fund planned to sunset in FY 2013/14.
	Loan and Grant Proceeds	\$13.4	SRF loans and grants are the primary funding source for the Southern and Central/Wineville Area Recycled Water Projects. Each loan is anticipated to receive a maximum grant of \$4 million.

State Revolving Fund (SRF) loan proceeds and grant receipts in the amount of \$13.4 million represent approximately 47% of the \$28.5 million of the Recycled Water program's Total Revenue and Other Funding Sources in FY 2014/15. For both the Southern and

Central/Wineville Area projects, the Agency secured 30 year low interest rate loans; 2.1% and 1.0% per annum, respectively. Additionally, staff was successful in waiving the “Buy America” requirement for the Central/Wineville Area project resulting in an estimated savings of approximately \$4 million. These funding sources, along with a 5% allocation of property taxes in the amount of \$2.0 million are the primary funding sources of the Recycled Water (RW) program CIP.

A total of \$8.2 million in operating expenses is budgeted in FY 2014/15, reflecting an increase of approximately 40% compared to projected actuals of \$5.9 million for the current fiscal year. Utilities are anticipated to increase by nearly \$0.4 million, from \$2.1 million to \$2.6 million, due to higher pumping costs compared to projected actuals as summarized in Table 9:

Table 9: FY 2014/15 WC Fund Major Expense Categories & Other Uses of Funds

Program	Major Revenue Category	Budget \$Millions	Key Assumptions
Recycled Water (WC)	Employment	\$3.5	Permanent reduction of Full Time Equivalent (FTE) positions from 295 to 290, maintain a vacancy factor of up to 5%, 3% COLA per MOUs, 5% increase in CalPERS employer contribution rate, increase of employee funded pension contribution rate from 3% to 4%. Additionally includes \$4.5M to pay down retirement UAL and \$1.2M estimated compensation adjustment resulting from the Class & Compensation study underway.
	Utilities	\$2.6	\$0.12 kWh electricity rate for direct access, renewal energy rates based Purchase Power Agreements (PPAs) and annual CPI increase. Higher pumping costs are driving an increase of nearly \$0.4M compared to projected actuals.
	Operating Fess & Expense	\$1.1	Includes professional fees and services, materials and supplies, and a portion of the groundwater recharge operations expense
	Debt Service Costs	\$4.8	Includes principal and interest costs for outstanding debt.
	Capital Project Costs	\$9.8	See Table 9 for summary of major capital projects.

Annual debt service costs are estimated to maintain at \$4.8 million in FY 2014/15. Repayment of the \$23.5 million outstanding inter-fund loans (\$8.5 million due to RC fund and \$15 million due to the NC fund) are scheduled to begin in FY 2016/17, with full repayment of the \$23.5 million inter-fund loans is projected by FY 2018/19.

A total of \$9.8 million is budgeted in the WC fund for CIP in FY 2014/15; Major capital projects budgeted in FY 2014/15 are summarized in Table 10:

Table 10: FY 2014/15 WC Fund Major Capital Projects

Project Name	Total Project Budget \$Thousands	FY 14/15 Budget \$Thousands
Wineville Extension – Segment A	\$31,200	\$3,000
Wineville Extension – Segment B	\$23,519	\$3,000
GWR and RW SCADA Communication System Upgrades	\$2,764	\$650
GWR and RW SCADA Control Equipment Upgrades	\$1,170	\$500
930 Zone Pressure Zone Pipeline	\$7,619	\$535
1630 East Pipeline Relocation	\$1,050	\$400
RP3 Basin Improvements	\$5,290	\$200

Recharge Water (RW) Fund

The Recharge Water (RW) fund accounts for the revenues and expenses associated with groundwater (GWR) recharge operations and maintenance through joint efforts with the Chino Basin Watermaster (Watermaster), Chino Basin Water Conservation District, and the San Bernardino County Flood Control District. Operating expenses include general basin maintenance and/or restoration, groundwater administration (e.g. labor, tools, and supplies), contracted services (e.g. weeding and vector control), compliance reporting, and environmental documentation for permit compliance.

The proposed FY 2014/15 O&M Budget of \$1.6 million includes \$126,000 for utilities, and \$530,000 for general groundwater basin maintenance which includes \$230,000 for infiltration restoration and slope repairs of four groundwater basins: Decluz, 8th Street, Jurupa, and, Turner 1 & 2. Pursuant with Chino Basin Recharge Master Plan and Peace II Agreement, costs for basins recharged with recycled water are pro-rated between Watermaster and the Agency based on the relative proportion of recycled water to the total water recharged in the basin. The Agency’s pro-rata share is estimated to increase to \$548,000 in FY 2014/15 from \$464,000 projected for the current fiscal year.

FY 2015 - 2024 Ten Year Capital Improvement Plan (TYCIP)

On February 19, 2014 the Board approved the FY 2015/24 Ten Year Capital Improvement Plan (TYCIP) which defines the basis for the Regional and Recycled Water capital projects. Since then, further analysis has resulted in reclassification of some of the projects from capital to operations reducing the total TYCIP from \$336 to \$309 million. The revised FY 2015-2024 TYCIP of \$309 million is approximately 26% lower than the currently adopted FY 2014-2023 TYCIP of \$415 million, and focuses on critical R&R projects necessary to meet reliability and regulatory requirements. Also included is the expansion and improvement of existing facilities as the Agency prepares to meet higher service demands anticipated from the expected growth in its service area.

The Agency is currently engaged in multiple planning initiatives that will define the capital investments needed to provide long term reliable, high quality, sustainable services that meet the demands of the region. Among these initiatives are the Integrated Resources Plan, the Recycled Water Program Strategy, the Energy Plan and an update of the Wastewater Facilities Master Plan. The Agency is also working collaboratively with its member agencies and regional stakeholders to identify projects that will enhance regional water use efficiency, quality, reliability, and sustainability in response to the current drought crisis. All these initiatives, although not included in the current TYCIP, will help to shape future year budget requirements.

Debt Coverage Ratio

The Debt Coverage Ratio (DCR) is the measurement of an entity's ability to generate enough cash to cover debt payments (principal payments and related interest), and serves as a critical financial measure in determining its overall credit rating. DCR also affects an entity's market accessibility for future borrowings and the associated costs. Improvement of the Agency's DCR was a key driver of multi-year rate increases adopted by the Board in February 2012 for the Regional Wastewater and Recycled Water programs. The Board established a minimum DCR target of 1.50x and 1.70x to be achieved by the end of FY 2013/14 and FY 2014/15, respectively.

On January 22, 2014 the Agency's Board of Directors held the first of three budget workshops, which provided an overview of the Agency's current financial position and presented the proposed long term, intermediate, and immediate Business Goals relative to Fiscal Responsibility. A key recommendation by the Board was the payment of long term liabilities. These long term obligations include: high interest bonds and unfunded accrued liabilities (UALs) for retirement benefits. Early repayment of high interest bonds and a reduction in UALs will help support another key recommendation from the Board: improvement of the Agency's total debt coverage ratio (DCR) to 3.0X and achieve AAA credit rating sooner than FY 2017/18.

Based on current assumptions and the combined effect of higher user charges, timely completion of R&R projects, retirement of high interest bonds callable in November 2014, annual prefunding of the retirement unfunded accrued liabilities (UALs), and continual commitment to cost containment, the Agency's DCR is projected to strengthen over time. As indicated in Table 11, total DCR is projected to progress towards the 3.0X target established by the Board.

Table 11: Debt Coverage Ratio

	Actual FY 2012/13	Projected Actual FY 2013/14	Proposed FY 014/15	Forecast FY 2015/16	Forecast FY 2016/17	Forecast FY 2017/18
DCR actual/projection based on current assumptions	2.85X	2.09x	2.23x	2.82x	3.02x	2.81x

Conclusion

Cost containment continues to be a key objective for the Agency and is an integral part of the Business Goals (Fiscal Responsibility) adopted by Board in October 2012. The Agency’s commitment to cost containment is evident in the proposed FY 2014/15 Budget and ensuing four year forecasts. Some of key cost containment initiatives include:

- Additional reduction of 5 FTEs from 295 to 290
- Vacancy factor of up to 5%, equivalent to 15 FTEs
- Replacement & Rehabilitation (R&R) projects based on the Agency’s Asset Management Plan
- 50% of the 8% CalPERS employee contribution rate funded by employees beginning July 2014, increasing to 100% by FY 2017/18
- \$2 million reduction in annual debt service costs beginning in FY 2015/16 by refunding high interest rate bonds callable in November 2014, set to mature in 2023
- Leveraging low interest, 30 year term, SRF loans and grants to support construction of the Wineville/Central Area recycled water and New Water Quality Laboratory projects

Another key objective for the Agency is to ensure rates and fees fully cover the cost of service for all Agency programs. Although the adopted rates for FY 2014/15 for the Regional Wastewater and Recycled Water programs still do not recover the cost of service, both the IEUA Board and Regional Committees recognize incremental rate increases will be necessary over the next several years. Achieving this critical objective will minimize the Agency’s reliance on property taxes to support recurring costs that are more appropriately supported by rates and fees.

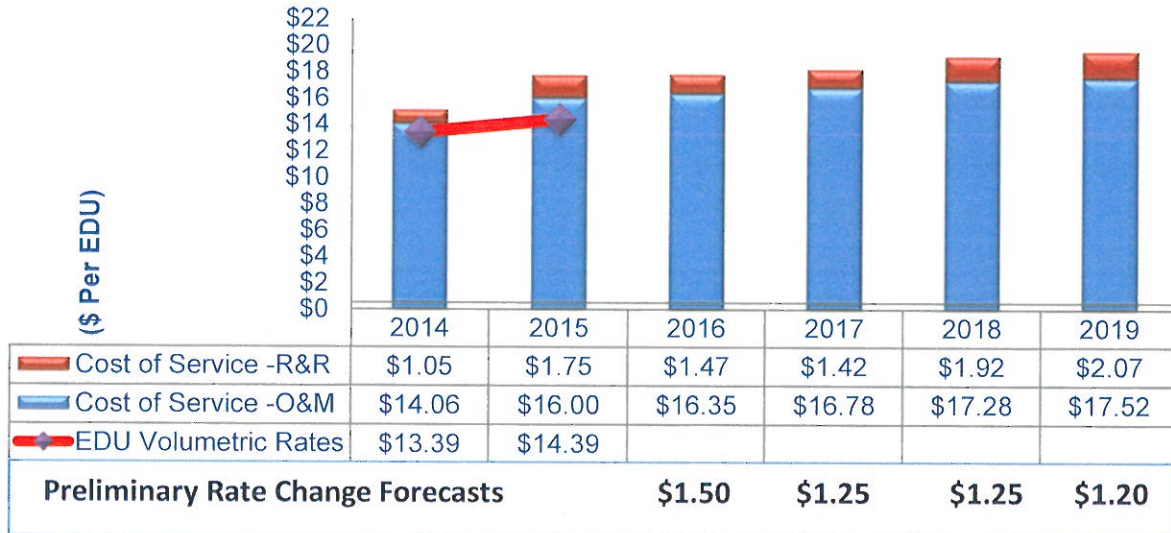
Over the next ten years, the Agency will need to address expansion of its existing facilities in order to meet the anticipated growth and higher service demands, particularly in the southern section of its service area. The severity and uncertainty of the current drought crisis and shrinking reservoir supplies brings water reliability and sustainability to the forefront. With all of the planning initiatives underway the Agency will be better positioned to continue to “drought proof” the region by developing local water supplies, optimizing beneficial use of recycled water, maximizing groundwater recharge, and securing alternative water supplies to reduce

reliance in imported water supplies from the State Water Project. The ability to leverage property taxes and available “drought” funding will be essential in achieving these objectives.

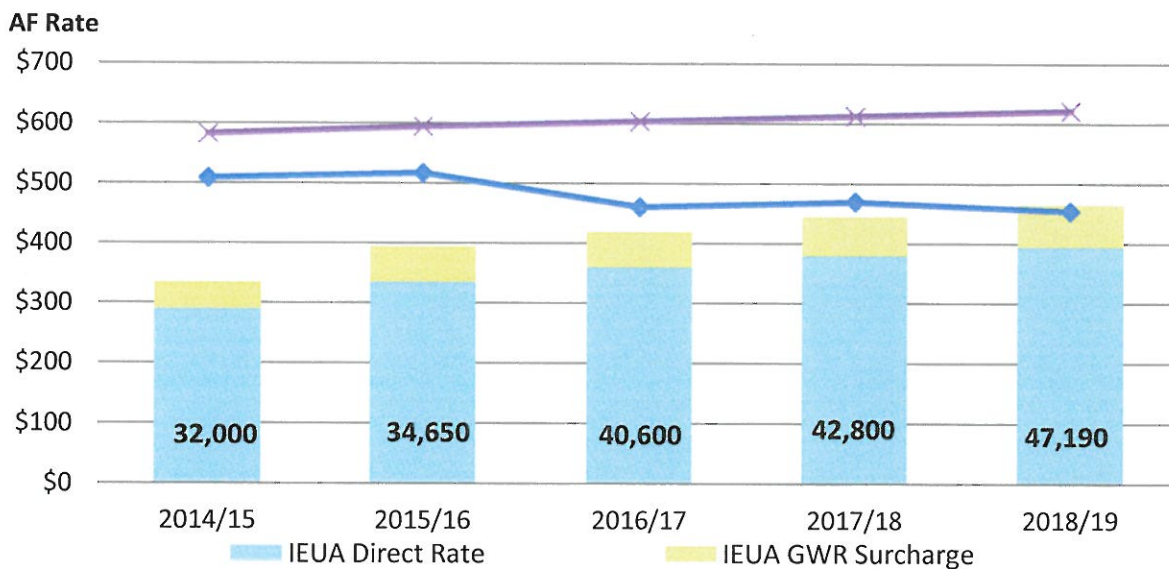
Attached are copies of the Sources and Uses of Fund reports for the Regional Wastewater, Recycled Water, and Recharge Water Programs.

Exhibit A

Cost of Service and EDU Volumetric Rate- Regional O&M (RO) Fund



Cost of Service and AF Sales – Recycled Water (WC) Fund



FY 2014/15 Budget for Regional Wastewater, Recycled Water and Recharge Water
 May 29/June 5, 2014
 Page 14 of 14

INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2014/2015 BUDGET - SCENARIO BASELINE
 Consolidated: RC, RO, RW, WC Funds - SOURCES AND USES OF FUNDS

	2011/2012	2012/2013	2013/2014	2013/2014	2013/2014	2014/2015	2016/2016	2016/2017	2017/2018	2018/2019
	ACTUAL	ACTUAL	ADOPTED BUDGET	AMENDED BUDGET	PROJECTED ACTUAL	PROPOSED BUDGET			FORECAST	
REVENUES										
User Charges	\$35,573,096	\$39,569,548	\$43,469,257	\$43,469,257	\$42,695,825	\$45,988,286	\$50,893,953	\$55,023,361	\$59,173,099	\$63,182,341
Property Tax - O&M	3,626,978	-	-	-	-	-	-	-	-	-
Cost Reimbursement from JPA	3,326,668	4,009,740	4,057,221	4,057,221	4,057,221	4,212,376	4,246,107	4,410,870	4,540,001	4,595,704
Contract Cost reimbursement	299,523	567,495	1,417,144	143,000	98,000	98,000	98,000	98,000	98,000	98,000
Interest Revenue	737,753	636,585	594,551	573,551	481,789	661,863	879,974	1,177,249	1,562,000	1,884,345
Recycled Water Sales	6,009,469	7,951,606	9,230,000	9,230,001	10,144,002	11,581,500	14,225,750	17,423,000	17,086,500	19,712,350
TOTAL REVENUES	\$49,673,487	\$62,734,974	\$68,768,173	\$67,473,030	\$67,476,837	\$62,642,024	\$70,343,783	\$78,132,480	\$82,469,600	\$89,472,740
OTHER FINANCING SOURCES										
Property Tax - Debt, Capital, and Reserves	26,417,154	44,267,785	30,683,543	30,443,492	33,209,900	36,987,196	34,920,738	35,269,945	35,622,644	35,978,871
Regional System Connection Fees	7,686,126	14,614,387	9,012,600	9,012,600	9,012,600	15,321,000	18,410,000	18,963,000	18,975,400	14,370,000
State Loans	7,016,567	6,349,698	22,880,753	22,880,753	10,850,009	11,074,355	18,289,200	8,840,437	13,095,000	6,000,000
Grants	4,330,117	2,560,462	8,633,473	8,644,953	3,104,012	2,320,000	3,430,000	700,000	-	-
Sale of Assets	21,848	4,805,394	-	-	-	-	-	-	-	-
Capital Contract Reimbursement	638,535	362,285	800,546	2,074,691	1,137,546	1,969,220	2,845,048	2,436,641	737,769	771,923
Other Revenues	2,054,537	981,494	743,200	623,200	533,200	571,416	744,000	762,540	781,636	801,305
Loan Transfer from Internal Fund	-	-	5,500,000	5,500,000	2,500,000	-	-	3,000,000	2,000,000	500,000
TOTAL OTHER FINANCING SOURCES	\$48,164,886	\$73,941,606	\$78,264,115	\$79,179,689	\$60,347,268	\$68,243,187	\$78,638,986	\$89,972,563	\$71,212,449	\$68,422,099
TOTAL REVENUES AND OTHER FINANCING SOURCES	97,738,371	126,676,479	137,022,288	136,652,719	117,824,105	130,785,211	148,982,769	148,105,042	153,672,049	147,894,839
EXPENSES										
Employment Expenses	30,211,023	30,370,528	31,972,940	32,059,201	30,858,834	35,727,725	36,596,689	38,076,587	39,189,717	39,536,656
Contract Work/Special Projects	3,811,924	2,513,613	3,374,050	3,135,530	1,580,530	2,267,000	1,400,000	1,250,000	2,850,000	3,350,000
Utilities	6,548,558	8,288,041	8,988,045	8,988,045	8,690,208	9,960,003	10,374,533	11,151,017	11,705,289	12,460,440
Operating Fees	1,866,117	1,024,658	1,470,604	1,485,932	1,441,444	2,006,465	1,910,604	1,905,308	1,999,400	2,103,992
Chemicals	3,310,504	3,578,136	4,277,663	4,639,412	3,489,010	4,459,380	4,593,104	4,730,898	4,872,824	5,019,008
Professional Fees and Services	3,237,652	3,646,672	4,478,257	4,841,391	3,683,893	4,263,784	4,103,578	4,204,319	4,589,985	4,796,207
Office and Administrative expenses	32,389	27,132	447,760	453,591	247,760	448,528	449,982	451,482	453,026	454,617
Biosolids Recycling	3,915,085	3,393,799	3,473,017	3,573,694	3,492,695	3,608,660	3,832,096	4,054,224	4,177,455	4,295,129
Materials & Supplies	1,818,341	1,817,797	2,084,378	2,262,963	2,216,578	2,311,925	2,366,701	2,458,303	2,532,051	2,608,307
Operation Contribution to IERCA	-	71,148	-	-	-	-	-	-	-	-
Other Expenses	1,679,875	4,081,992	1,714,332	1,714,334	2,028,127	7,021,021	6,511,019	6,884,995	6,424,867	6,880,895
TOTAL EXPENSES	66,431,468	68,813,516	62,281,046	63,164,093	57,729,079	71,974,490	72,168,306	75,167,143	78,794,614	81,505,051
CAPITAL PROGRAM										
IERCA Investment	-	500,000	500,000	500,000	-	500,000	-	-	-	-
Capital Construction & Expansion (WIP)	32,095,573	18,754,146	58,298,445	63,454,586	33,460,450	25,541,500	46,703,000	21,305,000	25,150,000	20,590,000
WIP Adjustment	(3,971,729)	(9,000,000)	3,400,000	-	-	-	-	-	-	-
TOTAL CAPITAL PROGRAM	28,123,844	10,254,146	62,198,445	63,954,586	33,460,450	26,041,500	46,703,000	21,305,000	25,150,000	20,590,000
DEBT SERVICE										
Financial Expenses	147,357	166,780	328,270	328,270	(101,660)	408,500	608,900	409,000	409,500	609,500
Interest	7,313,261	9,605,316	9,738,537	9,738,538	9,127,510	9,438,610	9,915,133	10,182,981	10,376,819	10,212,943
Principal	9,834,652	11,173,450	11,488,250	11,488,250	11,488,276	26,462,610	11,317,101	11,589,773	12,886,338	13,593,183
Short Term Inter-Fund Loan	-	-	5,500,000	5,500,000	5,500,000	-	-	8,000,000	7,000,000	5,500,000
TOTAL DEBT SERVICE	17,296,270	20,946,646	27,066,067	27,066,068	26,014,126	36,309,720	21,841,134	30,181,764	30,672,666	29,916,626
TRANSFERS IN (OUT)										
Capital Contribution	(541,181)	(2,096,576)	(2,329,998)	(2,329,998)	(1,813,633)	(1,411,519)	(985,150)	(769,164)	(1,316,260)	(579,600)
Operation support	300,000	200,000	100,000	100,000	100,000	-	-	-	-	-
TOTAL INTERFUND TRANSFERS IN (OUT)	(241,181)	(1,896,676)	(2,229,998)	(2,229,998)	(1,713,633)	(1,411,519)	(985,150)	(769,164)	(1,316,260)	(579,600)
FUND BALANCE										
Net Income (Loss)	(4,353,391)	34,837,842	(16,742,258)	(19,741,016)	(1,093,183)	(4,952,019)	7,295,179	20,681,981	17,738,517	15,304,563
Fund Bal Adj to FY 11/12 CAFR	(3,746,968)	-	-	-	-	-	-	-	-	-
Beginning Fund Balance July 01	86,826,407	78,726,047	101,904,739	113,563,889	113,563,889	112,470,705	107,518,686	114,813,864	135,495,847	153,234,365
ENDING BALANCE AT JUNE 30	78,726,048	113,563,889	86,162,481	93,822,872	112,470,705	107,518,686	114,813,865	135,495,846	153,234,364	168,538,928
RESERVE BALANCE SUMMARY										
Operating Contingencies	17,713,889	18,619,520	19,740,267	19,877,905	18,687,557	26,846,660	27,457,803	28,048,988	29,732,505	30,239,312
Capital Expansion & Replacement	13,295,092	28,950,820	15,703,244	15,676,910	23,383,057	9,312,805	5,616,224	5,519,837	5,726,482	12,432,790
CCRA Capital Construction	13,640,624	28,246,979	16,998,524	29,587,918	29,176,245	38,080,579	50,490,579	68,953,581	83,928,982	88,298,980
Rehabilitation/Replacement Reserve	11,520,797	17,695,038	10,753,313	9,927,995	22,251,687	11,437,812	9,067,163	9,300,534	9,431,640	11,785,627
Debt Service & Redemption	22,555,645	20,051,532	21,967,133	18,752,144	18,992,159	21,840,830	22,182,096	23,672,907	24,414,756	25,782,220
ENDING BALANCE AT JUNE 30	78,726,047	113,563,889	86,162,481	93,822,872	112,470,705	107,518,686	114,813,865	135,495,846	153,234,364	168,538,928



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

FY 2014/15 Budget Adoption

**Regional Committees
May 2014**



Adopted Rates

Program	Rate Description	FY 2012/13	FY 2013/14	FY 2014/15
Regional Wastewater	Monthly EDU Volumetric Fee per EDU	\$12.39	\$13.39	\$14.39
	New EDU Connection Fee per EDU	\$4,909	\$5,007	\$5,107
Recycled Water	Direct Delivery per AF	\$155	\$215	\$290
	Groundwater Recharge per AF	\$195	\$255	\$335



Regional Wastewater Capital Improvement Fund (RC)

- **Revenues & Other Funding Sources**
 - ❖ 3,000 New EDU Connections
 - ❖ \$26M Property tax receipts, equal to 65% allocation
- **Expense & Other Uses of Funds:**
 - ❖ \$5.5M Capital Improvement Plan (CIP)
 - ❖ \$30.2M Debt service costs, includes \$16.2M retirement of 2005A Bonds
 - ❖ \$1.9M Inter fund transfer to Admin Services (GG) and Recharge Water (RW) funds
 - ❖ Excludes long term planning document related projects



FY 2014/15 Major Projects

RC Fund



Project Name	Total Project Budget (\$Thousands)	FY 2014/15 Budget (\$Thousands)
RP-5 Flow Equalization & Effluent Monitoring	\$2,144	\$700
Agency Wide HVAC Improvements	\$1,244	\$600
Fontana Interceptor Relief & Sewer Manholes Rehab.	\$3,035	\$600
CCWRF Odor Control System Replacement	\$5,070	\$500
Collection System Repairs Phase V	\$575	\$400

Regional Wastewater Operations and Maintenance Fund (RO)

- **Revenues & Other Funding Sources**

- ❖ \$14.39/EDU rate with .25% EDU growth
- ❖ \$45.8M EDU volumetric revenue
- ❖ \$8.8M Property taxes, equal to 22% allocation
- ❖ \$3.5M IERCA cost reimbursement

- **Expense & Other Uses of Funds:**

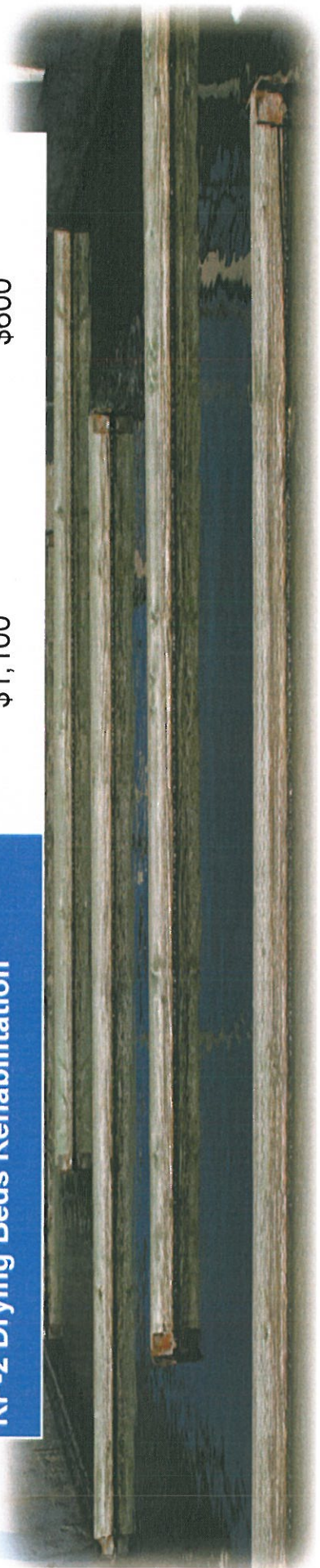
- ❖ \$56.4M total O&M Expenses:
 - \$28.4M, Employment costs
 - \$7.2M Utilities
 - \$4.5M Chemicals
 - \$3.6M Biosolids processing
 - \$2.9M Professional fees
 - \$2.2M Major O&M maintenance repairs (Asset Management)
- ❖ \$10.2M Capital Replacement and Rehabilitation (R&R)



FY 2014/15 Major Projects

RO Fund

Project Name	Total Project Budget (\$Thousands)	FY 2014/15 Budget (\$Thousands)
Montclair Lift Station Upgrades	\$2,915	\$2,500
SCADA Enterprise System Upgrade	\$9,625	\$1,000
RP-4 Headwork Retrofit	\$1,200	\$900
CCWRF Secondary Clarifier #3 Rehab	\$1,100	\$800
Major Equipment Rehabilitation	\$4,000	\$700
RP-2 Drying Beds Rehabilitation	\$1,100	\$600



Recycled Water Fund (WCF)



- **Revenues & Other Funding Sources**
 - ❖ \$9.5M Recycled Water Sales:
 - 21,500 AF direct deliveries @ \$290/AF
 - 10,500 AF recharge deliveries @ \$335/AF
 - ❖ \$2M property taxes, equal to 5% allocation
 - ❖ \$2.1M MWD LPP rebate set to expire June 2017
 - ❖ \$13.3M Loan & grant proceeds
- **Expense & Other Uses of Funds:**
 - ❖ \$9.8M CIP
 - ❖ \$4.9M Debt service costs
 - ❖ \$2.5 M Pumping costs
 - ❖ \$1.1M Groundwater operating costs including the Agency's "pro-rata share"
 - ❖ Excludes "drought" and long term planning document related projects

FY 2014/15 Major Projects

WC Fund

Project Name	Total Project Budget (\$Thousands)	FY 14/15 Budget (\$Thousands)
Wineville Extension –Segment A	\$31,200	\$3,000
Wineville Extension –Segment B	\$23,519	\$3,000
GWR and RW SCADA Communication System Upgrades	\$2,764	\$650
GWR and RW SCADA Control Equipment Upgrades	\$1,170	\$500
930 Zone Pressure Zone Pipeline	\$7,619	\$535
1630 East Pipeline Relocation	\$1,050	\$400
RP3 Basin Improvements	\$5,290	\$200

Recharge Water Fund (RW)

- **Revenues & Other Funding Sources**
 - ❖ \$1.3M O&M expenses:
 - \$745K Reimbursable from Chino Basin Watermaster (CBWM)
 - \$548K IEUA pro-rata share funded by WC Fund
 - ❖ \$1.2M Debt service and CIP equally funded by CBWM and IEUA
 - ❖ \$0.4M Non-reimbursable O&M labor costs funded by IEUA

- **Expense & Other Uses of Funds:**

- ❖ \$1.8M O&M costs
- ❖ \$1.0M Debt service costs
- ❖ \$0.2M CIP costs
- ❖ Excludes “drought” and long term planning document related projects



Schedule

Action	IEUA Finance Committee	IEUA Board	Regional Technical Committee	Regional Policy Committee
Review of Preliminary Budget	4/9	4/16	4/24	5/01
Review of Proposed Budget	5/14	5/21		
Approval/Adoption of Final Budget		6/18	5/29	6/5





Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

Recommendation



INFORMATION

ITEM

3A

Date: May 29/June 5, 2014
To: Regional Committees
From: Inland Empire Utilities Agency
Subject: IEUA Strategic Plan

RECOMMENDATION

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

BACKGROUND

This item was presented at the IEUA Board of Directors meeting on May 21, 2014.

Date: May 21, 2014
To: The Honorable Board of Directors
From: P. Joseph Grindstaff
General Manager
Submitted by: Christina Valencia
Chief Financial Officer/Assistant General Manager
Subject: Adoption of 2014 IEUA Strategic Plan

RECOMMENDATION

This is an informational item for the Board of Directors to review.

BACKGROUND

Beginning in 2013, Agency staff was tasked with a several initiatives which collectively update the Strategic Planning Framework for the Agency (see Figure 1). On October 16, 2013, the IEUA Business Goals were completed, replacing the existing Agency-wide policy goals and incorporating Levels of Service commitments. Subsequently, the Agency's Mission, Vision, and Values were updated to reflect the needs of our stakeholders and the value provided to the public. Another key document integrated into the planning framework is the Strategic Plan, which identifies work plans that will guide the Agency over the next five years in meeting the IEUA Business Goals and fulfilling its mission, vision and values. The development of the IEUA Strategic Plan commenced in January 2014 and encompassed a series of reviews with stakeholders across the organization as summarized in Table 1.

The IEUA Strategic Plan identifies what the Agency plans to accomplish within the next five years, 2015-2019; unifying the business goals, key objectives, commitments, and work plans that are needed for continued success in operations and management. Collectively, the work plans will serve as the basis for further derivation of department goals and objectives that will be included within the Agency's budget.

The Strategic Plan addresses fiscal years 2015-2019; the Agency will periodically review and update its Strategic Plan to reflect the actual progress and needs of the Agency over time.

Nearing the end of the FY 2014/15 budget cycle, department managers are utilizing the work plans from the Strategic Plan to develop specific department goals and objectives. The Board will review and approve the FY 2014/15 department goals and objectives in June, 2014, as part

of the FY 2014/15 budget adoption. This pending approval will complete the cycle identified as the Strategic Planning Framework in Figure 1, linking the Board's directives, Mission, Vision, and Values, IEUA Business Goals, Strategic Plan, and budget.

PRIOR BOARD ACTION

On October 16, 2013, the Board of Directors adopted the 2013 IEUA Business Goals.

IMPACT ON BUDGET

None.

Attachments: Figure 1
Table 1
IEUA Strategic Plan

Figure 1

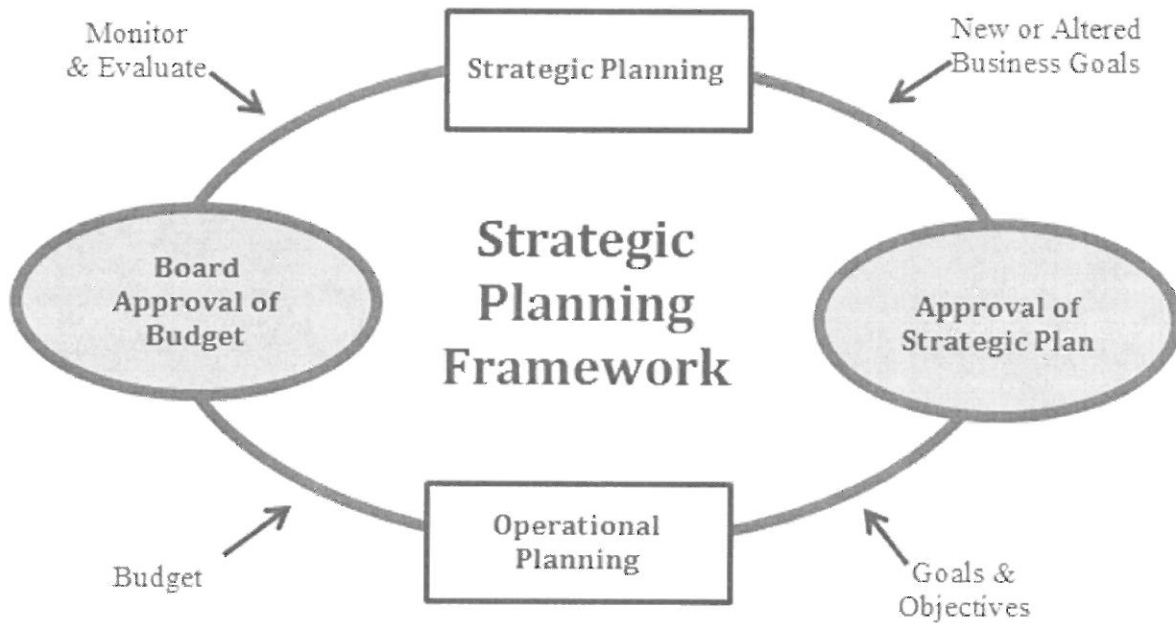


Table 1

Meeting	Date
Internal Staff Workshop I	January 7, 2014
Executive Manager Workshop	March 27, 2014
Internal Staff Workshop II	May 5, 2014
Board of Directors	May 21, 2014

Strategic Plan

Fiscal Years 2015-2019

Updated July 1, 2014



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E. Wastewater Management	16-17
F. Environmental Stewardship.	18-19
Appendix A Definitions of Key Terms	20 - 21

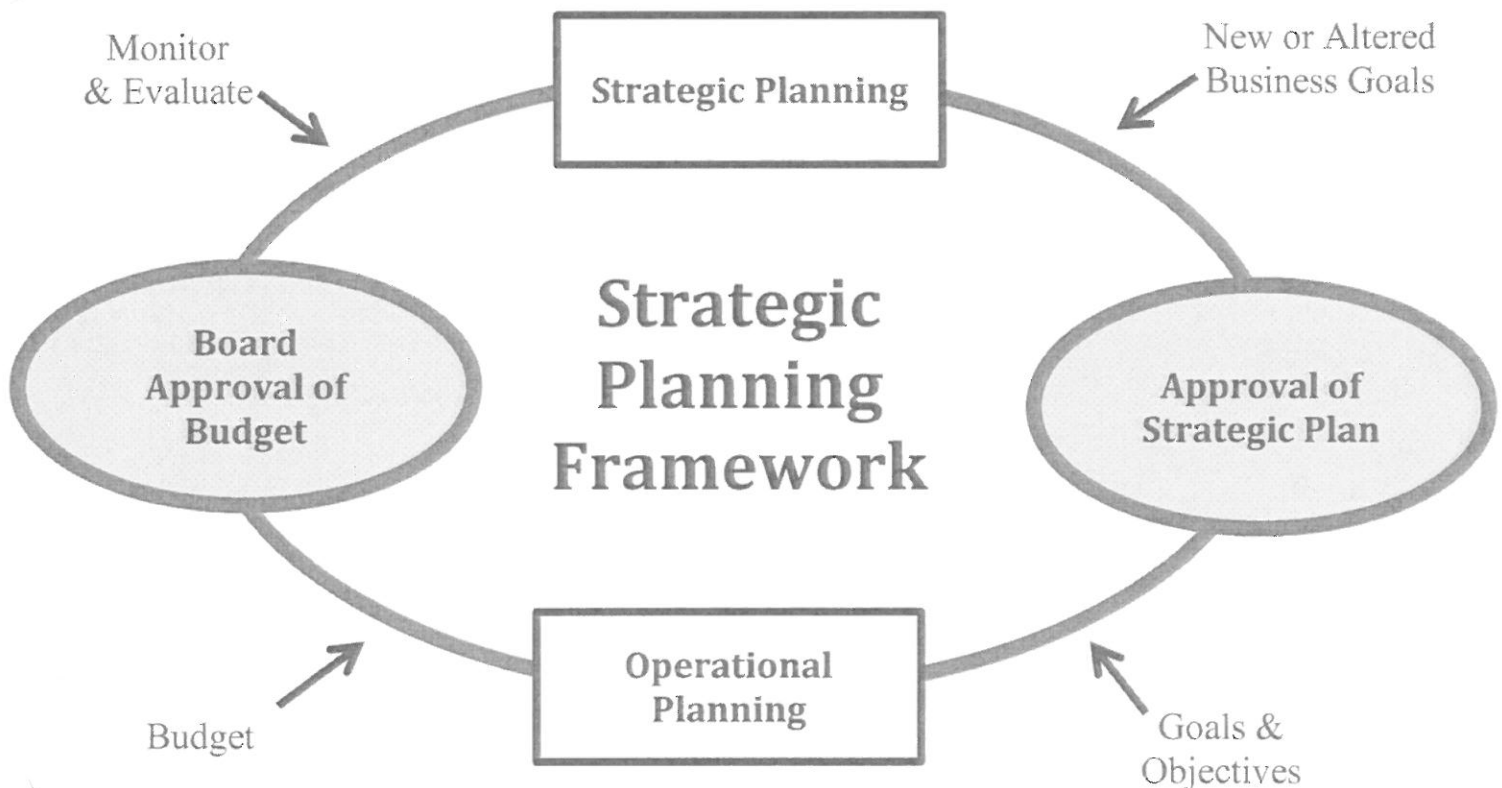
Introduction

A strategic plan enables an organization to set clear direction over all operational aspects of its mission. The Inland Empire Utilities Agency's Strategic Plan serves as a framework for decision making over a five-year period. The plan outlines the fundamental decisions that shape what the Agency plans to accomplish and sets a rational course of action. At its highest level, the Strategic Plan seeks to strengthen and build upon opportunities while addressing areas of concern.

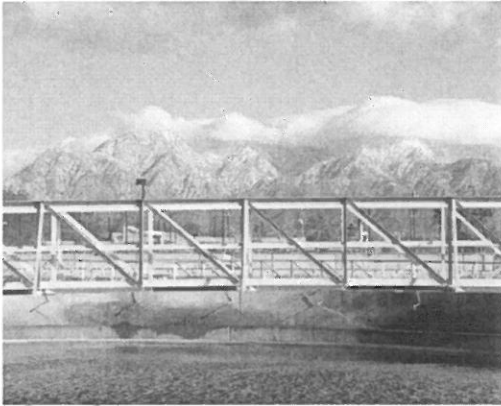
In 2013, Agency staff completed the development of IEUA Business Goals utilizing input from various stakeholders including the IEUA Board, staff, member agencies and other regional policy makers. Staff also led separate revisions to the Agency's mission, vision, and core values. Consolidating these efforts within the framework of a strategic plan allows the Agency to develop work plans that will guide the Agency over the next five years in fulfilling its mission, vision and values.

The Agency will review and update its Strategic Plan to reflect the actual progress and needs of the Agency over time. The current plan addresses fiscal years 2015-2019. The plan identifies strategy, goals, key objectives, commitments, and work plans that are needed for continued success in operations and management.

The planning framework illustrated below starts with the Board of Directors setting overall policy and priorities for the Agency. Each year, organizational divisions and departments develop specific goals, objectives, and budgets in support of the Board's directives.



Agency Overview



Formed in 1950, the Inland Empire Utilities Agency (IEUA/Agency) seeks to fulfill its responsibility as a “Steward of the Region”; committed to sustainably enhancing the quality of life in the Inland Empire by ensuring that a clean, plentiful water supply is available now and in the future. Over the years, IEUA has taken a variety of responsibilities in order to better assure a sustainable water supply. This includes becoming a regional provider of wastewater treatment with domestic and industrial disposal systems, and energy production facilities serving 830,000 residents within a 242-square

mile area located in San Bernardino County through its water and sewer member agencies.

As a member of the Metropolitan Water District of Southern California (MWD), one-third of the water distributed by IEUA is imported through the State Water Project. Recognizing the limitation on imported water supplies caused by drought conditions and environmental restrictions, a key business goal for IEUA is to “drought proof” the region by developing local supplies and maximizing groundwater recharge. IEUA operates five regional water recycling plants and produces three key “environmentally sustainable” products: recycled water, renewable energy, and high-quality biosolids compost.

The recycled water produced is not impacted by drought and is a key component of IEUA’s diversified “drought proof” water portfolio for the region. To safeguard the high-quality of recycled water, IEUA operates a brine line system to export high salinity industrial wastewater for discharge to the Pacific Ocean and administers a Salt Management Plan. IEUA was also instrumental in the financing and construction of desalination facilities in the region to convert brackish groundwater into drinking water.

Protecting the region’s vital groundwater supplies is a core element of the Agency’s “drought proof” business goal. IEUA’s commitment to water quality management and environmental stewardship ensures the maximum beneficial use of recycled water, stormwater and imported water throughout the region. The more water recharged into the Chino Groundwater Basin, the more self-reliant and less dependent the region becomes on imported water supplies.

IEUA is a leader in the production of renewable energy through the use of biogas, solar, and wind power. Combined, these renewable energy sources provide more than 50 percent of the Agency’s peak energy demand. Periodic updates to the Energy Management Plan ensure the Agency will achieve its goal to be energy independent during peak periods by 2020.



Agency Overview (continued)

In joint partnership with the Sanitation Districts of Los Angeles County, the Agency owns and operates the nation's largest indoor state-of-the-art biosolids compost manufacturing facility. Located in Rancho Cucamonga, the Inland Empire Regional Composting Facility is designed to produce a wood based, nutrient rich compost made from recycled green waste, biosolids, and horse stable bedding. It produces 230,000 cubic yards of *SoilPro* Premium Compost each year. This high-quality compost is sold as a soil conditioner which helps improve water retention resulting in better plant growth and water efficiency.

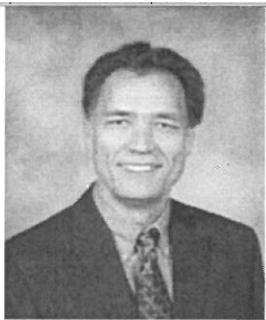
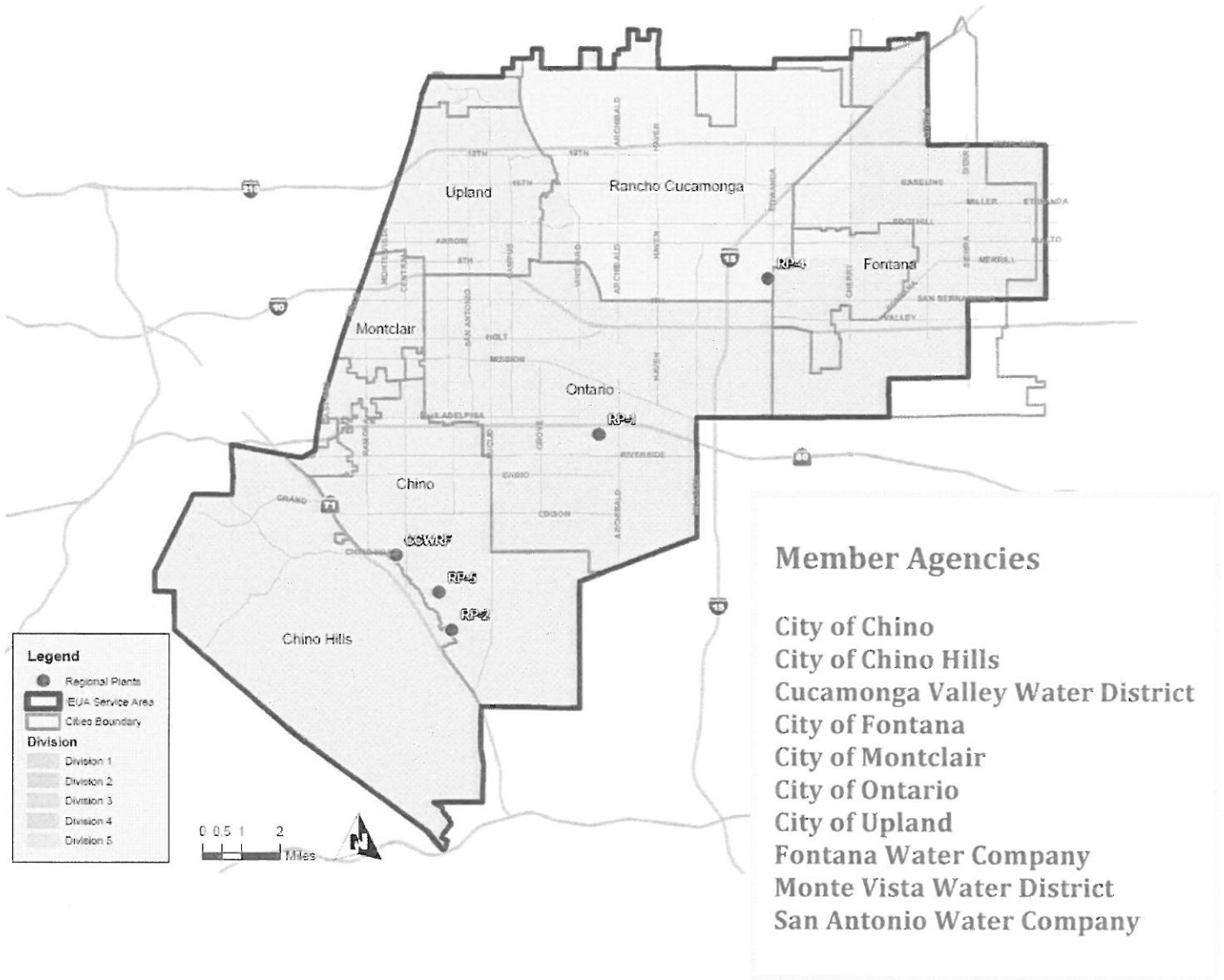
IEUA's investments provide the region with the reliability and sustainability needed to support economic development, as well as safeguard the quality of life in the Inland Empire through:

- Collection and treatment of wastewater
- Protection of public health
- Production of beneficial reuse of valuable/sustainable resources
- Ensuring infrastructure needed to support regional growth

IEUA Fact Sheet

Sewer / NRW Systems		Renewable Energy	
Miles of Pipe (Sewer)	94	Solar	3.5 MW
Miles of Pipe (Non-reclaimable)	72	Wind	1.5 MWH
Treatment Plants	5	Fuel Cell	2.8 MW
MGD Overall Capacity	84		
Recycled Water		Groundwater Recharge	
Miles of Pipe	82	Basins	19
Pumping Facilities	5	Imported Water Recharge	50,000 AF Yr
Connected Customers	>500	Storm Water Recharge	25,000 AF Yr
Annual Usage	32,000 AF	Recycled Water Recharge	10,000 AF Yr
Personnel		Biosolids	
No. of Authorized Employees	295	Processed Biosolids	150,000 Tons Yr
Average Years of Service	11	Tons of Compost	90,000

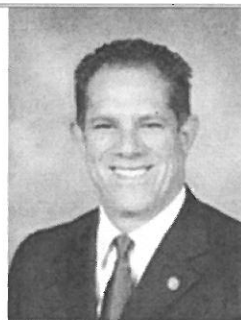
Board of Directors



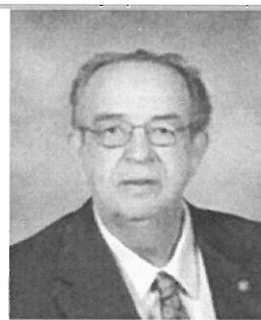
Terry Catlin,
President
Division 1



Michael Camacho,
Vice President
Division 5



Steve Eli,
Secretary/Treasurer
Division 3



Gene Koopman,
Director
Division 2



Jasmin Hall,
Director
Division 4

Business Goals

For any organization to remain relevant and effective, its ability to adapt and prepare for change is essential. As illustrated below, the six identified IEUA Business Goals encompass key objectives which must be continually evaluated and derived into work plans to ensure that current and future needs of the Agency and Region are acted upon. The IEUA Business Goals were adopted by the IEUA Board of Directors on October 16, 2013.

Mission Statement

Inland Empire Utilities Agency is committed to meeting the needs of the region by providing essential services in a regionally planned and cost effective manner while preserving public health, promoting economic development, and protecting the environment. Key areas of service:

- Securing and supplying imported water
- Collecting and treating wastewater
- Producing high-quality renewable products such as recycled water, compost, and energy
- Promoting sustainable use of groundwater and development of local water supplies

Vision

To become a world class leader in water management including water quality, water-use efficiency, recycled water, renewable energy, and environmental stewardship in order to enhance and preserve the quality of life throughout the region.

Values

Leading the way. Planning for the future. Protecting our resources. Living by our values. We are:

- Committed to applying ethical, fiscally responsible, transparent and environmentally sustainable principles to all aspects of business and organizational conduct.
- Working with integrity as one team, while celebrating our individuality, and diversity.
- Staying in the forefront of the industry through education, innovation, efficiency, and creativity.



Business Goal Overview

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practices	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
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Goal: IEUA will safeguard Agency’s fiscal health through organizational efficiency, adoption of balanced multiyear budgets and rates that meet full cost-of-service targets, maintain a high quality credit rating and preserve established fund balance reserves to effectively address short term and long term economic variability. Furthermore, IEUA will provide open and transparent communication to educate the Member Agencies on the fiscal policies of the Agency.

Key Objectives

Funding & Appropriation

Objective: IEUA will appropriately fund operational, maintenance and capital investment costs.

Commitment: Adopt service rates and fees that fully support the costs of service and provide a reliable and steady flow of operating revenue to support all operational expenses, capital replacement and debt service costs. In addition, IEUA will ensure that service rates and fees support the Agency’s goal to sustain high quality Commitment Levels

Budget Planning

Objective: IEUA will accurately forecast future operational, repair and replacement, capital improvement and debt service costs as needed for the creation of multiyear budgets and rate resolutions that create fiscal stabilization for IEUA and the Member Agencies.

Commitment: Provide multiyear forecasts for operational, repair and replacement, capital investment and debt service costs to support the adoption of multiyear budgets and rates enhancing dependability and stability.

Reserves

Objective: IEUA will preserve fund reserves that sustain the Agency’s long term fiscal health, high quality credit rating and ensure its ability to effectively address economic variability.

Commitment: Adopt financial policies to establish and preserve fund reserves above legally or contractually mandated levels to maintain Commitment Levels. In addition, IEUA will support short and long term funding requirements and sustain the Agency’s long term fiscal health and high quality credit rating to reduce future borrowing costs.


Credit-worthiness

Objective: IEUA will sustain a high quality credit rating and debt service coverage ratio to safeguard the Agency’s fiscal health and reduce future borrowing costs.

Commitment: Reinstate the Agency’s credit rating to AAA by FY 17/18 to reduce borrowing costs anticipated for the expansion and improvement of existing facilities to meet future growth in the Agency’s service area.

Work Plan

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practice	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
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<p>1. Adopt rates that fully meet cost of service for key Agency programs; Non-Reclaimable Wastewater (NRW) System by July 2019, Regional Wastewater by July 2018, Recycled Water by July 2019, Water Resources by July 2020</p> <p>2. Continue commitment to cost containment for operating and capital costs</p> <p>3. Advocate for continued receipt of property taxes and optimize grants and other funding sources to support Agency and regional investments</p> <p>4. Amend the Regional Sewerage Service Contract to provide more flexibility in the use of property taxes by July 2015</p> <p>5. Begin the nexus study for regional connection fees by May 2014</p> <p>6. Fully fund the Other Post Employment Benefit (OPEB) unfunded accrued liability by July 2019</p> <p>7. Fully fund the pension unfunded accrued liability by July 2024</p> <p>8. Initiate discussions prior to January 2018 to revise and renew the Regional Sewerage Service Contract set to expire in 2023</p> <p>9. Transition to a biennial budget beginning July 1, 2015</p> <p>10. Integrate and fully fund the Replacement and Rehabilitation (R&R) projects identified in the Agency's Asset Management Plan into the annual capital improvement plan (CIP)</p> <p>11. Integrate projects identified in the long range financial planning documents, such as the Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, into the operating and capital budget by July 2016</p> <p>12. Annually update the Agency's Investment Policy to ensure appropriate balance among safety, liquidity, and yield considerations</p> <p>13. Continue to monitor market opportunities for retirement, refunding, or restructuring of outstanding debt to reduce costs</p> <p>14. Annually, review and update the Agency's reserve policy to ensure sufficient funding to meet operating, capital, debt service, obligations, unforeseen events, and comply with legally mandated requirements</p> <p>15. Reinstate the Agency's long term credit rating to AAA and maintain a debt coverage ratio to support such rating by FY 2017/18</p> <p>16. Conduct or participate in a consortium to compile performance measures for agencies across the state that will serve as a benchmarking tool to drive awareness of strengths and opportunities for improvement by June 2016</p>	
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Business Goal Overview

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practices	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
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Goal: IEUA is committed to provide a positive workplace environment by recruiting, retaining and developing a highly skilled team dedicated to the Agency's Mission, Vision and Values

Key Objectives

Mission, Vision & Values

Objective: IEUA will uphold Business Goals, Objectives and Commitment Levels that support and advance the Agency's Mission, Vision and Values.

Commitment: Maintain the highest standard of ethical conduct from all Agency staff by promoting values of prudent leadership, integrity, collaboration, open communication, respect, accountability, high quality, passion and efficiency to support the Agency's Mission, Vision & Values.

Employer of Choice

Objective: IEUA will be an Employer of Choice.

Commitment: Provide a work environment that will attract and retain highly skilled, motivated, professional and committed employees.

Training

Objective: IEUA will provide employees with state-of-the-art skills and knowledge to meet current and anticipated Agency needs.

Commitment: Facilitate and provide opportunities for staff to further their personal/professional development in support of maintaining a highly skilled workforce.

Staff Safety

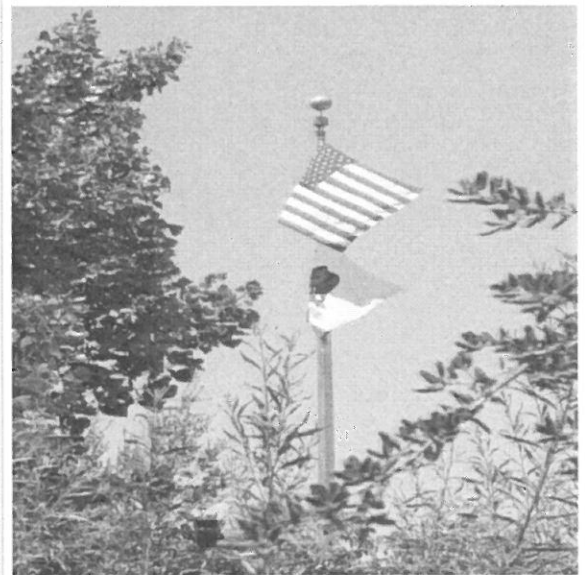
Objective: IEUA will promote and ensure a safe and healthy work environment to protect employees and Stakeholders.

Commitment: No more than 1 day of lost time due to work related illness or injury per 1,000 days worked.

Work Plan

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practices	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
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1. Ensure staff understands and upholds their role in achieving the Agency's Mission, Vision, and Values
2. Develop and implement a plan to mentor and prepare the next generation of Agency leaders by July 2017
3. Develop a plan to conduct a feedback study to measure employee satisfaction by December 2014
4. Implement the Agency-wide Classification and Compensation Study by November 2014
5. Review and update the STAR Award Program to more effectively recognize outstanding performance by December 2014
6. Implement strategies and recruitment practices that provide flexible and responsive solutions to assist the Agency in filling positions in a timely and effective manner by July 2014
7. Establish a cross training program across departments and divisions to enhance understanding of Agency programs by June 2015
8. Draft a new consolidated Personnel Rules and Regulations for the Agency across all bargaining units, thereby streamlining individual Unit MOUs by July 2016
9. Uphold a strong internal control environment by conducting independent objective internal and external audits of Agency finances and operations
10. Promote positive labor relations by conducting routine informal labor/management meetings with unit representative
11. Prepare and implement a Disaster Preparedness Plan and conduct periodic emergency response drills by July 2017
12. Achieve a Cal Star Award certification from OSHA by June 2019
13. Review and revise the Emergency Preparedness Plan by July 2017
14. Annually, review and revise the Workplace Injury Illness Prevention Program to prevent work related injuries/illness and reduce loss of time worked
15. Promote a safer work environment by administering and monitoring required safety and regulatory trainings



Business Goal Overview

G. Fiscal Responsibility	H. Workplace Environment	I. Business Practices	J. Water Reliability	K. Wastewater Management	L. Environmental Stewardship
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Goal: IEUA is committed to applying ethical, fiscally responsible and environmentally sustainable principles to all aspects of business and organizational conduct.

Key Objectives

Efficiency & Effectiveness

Objective: IEUA will promote standards of efficiency and effectiveness in all Agency business practices and processes.

Commitment: Integrate Lean techniques to evaluate its current business practices and processes and identify ways to improve the quality, cost and value of the services the Agency provides to the Member Agencies and the Public.

Customer Service

Objective: IEUA will provide excellent customer service that is cost effective, efficient, innovative and reliable.

Commitment: Respond to and meet the Member Agencies expectation for enhanced value added services. IEUA will solicit Stakeholder feedback on performance and goal alignment on an annual basis.

Regional Leadership and Community Relations

Objective: IEUA will cultivate a positive and transparent relationship with its Stakeholders to enhance quality of life, preserve our heritage and protect the environment.

Commitment: Partner with its Stakeholders on common issues to create and implement integrated and innovative solutions, minimize duplication of efforts and support education and outreach to the Public. Furthermore, IEUA will incorporate Member Agencies and Regional Water Agencies into various IEUA related projects and programs to ensure that a transparent and broader regional representation is achieved.

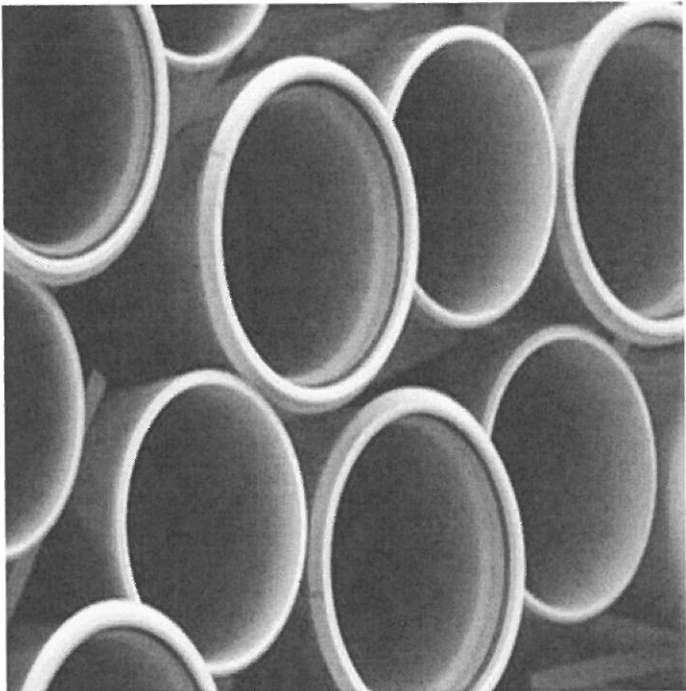
Policy Leadership

Objective: IEUA will effectively advocate, campaign and guide the development of policies and legislation that benefit the Region IEUA serves.

Commitment: Promote a collaborative approach for the development of positions on policies, legislation, and regulations that impact Agency policy objectives.

Work Plan

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practices	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
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1. Review and update the Asset Management Plan by December 2014	
2. Replace the legacy Document Management System to ensure it meets Agency-wide and regulatory public records requirements and eliminates redundant archiving systems by December 2015	
3. Determine the scope for Geographic Information Systems online applications to share information with member agencies by September 2014	
4. Develop a program that annually measures the effectiveness and efficiency of Agency core services based on stakeholder feedback on "quality, cost and value"	
5. Leverage private/public partnership opportunities	
6. Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies	
7. Update and maintain the Agency's website to clearly communicate key activities, issues, policies and key documents, and continue to optimize use of social network media	
8. Meet annually with affiliated agencies and elected representatives	
9. Meet annually with the region's congressional and state delegations to advance key legislation	
10. Identify and participate in organizations that advance the Agency's mission, vision and key initiatives	
11. Promote regional projects and initiatives through presentations to community based organizations, service groups, and stakeholders	
12. Promote regional projects and initiatives to boost business and industry relocations and promote economic development in the region	
13. Provide timely updates to the Regional Committees and the IEUA Board on long term planning needs	
14. Annually, promote superior customer service when working internally with colleagues	

Business Goal Overview

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practices	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
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Goal: IEUA is committed to the development and implementation of an integrated water resource management plan that promotes cost-effective, reliable, efficient and sustainable water use along with economic growth within the IEUA Service Area.

Key Objectives

Water Use Efficiency & Education

Objective: IEUA will promote education and water use efficiency to enhance water supplies within the Region and exceed State goals for reductions in per capita water use within the IEUA Service Area.

Commitment: Promote to reduce water use in the IEUA Service Area to less than 200 gallons per capita per day (GPCD) by 2018.

New Water Supplies

Objective: IEUA will support the Member Agencies and Regional Water Agencies with the development of reliable, drought-proof and diverse local water resources and Supplemental Water supplies in order to reduce dependence on Imported Water supplies.

Commitment: Promote reducing demand for Imported Water during dry and normal years and storing Imported Water into the Chino Groundwater Basin during wet years. In addition, IEUA will support maximizing the beneficial use of existing water infrastructure, while meeting future increased demands through investment in local water resources, Supplemental Water supplies and conservation efforts.

Recycled Water

Objective: IEUA will support maximizing beneficial reuse of recycled water to enhance reliability and reduce dependence on Imported Water.

Commitment: Complete the development of recycled water infrastructure and will support the Member Agencies in achieving reuse of 50,000 AFY by 2025.

Groundwater Recharge

Objective: IEUA will support the recharge of all available storm water and maximize the recharge of recycled water within the Chino Groundwater Basin. Furthermore, IEUA will pursue the purchase and storage of cost-effective Supplemental Water supplies.

Commitment: Support the recharge of all available storm water and maximize the recharge of recycled water within the Chino Groundwater Basin. Furthermore, IEUA will pursue the purchase and storage of cost-effective Supplemental Water supplies.

Work Plan

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practices	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
--------------------------	--------------------------	-----------------------	----------------------	--------------------------	------------------------------

1. Complete update of the Water Use Efficiency Business Plan by December 2014, the Integrated Resources Plan by October 2014, and the Urban Water Management Plan by June 2016
2. Develop new targets and programs to achieve 20 x 2020 requirement through water use efficiency measures by December 2014
3. Develop and implement a communication plan to promote water use efficiency and the value of water by July 2015
4. Advocate for ordinances promoting storm water capture
5. Work with other Agencies to optimize use of recycled water to reach 50,000 AFY by June 2022
6. Identify and evaluate supplemental water supplies for the region by October 2014
7. Develop plan to improve the quality of recycled water to meet customer's needs by June 2017
8. Complete water softener ordinance by December 2014 and continue to reduce salinity and nutrients in recycled water.
9. Identify and protect the best recharge land sites in the service region by June 2016
10. Conduct research to find new methods to safely recharge more water into Chino Basin by June 2016
11. Coordinate with the Chino Basin Watermaster on the Recharge Master Plan Update by July 2019
12. Accelerate implementation of capital projects where appropriate to "drought proof" regional water supplies and optimize use of available federal and state grants and low interest rate financing
13. Advocate strategies that help anticipate and mitigate the impacts of droughts and climate change on the region



Business Goal Overview

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practices	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
--------------------------	--------------------------	-----------------------	----------------------	--------------------------	------------------------------

Goal: IEUA systems will be master planned, managed and constructed to ensure that when expansion planning is triggered, designs/construction can be completed to meet regulatory/growth needs in an expeditious, environmentally responsible and cost effective manner.

Key Objectives

Capacity

Objective: IEUA will maintain capacity within systems and facilities to meet essential service demands and to protect public health and environment.

Commitment: Ensure that systems are managed and constructed so that 90% of capacity is never exceeded.

On-time Construction

Objective: IEUA will ensure capital projects are designed and implemented in a timely and economically responsible manner.

Commitment: Design and construct facilities through efficient project management to ensure that 80% of projects are completed on schedule and 90% of projects are on budget.

Biosolids Management

Objective: IEUA will manage all Agency produced biosolids in a compliant, fiscally prudent and environmentally sustainable manner.

Commitment: Ensure that 95% of the Inland Regional Compost Facility's capacity is utilized, all biosolids produced by IEUA are treated at IERCF, Agency solids generation is minimized through efficient dewatering operations and all compost is marketed for beneficial use.

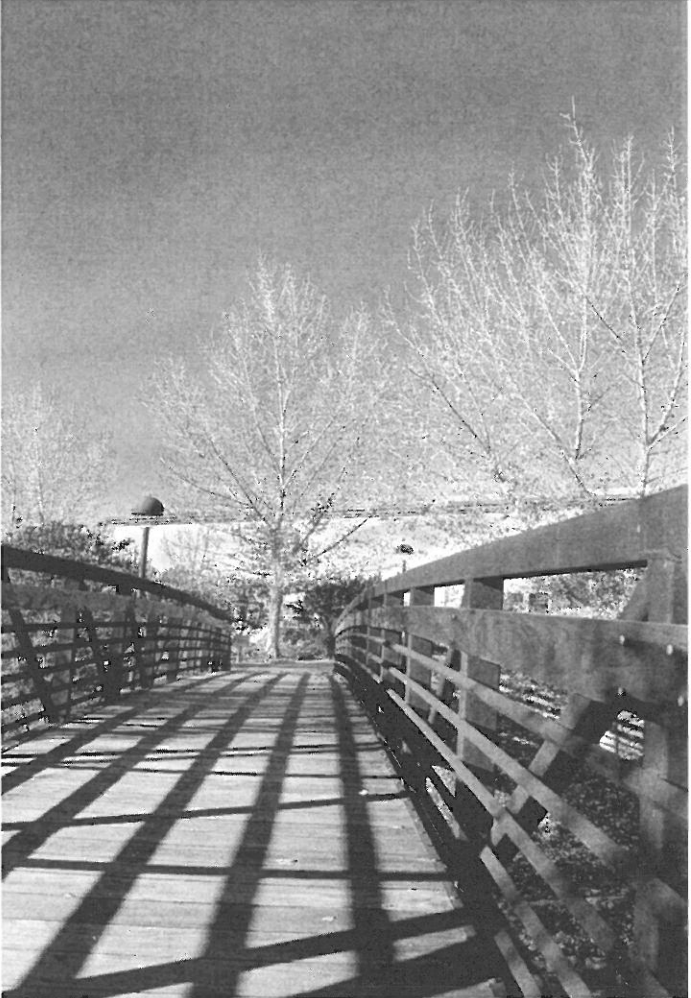
Energy Management

Objective: IEUA will optimize facility energy use and effectively manage renewable resources to achieve peak power independence, contain future energy costs, achieve statewide renewable energy, distributed generation and greenhouse gas reduction goals, and provide for future rate stabilization.

Commitment: Optimize facility energy use and effectively manage renewable resources to achieve peak power independence, contain future energy costs, and achieve statewide renewable energy, distributed generation, and greenhouse gas.

Work Plan

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practices	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
--------------------------	--------------------------	-----------------------	----------------------	--------------------------	------------------------------

1. Update Wastewater Facilities Master Plan by December 2014 and thereafter every 10 years to ensure timely expansion of Agency facilities to address anticipated regional growth	
2. Ensure reliability of Agency assets by annually implementing the asset management monitoring and assessment program (Asset Management Plan)	
3. Monitor treatment plant performance and initiate corrections to maintain 100% regulatory compliance	
4. Provide engineers training to understand business aspects of capital projects and increase engineering consultant design services in lieu of in-house designs to complete more projects in a shorter timeframe by July 2015	
5. Evaluate advances in laboratory design for inclusion in the construction of the Water Quality Laboratory facility	
6. Conduct Lesson's Learned sessions to evaluate key construction implementations	
7. Continue to optimize operation of digestion and dewatering centrifuges to minimize operational costs	
8. Develop a Biosolids Capacity Marketing Plan maximizing material input and output by June 2017	
9. Develop a design concept for the proposed South Compost Facility by December 2014	
10. Develop a comprehensive Energy Management Master Plan by June 2015	
11. Complete an Agency-wide greenhouse gas emission (GHG) baseline assessment using the Climate Registry protocol to allow the Agency to sell credits by July 2016	

Business Goal Overview

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practices	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
<p>Goal: IEUA is committed to the responsible use and protection of the environment through conservation and sustainable practices.</p>					

Key Objectives

Good Neighbor Policy

Objective: IEUA will control odors at all Agency facilities for the purpose of improving the environment and being a good neighbor to the local community.

Commitment: Perform a quarterly odor monitoring assessment to develop actual and acceptable baseline odor thresholds. Acceptable baseline thresholds will be used to measure treatment plant performance and drive necessary capital improvements.

Regulatory Compliance

Objective: IEUA will promote education and water use efficiency to enhance water supplies within the Region and exceed State goals for reductions in per capita water use within the IEUA Service Area.

Commitment: Promote to reduce water use in the IEUA Service Area to less than 200 gallons per capita per day (GPCD) by 2018.

Response & Complaint Mitigation

Objective: IEUA will control odors at all Agency facilities for the purpose of improving the environment and being a good neighbor to the local community.

Commitment: Perform a quarterly odor monitoring assessment to develop actual and acceptable baseline odor thresholds. Acceptable baseline thresholds will be used to measure treatment plant performance and drive necessary capital improvements.

Environmental Responsibility

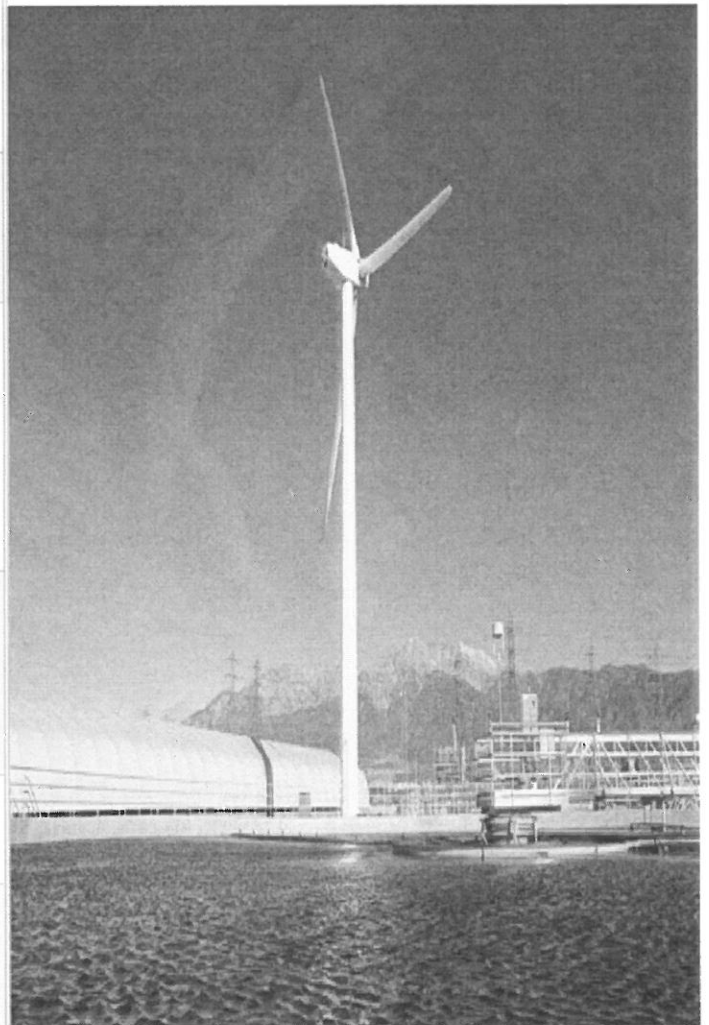
Objective: IEUA will strive to implement actions that enhance or promote environmental sustainability and the preservation of the region's heritage.

Commitment: Consider and assess environmental sustainability, public use and heritage preservation options for all of its programs and projects.

Work Plan

A. Fiscal Responsibility	B. Workplace Environment	C. Business Practices	D. Water Reliability	E. Wastewater Management	F. Environmental Stewardship
--------------------------	--------------------------	-----------------------	----------------------	--------------------------	------------------------------

1. Develop and update logical, technically based, defensible, local limits for regional significant industrial users by August 2015 and review every five years
2. Complete odor baselines report by June 2015
3. Develop a communication plan to promote being a good neighbor by June 2015
4. Strive for 100% use of Agency bi-products by 2021
5. Lead efforts to advocate for emerging trends and proposed changes to rules and regulations
6. Annually review and update Key Performance Indicators (KPI's) to monitor and comply with all regulatory requirements
7. Annually review and update the Emergency Response and Operational Plans for all facilities
8. Ensure Agency programs promote environmental stewardship, sustainability, and preservation of heritage measures, utilizing green procurement and reuse of surplus materials, equipment, and parts when possible
9. Complete a performance assessment of the Platinum LEED rated headquarters and develop a plan to ensure performance, as appropriate, to the platinum standard
10. Support legislation to reduce drugs in waterways through take back programs
11. Develop a regionally focused Comprehensive Mitigation Plan for construction projects by July 2016



Appendix A

Definitions of Key Terms

20 x 2020	The 20x2020 <i>Water Conservation Plan</i> sets forth a statewide road map to maximize the state's urban water efficiency and conservation opportunities between 2009 and 2020, and beyond. It aims to set in motion a range of activities designed to achieve the 20 percent per capita reduction in urban water demand by 2020.
AF/AFY	Acre foot/Acre foot per year
Cal Star Award	The California Voluntary protection program (Cal/VPP) Star is a labor-management-government cooperative program designed to recognize workplaces that manage outstanding health and safety management systems for protection of workers and go beyond minimal compliance with the Cal/OSHA Title 8 California Code of Regulations
Key Performance Indicators	A set of quantifiable measures that an organization uses to gauge or compare performance in terms of meeting their strategic and operational goals
Lean Management	An approach to running an organization that supports the concept of continuous improvement, a long-term approach to work that systematically seeks to achieve small, incremental changes in processes in order to improve efficiency and quality
LEED Platinum	LEED, or Leadership in Energy & Environmental Design, is a green building certification program that recognizes best-in-class building strategies and practices. To receive LEED certification, building projects satisfy prerequisites and earn points to achieve

Appendix A

Definitions of Key Terms

	different levels of certification. Platinum is the highest certification.
Lesson's Learned	A review meeting held after a project is complete to discuss the pros and cons of the design and implementation between all affected parties
Non-Potable Water	Water not suitable for drinking
Potable Water	Water at a quality level high enough to meet regulatory standards for purposes of human consumption.
Recycled Water	Multiple reuse of effluent or gray water before it is returned to the natural hydrologic (water) system for subsequent beneficial use
Reuse	To use effluent or gray water for a beneficial purpose before it is returned to the natural hydrologic (water) system
STAR Award Program	An employee run recognition program that nominates and selects individuals who demonstrate excellence in leadership, creativity, performance and teamwork above and beyond the performance requirements of their position
Wastewater	Water that has been previously used by a municipality, industry, or agriculture and has suffered a loss of quality as a result of use.



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

IEUA Strategic Plan

Fiscal Years 2015-2019

Board of Directors

May 21, 2014

- IEUA Business Goals Adopted – October 16, 2013
- Internal Staff Workshop I – January 7, 2014
- Executive Manager Workshop – March 27, 2014
- Internal Staff Workshop II – May 5, 2014
- Board of Directors – May 21, 2014

Benefits & Objectives

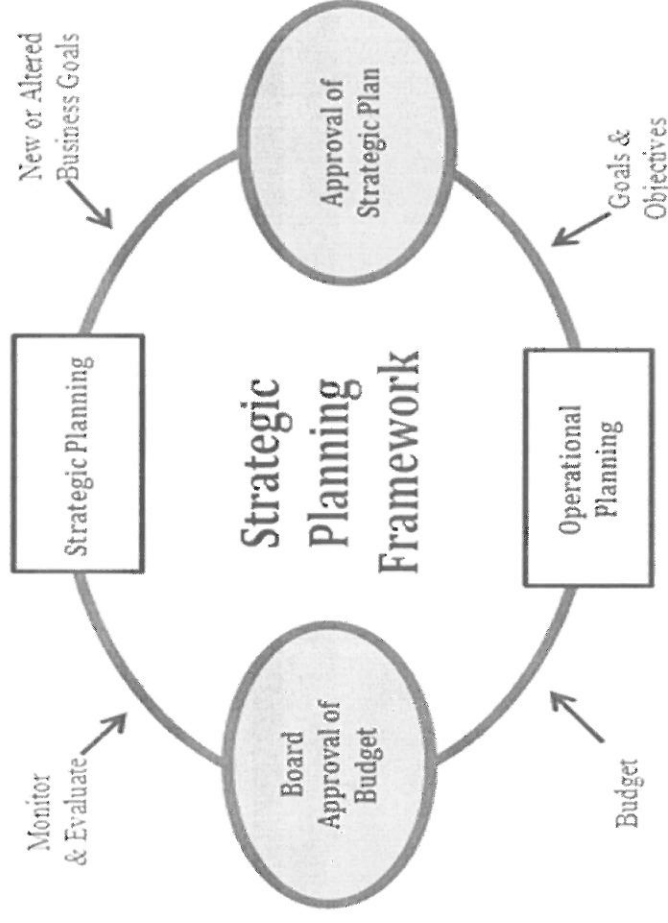


- Establishes clear direction
- Outlines fundamental decisions
- Transparent communication of the Agency's vision and goals
- Identifies:
 - Strategies
 - Goals
 - Key Objectives
 - Commitments
 - Work Plans

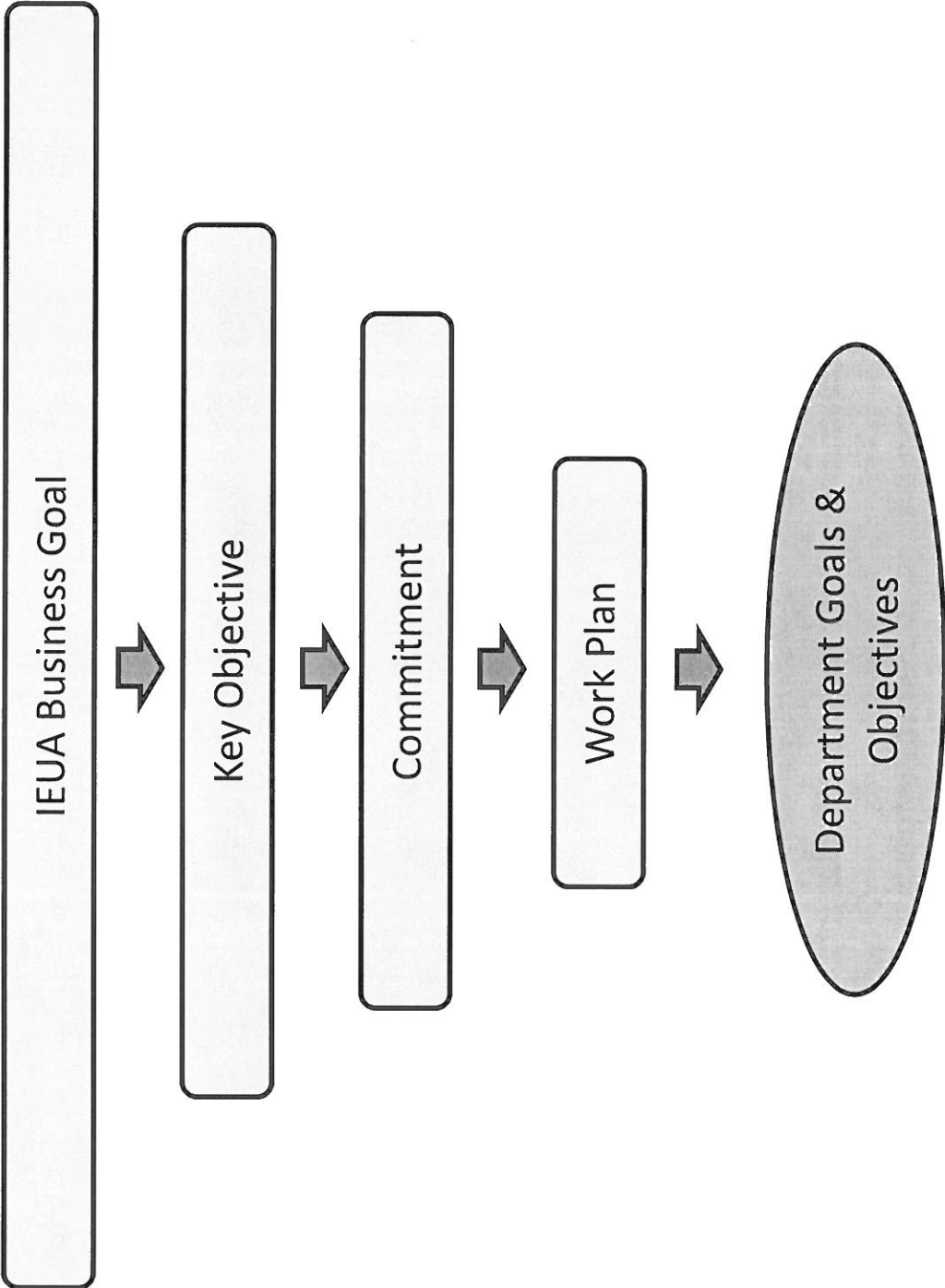
Framework & Development



- Framework
 - Board of Directors overall policy
 - Priorities for the Agency
- Development
 - Goals, Key Objectives and Commitments revisited from the IEUA Business Goals
 - Work plan - extension of the IEUA Business Goals
 - Goals & Objectives – Work plan to serve as their basis of development



Structure



Fiscal Responsibility



Highlights from the Fiscal Responsibility Work Plan
Continue commitment to cost containment for operating and capital costs
Achieve cost of service rates
Amend the Regional Sewerage Service Contract to provide more flexibility in the use of property taxes by July 2015
Fully fund the Other Post Employment Benefit (OPEB) unfunded accrued liability by July 2019
Integrate projects identified in the long range financial planning documents, such as the Facilities Wastewater Master Plan, Technology Master Plan, Energy Plan, and the Integrated Resources Plan, into the operating and capital budget by July 2016

Workplace Environment



Highlights from the Workplace Environment Work Plan
Implement the Agency-wide Classification and Compensation Study by November 2014
Establish a cross training program across departments and divisions to enhance understanding of Agency programs by June 2015
Prepare and implement a Disaster Preparedness Plan and conduct periodic emergency response drills by July 2017
Review and revise the Emergency Preparedness Plan by July 2017
Promote a safer work environment by administering and monitoring required safety and regulatory trainings

Business Practices



Highlights from the Business Practices Work Plan
Review and update the Asset Management Plan by December 2014
Develop a program that annually measures the effectiveness and efficiency of Agency core services based on stakeholder feedback on "quality, cost and value"
Continue to apply Lean management principles to streamline current business processes and systems and eliminate waste and redundancies
Meet annually with the region's congressional and state delegations to advance key legislation
Promote regional projects and initiatives through presentations to community based organizations, service groups, and stakeholders

Water Reliability



Highlights from the Water Reliability Work Plan
Complete update of the Water Use Efficiency Business Plan by December 2014, the Integrated Resources Plan by October 2014, and the Urban Water Management Plan by June 2016
Develop new targets and programs to achieve 20 x 2020 requirement through water use efficiency measures, including; improve rate structures, integrate water use into billing, expand outdoor water use efficiency, and increase local use of stormwater by December 2014
Develop and implement Recycled Water Peak Demand Management Plan to optimize efficient use of recycled water by June 2015
Coordinate with the Chino Basin Watermaster on the Recharge Master Plan Update by July 2019
Accelerate implementation of capital projects where appropriate to “drought proof” regional water supplies and optimize use of available federal and state grants and low interest rate financing

Wastewater Management



Highlights from the Wastewater Management Work Plan
Update Wastewater Facilities Master Plan by December 2014 and thereafter every 10 years to ensure timely expansion of Agency facilities to address anticipated regional growth
Monitor and integrate the Building Activity Report (BAR) data for actual and projected growth with the Asset Management Plan into regional wastewater planning
Conduct Lesson's Learned sessions to evaluate key construction implementations
Develop a Biosolids Capacity Marketing Plan maximizing material input and output by June 2017
Develop a comprehensive Energy Management Master Plan by June 2015

Environmental Stewardship



Highlights from the Environmental Stewardship Work Plan
Develop and update logical, technically based, defensible, local limits for regional significant industrial users by December 2014 and review every five years
Develop a communication plan to promote being a good neighbor by June 2015
Ensure Agency programs promote environmental stewardship, sustainability, and preservation of heritage measures, utilizing green procurement and reuse of surplus materials, equipment, and parts when possible
Complete a performance assessment of the Platinum LEED rated headquarters and develop a plan to ensure performance, as appropriate, to the platinum standard
Develop a regionally focused Comprehensive Mitigation Plan for construction projects by July 2016



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

QUESTIONS?

**INFORMATION
ITEM**

3C

Date: May 29, 2014/June 5, 2014
To: Regional Committees
From: Inland Empire Utilities Agency
Subject: Property Tax Use Overview and Proposed Re-Allocation

RECOMMENDATION

This is an information item for the Regional Committees to receive and file and is intended to address a request from the Regional Technical Committee made on April 24, 2014 for clarification on the Agency's authority on the use of property taxes, and the proposed re-allocation of property taxes amongst the Agency's various programs in future years.

BACKGROUND

Agency's Authority on the Use of Property Taxes

The Inland Empire Utilities Agency (Agency), named the Chino Basin Municipal Water District until July 1998, was formed in 1950 as a municipal water district. The service functions and taxing powers and general district purpose are directed by the Municipal Water District Act of 1911. The Agency levied a tax on taxable property within its service area to support the level of service.

In 1970 the Agency adopted the General Plan for Water and Wastewater Systems (the Plan). The Plan was intended to improve water management in the Chino Basin as mandated by the Orange County Water District vs. City of Chino (Superior Court Case #117628). The Plan called for the Agency to own, control and operate a regional wastewater system which would then allow the integration of municipal sewage effluent to the various sources of water supply to satisfy the annual obligation of delivering 17,000 acre feet of water to the Santa Ana River.

This led to the execution of the Regional Sewage Service Contract (the Regional Contract) in August 1972, wherein the Agency purchased the community sewage facilities and infrastructure owned and operated by cities of Upland, Ontario, Chino, Montclair and Fontana and the Cucamonga County Water District (name later changed to Cucamonga Valley Water District). The Agency assumed regional responsibility in January 1973. To finance the acquisition of the existing and future improvement and expansion of the regional wastewater system, the Agency formed an Improvement District "C" (IDC) to levy a tax on taxable property within its service area. As there were no "Connection Fees" for the Regional Wastewater Capital Improvement (RC) fund, IDC taxes supported the regional system acquisition, expansion and improvement costs. The IDC was in addition to the general taxes already levied by the Agency.

The passage of Proposition 13 in 1978 capped the amount of property taxes to 1% of assessed values. As a result the Agency was no longer permitted to levy a property tax, including an IDC tax. Instead,

the Agency began receiving certain tax money levied by the County and allocated to the Agency in lieu of general and IDC taxes previously levied by the Agency. As the Regional Contract was never amended to incorporate the changes brought on by Prop 13, the Agency continued to designate property taxes received from the County for the IDC tax area to the RC fund. The remaining property tax receipts were split between the General Administration (GG) fund and the Tertiary Capital (TU) fund which later evolved into the Tertiary Operations & Maintenance (TO) fund. Both the GG and the TU funds had very small operating revenues, so property taxes were necessary to support operations and administration costs.

Technically, the TO fund is not part of the Regional Contract. It was included in the Regional program in later years as the result of the 1992-93 state legislation which diverted a portion of the Agency's tax revenue to Education Revenue Augmentation Fund (ERAF). Following another ERAF shift in fiscal years (FYs) 2004/05 and 2005/06, (a total of \$14 million in Agency property taxes were diverted) the TO fund was combined with the RO fund, resulting in the RO fund receiving the property tax allocation of 27%. Since FY 2006/07, the allocation of property taxes has been 8% to GG fund, 27% to RO fund and 65% (IDC taxes) to RC fund.

With the exception of the "IDC" taxes which are allocated to the RC fund in alignment with the Regional Contract, the IEUA Board has the authority to augment the allocation of all other property taxes collected by the Agency amongst its various programs. The Board has exercised this authority on several occasions;

- In FYs 2001/02 – 2007/08, approximately \$75,000 per year was transferred from the GG fund to the Water Resources (WW) fund to support the water conservation program.
- In FY 2009/10, 8%, or approximately \$2.8 million, was re-allocated to the Recycled Water (WC) fund from the RO fund to support debt service costs.
- In FY 2011/12, the re-allocation to the WC fund was reduced to 5%, or approximately \$1.7 million.
- Proposed for FY 2014/15 is a transfer of 3%, or approximately \$1.2 million, from the GG fund to the WW fund to support implementation and administration of drought related projects.

No change in the property taxes allocation percentage to the Regional program is proposed for FY 2014/15.

Proposed Re-Allocation of Property Taxes

Although the Agency, in partnership with its member agencies, have made significant strides in enhancing local water supplies, the severity of the current drought serves as a reminder of how much our region still relies on imported water supplies. Further development of local water supplies, such as maximizing groundwater recharge, improving water quality, and securing alternative water supplies is essential for the region. Additionally, continual promotion of water use efficiency and conservation throughout the region is essential in achieving and sustaining the 20 x 2020 mandate.

Examples of some of the capital investments proposed to be funded with property taxes include:

- Safeguarding land sites to expand groundwater recharge throughout the Chino Basin

- Constructing new recharge basins and ASR well sites
- Implementing groundwater treatment/cleanup to improve water quality
- Securing supplemental/alternative water supplies to reduce dependence on SWP
- Implementing regional drought program to enhance water-use efficiency and conservation
- Maximize regional water supplies by;
 - Expanding current recycled water system to optimize beneficial reuse
 - Constructing interconnections to intertie with IEUA's recycled water system
 - Building a package brine treatment system to recover NRWS flows
 - Increasing Chino Desalter recovery by approximately 10%
 - Optimizing storm water capture from Creeks

Other significant capital investments are the relocation of the Regional Plant 2 (RP-2) biosolids processing facilities to RP-5 and the expansion of the Southern System to meet higher demands from anticipated future growth.

Conclusion

The rapid growth of the Inland Empire since the 1970's has significantly increased property values throughout the Agency's service area. Over the years, rising property values have resulted in higher property tax receipts for the Agency; from an annual average of \$9 million in the late 1980's to \$36 million in 2008, prior to the onset of the economic recession. In FY 2014/15 total property taxes are projected to be \$40 million, approximately 26% of the Agency's total funding sources.

A key assumption in the Agency's long term planning is the continual receipt of property taxes. However, future shifts by the State during periods of fiscal distress are still a potential risk. Given this uncertainty, the Board is committed to reducing reliance on property taxes to support operating costs and other recurring costs which are more appropriately supported by service charges and user fees. A key objective for the Agency is to have full cost of service rates for all programs, (Business Goal Fiscal Responsibility). Achieving this objective will allow the investment of property taxes for capital initiatives/projects that support continual economic development in the region and safeguard the quality of life of the residents served through the Agency's water and sewer member agencies, (Business Goal Water Reliability).

The Agency is in the process of completing a series of long term planning documents, including the Facilities Wastewater Master Plan, Integrated Resources Plan, Conservation Plan Update, Energy Master Plan and the Recycled Water Program Strategy. Projects defined through this process, and once fully vetted by the member agencies, will be integrated in the Agency's Ten Year Capital Improvement Plan and Operating Budget beginning in FY 2015/16. A key funding source for the approved projects is property taxes.

No change in the percentage allocation to the Regional Wastewater program is proposed for FY 2014/15. Discussions on the re-allocation of property taxes to support critical capital investments over the next several years, including amending the Regional Contract to provide for more flexibility in the use of property taxes, will be initiated in the fall 2014. Allocating property taxes to finance the approved projects will help defray future rate increases and new debt issuances, as well as allow the region to leverage funding opportunities currently available from federal, state and local agencies.

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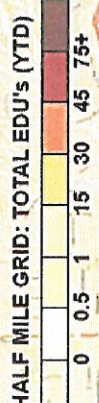
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Building Activity Report - YTD Fiscal Year 2013/14



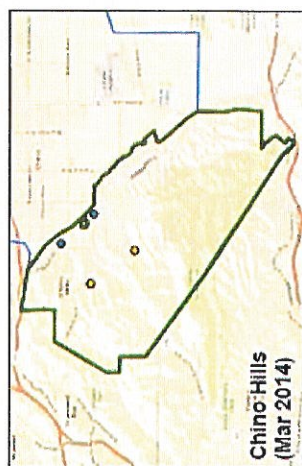
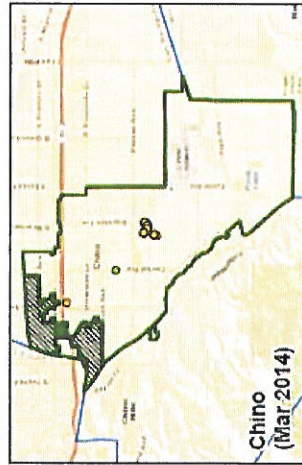
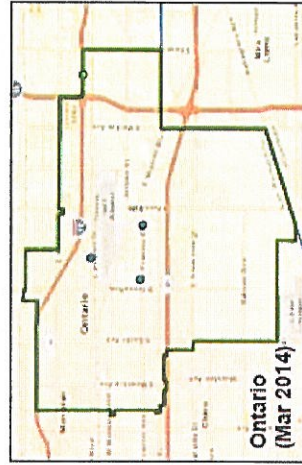
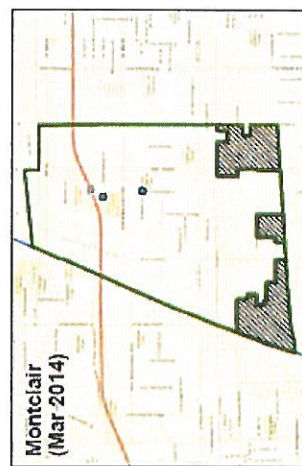
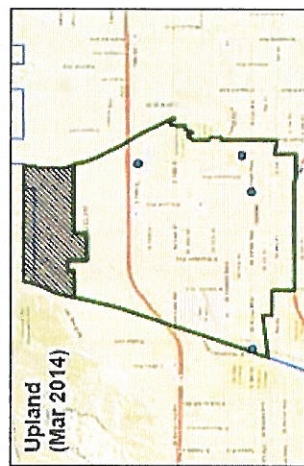
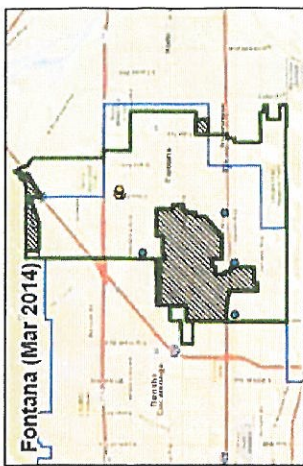
Legend

- 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



TOTAL EDU BY CONNECTION TYPE (YTD)

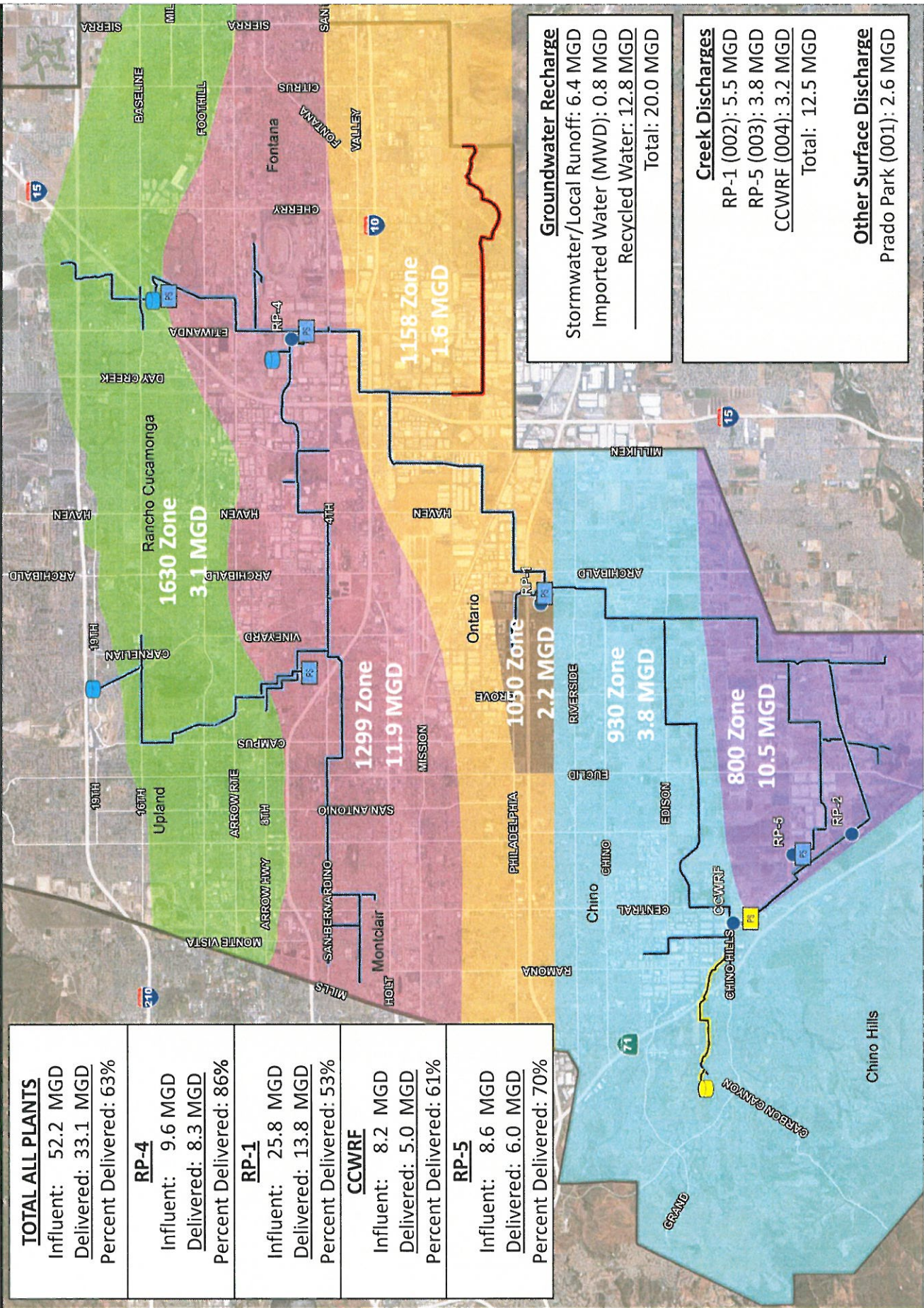
Contracting Agency	YTD Actual			Projected	
	Residential (EDUs)	Commercial (EDUs)	Industrial (EDUs)	Total (EDUs)	Total (EDUs)
Chino	328	35	23	366	665
Chino Hills	9	65	0	74	553
CVWD	289	61	28	378	364
Fontana	71	52	4	126	510
Montclair	6	43	0	49	200
Ontario	188	85	14	287	1,800
Upland	26	43	0	69	223
Total	917	362	70	1,349	3,825



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4B

IEUA RECYCLED WATER DISTRIBUTION – APRIL 2014



<p>TOTAL ALL PLANTS Influent: 52.2 MGD Delivered: 33.1 MGD Percent Delivered: 63%</p>
<p>RP-4 Influent: 9.6 MGD Delivered: 8.3 MGD Percent Delivered: 86%</p>
<p>RP-1 Influent: 25.8 MGD Delivered: 13.8 MGD Percent Delivered: 53%</p>
<p>CCWRF Influent: 8.2 MGD Delivered: 5.0 MGD Percent Delivered: 61%</p>
<p>RP-5 Influent: 8.6 MGD Delivered: 6.0 MGD Percent Delivered: 70%</p>

Groundwater Recharge
 Stormwater/Local Runoff: 6.4 MGD
 Imported Water (MWD): 0.8 MGD
 Recycled Water: 12.8 MGD
 Total: 20.0 MGD

Creek Discharges
 RP-1 (002): 5.5 MGD
 RP-5 (003): 3.8 MGD
 CCWRF (004): 3.2 MGD
 Total: 12.5 MGD

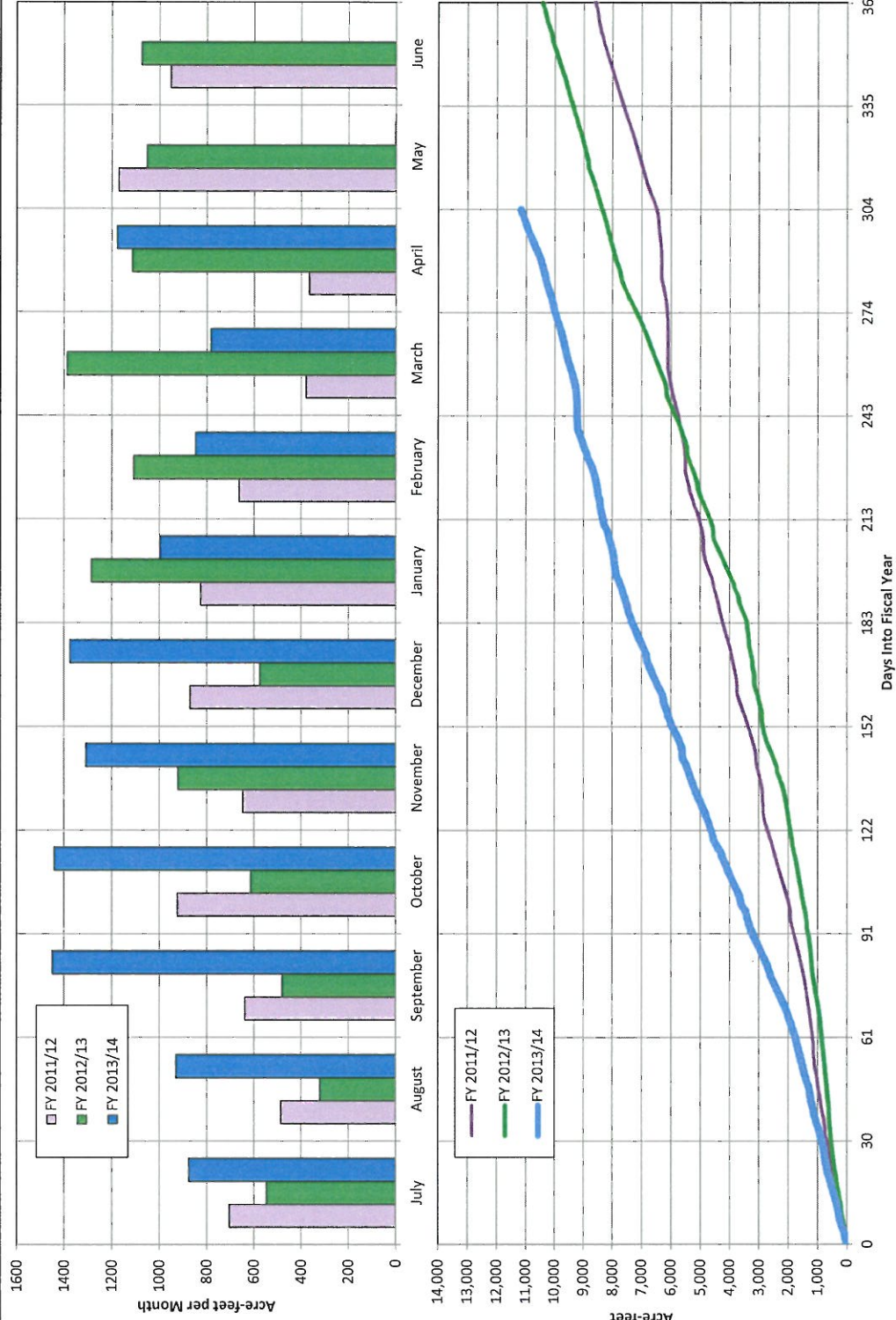
Other Surface Discharge
 Prado Park (001): 2.6 MGD

Recycled Water Recharge Deliveries / Plan - April 2014 (Acre-Feet)

Deliveries are draft until reported as final.

Status as of 5/1/14

Basin	4/1-4/9				4/10-4/16				4/17-4/23				4/24-4/30				Month Plan	Month Actual	Year To Date Actual	Status
	4/1-4/9	4/10-4/16	4/17-4/23	4/24-4/30	4/10-4/16	4/17-4/23	4/24-4/30	4/17-4/23	4/24-4/30	4/10-4/16	4/17-4/23	4/24-4/30	4/10-4/16	4/17-4/23	4/24-4/30					
Ely	58.4	56.5	56.7	45.9	56.5	56.7	45.9	56.7	45.9	56.5	56.7	45.9	56.7	45.9	150	217.5	2871	On 5 cfs as peak demands allow		
Banana	0.0	0.0	0.0	88.5	0.0	0.0	88.5	0.0	88.5	0.0	0.0	88.5	0.0	0.0	0	88.5	687	On for 150 AF in May to manage RWC		
Hickory	131.2	108.4	115.3	23.9	115.3	115.3	23.9	115.3	23.9	115.3	115.3	23.9	115.3	120	378.8	1416	On 7 cfs			
Turner 1 & 2	0.0	1.9	72.0	31.3	0.0	0.0	31.3	0.0	0.0	0.0	0.0	31.3	0.0	0	105.2	1175	On 4 cfs, after storm perc down			
Turner 3 & 4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0	0	Off for midge control			
8th Street	1.0	7.4	11.8	0.8	7.4	11.8	0.8	7.4	11.8	7.4	11.8	0.8	7.4	150	21.0	1306	On 3 cfs, after storm perc down			
Brooks	31.5	12.4	20.9	0.6	12.4	20.9	0.6	12.4	20.9	12.4	20.9	0.6	12.4	150	65.4	1260	Off for FCV Repairs			
RP3	0.0	0.0	27.0	21.9	0.0	27.0	21.9	27.0	21.9	0.0	27.0	21.9	27.0	250	48.9	1183	On 5 cfs, after Jurupa weeding removal			
Decluz	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0	0	no RW delivery mechanism			
Victoria	77.8	33.5	55.1	83.3	33.5	55.1	83.3	55.1	83.3	33.5	55.1	83.3	50	249.7	1021	On 4 cfs				
San Sevaline	0.0	0.0	0.0	1.5	0.0	0.0	1.5	0.0	0.0	0.0	0.0	1.5	30	1.5	262	262	Off pending ARGO SOP development			
Total	299.9	220.1	358.8	297.8	220.1	358.8	297.8	358.8	297.8	220.1	358.8	297.8	900	1,176.5	11,181	8,353	AF, past FY End of Month Actual			



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Regional Sewerage Program Policy Committee Meeting

AGENDA

Thursday, June 5, 2014

4:30 p.m.

Location

Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91708

Thursday, June 5, 2014

Call to Order and Roll Call

Pledge of Allegiance

Public Comment

- 1. Technical Committee Report – Ryan Shaw (Oral)**
- 2. Approval of Minutes**
 - A. Minutes of May 1, 2014 Meeting
- 3. Action Item**
 - A. FY 2014/15 Budget Approval (Written)
- 4. Informational Items**
 - A. Strategic Plan (Written)
 - B. Sustainable Rate Structure (Written/Powerpoint)
 - C. Property Tax Use Overview and Proposed Re-Allocation (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 – July 3, 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, May 29, 2014.



Cheyenne Reseck-Francis

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4D

Water Budget Rates Structures:

(History, Evolution, Art & Science... the Good Bad & Ugly)

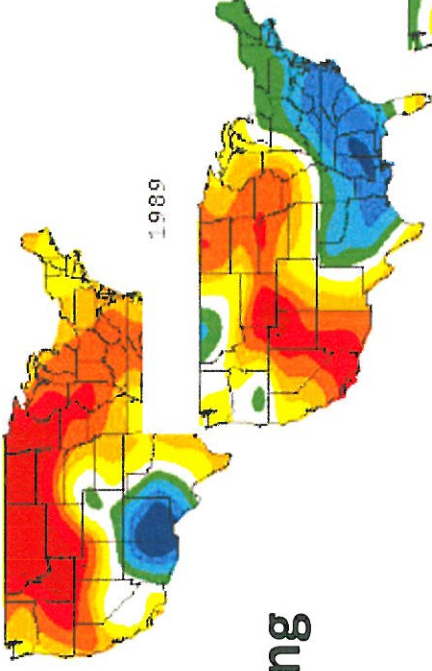


History

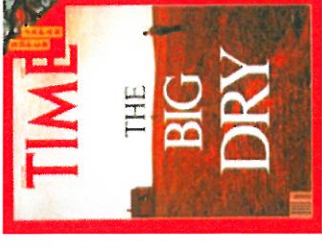
Drought 1987-1992

- 1990 – MWD 2-tier pricing

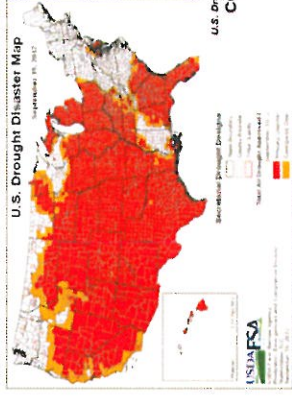
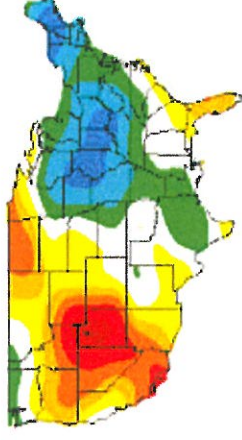
1988



1989

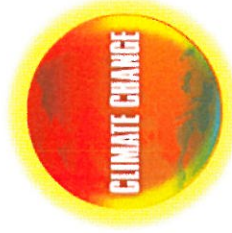
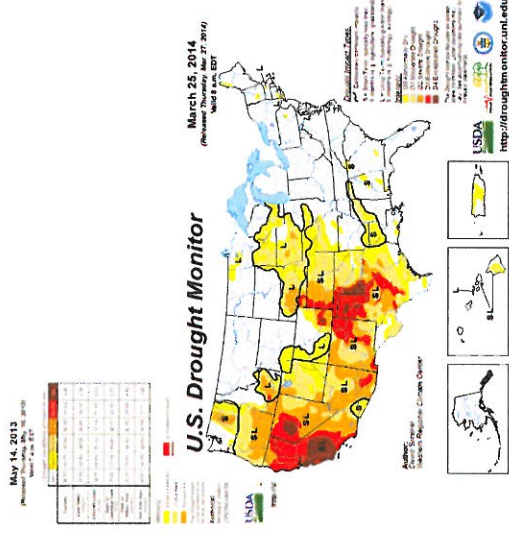


1990



Drought 2012 - ?

- State legislation
- Prop 218
- Customers...



Rec-SAC4

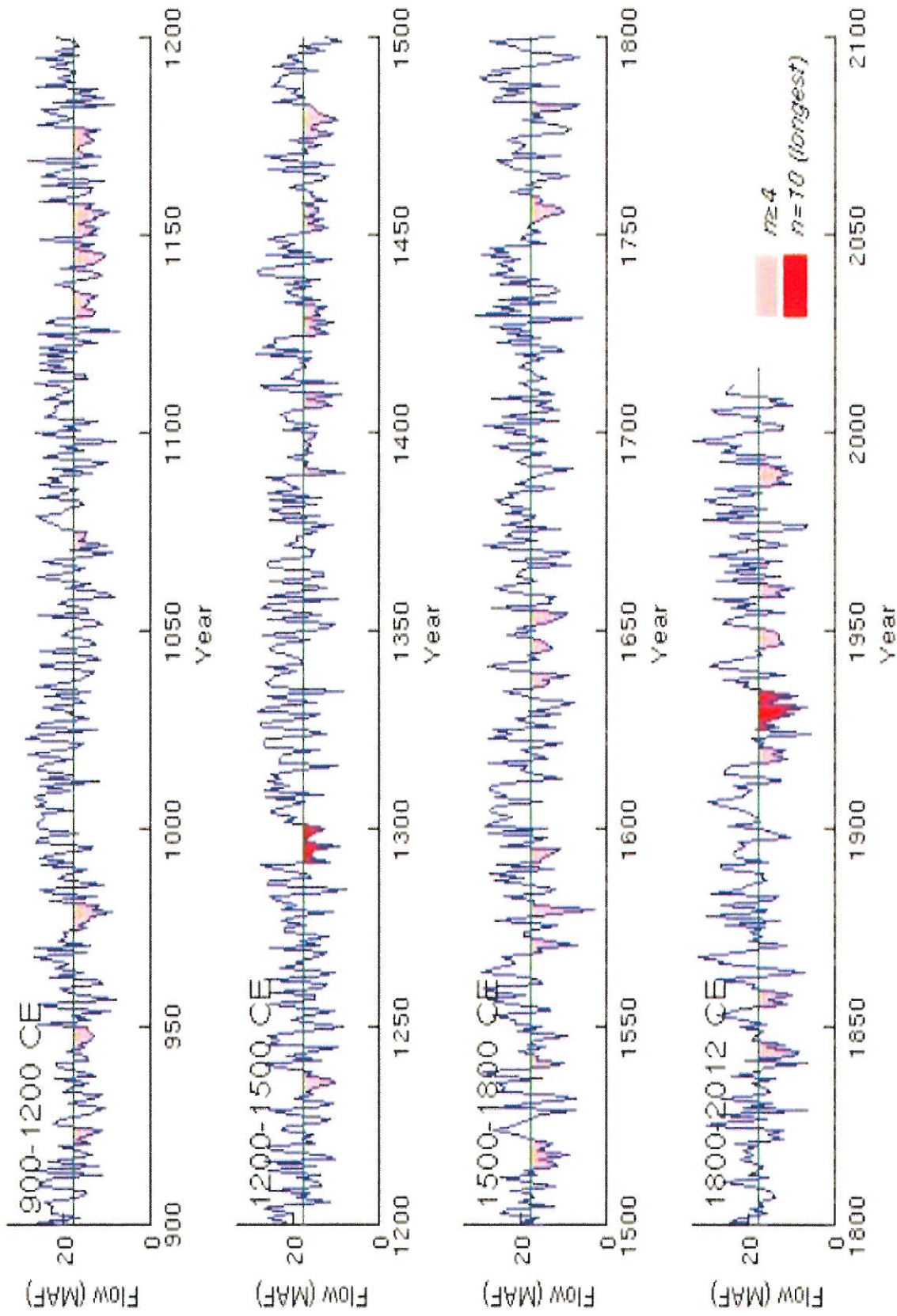
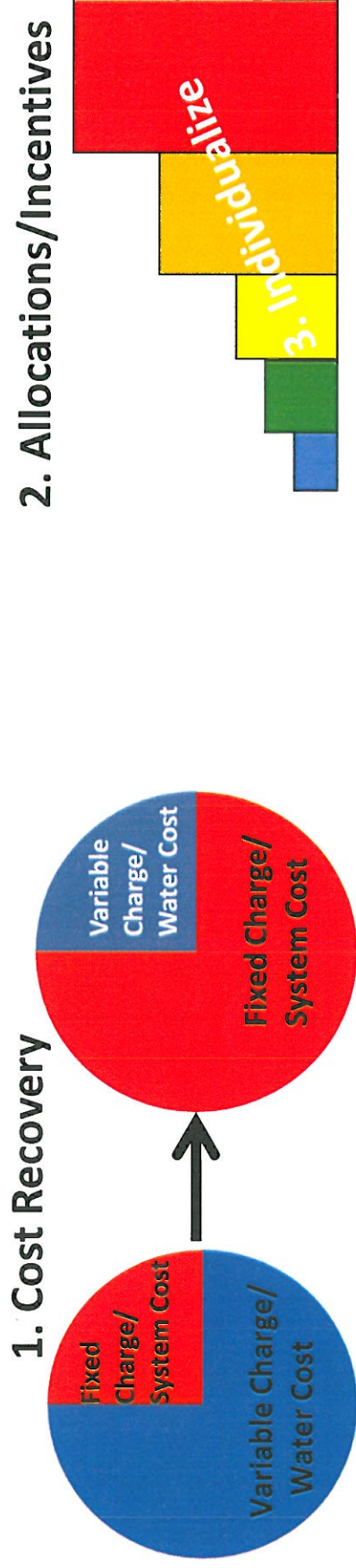


Figure 11. Reconstructed flows of Sacramento River (SAC4). 900-2010 CE. Horizontal line at median. Color-shading marks longest run and all other runs greater than specified length.

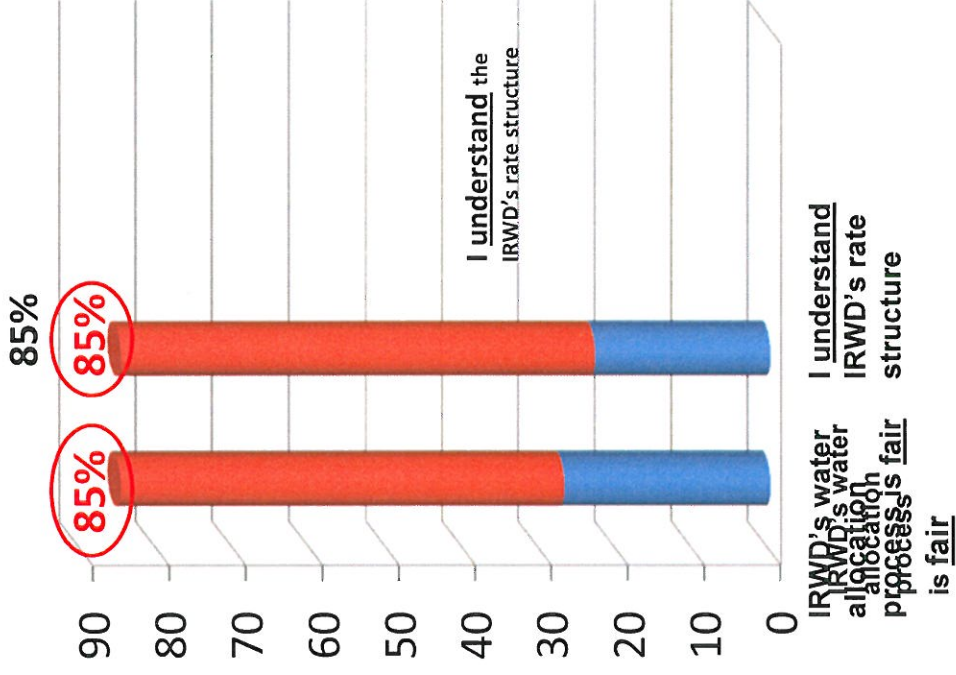
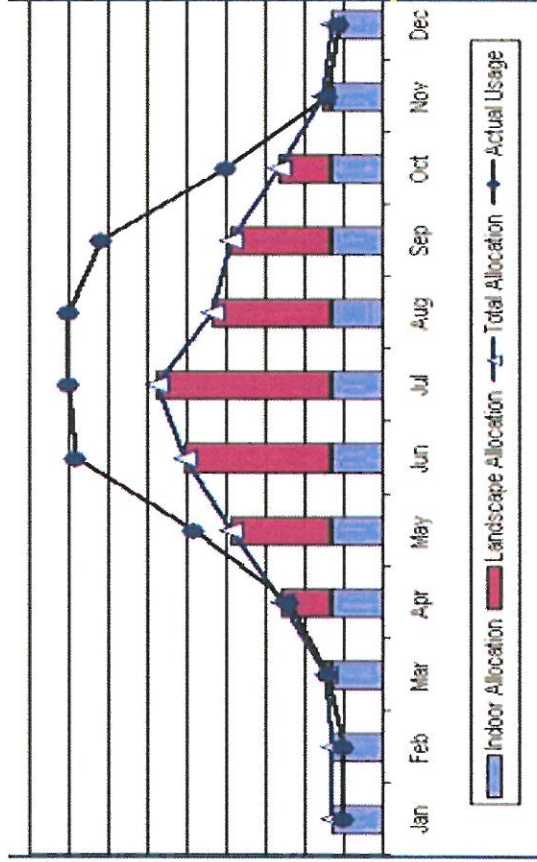
1990: The Task for IRWD Staff...

1. Maintain revenue stability regardless of water sales
2. Create a “conservation ethic” (efficiency for all customers all the time)
3. Be fair and equitable to customers
4. Get board re-elected



What Did the Rate Structure Do?

- Recovered revenue accurately and in a stable manner (regardless of weather, water use, drought, economy)
- 61% landscape use reduction
- 25% residential reduction
- New funding mechanism for efficiency programs
- 85% Customer satisfaction
- Reduced water runoff



What Else Happened?

On the Surface:

- We corrected the early mistakes
- Landscapers took water mgt. seriously
- Residents self-regulated their water use habits
- Developers changed their landscape designs
- Only customers who wasted water paid for conservation programs
- More funds were available for O&M and CIP projects
- Customer Service ability to help customers increased

Internally:

- Board direction to “fix” the problem
- Inter-departmental coordination
- Tested the assumptions
- Took the results to the board/public

What We Did Not Have:

- **Technology**
 - GIS, Aerial Images for irrigated area, ET
 - No “Conservation” staff / programs

What We Did Have:

- **“Can do” Attitude**
 - Tackled the big issues
 - “Hard” was not an excuse
 - Doing it “right” met customer expectations

A Great Story...?

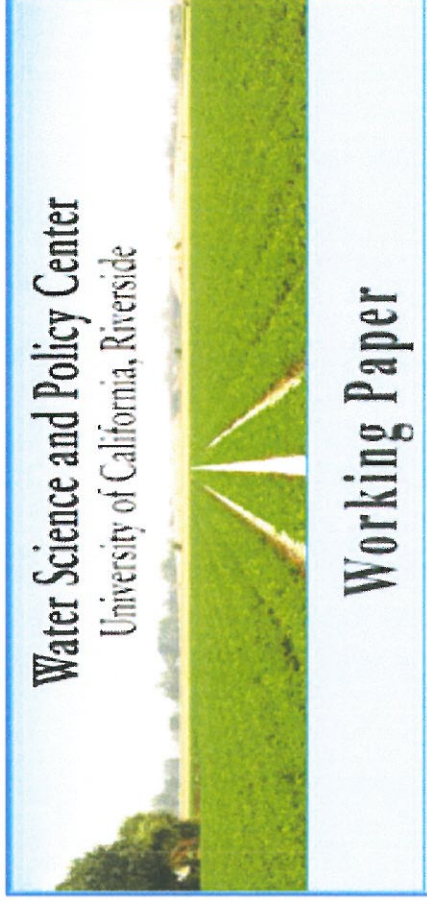
WBR Implementations:

- IRWD (1991)
- San Juan Capistrano (1993)
- Highlands Ranch, Co. (2003)
- Castle Rock, Co. (2004)
- Boulder, Co. (2007)
- Palmdale WD, (2008)
- Coachella Valley WD (2008)
- Eastern Municipal WD, (2009)
- City of Corona (2009)
- Rancho California WD (2010)
- Elsinore Valley MWD (2010)
- El Toro WD (2010)
- Moulton Niguel WD (2011)
- Western Municipal WD (2011)

- *“People now pay attention to leaks and water waste.” PWD*
- *Agency cost recovery is right where we estimated even with significant water savings.” RCWD*
- *“85% of our users meet the water efficiency standards.” MNWD*
- *“We have 90%+ Customer Satisfaction.” IRWD*
- *“We had a payback for the new rate structure implementation within 6 months.” WMWD*

Do Increasing Block Rate Water Budgets Reduce Residential Water Demand?

A Case Study in Southern California



- **“Reduced use 18% *without negative economic impact* to the public agency.”**
- **“To achieve a similar water use reduction would have required a *30% increase* in water rates.”**

Kenneth A. Baerenklau
2460D Geology Building
Department of Environmental Sciences
University of California
Riverside, CA 92521

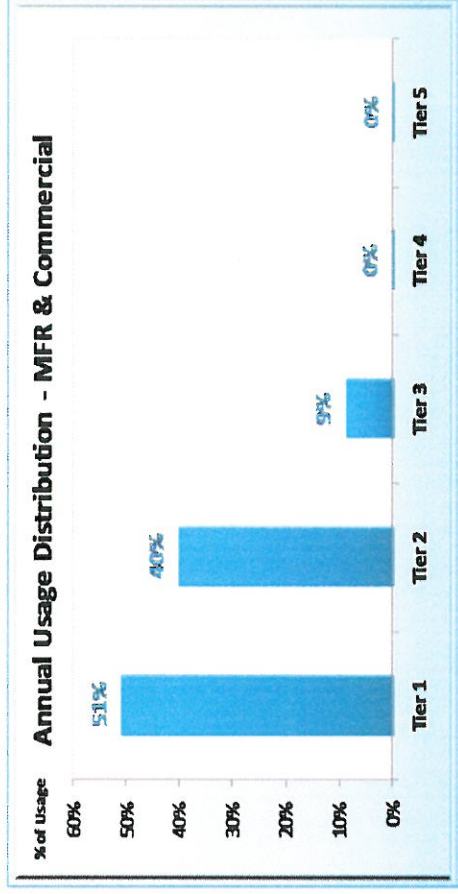
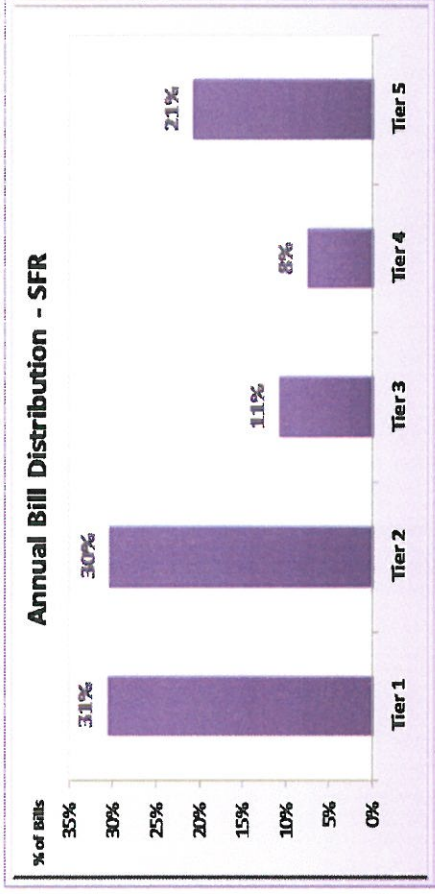
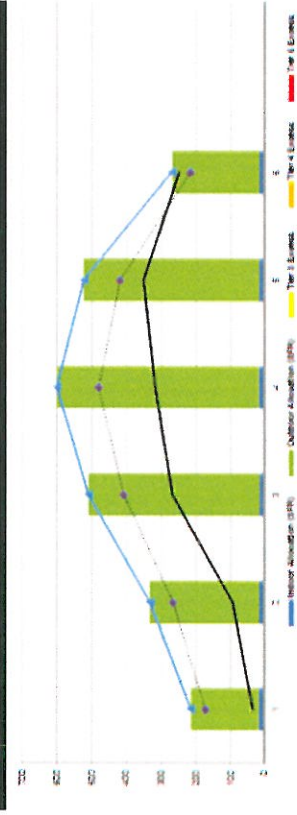
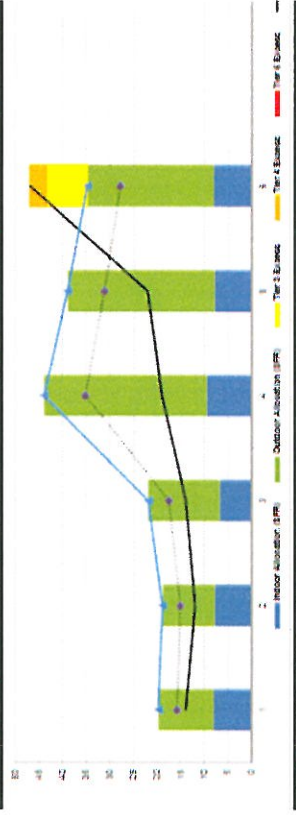
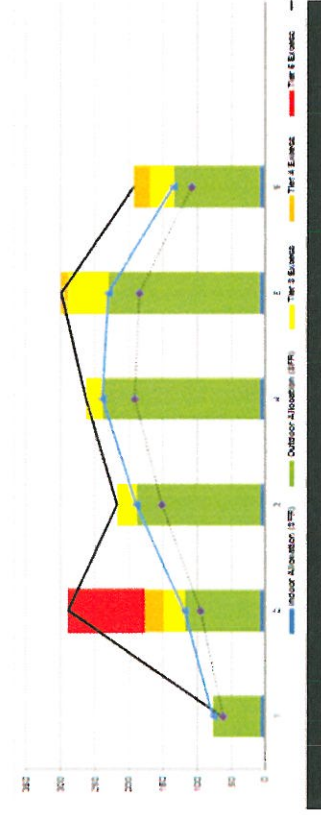
Kurt A. Schwabe
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Ariel Dinar
314 Science Laboratories
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The Evolution of Water Budget Rates

(# Residents) (75 gpd) + (ET) (SF) = 1st Water Budget Formula

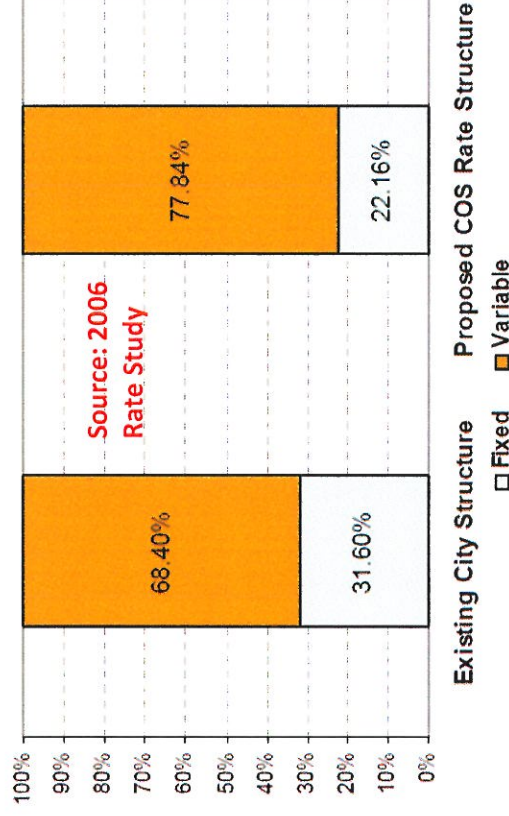
(# Residents) (55 gpd) + (ET) (SF) (.80) (DF) = Water Budgets Today



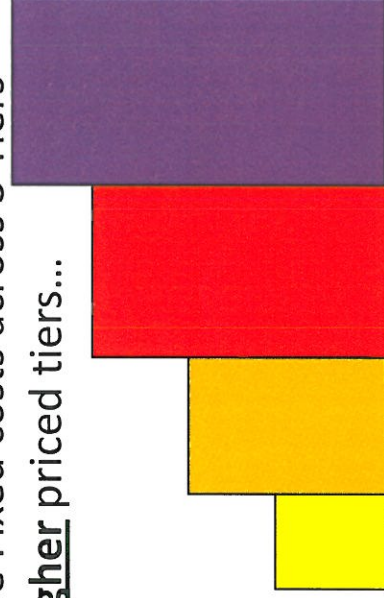
What's The Cost of NOT Changing?

City of San Diego: 300k Accounts

- Lost \$25 million between 2008-2012)
(Customers really unhappy w/ tiers)



Spread more Fixed costs across 3 Tiers
creating Higher priced tiers...



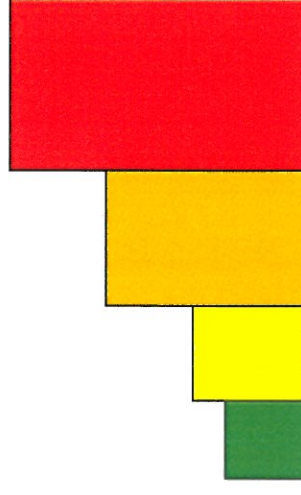
Las Virgenes MWD: 20k Accounts

- Used \$3.5 million out of Reserves to balance the budget since 2010

(Customers unhappy with tiers)

Why?

- 65% of costs are fixed
- 16% of fixed costs recovered on fixed charge
- 84% of fixed costs imbedded in tiers (variable charge)
- Customers used less water, partly due to economy and drought



Change is Happening...



State Legislation:

- Using water efficiently is legislated by the State
- Water budgets come directly from State guidelines
 - SBX7, AB 1881
- Rates that are truly “proportional” to a parcel
 - Prop 218 intent
- Excessive water use is charged at a “penalty” rate
 - Prop 218 “drought rate” issue

Customers View of Agencies:

“You asked us to save and then you raise our rates...”

Or,

“Your rates are unfair for my family or business...”

- Rates that are truly “proportional” to a parcel
 - Prop 218 intent
- Excessive water use is charged at a “penalty” rate
 - Prop 218 “drought rate” issue
- **“70% of the public has a very poor understanding of water systems and services”** (AWWA, SOTWI, 2014)
- **“Effectively communicating... the industry has struggled...”** (AWWA SOTWI, 2014)

Why Aren't Agencies Flocking to...

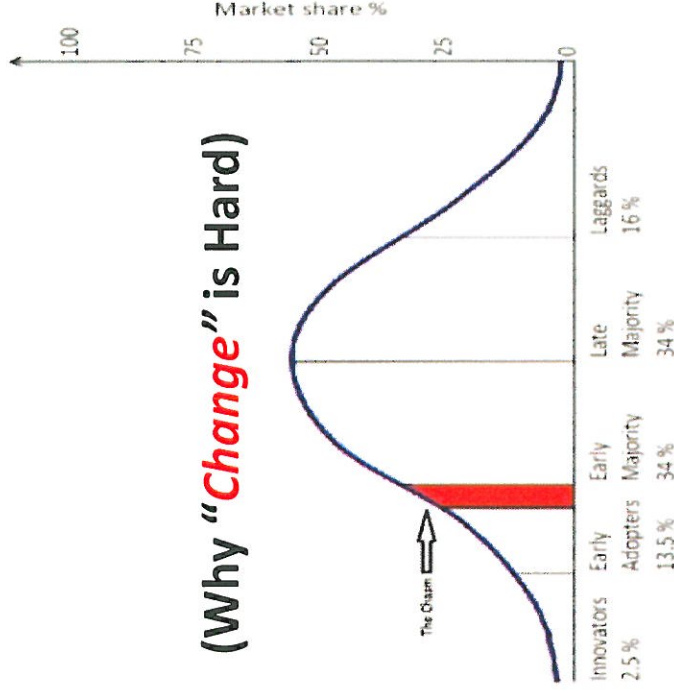
- “It’s too hard.”
- “It’s too much data.”
- “It costs too much.”
- “And, customers won’t understand it anyway”

Western Municipal 2013 Results:

- ✓ Met budgeted O&M requirement
- ✓ Received \$1 million in conservation penalty revenue
- ✓ \$900,000 in supply penalty revenue

Only users who exceed budgets pay for

- ✓ Increased rebate programs
- ✓ Cost of additional supply purchases
- ✓ Offsetting a rate increase (to all customers)



“I just had the most amazing phone call. This customer called quite upset, armed with plenty of misconceptions about the water industry that he was ready to attack me with. I was able to finesse my way through it deftly and counter all his points in a kind but brutally honest way. It was awesome! Wish more people would call with hard questions about water and the industry.” (5/2/14)

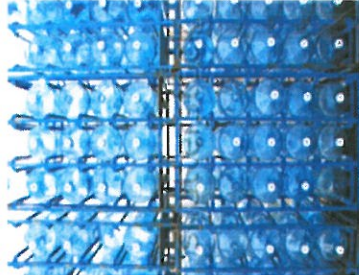
**Gregory Allan Bucy
Customer Service Representative I
[Western Municipal Water District](#)**



Reliable "Fixed" Water, Sewer and Fire Protection Services:

\$2/day / household

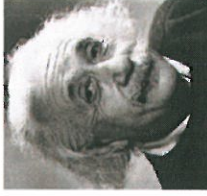
\$.003 / per gallon



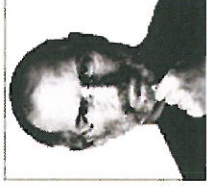
www.shutterstock.com 53198856

Sustainable Rate Structure...

- Solves for the right questions
- Takes more data & more time
- Model any scenario
- Changes the relationship between the customer and water



“Doing the same thing over and over again and expecting a different outcome, is the definition of insanity. Think differently.”

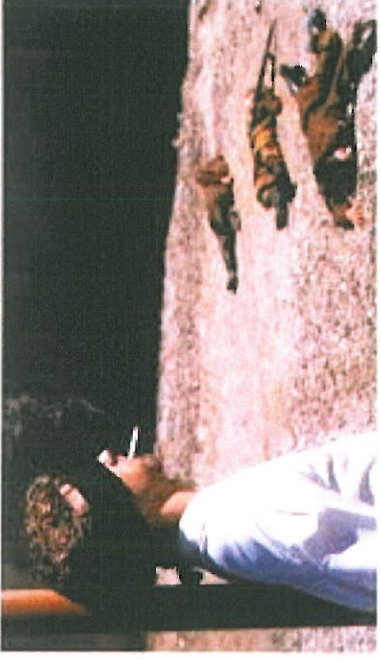


“A Think Different attitude enable our company to do things others could not even consider.”



“Boys we need to Think Different.” Billy Beane, Oakland A’s (Moneyball)

Questions/Comments



What Did it Look Like

8/10/98

9/09/98

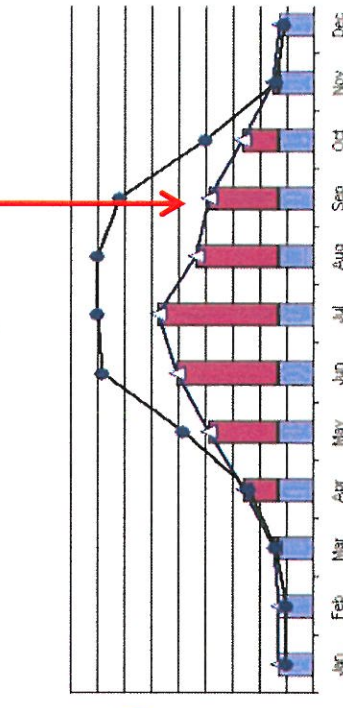
1255 1337

82 CCF

USAGE - LOW VOLUME DISCOUNT \$7.68
 USAGE - CONSERVATION BASE RATE \$14.72
 USAGE - PENALTY \$25.60
 USAGE - EXCESSIVE \$48.64
 USAGE - ABUSIVE \$20.48
 WATER SERVICE CHARGE \$3.90
 SEWER SERVICE CHARGE \$6.90

39 CCF

.12 ACRES



\$127.92

(#Res) (75 gpd) + (ET) (SF) = Water Budget

RECEIVE AND
FILE

4E

IEUA Quarterly Water Update

APRIL 2014

3rd Quarter: (January 1—March 31, 2014)

Regional Updates

Department of Water Resources

The Department of Water Resources (DWR) declared that Calendar Year 2013 was California's driest year recorded for many areas throughout the state. With the current snowpack only at 24 percent, there has not been any positive change in sight for 2014. DWR has taken immediate action to protect Californian's health and safety from severe water shortages. DWR has reduced State Water Project (SWP) water allocation from 5 percent to Zero percent. In the Sacramento Valley, long-term water rights holders have been notified that they may be cut by 50 percent. Lastly, the State Water Resources Control Board has been asked to adjust requirements that hinder Conservation of currently stored water.

Water Use Efficiency Business Plan

The Water Use Efficiency (WUE) Business Plan is one component of the Integrated Resource Plan supply portfolio that is currently being updated. The WUE Business Plan identifies levels of funding and programming that will assist IEUA in reaching its 2015 and 2020 SBX7-7 requirements for GPCD targets. On January 27, 2014, staff met with member agencies to discuss different areas of the WUE Business Plan which includes: Purpose of Plan, Goals, Objectives, Legislative Actions, Regional Drought Campaign, Short-Term Strategies, and Recommendations. The WUE Concept Portfolio is a three tiered funding package that will be presented to IEUA Member Agency WUE Work Group in the near future. The WUE Business Plan is scheduled to begin update in July 2014.

Water Supply Programs

As of February 2014

Imported Water Deliveries

- Total of 44,308 AF Tier I water purchased
- Purchased water this FY increased by 9,578 AF as compared to last year

Groundwater Recharge Program

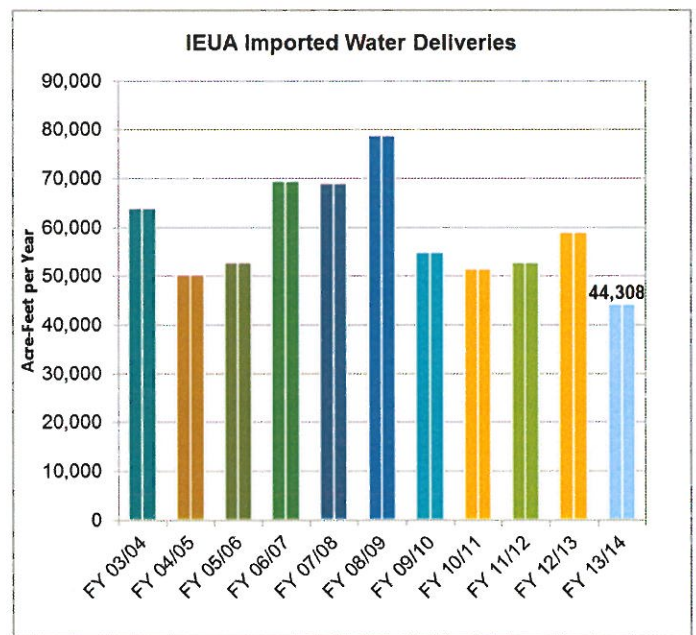
- Total Water Recharged: 12,478 AF
 - Storm Water: 2,826 AF
 - Recycled Water: 9,222 AF
 - MWD Imported Water: 430 AF

Chino Desalter Authority (CDA)

- Total production is 17,058 AF
- 9,669 AF delivered to IEUA retail agencies

Recycled Water Program

- 17,254 AF delivered to IEUA retail agencies



* FY 13/14 Deliveries through February 2014