



AGENDA

MEETING OF THE BOARD OF DIRECTORS

**WEDNESDAY, JUNE 18, 2014
10:00 A.M.**

**INLAND EMPIRE UTILITIES AGENCY*
AGENCY HEADQUARTERS
6075 KIMBALL AVENUE, BUILDING A
CHINO, CALIFORNIA 91708**

CALL TO ORDER **OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS MEETING**

FLAG SALUTE

PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form which are available on the table in the Board Room. Comments will be limited to five minutes per speaker. Thank you.

ADDITIONS TO THE AGENDA

NEW HIRE INTRODUCTIONS

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

1. PUBLIC HEARING AND ADOPTION OF THE AGENCY'S BUDGET AND RATE RESOLUTIONS FOR FY 2014/15

It is recommended that the Board:

1. Hold a Public Hearing to receive public comments on the proposed Agency's Budget and Rate Resolutions for FY 2014/15; and

2. After closing the Public Hearing, adopt Resolution No. 2014-6-1, approving the Agency's FY 2014/15 Budget, including the Agency-wide and departmental goals and objectives as outlined in the Budget; and Rate Resolution Nos. 2014-6-3 through 2014-6-9, and 2014-6-13

2. PUBLIC HEARING AND ADOPTION OF ORDINANCE NO. 100

It is recommended that the Board:

1. Hold a Public Hearing to receive public comments prior to the adoption of Ordinance No. 100, establishing classes of water service and regulating the sale and delivery of imported water within the IEUA service area; and
2. After closing the Public Hearing, adopt Ordinance No. 100.

3. PUBLIC HEARING AND ADOPTION OF ORDINANCE NO. 99

It is recommended that the Board:

1. Hold a Public Hearing to receive public comments prior to the adoption of Ordinance No. 99, regulating the availability and use of the Non-Reclaimable Wastewater System (NRWS) and Etiwanda Wastewater Line (EWL) in the Inland Empire Utilities Agency (IEUA); and
2. After closing the Public Hearing, adopt Ordinance No. 99.

4. CONSENT CALENDAR

NOTICE: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by the Board by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes unless any Board members, staff or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

A. MINUTES

The Board will be asked to approve the minutes from the May 21, 2014 Board meeting, and the June 4, 2014 Board Workshop.

B. TREASURER'S REPORT ON GENERAL DISBURSEMENTS

It is recommended that the Board approve the total disbursements for the month of April 2014 in the amount of \$13,766,006.09.

C. ADOPTION OF RESOLUTION NO. 2014-6-10, ESTABLISHING THE APPROPRIATION LIMITS FOR FISCAL YEAR 2014/15

It is recommended that the Board adopt Resolution No. 2014-6-10, establishing the Appropriation Limits for Fiscal Year 2014/15.

D. ADOPTION OF RESOLUTION NO. 2014-6-11, APPROVING THE ANNUAL UPDATE OF THE INLAND EMPIRE UTILITIES AGENCY INVESTMENT POLICY

It is recommended that the Board the adopt Resolution No. 2014-6-11, approving the Agency's Investment Policy for FY 2014/15.

E. ADOPTION OF THE FY 2014/15 BUDGET FOR THE INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

It is recommended that the Board adopt Inland Empire Regional Composting Authority (IERCA) Budget for FY 2014/15.

F. ENGINEERING DESIGN SERVICES CONTRACT AMENDMENT FOR THE RP-5 FLOW EQUALIZATION AND EFFLUENT MONITORING

It is recommended that the Board:

1. Approve an amendment to Contract No. 4600001588 with Lee & Ro, Inc. for additional consulting services on the RP-5 Flow Equalization and Effluent Monitoring, Project No. EN11031, for the not-to-exceed fee of \$182,293; and
2. Authorize the General Manager to execute the consultant contract amendment.

G. CONSTRUCTION CONTRACT AWARD FOR THE RP-4 HEADWORKS REPLACEMENT

It is recommended that the Board:

1. Award the construction contract for the RP-4 Headworks Replacement, Project No. EN09021, to J.R. Filanc Construction, Inc. for their low bid of \$1,135,000, and
2. Authorize the General Manager to execute the construction contract.

5. ACTION ITEMS

A. CONSTRUCTION CONTRACT AWARD FOR THE WINEVILLE EXTENSION RECYCLED WATER PIPELINE, SEGMENT A

It is recommended that the Board:

1. Award the construction contract for the Wineville Extension Recycled Water Pipeline, Segment A, Project No. EN06025, to CCL Contracting, Inc., for their low bid of \$10,197,000; and
2. Authorize the General Manager to execute the construction contract.

B. ON-CALL CONSTRUCTION MANAGEMENT SUPPORT AND INSPECTION SERVICES CONTRACT AMENDMENT

It is recommended that the Board:

1. Approve a contract amendment to Butier Engineering Inc., for on-call "as needed" construction management support and inspection services for a not-to-exceed total amount of \$1,625,000 for a term of two years; and

2. Authorize the General Manager to execute the consultant contract amendment.

C. EASEMENT ACQUISITIONS FOR IEUA PIPELINES IN SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT RIGHT-OF-WAY

It is recommended that the Board of Directors:

1. Pre-approve the easement acquisitions for IEUA pipelines within San Bernardino County Flood Control District right-of-way for a not-to-exceed amount of \$2,080,000;
2. Approve the creation of a new project, San Bernardino County Flood Control District Sewer Easements, within the Regional Wastewater Capital (RC) Fund, with a total project budget of \$275,000 from reserves in the RC Fund;
3. Approve the creation of a new project, San Bernardino County Flood Control District Recycled Water Easements, within the Recycled Water Capital (WC) Fund, with a total project budget of \$1,100,000 from reserves in the WC Fund;
4. Approve the creation of a new project, San Bernardino County Flood Control District NRW Easements, within the Non-Reclaimable Wastewater Capital (NC) Fund, with a total project budget of \$515,000 from reserves within the NC Fund; and
5. Authorize the General Manager to execute the pipeline easements.

6. INFORMATION ITEMS

- A. REGIONAL CONTRACT REVIEW – REVIEW OF TEN YEAR FORECAST (WRITTEN)
- B. REGIONAL CONTRACT REVIEW – SURVEY OF COMPARABLE AGENCIES (WRITTEN)
- C. PLANNING AND ENVIRONMENTAL COMPLIANCE UPDATE (ORAL)
- D. MWD UPDATE (ORAL)

RECEIVE AND FILE INFORMATION ITEMS

- E. TREASURER'S REPORT OF FINANCIAL AFFAIRS (WRITTEN/ POWERPOINT)
- F. THE SANTA ANA WATERSHED PROJECT AUTHORITY BUDGET FOR FY 2014/15 (WRITTEN)
- G. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)

- H. LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN)
- I. LEGISLATIVE REPORT FROM THE DOLPHIN GROUP (WRITTEN)
- J. LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES (WRITTEN)
- K. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN)
- L. WATER RESOURCES REFORM AND DEVELOPMENT ACT (WRRDA) (WRITTEN)
- M. 2014 LEGISLATIVE TRACKING MATRIX (WRITTEN)
- N. ENGINEERING AND CONSTRUCTION MANAGEMENT FY 2013/14 MONTHLY UPDATE (POWERPOINT)
- O. REPORT OF OUTSTANDING RECOMMENDATIONS (WRITTEN)
- P. FINANCIAL AUDITING AND SINGLE AUDITING SERVICES CONTRACT (WRITTEN)
- Q. INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR JUNE 2014 (WRITTEN)

Materials related to an item on this agenda submitted to the Agency, after distribution of the agenda packet, are available for public inspection at the Agency's office located at 6075 Kimball Avenue, Chino, California during normal business hours.

- 7. AGENCY REPRESENTATIVES' REPORTS
 - A. SAWPA REPORT (WRITTEN)
 - B. MWD REPORT (WRITTEN)
 - C. REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT (WRITTEN)
 - D. CHINO BASIN WATERMASTER REPORT (WRITTEN)
- 8. GENERAL MANAGER'S REPORT (WRITTEN)
- 9. BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS
- 10. DIRECTORS' COMMENTS
 - A. CONFERENCE REPORTS

This is the time and place for the Members of the Board to report on prescheduled Committee/District Representative Assignment meetings, which were held since the last regular Board meeting, and/or any other items of interest.

11. CLOSED SESSION

**A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) –
CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**

- 1) Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010
- 2) Martin vs. IEUA, Case No. CIVRS 1000767
- 3) Sheilds vs. IEUA, Case No. CIVRS 1301638
- 4) Desaddi vs. IEUA, Case No. CIVRS 1304617
- 5) Kaveh Engineering and Construction Inc. Corp. vs. IEUA, Case No. CIVRS 1402048

**B. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 –
CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Two (2) Cases

12. ADJOURN

*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Declaration of Posting

Proofed by: 

I, April Woodruff, Board Secretary 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. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday June 12, 2014.

 #853
April Woodruff

**INFORMATION
ITEM**

6A



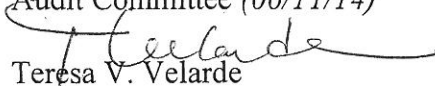
Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

Date: June 18, 2014

To: The Honorable Board of Directors

Through: Audit Committee (06/11/14)

From: 
Teresa V. Velarde
Manager of Internal Audit

Subject: Regional Contract Review – Review of Ten Year Forecast

RECOMMENDATION

This is an information item for the Board of Directors to receive and file.

BACKGROUND

Internal Audit (IA) completed the Regional Contract Review – Review of the Ten Year Capacity Demand Forecasts according to the approved Fiscal Year 2013/14 Annual Audit Plan. The scope of the audit was to evaluate the Ten Year Capacity Demand Forecasts (TYCDF) prepared by each of the seven Contracting Agencies and how that information is subsequently compiled and utilized by IEUA to prepare the IEUA Ten Year Capital Improvement Plan (TYCIP) (collectively the “Forecast”). This review considered the requirements of the Regional Contract and how those requirements are met through the TYCDFs prepared by the Contracting Agencies and the TYCIP prepared by IEUA.

Overall the Planning and Environmental Compliance Department works effectively to create the Regional Contract mandated forecast report (TYCIP) and maintains a professional rapport and open communication with the Contracting Agencies about the growth in the region. IA’s review identified opportunities to improve the process and usefulness of the Forecast documents and noted provisions in the Regional Contract to consider for revision as part of the renegotiation of the Regional Contract. The report that follows provides details of the observations and recommendations. Below is a summary:

- There is inconsistency in the methodology used by the Contracting Agencies to prepare the TYCDF. Some Contracting Agencies will apply a very technical analytical method while others may invest a shorter time span and do a “best guess” forecast. IEUA representatives should consider providing more detailed and specific instructions on how to complete the TYCDF to obtain more accurate and reliable estimates. Additionally, holding periodic workshops to discuss the drivers and variables considered in the

Forecast and other Regional Contract topics would benefit all members to the Contract and the Forecast process.

- The ten-year length of time the Forecast encompasses is too long to provide accurate and reliable estimates for the entire ten year period. The review found that Contracting Agencies generally believe the first three years of the Forecast may be close to accurate when comparing actuals to forecast. However, various Contracting Agencies' representatives stated that beyond five years, forecast totals are "anyone's best guess" because various and unknown factors can affect and change projections.
- There seems to be little or no reliance on the TYCDF information to prioritize capital projects or to compile IEUA's budget estimates. Per IA's review and discussions, the TYCDF totals provided by the Contracting Agencies are further modified and changed to determine or get closer to actual forecast and the capital projects to prioritize and the revenue amounts to budget. IEUA should reevaluate the purpose and goal of the TYCDF process, redefine the information needed and required, improve collaboration and communication with the Contracting Agencies so that information provided by the Contracting Agencies can be useful and reliable. This report provides various alternatives to consider.
- The intent and goal of the Regional Contract Section 9B New Connections limit should be reexamined to address the goals and intent of the Regional Contract and Regional Wastewater program. As written the clause seems to encourage Contracting Agencies to overestimate forecasted connections as a means to secure sufficient capacity demand to avoid not being allowed to approve additional connections.
- The intent and goal of the Regional Contract Section 9A Ten-Year Forecast prioritization criteria should be reconsidered to address the goal and intent of the Regional Contract and Regional Wastewater program. This provision appears to encourage Contracting Agencies to overestimate their forecasted connections. The clause indicates that capital projects will be planned for those Contracting Agencies whose connections are the highest in the first three years of the Forecast making other Contracting Agencies' needs a lesser priority.
- The current EDU formula does not reflect actual flows since it is based on a calculation of usage of 270 gallons per day (GPD) while actual usage may be closer to 200 gpd. Reevaluating the Regional Contract EDU formula will impact a variety of factors and various customers in different ways. However, relying on a 270 gpd formula for forecasts and projections does not provide accurate results that can be reliable and useful. Using a total or formula that is more closely aligned with actual flow will provide more valuable results and provide more equity in rates.
- The Regional Contract does not consider the impact of the Contracting Agencies achieving built-out capacity and the effect on Regional Wastewater program revenues

related to initial connections. IA found that most Contracting Agencies consider themselves reaching built-out capacity by 2035; while IEUA staff believes built-out capacity will be reached closer to 2045, thus some 20 to 30 years in the future. When full built-out capacity is reached and connection revenues decrease, the Agency must determine how it will maintain aging regional infrastructure.

IA would like to extend its appreciation to the various Agency staff members and the seven Contracting Agencies for their cooperation and assistance during this review.

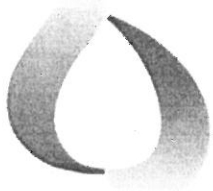
Attached is the final audit report that provides details of the observations and recommendations made. Also attached is the consolidated survey with the responses provided by the respondents.

PRIOR BOARD ACTION

On June 19, 2013 the Board of Directors approved the Amended Annual Audit Plan for Fiscal Year 2013/14.

IMPACT ON BUDGET

None.



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

6075 Kimball Ave. • Chino, CA 91708
P.O. Box 9020 • Chino, Hills, CA 91709
TEL (909) 993-1600 • FAX (909) 597-8875
www.ieua.org

DATE: June 11, 2014

TO: Joe Grindstaff
General Manager

Teresa V. Velarde

FROM: Teresa V. Velarde
Manager of Internal Audit

SUBJECT: **REGIONAL CONTRACT REVIEW**
Review of the Ten Year Capacity Demand Forecast

Audit Authority

The Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department (IA) performed a review of the Agency's Regional Sewage Service Contract (Regional Contract) as implemented with the Contracting Agencies. The review was performed under the authority given by the IEUA Board of Directors and according to the Fiscal Year 2013/14 Annual Audit Plan.

Audit Objective and Scope

The objective of the Regional Contract review was to evaluate how each of the seven Contracting Agencies apply the Regional Contract provisions, determine whether processes are in compliance with Regional Contract requirements and determine opportunities to improve processes and procedures. The review covered the period from July 1, 2012 through December 31, 2013 and where possible considered events subsequent to that period.

The results of the overall Regional Contract review are documented in three separate reports to segregate the observations and recommendations by subject as follows:

- Reviewed the approach to complete the required Ten-Year Capacity Demand Forecasts (TYCDF) prepared by the individual Contracting Agencies and how that information is subsequently compiled and utilized by IEUA to prepare the IEUA Ten Year Capital Improvement Plan (TYCIP) (Collectively the "Forecast").

Water Smart – Thinking in Terms of Tomorrow

Terry Catlin
President

Michael E. Camacho
Vice President

Steven J. Elie
Secretary/Treasurer

Jasmin A. Hall
Director

Gene Koopman
Director

P. Joseph Grindstaff
General Manager

- Evaluated compliance with the Regional Contract, Exhibit J rate provisions for the various types of land uses (public service, industrial, commercial, residential and extra-territorial).
- Performed a comparable agency survey to compare the Regional Contract program with similar programs in California.

This report encompasses the first topic which ***reviews the approach to complete the required Ten-Year Capacity Demand Forecasts prepared by the individual Contracting Agencies and how that information is subsequently compiled and utilized by IEUA to prepare the IEUA Ten Year Capital Improvement Plan.*** The review considered the requirements of the Regional Contract and how those requirements are met through the TYCDF prepared by each individual Contracting Agency and the TYCIP prepared by IEUA.

Executive Summary

Overall the Planning and Environmental Compliance Department works effectively to create the Regional Contract mandated forecast reports and maintains a professional rapport and open communication with the Contracting Agencies about the growth in the region. IA's review identified opportunities to improve the process and usefulness of the Forecast and noted provisions in the Regional Contract to consider for revision as part of the renegotiation of the Regional Contract. The report that follows provides details of the observations and recommendations. Below is a summary:

- There is inconsistency in the methodology used by the Contracting Agencies to prepare the TYCDF. Some Contracting Agencies will apply a very technical analytical method while others may invest a shorter time span and do a "best guess" forecast. IEUA representatives should consider providing more detailed and specific instructions on how to complete the TYCDF to obtain more accurate and reliable estimates. Additionally, holding periodic workshops to discuss the drivers and variables considered in the Forecast and other Regional Contract topics would benefit all members to the Contract and the Forecast process.
- The ten-year length of time the Forecast encompasses is too long to provide accurate and reliable estimates. The review found that Contracting Agencies generally believe the first three years of the Forecast may be close to accurate when comparing actuals to forecast. However, various Contracting Agencies' representatives stated that beyond five years, forecast totals are "anyone's best guess" because various and unknown factors can affect and change projections.
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discussions, the TYCDF totals provided by the Contracting Agencies are further modified and changed to determine or get closer to actual forecast and the capital projects to prioritize and the revenue amounts to budget. IEUA should reevaluate the purpose and goal of the TYCDF process, redefine the information needed and required, improve collaboration and communication with the Contracting Agencies so that information can be useful and reliable. This report provides various alternatives to consider.

- The intent and goal of the Regional Contract Section 9B New Connections limit should be reexamined to address the goals and intent of the Regional Contract and Regional Wastewater program. As written the clause seems to encourage Contracting Agencies to overestimate forecasted connections as a means to secure sufficient capacity demand to avoid not being allowed to approve additional connections.
- The intent and goal of the Regional Contract Section 9A Ten-Year Forecast prioritization criteria should be reconsidered to address the goal and intent of the Regional Contract and Regional Wastewater program. This provision appears to encourage Contracting Agencies to overestimate their forecasted connections. The clause indicates that capital projects will be planned for those Contracting Agencies whose connections are the highest in the first three years of the Forecast making other Contracting Agencies' needs a lesser priority.
- The current EDU formula does not reflect actual flows since it is based on a calculation of usage of 270 gallons per day ("gpd") while actual usage may be closer to 200 gpd. Reevaluating the EDU formula will impact a variety of factors and various customers in different ways. However, relying on a 270 gpd formula for forecasts and projections does not provide accurate results that can be reliable and useful. Using a total or formula that is more closely aligned with actual flow will provide more valuable results and provide more equity in rates.
- The Regional Contract does not consider the impact of the Contracting Agencies achieving built-out capacity and the effect on Regional Wastewater program revenues related to initial connections. IA found that most Contracting Agencies consider themselves reaching built-out capacity by 2035; while IEUA staff believes built-out capacity will be reached closer to 2045, thus some 20 to 30 years in the future. When full built-out capacity is reached and connection revenues decrease, the Agency must determine how it will maintain aging regional infrastructure.

Acknowledgements

We would like to extend our appreciation to the various departmental staff members at IEAU and the individual Contracting Agencies for their cooperation and assistance during this review.

Discussion with Management

We discussed the results of this review with the Planning and Environmental Compliance Department on May 12, 2014 and with Executive Management on May 27, 2014.

Response to Internal Audit

Responses have been incorporated where applicable. If you have any questions or need additional information, please contact me at Extension 1521 or at tvelarde@ieua.org.

TV:ps

The Ten-Year Forecast:
Evaluation of the Contracting Agencies forecast approach and
the impact on IEUA planning

Background

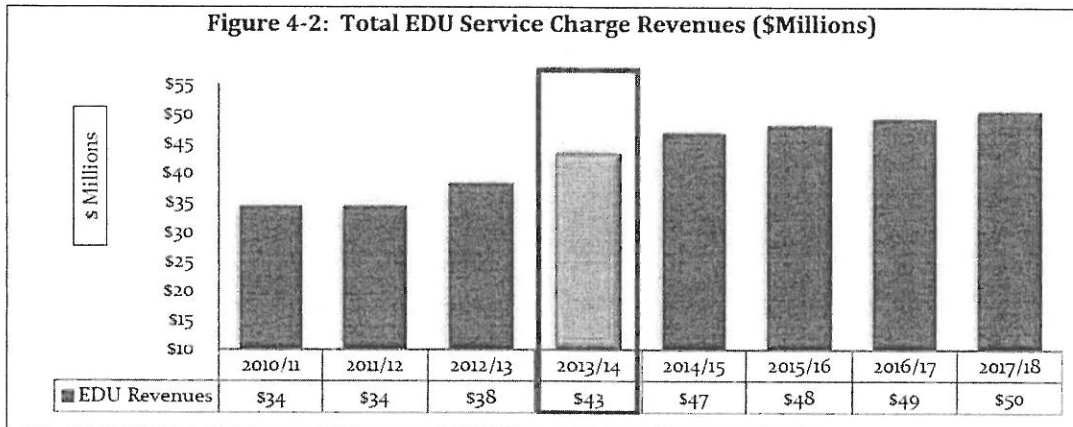
The intent of the Regional Contract is to ensure the Regional Sewerage System benefits the region by protecting public health and the quality of water resources by sewage treatment and water management. In order for IEUA to ensure this is accomplished, this requires constant, on-going, open communication with the Contracting Agencies about the capacity demand requirements, planned expansion and population growth, types of growth or expansion, the effect on the environment and the wastewater system, etc. One way IEUA and its Contracting Agencies communicate about growth and capacity requirements is through the preparation of the annual Forecast document.

The Regional Contract Section 9 requires that annually each Contracting Agency prepare and submit a Ten-Year Capacity Demand Forecast (TYCDF) report which forecasts the total *additional* capacity the Contracting Agencies will require over each of the ten succeeding years. The IEUA Planning and Environmental Compliance Department (Planning) takes the information provided by the Contracting Agencies and completes the "Ten-Year Forecast" (Forecast) by preparing and publishing the Ten Year Capital Improvement Plan (TYCIP). The TYCIP includes a plan of the capital improvement projects to support the demand required.

The Fiscal Year 2013/14 Budget provides information about the history and budgetary expectations for Initial Connection Fees ("Regional System Connection Fees") as shown in the last line of the following:

	2010/2011	2011/2012	2012/13	2012/13	2013/2014	2014/2015	2015/2016	2016/2017	2017/18
	ACTUAL	ACTUAL	AMENDED	PROJECTED ACTUAL	ADOPTED BUDGET	FORECAST			
REVENUES AND OTHER FINANCING SOURCES									
Contract Cost reimbursement	\$19,246	\$14,299	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Revenue	461,557	473,708	373,500	309,126	201,000	272,000	300,000	355,000	385,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$480,803	\$488,007	\$373,500	\$309,126	\$201,000	\$272,000	\$300,000	\$355,000	\$385,000
OTHER FINANCING SOURCES									
Property Tax - Debt and Capital	\$21,584,498	\$21,118,918	\$21,194,716	\$30,671,795	\$21,678,590	\$21,895,376	\$22,114,329	\$22,335,473	\$22,558,827
Regional System Connection Fees	5,398,048	7,686,126	5,399,900	8,345,300	9,012,600	11,235,400	13,086,688	16,175,146	16,660,400

Additionally, the FY 2013/14 Budget provided information about sewer service revenues in the following:

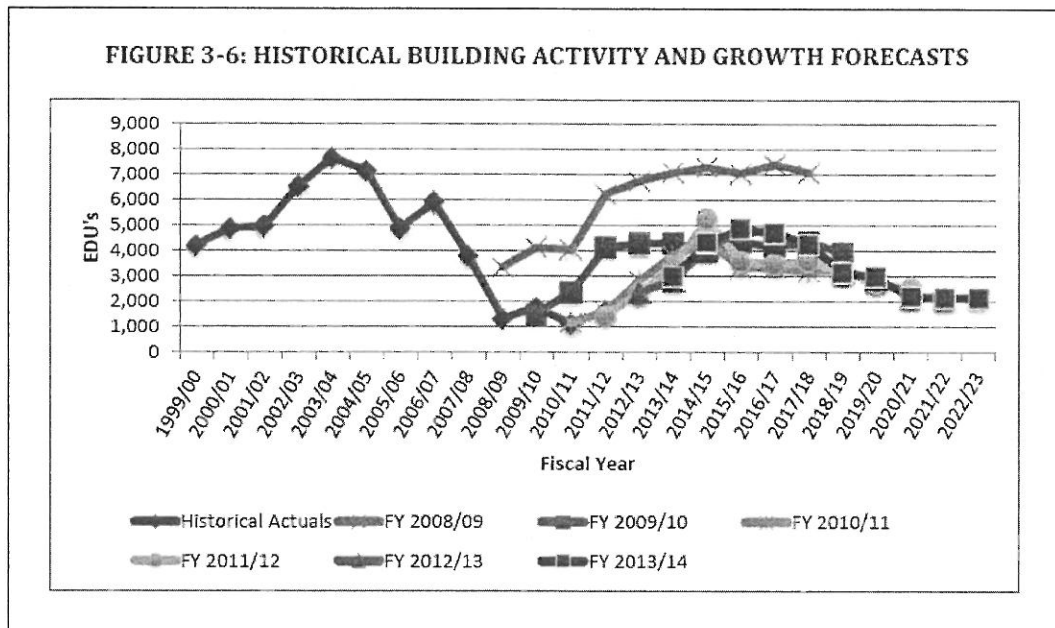


Section 9B of the Regional Contract states: *if a Contracting Agency's actual connections exceed its forecasted connections by more than 15% (or 100,000 gpd, whichever is greater) then that Contracting Agency cannot add additional sewer connections.* In other words, the Contracting Agencies must forecast sufficient capacity because they could be prevented from adding connections if they under-forecast capacity needs. This contract provision appears to encourage Contracting Agencies to overestimate increases on the TYCDF as a way to secure sufficient capacity to support future growth; therefore, the contract language provides an incentive to overstate future demand (See Observation #4).

In addition, Section 9A requires *the prioritization of capital improvements for facilities having the highest proportionate forecasted flows as of the end of the third year of the Forecast.* Meaning that, the Contracting Agency that forecasted the highest increases in flow to capacity over the next three years will have the highest priority for securing additional processing facilities for their sewerage. This provision provides an additional incentive to overstate future demand so as to ensure a priority for future capacity, particularly for Contracting Agencies expecting rapid growth (See Observation #5).

The following chart (taken from the FY 2013/14 TYCIP from May 2013) illustrates the actual connections and the forecast information provided by the Contracting Agencies in their Ten Year Forecast, for the most recent six years. The chart illustrates the variety and variability of information that has been provided through the Forecast process compared to actual information.

The connections shown in the chart are presented in "EDU's". An EDU is a numerical value designation and based on the measurement of sewage flow equivalent in quantity and strength to the daily flow of an average single-family residential household. One EDU equals 270 gallons per day for a single-family residential household.



* Source: FY 13/14 TYCIP, May 2013 Page |3- 8

Based on IA's discussions and observations, the TYCDF is not considered reliable for capital planning purposes, either by the individual Contracting Agencies or by Planning because:

- There is no consistent method applied by the Contracting Agencies in preparing the TYCDF,
- The ten-year length of time the Forecast is expected to encompass is too long to provide accurate and reliable information,
- There appears to be little or no reliance on the forecast information for planning purposes other than as a potential trigger for additional planning documents,
- The Regional Contract Sections 9A and 9B encourage Contracting Agencies to overestimate capacity demand, and
- The current EDU formula is based on a calculation of usage of 270 gallons per day ("gpd") while actual usage may be closer to 200 gallons per day.

Additionally IA noted:

- IEUA may want to begin planning for replacement revenue sources as the Contracting Agencies reach "built-out" capacity, which according to discussions with the member agencies they believe will be reached by around 2035 (or closer to 2045 according to Planning) approximately 20-30 years. This "build-out" period should be kept in mind when negotiating a new Regional Contract. Should the contract be extended another 50 years, the contract may need to include clauses that consider alternate/replacement sources of revenue to supplant the eventual decline in Initial Connection fees (See Observation #7).

Observation #1

There is inconsistency in the methodology used by the Contracting Agencies to prepare the TYCDF.

The Regional Contract establishes the requirements for the Ten-Year Forecast process:

Section 9A FORECASTING AND PLANNING

A Contracting Agency Reports

1 Annual Forecast

Prior to January 15, of each year, each Contracting Agency shall submit to CBMWD an updated forecast of its Capacity Demand for the succeeding ten fiscal years, which shall contain in a format required by CBMWD an estimate of the annual increase in volume of combined residential, commercial and reclaimable domestic strength industrial sewage to be delivered from the Contracting Agency's Community Sewer System into the Regional Sewerage System for such year and the number of Equivalent Dwelling Units associated with such estimated volume.

Each year, Planning provides the Contracting Agencies an excel spreadsheet and timetable for completion of the TYCDF. The following instructions are included:

Instructions

Please provide your agency's Ten-Year Capacity Demand Forecast for FY 2012-2013 by completing the following table. **Only complete those cells shaded in gray.** The remaining cells are automatically calculated and are protected from modification. If you have any problems with the protection added to this form, please contact I.E.U.A. and we will attempt to modify this form to support your needs.

Your agency's service area has been broken down into the tributary areas shown on the attached Figure 1. These areas have been chosen for planning purposes and generally correspond to the I.E.U.A. wastewater treatment plants that serve your agency. Please enter the average annual flow as of June 30, 2012 for each of these tributary areas in EDUs. In addition, please enter your forecasts in EDUs for the building activity in your agency's service area for the next ten years. Distinguish between Residential and Commercial/Industrial development. For your reference, please see Exhibit J of the Chino Basin Regional Sewage Service Contract for computing EDUs.

The spreadsheet requires that the Contracting Agencies forecast, in EDUs (which the spreadsheet converts to millions of gallons per day (MGD)) capacity demand for residential and commercial/industrial building activity, for ten succeeding years. Maps that show which area flows to each treatment plant are provided so that the Contracting Agencies can indicate to the best of their knowledge where projected EDU flows will be treated. The spreadsheet includes columns entitled "Projected Annual Change in Flow (Cumulative)". (See the sample spreadsheet that follows).

Regional Contract Review
Review of Ten Year Forecast
June 11, 2014
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Service Area: Regional Plant No. 1 (Excluding Flows to Montclair Flow Splitter)

Fiscal Year	Forecasted Building Activity						Projected Flow Fiscal Year End	
	Residential		Commercial / Industrial		Annual Total		[EDU]	[MGD]
	[EDU]	[MGD]	[EDU]	[MGD]	[EDU]	[MGD]		
7/2012 - 6/2013								7.1505
7/2013 - 6/2014	93	0.0602	1	0.0003	94	0.0605	94	7.1759
7/2014 - 6/2015	70	0.0451	1	0.0003	71	0.0454	71	7.1951
7/2015 - 6/2016	46	0.0302	0	0.0000	46	0.0302	46	7.2075
7/2016 - 6/2017	46	0.0302	0	0.0000	46	0.0302	46	7.2199
7/2017 - 6/2018	46	0.0302	0	0.0000	46	0.0302	46	7.2323
7/2018 - 6/2019	46	0.0302	0	0.0000	46	0.0302	46	7.2447
7/2019 - 6/2020	46	0.0302	0	0.0000	46	0.0302	46	7.2572
7/2020 - 6/2021	23	0.0151	0	0.0000	23	0.0151	23	7.2634
7/2021 - 6/2022	23	0.0151	0	0.0000	23	0.0151	23	7.2696
7/2022 - 6/2023	23	0.0062	0	0.0000	23	0.0062	23	7.2758
7/2023 - 6/2024	0	0.0000	0	0.0000	0	0.0000	0	7.2758

Service Area: Regional Plant No. 1 and/or Carbon Canyon Wastewater Reclamation Facility (Montclair Flow Splitter)

Fiscal Year	Forecasted Building Activity						Projected Flow Fiscal Year End	
	Residential		Commercial / Industrial		Annual Total		[EDU]	[MGD]
	[EDU]	[MGD]	[EDU]	[MGD]	[EDU]	[MGD]		
7/2012 - 6/2013								0.0633
7/2013 - 6/2014	128	0.0346	1	0.0003	129	0.0348	129	0.0981
7/2014 - 6/2015	96	0.0259	1	0.0003	97	0.0259	97	0.1243
7/2015 - 6/2016	64	0.0173	0	0.0000	64	0.0173	64	0.1416
7/2016 - 6/2017	64	0.0173	0	0.0000	64	0.0173	64	0.1589
7/2017 - 6/2018	64	0.0173	0	0.0000	64	0.0173	64	0.1762
7/2018 - 6/2019	64	0.0173	0	0.0000	64	0.0173	64	0.1934
7/2019 - 6/2020	64	0.0173	0	0.0000	64	0.0173	64	0.2107
7/2020 - 6/2021	32	0.0086	0	0.0000	32	0.0086	32	0.2194
7/2021 - 6/2022	32	0.0086	0	0.0000	32	0.0086	32	0.2280
7/2022 - 6/2023	32	0.0086	0	0.0000	32	0.0086	32	0.2366
7/2023 - 6/2024	0	0.0000	0	0.0000	0	0.0000	0	0.2366

The individual Contracting Agencies each use their own unique approach to prepare the Forecast. For instance, about half of the Contracting Agencies include a beginning balance in the "Cumulative" columns, while the rest start this portion of the spreadsheet at "0" each year. Those that do include a beginning balance use a variety of methods to determine what beginning balance to include, some of which are quite laborious. However, it is IA's understanding that the "Cumulative" columns are not used by IEUA.

Some Contracting Agencies apply a very analytical/mathematical approach to preparing the year by year projected amounts. Other agencies base their estimates on their knowledge of their community and factors such as interest or inquiries they have received from developers. Still others make reference to other planning documents used by their Contracting Agency. For example, one city ties their own budget to what is reported, while another might guess at what will actually be built and occupied during the year based on permits pulled by developers.

A summary of how each Contracting Agency completes the TYCDF is documented in a comparative table at Exhibit B.

The Contracting Agencies use the specific excel input spreadsheets provided by IEUA staff to provide their forecast prediction to IEUA. The Contracting Agencies noted that going through this exercise of the TYCDF serves no purpose for their agencies and

therefore there is no link to any internal forecast document. Additionally, it was noted that there is no official review/approval by a higher lever authorized representative. For most Contracting Agencies, going through the TYCDF process does not produce any benefit to them but only to comply with IEUA's requirement.

Planning staff make themselves available to answer any questions a Contracting Agency may have on anything related to the TYCDF or the Regional Contract, however, the Contracting Agencies do not often call upon Planning with questions related to the TYCDF. Additionally, Planning does not require the Contracting Agencies to submit any additional information or detail to support the forecast provided. It would be beneficial to all parties to have a meeting/workshop to discuss how the TYCDF should be prepared, emphasize the importance and value of the forecast to regional planning. Further, it would also be valuable to request the Contracting Agencies provide a narrative explaining how they determined their forecast totals and explain the major variables that drive their forecasts. This supplemental/supporting information can serve as additional feedback on what the Contracting Agencies perceive in their growth expectancies and provide IEUA and Planning with a better understanding of the estimates provided.

As a result, there are inconsistencies in the methodology applied among the Contracting Agencies, which results in inconsistent information and makes the information difficult to rely upon forcing IEUA representatives to further modify the predictions. In addition, as described in other observations, there are incentives in the Regional Contract that lead the Contracting Agencies to overstate expected capacity demand.

There is a need for a central framework to guide preparation of the Forecast information and provide greater communication between the individual preparers and IEUA. It appears there is a need for IEUA to provide additional guidance and direction and more specific instructions and information on the purpose for and the benefit of preparing the TYCDF. Additionally, there is a need to communicate the end result of the process. Without guidance and direction, the Contracting Agencies use varying methods that may or may not provide consistent, reliable and comparable information across all agencies. IEUA should take the lead to provide more specific instructions for preparation of the TYCDF and hold workshops to provide an avenue where the Contracting Agencies can discuss and ask questions related to the process and the Forecast. Additionally, providing opportunities for Contracting Agencies' forecast preparers and other staff to be more aware of IEUA responsibilities through plant tours and other activities may foster a more collaborative and cooperative relationship between the IEUA and the Contracting Agencies.

Internal Audit Recommendations:

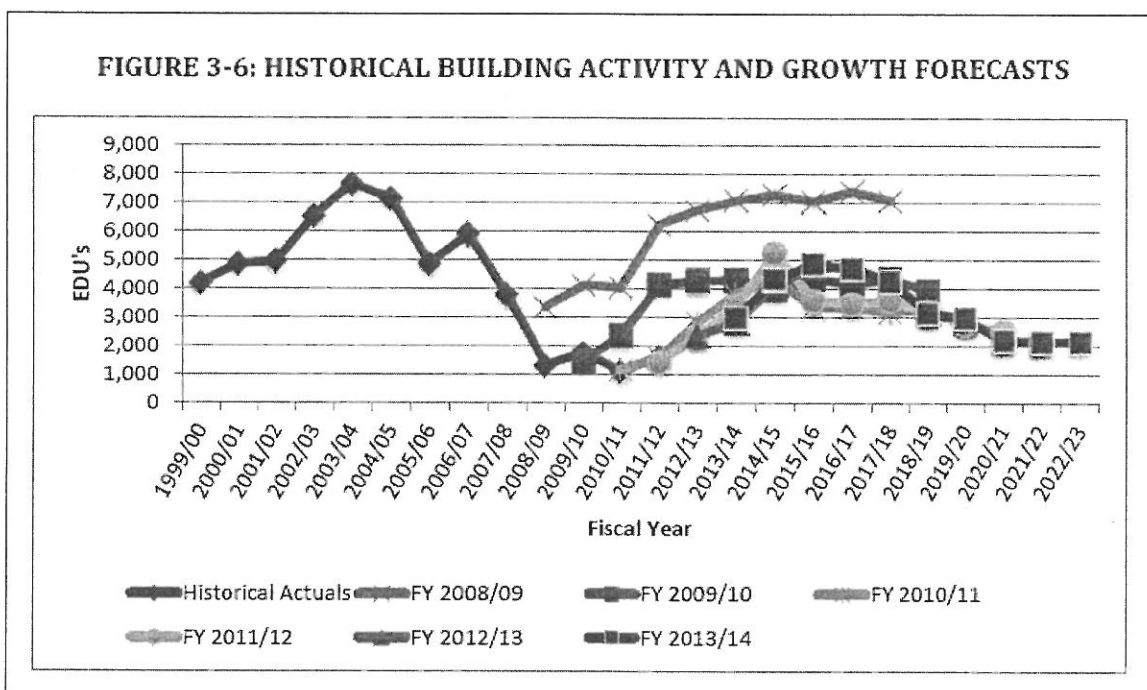
- 1. IEUA should reevaluate the purpose of the TYCDF and take the lead to provide more specific instructions and guidance for the preparation of the TYCDF, hold workshops, meetings, plant tours and similar activities as an avenue where the Contracting Agencies can discuss and ask questions***

related to the process and the Forecast, fostering greater face-to-face cooperation and collaboration among all parties to the contract.

Observation #2

The ten-year length of time the Forecast encompasses is too long to provide accurate and reliable information.

As shown earlier, the following chart (taken from the FY 13/14 TYCIP from May 2013 TYCIP) illustrates and compares actual building activity connections to information provided by the Contracting Agencies in the TYCDF compared for the most recent six forecasts. It seems that the most recent years have been closer to actuals, but in earlier years, forecasts have had a larger variance.



* Source: FY 13/14 TYCIP, May 2013 Page |3- 8

The review found that asking the Contracting Agencies to forecast connection and capacity activity for a ten-year period is too long a period of time. The Contracting Agencies noted that information for the first two to three years can be reliable and close to actuals. However, all Contracting Agencies noted that beyond the five-year mark, forecasting capacity and connections is "anyone's best guess" because there are multiple factors that can change projections, including the economy, developer interest, financing availability, and many unknown factors, etc. Asking Contracting Agencies to

forecast for a shorter period of time would be more practical, reasonable to forecast and likely to produce useful results.

The IEUA Strategic Plan has a rolling five-year timeframe. A five year timeframe for the TYCDF is one option that may provide a more realistic/accurate forecast. If IEUA wants a reliable Forecast to prioritize projects, anticipate revenue and expenses, plan for capital expansion, etc., the ten-year period is not the most reliable source information since each Contracting Agency has relied on such a variety of factors, situations and approaches unique to their own forecasting approach. IA noted other options that could be incorporated as part of a revision to the Regional Contract's forecast requirement:

- Require the lesser time-frame, such as five years to provide more reliable information.
- Require that the Contracting Agencies provide a "best case" and a "worse case" scenario as a way of providing a range of estimates based on variable factors they might be considering.
- Require the Contracting Agencies provide narrative information about the larger developments or more significant factors that influence their forecasts.
- Provide more specific instructions for the preparation of the TYCDF and hold workshops as an avenue where the member agencies can discuss and ask questions related to the process and the Forecast. In addition, to foster cooperation and collaboration, consider finding ways of having Contracting Agencies staff be more aware of IEUA responsibilities through holding plant tours and similar activities (see Observation #1).
- To extrapolate beyond five years, IEUA may want to consider other approaches similar to approaches used in budget preparation. Options might include long term predictors such as inflation escalators or long range real estate forecasts.

In addition to the bullet points above, Attachment A provides descriptions of a variety of possible alternatives to the current Forecast that were provided by the individual Contracting Agencies.

Internal Audit Recommendations:

2. ***IEUA should reevaluate the need and the requirement for a ten-year forecast time period and consider a shorter Forecast timeframe (i.e. Five years) or the reliance on a professional forecaster that considers various economic factors that may impact growth long-range.***
3. ***IEUA should consider asking the Contracting Agencies to provide both "best case" and "worst case" scenarios with supplemental narrative information that details the variables and factors considered in their forecast.***

Observation #3

There is little to no reliance on the TYCDF information to prioritize capital projects or to compile IEUA's Budget estimates.

The TYCDF obtained from each member Agency serves as the basis for preparing an overall ten-year Forecast of the Capacity Demands for the region. This information is intended to be the basic planning document for forecasting capital projects in the TYCIP.

As the Regional Contract states:

Section 9A FORECASTING AND PLANNING

B CBMWD Reports

1 Ten-Year Forecast

... CBMWD shall prepare and deliver to the Regional Technical committee and the Regional Policy Committee a ten-year forecast of the Capacity Demands of all Contracting Agencies and a forecast of the dates of commencement and completion of the design and construction of capital improvement projects which will be necessary to enable the Regional Sewerage System to meet the forecasted Capacity Demands of all Contracting Agencies. Such forecasts ... shall include:

(a) Estimates for each Regional Treatment Plant of the Capacity Demand of each Contracting Agency which receives sewerage service thereat as of June 30 of each year; ...

IEUA budget information states:

More information on the Agency's capital program is available in Capital Section of this document and the FY 2013/14 through FY 2022/23 Ten Year Capital Improvement Plan (TYCIP) Volume II. The Agency updates the TYCIP annually, in collaboration with its member agencies, to revise and adjust assumptions such as: wastewater flow projections and anticipated new development that may result in new EDU connections and increased demand on the Agency's Regional Sewerage System. These revised assumptions are the basis for capital projects to improve or expand existing facilities. This frequent and collaborative process ensures the Agency is positioned to effectively and timely respond to changing growth and demographic factors impacting the demand for its services.

Source: 2013-14 Operating and Capital Program Budget Volume I Page 5-23

There does not appear to be any reliance on the TYCDF information for IEUA planning documents such as the Budget Book and other capital project planning documents. Additionally, multiple Contracting Agency representatives noted that there is a disparity between the goals of the TYCDF and its end product. For example:

- The Regional Contract states forecasted demand in EDUs at 270 gallons per day (gpd), yet actual flows as measured by IEUA have declined in recent years in spite of regional growth.
- Smaller, built-out Contracting Agencies question the need for any input from them at all, since any impact would make no difference,

- Other Contracting Agencies suggest flow metering as a better forecasting tool than manual estimates.

TABLE 3: TEN YEAR CAPACITY DEMAND FORECAST BY AGENCY

Fiscal Year	Chino EDUs	Chino Hills EDUs	CVWD EDUs	Fontana EDUs	Montclair EDUs	Ontario EDUs	Upland EDUs	Total EDUs
2014/15	355	1023	364	734	262	2200	168	5106
2015/16	665	840	364	831	139	2700	110	5649
2016/17	727	617	364	804	29	2650	110	5301
2017/18	537	314	364	728	29	2050	110	4132
2018/19	334	184	364	537	29	1450	110	3008
2019/20	334	156	364	502	29	1450	110	2945
2020/21	334	91	364	374	29	850	55	2097
2021/22	272	44	364	367	29	850	55	1981
2022/23	272	29	322	367	29	850	55	1924
2023/24	272	17	0	361	29	850	0	1529
Totals	4102	3315	3234	5605	633	15900	883	33672

Source: TYCIP Feb 2014 Page 24

Although, as shown above, a section of the TYCIP is devoted to the forecast and shows the forecast information as provided by the member agencies, according to IEUA staff, the actual capital improvement projects are determined between the Planning, Engineering and the Operations Departments of IEUA and other key IEUA staff and based on other analyses and information. The TYCIP serves only as a “trigger” for additional research about capacity limits. Thus, if the forecasted increases in EDUs over the coming ten years mathematically indicate that treatment capacity will be reached, this “triggers” other research on IEUA’s part.

Source: TYCIP Feb 2014 Pages 33 - 34

PROJECT IDENTIFICATION PROCESS

The TYCIP contains projects which were identified by the Maintenance, Operations, Engineering, and Planning departments. There are two main ways to identify projects: 1) as repair and rehabilitation project for existing facilities; and 2) expansion projects to provide additional capacity.

PROJECT PRIORITIZATION CRITERIA

Projects listed in the TYCIP are prioritized by timing and criticality. Drivers used to determine the timeframe and criticality during which a project would be undertaken include the regulatory and permitting requirements, wastewater flow projections, asset age, performance, efficiency, grant or funding availability. Project prioritization levels are assigned based on the following criteria:

Timing

Immediate: projects that must or are on track to be completed in the next 1 to 2 year timeframe

Intermediate: projects that will be completed within the next 3 to 5 years

Long-Term: projects that will occur within the next 6 to 10 years

Criticality:

Critical: the project is necessary to correct an imminent existing or foreseen health hazard, or to meet or maintain new regulatory requirements

High: the project will to meet new regulatory requirements, affect significant cost savings, be performance enhancing

Medium: the project will increase efficiency and generate cost savings or the project is necessary to maintain current levels of processing capacity and efficiency (annually recurring projects)

Low/ Grant Dependent: the project will provide a benefit to the Agency but it is not absolutely mandatory for the management and operation of the Agency; project may be dependent on the availability of outside funding.

In the future, projects that are identified in the completed planning documents and baseline studies, such as the Wastewater Facilities Master Plan and Odor Assessment Panel Study, will be evaluated in this way and may be added to future TYCIPs. The ten-year project list in Appendix D represents the Agency's best assessment of what projects will occur based on existing planning documents; the list will be refined regularly as planning documents are updated (see Figure 2 on page 5 for the current planning documents timeline). An estimated ten-year budget by fund, based on currently identified projects is summarized below in Table 6.

The Forecast is also not considered reliable for planning purposes by the Financial Planning department of IEUA, which prepares Budget amounts based on their own judgments and estimates:

Although projections from the member agencies have historically been considerably more optimistic, the Agency took a conservative approach to forecast the number of new EDU connections for FY 2013/14 at 1,800 EDUs and a minimal growth of between 200 and 500 EDUs for ensuing years. Historical data supports the Agency's more conservative approach. Table 4-9 shows a comparison of member agencies and IEUA new EDU connections forecasts between FY 2013/14 and FY 2017/18. Member agencies forecasts are significantly higher than IEUA's forecasts for each fiscal year shown.

Table 4-9: Number of New EDU Connection Forecasts

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
IEUA Forecasts	1,800	2,200	2,500	3,000	3,000
Member Agency Forecasts	2,827	4,146	4,774	4,716	4,261

Source: 2013-14 Operating and Capital Program Budget Vol I Page 4-13

Implement capital projects in the adopted 10 year plan. In response to the ongoing economic recession, the primary focus of the Ten Year Capital Improvement Plan (TYCIP) is on the refurbishment, replacement and improvement of the Agency's existing facilities. Based on current growth projections and the uncertainty of an economic recovery, the Agency's existing capacity is adequate to meet the current and future needs of the service area which is not anticipated to be build out until after 2025. The FY 2013/14 - 2022/23 TYCIP is budgeted at \$415 million, with nearly 92 percent budgeted in the Regional Wastewater (66 percent) and Recycled Water (26 percent) Programs.

Source: 2013-14 Operating and Capital Program Budget Vol I Page 2-15

A basic requirement of the Regional Wastewater capital improvement program is to keep pace with the needs for wastewater treatment and solids handling capacity based on future growth projections provided by the contracting agencies and managing assets at all the facilities. For the next ten years, the member agencies are projecting 33,495 new EDU connections. The Agency projects a more conservative estimate of 21,700 new EDU connections based on historical trend and in line with the service area economic outlook. Based on current flow projections, the Agency's projection for treatment capacity utilization of existing facilities is expected to reach 76 percent, or 64.7 million gallons per day (MGD), by 2023. Included in the Agency's Adopted FY 2013/14 - 2022/23 TYCIP is the expansion of the Southern Service Area facilities where the majority of the future growth is anticipated.

Source: 2013-14 Operating and Capital Program Budget Vol I Page 5-25

It appears there is little to no reliance on the information gathered through the TYCDF, yet Contract Agency and IEUA staff members, alike spend a substantial amount of time on this process. IEUA should reevaluate the purpose and goal of the TYCDF process, redefine the information required, and improve collaboration with the Contracting Agencies so that information can be useful. Reliability and usefulness of the information could be improved with greater communication and adopting recommendations made under Observation #1 above.

Internal Audit Recommendation:

- 4. IEUA should reevaluate the purpose and goal of the TYCDF process, redefine the information needed and required, and improve collaboration and communication with the Contracting Agencies so that information can be useful reliable. This report provides various recommended alternatives as well as summarizes recommendations made by the Contracting Agencies.***

Observation #4

The intent and goal of the Regional Contract Section 9B New Connections limit should be reexamined to address the goals and intent of the Regional Contract and Regional Wastewater program.

Section 9B of the Regional Contract states a Contracting Agency cannot add additional sewer connections if its actual connections exceed its forecasted connections by more than 15% (or 100,000 GPD, whichever is greater). If the Contracting Agency exceeds this limit, according to the Regional Contract that Contracting Agency is not allowed to make additional connections:

Section 9A FORECASTING AND PLANNING

B CBMWD Reports

3 Review by Regional Policy Committee

E Forecast for Purposes of Determining Demand Deficits

*CBMWD shall set forth separately in each Ten-Year Forecast the Forecasted Demand for each Contracting Agency for the **initial two years** thereof, determined as in this part provided (emphasis added).*

Section 9B AVAILABLE SEWERAGE CAPACITY

B New Connections

However, if at any time during any fiscal year the Contracting Agency's Capacity Demand exceeds its Forecasted Demand for the year by more than 15 percent or 100,000 gallons per day, whichever is greater . . . the Contracting Agency shall not allow further connections to its Community Sewer System until and unless it is determined by CBMWD that the Contracting Agency's Capacity Demand no longer so exceeds its Forecasted Demand.

There are several concerns with this limit:

Appears to encourage Contracting Agencies to overestimate capacity

The clause appears to encourage Contracting Agencies to overestimate as a way to secure sufficient capacity to support future growth. In other words, the Contracting Agencies must forecast sufficient capacity because the Contracting Agencies could be prevented from adding connections.

No enforcement

As discussed with Planning, it does not appear that the limit has ever been enforced or that there is the likelihood that it would be enforced, since IEUA would likely provide the services needed.

Capacity vs. connections

Several Contracting Agencies expressed concerns about the unrealistic nature of this limit. The contract language appears to base the limit on connections made rather than actual flows of effluent. Therefore, even though flows have declined over the last several years and capacity is not an issue, a limit could be imposed based on connections made. This reflects the unrealistic nature of the forecast as compared to what is actually occurring within the region.

Internal Audit Recommendation:

- 5. IEUA should evaluate and determine the intent and need for the new connections limit in Section 9B of the Regional Contract associated with forecasted demand deficits and consider revising to address the goal of the program and the services to be provided under the Regional Contract. The contract should be written with language that does not encourage overstatement of Capacity Demand on Forecast documents to further ensure a more realistic and accurate forecast of connections and needed capacity.***

Observation #5

The intent and goal of the Regional Contract Section 9A Ten-Year Forecast prioritization criteria should be reconsidered to address the goal and intent of the Regional Contract and Regional Wastewater program.

Regional Contract Section 9A states that capital improvement projects are prioritized based on the highest proportionate forecasted flows as of the end of the third year of the Forecast. This provision appears to provide an additional incentive to overstate future capacity demand:

Section 9A FORECASTING AND PLANNING:

B CBMWD Reports

3 Review by Regional Policy Committee

A Ten-Year Forecast

*Capital improvement projects shall be prioritized based on the Forecasted Demands of all who do or will receive sewerage service therefrom or thereat as of the end of the **third fiscal year** included in the Ten-year Forecast, and facilities having the highest ratio of forecasted rates of flow to rated capacity shall be given the highest priority (emphasis added).*

This provision should be reevaluated to ensure the requirements meet the intent of the Regional Wastewater program. As the region has evolved, it may be necessary to change the requirements of the contract. Initially this provision may have alleviated concerns by individual Contracting Agencies that their needs would be met during a period of rapid growth and a recognition that IEUA would need to plan capital projects to meet future demand. However, as more and more of the region is or soon will be built-out, IEUA needs flexibility to determine the best approach to meet the capacity needs of the region.

For example, most of the forecasted growth in the next ten years is expected to occur as the New Model Colony is developed in the City of Ontario in the southern service area. According to various IEUA planning documents, there are multiple ways in which this growth can be accommodated, not the least of which is diverting portions of the flow from RP-5 to other underutilized facilities. However, the literal terms of this provision would imply the need to build additional capacity in the southern service area.

As described in the TYCIP, there may be a need for capacity in the southern service area, but it may not be as a result of this contract provision, but rather from the expected decommissioning of RP-2. *It is important that the Contract language not hinder IEUA's ability to make decisions about capital spending for the region as a whole. Therefore, the contract should be written in a way that provides more flexibility to allow IEUA management to make decisions that consider all factors.*

Although individual Contracting Agencies expressed being influenced by Regional Contract clauses, it does not appear that the prioritization requirements based on the Forecast amounts are currently being enforced in the form the Regional Contract provides. Therefore, it would be appropriate to revise the contract clause when revising the contract in order to provide IEUA with greater flexibility to prioritize projects based on a variety of factors.

Internal Audit Recommendation:

- 6. IEUA should evaluate and determine the intent of the mandatory prioritization of projects requirement in Section 9A of the Regional Contract associated with proportionate flows and consider revising to address the real intent. The contract language should be written in a way that provides greater flexibility to allow IEUA to make decisions that consider a variety of important factors in order to meet the region's needs.***

Observation #6

The current EDU formula does not reflect actual flows since it is based on a calculation of usage of 270 gallons per day (“gpd”) while actual usage may be closer to 200 gpd.

The Equivalent Dwelling Unit (EDU) is the measurement of sewage flow representing the daily sewage flow of an average single family household. According to Exhibit J of the Regional Contract, one EDU is equal to 270 gpd of flow. Exhibit J of the Regional Contract also provides all of the various other factors involved in calculating Initial Connection fees.

Several Contracting Agencies raised concerns about the use of the EDU in preparing their TYCDF information, since showing new EDUs in the TYCDF translates to additional flows entering the IEUA tributaries. This is counter-intuitive to their local experience, as well as the information shown in IEUA documents. These sources indicate that flows have declined in recent years, and to the extent that increases occur in the future, they will be much lower than that which is implied by the EDU increases shown in the TYCDF.

As a result several Contracting Agencies have recommended eliminating their future capacity needs from future Forecasts since they are primarily built-out and any new construction will result in much lower impacts on the IEUA tributaries than what the Forecast would imply. Other Contracting Agencies have recommended utilizing flow metering as the basis for Forecasting and billing, since this is a measurable and verifiable quantity, however, according to Planning, due to the complexity of the system and location, this may not be practical.

Section 9B AVAILABLE SEWERAGE CAPACITY

B. Monitoring and Reports

CBMWD shall, at intervals not exceeding 60 days in duration, determine the quantity of sewage entering the Regional Sewerage System from the Community Sewer System of each Contracting Agency. On or before March 1 and September 1 of each fiscal year CBMWD shall submit to the Regional Policy Committee a written report regarding the relationship between the actual Capacity Demand of each Contracting Agency and the Contracting Agency's Forecasted Demand for the fiscal year.

It is IAs' understanding from the Contracting Agencies that the sewerage system quantity of sewage reports are no longer being prepared, although IEUA does do monitoring that provides information about total quantities of flow by treatment facility and tributary. Several factors have changed since the EDU was initially established as part of the original contract, it may be appropriate to reevaluate this measurement unit to ensure closer alignment with actual flows.

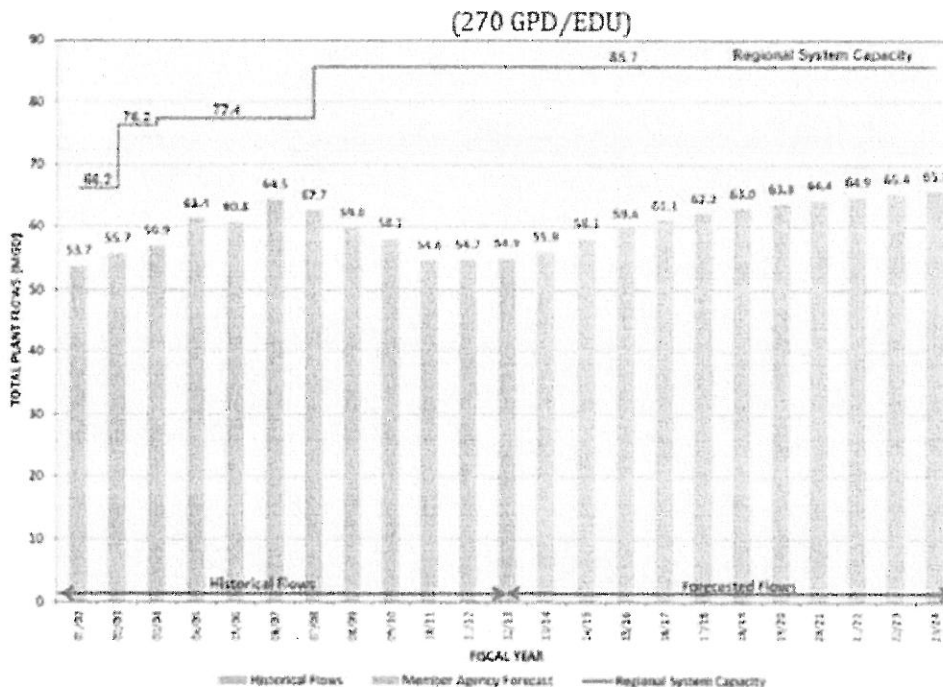
In a separate report, IA has conducted a "Comparable Agency Survey" and compared what other similar organizations use in the EDU calculation. The survey noted a wide range of gpd measurement units:

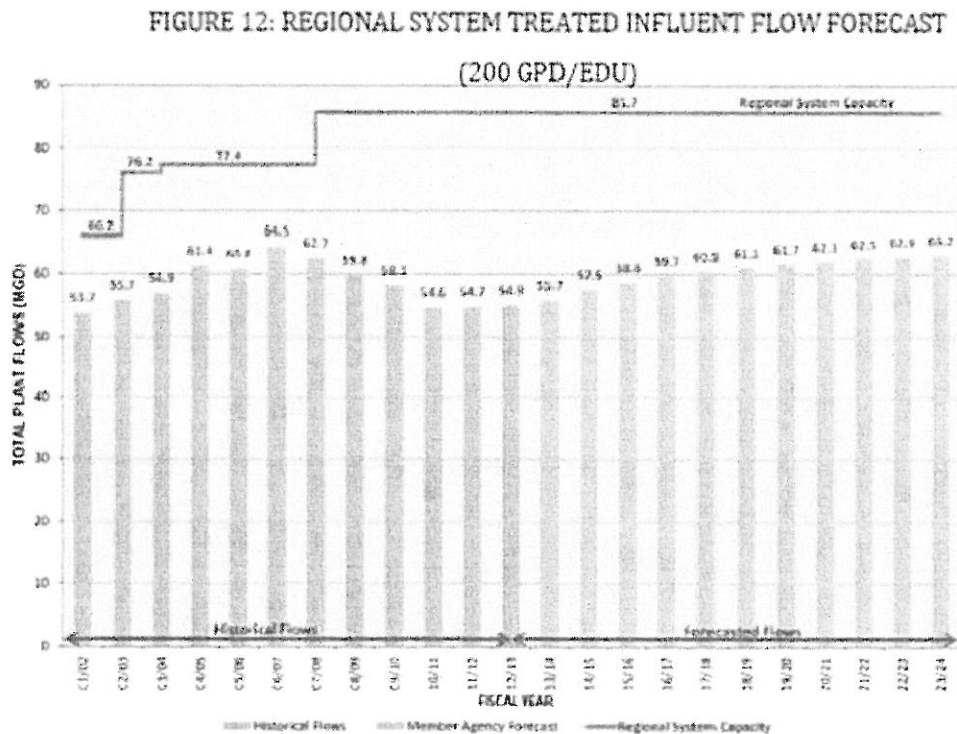
IEUA	SRCSD	LACSD	OCSD	EMWD
270	310	260	253	235

The EDU measurement units range from 235 gpd to 310 gpd. Currently Sacramento Regional County Sanitation District (SRCSD), at 310 gpd, is conducting a study to update the flow and waste strength of their measurement unit; which will likely lead to a possible lower estimate.

The TYCIP evaluates the TYCDFs from the Contracting Agencies at both 270 gpd per EDU and at 200 gpd per EDU. This acknowledgement that the EDU formula is out of date mirrors the concerns that the Contracting Agencies have that using a 270 gpd per EDU ratio leads to misstatement in the TYCDFs that the Contracting Agencies submit.

FIGURE 11: REGIONAL SYSTEM TREATED INFLUENT FLOW FORECAST





* Source: FY 14/15 TYCIP, February 2014, Page 26

Any revision will create multiple impacts on all customers whether commercial, industrial, public service or residential and those variables should be considered.

Internal Audit Recommendation:

7. As part of a comprehensive reconsideration of Exhibit J, IEUA should undertake a comprehensive reevaluation of the EDU formula as the basic measurement of sewage flow to more closely align it with actual flow and provide for more equitable charges.

Observation #7

The Regional Contract does not consider the impact of the Contracting Agencies achieving built-out status and the effect on Regional Wastewater program revenues related to initial connections.

According to the Regional Contract, IEUA is responsible for the expansion and maintenance of the regional infrastructure. Property taxes and capital connection fees are intended to be the primary sources for funding these capital costs, according to Section 9 of the contract.

Section 9. CAPITAL FINANCING OF REGIONAL SEWERAGE SYSTEM

D. Improvement District "C" Taxes; Sewage Service Standby or Availability Charges

The primary source of financing the acquisition, improvement and expansion of the Regional Sewerage Service System shall be CBMWD's share of the property tax revenues allocated each fiscal year by the County Auditor of the County of San Bernardino to CBMWD for Improvement District "C".

Section 9. CAPITAL FINANCING OF REGIONAL SEWERAGE SYSTEM

E Capital Capacity Reimbursement Account and Capital Capacity Reimbursement Payments

1. General

For the purpose of providing Supplemental Capital Outlay Funds to CBMWD, each Contracting Agency shall establish and maintain throughout the term of this Contract a Capital Capacity Reimbursement Account to which the Contracting Agency shall deposit or credit its Capital Capacity Reimbursement Payments. . . .

2. Capital Capacity Reimbursement Payments

Each Contracting Agency shall have deposited or credited to its Capital Capacity Reimbursement Account a Capital Capacity Reimbursement Payment for each connection which has been or will be made to its Community Sewer System or for each change in use of an existing commercial or industrial connection. . . .

A majority of Contracting Agencies already consider themselves primarily "built-out", meaning there are few if any vacant parcels and future construction activity is not expected to be significant, while other Contracting Agencies expect significant future growth. The "built-out" Contracting Agencies are of the opinion that they will not be providing significant additional flows and therefore have little to add in terms of any future additional capacity needs. The Contracting Agencies that still have significant parcels to be developed are of the opinion that the TYCDF overstates their future capacity needs. And, all the Contracting Agencies believe there must be a better way to plan for future capital infrastructure.

One Contracting Agency indicated that the TYCDF is not the most effective method for determining capacity needs since treatment capacity is not related to EDU sales. In other words, treatment capacity is necessary and will be necessary forever; however EDU connection sales are a one-time fee and one-time revenue. There is no

correlation between the connection fee based on EDU's and capacity usage, since flows have been declining or flat while new development continues and connection fees continue to be collected.

IEUA should consider the impact of built-out communities on capital connection revenues during the renegotiation of the Regional Contract. As more and more Contracting Agencies are built-out, the amount of revenue derived from capital connection fees will decline at the same time that the capital infrastructure is aging and requiring greater investment. Should a renegotiated Regional Contract be extended for an additional 50 years, capital connection fees may become a less and less relevant aspect of the Regional Contract over the long term.

As connection revenues eventually decrease with more and more Contracting Agencies reaching built-out status, IEUA is still obligated to keep and maintain the Regional Program with needed capital. Therefore, IEUA may want to consider provisions in a renegotiated Regional Contract to provide greater flexibility in using Initial Connection fee revenues, finding replacement revenues and considering new revenue sources to supplant the declining impact of capital connection fees.

Member Agency	Proportion built	Projected year to build-out
Chino	Significant open land	Not obtained
Chino Hills	Predominantly	~2035
Cucamonga Valley	Predominantly	~2030
Fontana	Significant open land	~2035
Montclair	Predominantly	~2030
Ontario	Significant open land	~2035
Upland	Open to interpretation	Depends on the rock quarries

Internal Audit Recommendation:

- 8. As part of contract renegotiations and as a long-range plan, IEUA should begin to plan for replacement revenue as revenue from Connection Fees decline.***

Exhibit A: Recommendations by Contracting Agencies of Alternatives to ten Year Forecast

During interviews and discussions with Contracting Agencies' representatives, the following comments and recommendations on the Ten Year Capacity Demand Forecast process were provided:

City of Chino Hills:

- City of Chino Hills' staff stated that ***a Ten-year forecast for their city is not necessary*** because the city is small and primarily a residential community that is relatively built-out. The remaining building activity may take 20 years or more (approximately 2033-2035), however city staff believes the impact of the additional growth would not have a significant impact on IEUA sewerage systems.

City of Chino:

- City of Chino staff suggested that another possible approach to preparing the Ten-Year Forecast is to ***ask the individual cities to provide a best and worst case scenario for a shorter, more reasonably estimable period of time***, perhaps five years. Chino staff believes a shorter period of time is more reasonable since they admit that years' five to ten are primarily guesses. In addition, entitlement processes and developer delays can affect the timing of potential development therefore they would prefer providing a range of estimates.

Cucamonga Valley Water District:

- CVWD staff indicated that ***IEUA has the ability to independently determine capacity needs and plan for future construction infrastructure without input from CVWD***. According to CVWD, even if their forecast were significantly off, it would not make a difference to IEUA capacity because CVWD believes there is sufficient capacity for CVWD's future growth. CVWD staff believes the forecast is not the right way to plan for capital expansion, particularly since treatment capacity is not directly related to EDU sales.

City of Montclair:

- City of Montclair staff suggested that ***IEUA assume an annual increase of some small value for each of the smaller Contracting Agencies, for example, for Montclair an annual increase of about 30 EDUs, with all of it going to Carbon Canyon would be an appropriate forecast***. City staff indicated that Montclair accounts for about 3% of the IEUA flow. Since the City is approximately 95% built-out, significant increases, are unlikely. The city might have a 200 EDU increase one year and nothing the next two.

City of Ontario:

- City of Ontario is concerned about future capacity. ***Perhaps an individualized or regionalized approach to capacity planning would provide more realistic information***. For, instance, the city of Ontario has a significant amount of space

Exhibit A: Recommendations by Contracting Agencies of Alternatives to ten Year Forecast

that has been used for dairy farming, but is now zoned for residential construction. The Ontario Plan (available on the City of Ontario website) forecasts Ontario's population almost doubling in the next 25 years (approximately 2035 – 2038). City staff projects that in the long-term the increased amount of flow will need the equivalent of an additional RP 5 processing site to handle it.

Upland

- ***An alternative forecasting approach would be based on mapping the various Contracting Agencies in comparison to their GIS data to determine undeveloped open space and infill areas that, if developed, would require sewerage capacity.*** This approach would utilize current technology to determine future growth areas and with the input from the Contracting Agencies potentially provide a better estimate of the likely development timetable.
- ***IEUA could have an economic expert, land use consultant or urban planner or other independent consultant/planner make the forecast, based on Inland Empire population growth projections and actual metered sewerage flows to the treatment plants.*** With the actual EDU connections available through the BAR submitted by the cities, IEUA can determine if such a professional projection is valid for action or reassessment.

Ontario & Upland

- ***Another suggested approach for determining the need for future capacity improvements (and provide fairer monthly billings) would be to meter the sewage flow at the point that it leaves the Contracting Agencies and enters the IEUA pipelines.*** Section 9B of the regional contract states: "CBMWD shall, at intervals not exceeding 60 days in duration, determine the quantity of sewage entering the Regional Sewerage System from the Community Sewer System of each Contracting Agency." This provision is apparently no longer being followed, perhaps because there is significant overlap between Contracting Agencies that feed into the IEUA lines. Both Ontario and Upland's representatives believe this would provide the most accurate assessment of usage by each of the Contracting Agencies and the most current information about the percentage of capacity being utilized. If monitored system-wide this would also provide support for the fair allocation of Development Impact Fees. This could also serve as the basis for the monthly sewerage amounts paid by the Contracting Agencies to IEUA. The Contracting Agencies could then determine for themselves how that would be assessed to the parcels in their service area, one possible alternative of which would be to meter usage on a parcel by parcel basis.

Question:	Chino	Chino Hills	CVWD	Fontana	Montclair	Ontario	Upland
Cumulative columns approach	Establish beginning amount by utilizing amount from prior year forecast.	Begin each Forecast at "0". Cumulative amounts are only for the amounts entered to forecast.	Establish beginning amount by utilizing amount from prior year forecast. This beginning amount was recalculated about 3 years ago because the starting point had veered from the real totals as of the beginning of the forecast period.	Begin each Forecast at "0". Cumulative amounts are only for the amounts entered to forecast. Fontana had previously included cumulative totals, but due to changes in the spreadsheet, those totals are not included in the current Forecast.	Begin each Forecast at "0". Cumulative amounts are only for the amounts entered to forecast.	Starting point was recalculated in 2002 based upon active sewerage accounts at that time. Additions since then have been based upon what was reported on the BAR. Although the activity since 2002 is accurate, the City officials are not as certain about the 2002 beginning balance.	Develop current EDU's by averaging past 12 months from monthly sewerage billings and annualize. Beginning cumulative estimates are based on actual current EDU billings not prior year EDU count.

Exhibit B: Contracting Agencies Comparative Preparation Information

General description of approach to early years	Obtain budget information for upcoming year and conform the first year projection to this. Then review city map to identify properties based on knowledge of developments that are currently in process and potential building activity from conversations with developers. Forecast build-out of large developments based on likely speed of completion. This estimate is reasonably reliable for the first several years, due to large size of most projects that take time to complete.	Start by looking at last year's forecast and what building activity occurred since the prior year and whether the last forecast bore that out, at least for the current year. Consider upcoming residential construction and potential commercial and industrial development. Since city is expecting only multifamily residential in coming years and little commercial, impacts are not large. Use "best guess" estimates for each year without a mechanical extrapolation process.	Try to be realistic in forecast. Start by comparing actual amounts for the most recent year to last year's forecast to see how close the forecast ended up being. The next step is to obtain as much information as possible including demographic & development and other trend data. Also consider potential building activity in different parts of the community to enter information by tributary area. The amounts entered are based on an interpretation of all of the information reviewed.	Refer to last several years of forecast information submitted in comparison to actual results that occurred to determine whether there are trends or patterns that help make the current forecast more accurate. Next, consider information from Building & Planning departments about inquiries from developers & what new developments have been approved or are in process. Also, consider growth percentages in IEUA TYCIP document. Generally in a good economy 3-5 year estimates are pretty good.	Each year starts fresh by looking at projected developments. Informed estimate from 1st hand knowledge of current status of building activity that is reasonably relevant for a couple of years. There can easily be changes due to economic impacts or because a developer has difficulty obtaining financing, among multiple reasons.	In 2010 Ontario adopted The Ontario Plan to development. This plan forecasts population more than doubling in the next 20 to 25 years. This is about 1,500 housing units per year. This is compared to what is known about current & expected building trends & permits for estimates that are reasonably conservative. If these adjustments impact early years in the forecast, they then add-back to later years. A range of 1/4 to 1/3 of the residential amount is then factored in for commercial & industrial growth. This is higher than some other communities due to Ontario Airport.	Each year starts fresh by reviewing the most recent 12 months' BAR and at projected developments in the next 10 years. Additional EDU for future years are based on existing development, anticipated new sewer connections and proposed new projects which are routinely discussed by City staff.
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Exhibit B: Contracting Agencies Comparative Preparation Information

General description of approach to later years	Trend out later years based on the estimates made for the first few years and the available additional units to be developed in the larger projects.	Use a "best guess" effort for each year of the forecast. No mechanical extrapolation process involved, instead attempting to be as realistic as possible. City considers first 2 to 3 years as reasonably reliable.	There is no particular rigid formula, but once a trend figure has been determined, try to be consistent with that as additional years are entered year by year.	For later years continue to estimate impact of expected large developments, but rely more heavily on the percentages from the IEUA TYCIP to extrapolate estimates.	Since early 2000's forecasting has been difficult due to earlier building boom followed by recession. Later years are static smaller amounts.	Ontario's forecast information is linked to the projected growth anticipated in The Ontario Plan. Once a trend figure has been determined the forecast tries to be consistent with that per the Ontario Plan as additional later years are entered, year by year.	The first several years are relatively easier because of the information available. EDU projections for later years are distributed somewhat evenly over the remaining years of the term.
Connection to RCA's budget	Conforms first year of forecast to agree with information included in City's budget.	City considers the Forecast as one of its "tools" for planning ahead, although the Capacity Demand Forecast is requested at a different time of the year than the estimates that are used for budget planning purposes. This requires multiple updates throughout the year.	There is no connection and the forecast is not used for any other purpose.	Not directly connected to city's budget process.	Finance department estimates amounts for one-year budget, but process is not during same time-frame as IEUA forecast and there is no overlap.	Initial connection fees estimates are considered a pass-through held in trust for IEUA and are not included in the City's budget. However, expected sewerage revenues and the expense and the 10 year forecast are both based on The Ontario Plan.	Consider amounts provided to Finance for City budget in their projected impact fees submission, but then updated with newer information for the IEUA forecast since this comes so much later.

Exhibit B: Contracting Agencies Comparative Preparation Information

10 Year Forecast used for other purpose?	No	City considers the Forecast as one of its "tools" for planning ahead.	No	Will be used as a consideration as part of city's planning for the future.	No	yes, see above	No
Time commitment	Approximately 1/2 day each for two people	Approximately 1 day for 1 person	Approximately 2 - 3 days of staff time.	Approximately 5 days for 1 person.	Prepared over a 10 day period by 3 people.	Approximately 18 hours of staff time & 2 hours for supervisor	Not tracked separately, but a significant amount of time is spent, requiring collective input from Finance, Development Services and Public Works.



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

Regional Contract Review

June 18, 2014

Internal Audit Department

Regional Contract Review

Prior Audits

- **2014 – & on-going**
- **2009**
- **2006**
- **2005**
- **1999**
- **1998**
- **1995**

Audit Reports

Ten-Year Forecast

Objective:
Evaluate the approach to prepare the Ten Year Capacity Demand Forecasts and the Ten Year Capital Improvement Plan (TYCIP).

COMPLETE

Comparable Survey

Objective:
Compare IEUA's Regional Contract and regional program with similar programs.

COMPLETE

Application of Exhibit J

Objective:
Evaluate Contracting Agencies' compliance with Exhibit J.

IN-PROGRESS

Ten-Year Capacity Demand Forecast

Service Area: **Regional Plant No. 1 (Excluding Flows to Montclair Flow Splitter)**

Fiscal Year	Forecasted Building Activity						Projected Flow	
	Residential		Commercial / Industrial		Annual Total		Fiscal Year End	
	[EDU]	[MGD]	[EDU]	[MGD]	[EDU]	[MGD]	[EDU]	[MGD]
7/2012 - 6/2013								7.1505
7/2013 - 6/2014	93	0.0602	1	0.0003	94	0.0605	94	7.1759
7/2014 - 6/2015	70	0.0451	1	0.0003	71	0.0454	71	7.1951
7/2015 - 6/2016	46	0.0302		0.0000	46	0.0302	46	7.2075
7/2016 - 6/2017	46	0.0302	0	0.0000	46	0.0302	46	7.2199
7/2017 - 6/2018	46	0.0302	0	0.0000	46	0.0302	46	7.2323
7/2018 - 6/2019	46	0.0302	0	0.0000	46	0.0302	46	7.2447
7/2019 - 6/2020	46	0.0302	0	0.0000	46	0.0302	46	7.2572
7/2020 - 6/2021	23	0.0151	0	0.0000	23	0.0151	23	7.2634
7/2021 - 6/2022	23	0.0151	0	0.0000	23	0.0151	23	7.2696
7/2022 - 6/2023	23	0.0062	0	0.0000	23	0.0062	23	7.2758
7/2022 - 6/2024	0	0.0000	0	0.0000	0	0.0000	0	7.2758

Service Area: **Regional Plant No. 1 and/or Carbon Canyon Wastewater Reclamation Facility (Montclair Flow Splitter)**

Fiscal Year	Forecasted Building Activity						Projected Flow Fiscal Year End	
	Residential		Commercial / Industrial		Annual Total			
	[EDU]	[MGD]	[EDU]	[MGD]	[EDU]	[MGD]	[EDU]	[MGD]
7/2012 - 6/2013	128	0.0346						0.0633
7/2013 - 6/2014			1	0.0003	129	0.0348	129	0.0981
7/2014 - 6/2015	96	0.0259	1	0.0000	97	0.0259	97	0.1243
7/2015 - 6/2016	64	0.0173		0.0000	64	0.0173	64	0.1416
7/2016 - 6/2017	64	0.0173	0	0.0000	64	0.0173	64	0.1589
7/2017 - 6/2018	64	0.0173	0	0.0000	64	0.0173	64	0.1762
7/2018 - 6/2019	64	0.0173	0	0.0000	64	0.0173	64	0.1934
7/2019 - 6/2020	64	0.0173	0	0.0000	64	0.0173	64	0.2107
7/2020 - 6/2021	32	0.0086	0	0.0000	32	0.0086	32	0.2194
7/2021 - 6/2022	32	0.0086	0	0.0000	32	0.0086	32	0.2280
7/2022 - 6/2023	32	0.0086	0	0.0000	32	0.0086	32	0.2366
7/2022 - 6/2024	0	0.0000	0	0.0000	0	0.0000	0	0.2366

Source: Sample from most recent Forecast

Forecast by Contracting Agency

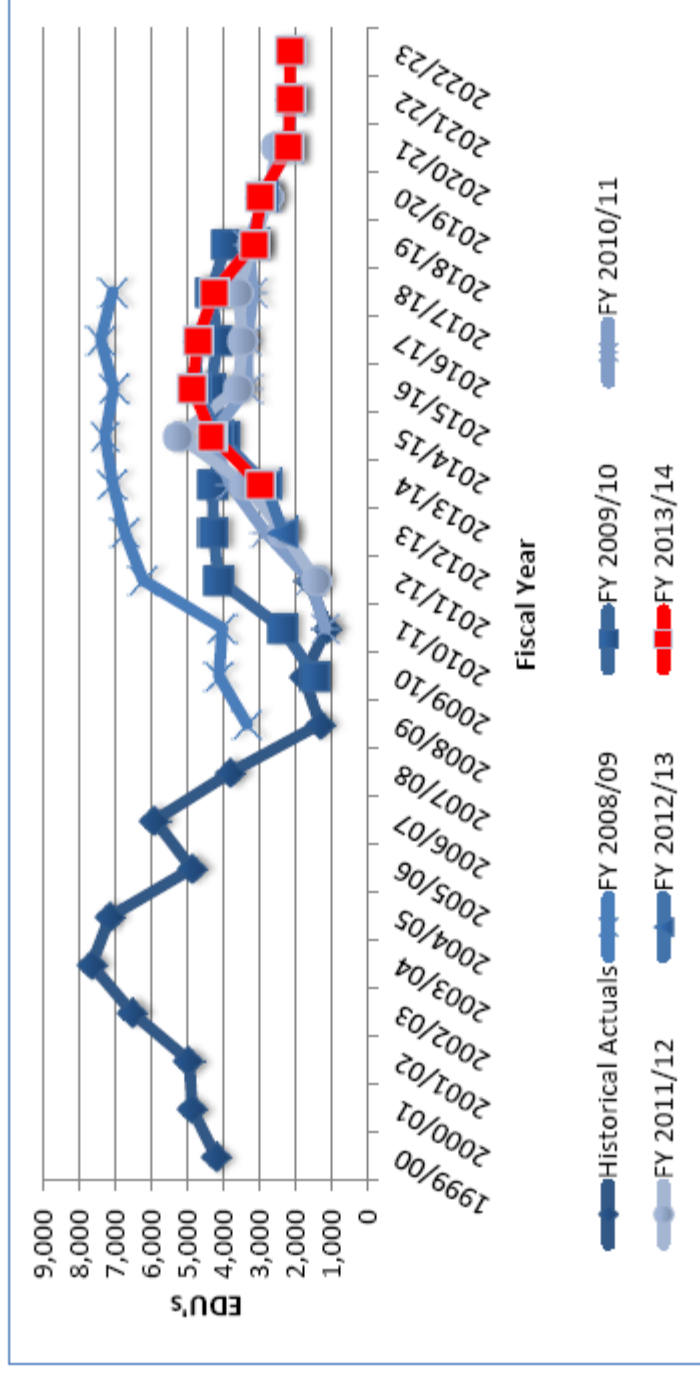
TABLE 3: TEN YEAR CAPACITY DEMAND FORECAST BY AGENCY

Fiscal Year	Chino EDUs	Chino Hills EDUs	CVWD EDUs	Fontana EDUs	Montclair EDUs	Ontario EDUs	Upland EDUs	Total EDUs
2014/15	355	1023	364	734	262	2200	168	5106
2015/16	665	840	364	831	139	2700	110	5649
2016/17	727	617	364	804	29	2650	110	5301
2017/18	537	314	364	728	29	2050	110	4132
2018/19	334	184	364	537	29	1450	110	3008
2019/20	334	156	364	502	29	1450	110	2945
2020/21	334	91	364	374	29	850	55	2097
2021/22	272	44	364	367	29	850	55	1981
2022/23	272	29	322	367	29	850	55	1924
2023/24	272	17	0	361	29	850	0	1529
Totals	4102	3315	3234	5605	633	15900	883	33672

Source: TYCIP Feb 2014 Page 24

Regional Contract Review

FIGURE 3-6: HISTORICAL BUILDING ACTIVITY AND GROWTH FORECASTS



* Source: FY13/14 TYCIP, May 2013 Page 13- 8

Forecast vs Budget

Table 4-9: Number of New EDU Connection Forecasts

	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
IEUA Forecasts	1,800	2,200	2,500	3,000	3,000
Member Agency Forecasts	2,827	4,146	4,774	4,716	4,261

Source: 2013-14 Operating and Capital Program Budget Vol II Page 4-13

Review of Ten-Year Forecast

OBSERVATIONS:

- Inconsistent methodology used to prepare the TYCDF
- The ten-year length of time is too long
- There is little or no reliance on the TYCDF information
- Contract Section 9B and 9A encourage over-projection
- The current EDU formula does not reflect actual flows
- Contracting Agencies will reach built-out capacity

Comparable Agency Survey

*Sacramento Regional County
Sanitation District*

Eastern Municipal Water District

Sanitation Districts of Los Angeles County

Orange County Sanitation District

Comparable Agency Survey

OBSERVATIONS:

- **Centralization of connection permitting process**
- **Collection of Sewer Service Fees through County Property Tax Roll**
- **Contractual Model**
- **Rate and Fee Study**


**INFORMATION
ITEM**

6B

Date: June 18, 2014

To: The Honorable Board of Directors

Through: Audit Committee (06/11/14)

From: 
Teresa V. Velarde
Manager of Internal Audit

Subject: Regional Contract Review – Survey of Comparable Agencies

RECOMMENDATION

This is an information item for the Board of Directors to receive and file.

BACKGROUND

Internal Audit (IA) completed the Regional Contract Review – Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs review as scheduled according to the approved Fiscal Year 2013/14 Annual Audit Plan. The scope of the audit was to perform a comparable agency survey to compare IEUA's Regional Contract and program with similar programs in California. The review evaluated the structure used to bill and collect initial Connection and Sewer Service fees from residential, commercial, industrial and public service users. The review considered if greater efficiencies could be gained from adopting different applications and methodologies in administering the contract and collecting fees.

The four agencies surveyed were the Los Angeles County Sanitation District, Orange County Sanitation District, Eastern Municipal Water District and Sacramento Regional County Sanitation District. IA's survey/review identified four areas of opportunity to consider during negotiations for a new Regional Contract, specifically related to the business model used for collection of Supplemental Capital Outlay Funds (Initial Connection fees) and Service Charges (Sewer Service fees). The report that follows provides details of the observations and recommendations. The bullet points that follow provide a summary of the review.

- IEUA should consider centralizing the connection permitting process in order to, centralize the collection of Initial Connection fees, create greater uniformity in the interpretation of the Regional Contract, and establish a centralized location for all connection-related questions from customers. The survey found that three of the four public agencies surveyed collect the Initial Connection fees directly from users and hold the funds (EMWD, LACSD, and SRCSD). The survey also found that IEUA is the only

agency that has the arrangement that the Contracting Agencies collect and hold the Initial Connection Fees.

- IEUA should consider establishing the collection of monthly Sewer Service fees from residential users through the County's Property Tax Roll. The survey found that two of the four public agencies collect the Sewer Service Fees for residential users through the County's Property Tax Roll (LACSD and OCSD) and one of the four public agencies collect the Sewer Service Fees directly from their customers on a monthly basis (EMWD).
- IEUA should work with legal counsel, and carefully research and evaluate the benefits it gains by establishing a multi-year contractual agreement or a Board-approved Resolution or Ordinance to ensure the best contractual model is applied to govern the Regional program. The survey found that three of the four public agencies (LACSD, OCSD, and SRCSD) govern wastewater treatment services through an Ordinance. One of the four public agencies (EMWD) surveyed adopted a Resolution that is a comprehensive document of all Board-approved policies, ordinances, and resolutions. The results of the survey showed that IEUA is the only agency that governs through a Regional Contract.
- IEUA should consider undergoing a Rate and Fee Study to evaluate current rates and cost of service and to assist in establishing sustainable and equitable rate structure and recover the cost of providing services. The survey found that public agencies who have recently adopted rates based on a Rate and Fee Study provide a more sustainable and equitable structure and recover the cost of providing the service to users. Since increasing rates is not always a popular choice, having an independent/professional Rate and Fee study performed, provides a level of objectivity, independence to the resulting rates.

IA understands that each public agency and their respective wastewater program and services are unique in many ways, as well as their member agency relationships and their customers. Due to the many variables and the uniqueness of the various entities, not all questions or information in the survey provide a parallel comparison, various factors must be weighed and considered in order to compare to IEUA's program.

IA would like to extend its appreciation to the members who participated in the survey, including staff members at Los Angeles County Sanitation District, Orange County Sanitation District, Eastern Municipal Water District and Sacramento Regional County Sanitation District, for their time and assistance during this review.

Attached is the final audit report that provides details of the observations and recommendations made. Also attached is the consolidated survey with the responses provided by the respondents.

PRIOR BOARD ACTION

On June 19, 2013 the Board of Directors approved the Amended Annual Audit Plan for Fiscal Year 2013/14.

IMPACT ON BUDGET

None.



Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

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DATE: June 2, 2014

TO: Joe Grindstaff
General Manager

FROM: Teresa V. Velarde
Manager of Internal Audit

SUBJECT: REGIONAL CONTRACT REVIEW
Comparison of the Regional Sewage Service Contract and Program
with similar contracts and programs

Audit Authority

The Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department (IA) performed a review of the Agency's Regional Sewage Service Contract as implemented with the Contract Agencies. The review was performed under the authority given by the IEUA Board of Directors and according to the Fiscal Year 2013/14 Annual Audit Plan.

Audit Objective and Scope

The objective of the Regional Sewage Service Contract (Regional Contract) review was to evaluate the administration and application of the contract provisions by the seven member agencies (Contracting Agencies), determine whether processes are in compliance with Regional Contract requirements and determine opportunities to improve processes and procedures. The purpose of the review was also to identify potential recommendations and ideas to consider as part of the contract renewal process. The review covered the period from July 1, 2012 through December 31, 2013 and where possible considered events subsequent to that period.

The results of the overall Regional Sewage Service Contract review are documented in three separate reports to separate the observations and recommendations by subject matter, as follows:

- Performed a comparable agency survey to compare the Regional Contract program with similar programs in California.

Water Smart – Thinking in Terms of Tomorrow

Terry Catlin
President

Michael E. Camacho
Vice President

Steven J. Elie
Secretary/Treasurer

Jasmin A. Hall
Director

Gene Koopman
Director

P. Joseph Grindstaff
General Manager

- Evaluated compliance with the Regional Contract, Exhibit J rate provisions for the various types of land uses (public service, industrial, commercial, residential and extra-territorial).
- Reviewed the approach to complete the required Ten-Year Capacity Demand Forecasts (TYCDF) prepared by the individual Contracting Agencies and how that information is subsequently compiled and utilized by IEUA to prepare the IEUA Ten Year Capital Improvement Plan (TYCIP) (Collectively the “Forecast”).

This report ***evaluates and compares the Regional Contract and program to four other public agencies: Los Angeles County Sanitation District (LACSD), Orange County Sanitation District (OCSD), Eastern Municipal Water District (EMWD) and Sacramento Regional County Sanitation District (SRCSD).*** Specifically, the review evaluated the structure used to bill and collect Initial Connection and Sewer Service Fees from residential, commercial, industrial and public service users. The review considered whether there is a more effective and efficient structure that can be used in collection of these fees.

Executive Summary

IA’s survey/review identified opportunities to consider during negotiations for a new Regional Contract, specifically related to the business model used for collection of Supplemental Capital Outlay Funds (Initial Connection Fees) and Service Charges (Sewer Service Fees). The report that follows provides details of the observations and recommendations. Below is a summary:

- IEUA should consider centralizing the connection permitting process and the collection of Initial Connection Fees, to create greater uniformity in the interpretation of the Regional Contract, and establish a centralized location for all connection-related questions from customers. The survey found that three of the four public agencies surveyed collect the Initial Connection Fees directly from users and hold the funds (EMWD, LACSD, and SRCSD). The survey also found that IEUA is the only agency that has the arrangement that the Contracting Agencies collect and hold the Initial Connection Fees.
- IEUA should consider establishing the collection of monthly Sewer Service Fees from residential users through the County’s Property Tax Roll. The survey found that two of the four public agencies collect the Sewer Service Fees for residential users through the County’s Property Tax Roll (LACSD and OCSD) and one of the four public agencies collect the Sewer Service Fees directly from their customers on a monthly basis (EMWD).
- IEUA should work with legal counsel, and carefully research and evaluate the benefits it gains by establishing a multi-year contractual agreement or a Board-

approved Resolution or Ordinance to ensure the best contractual model is applied to govern the Regional program. The survey found that three of the four public agencies (LACSD, OCSD, and SRCSD) govern wastewater treatment services through an Ordinance. One of the four public agencies (EMWD) surveyed adopted a Resolution that is a comprehensive document of all Board-approved policies, ordinances, and resolutions. Of the four agencies surveyed, IEUA is the only agency that governs through a Regional Contract.

- IEUA should consider undergoing a Rate and Fee Study to evaluate current rates and cost of service and to assist in establishing sustainable and equitable rate structure and recover the cost of providing services. The survey found that public agencies who have recently adopted rates based on a Rate and Fee Study provide a more sustainable and equitable structure and recover the cost of providing the service to users. Since increasing rates is not always a popular choice, having an independent/professional Rate and Fee study performed, provides a level of objectivity, independence and adds to the validity of the resulting rates.

Acknowledgements

IA would like to extend its appreciation to the member who participated in our survey, including staff members at Los Angeles County Sanitation District, Orange County Sanitation District, Eastern Municipal Water District and Sacramento Regional County Sanitation District for their time and assistance during this review.

Discussion with Management

We discussed the results of this review with Executive Management on May 27, 2014.

Response to Internal Audit

Responses have been incorporated where applicable. If you have any questions or need additional information, please contact me at Extension 1521 or at tvelarde@ieua.org.

TV:sn

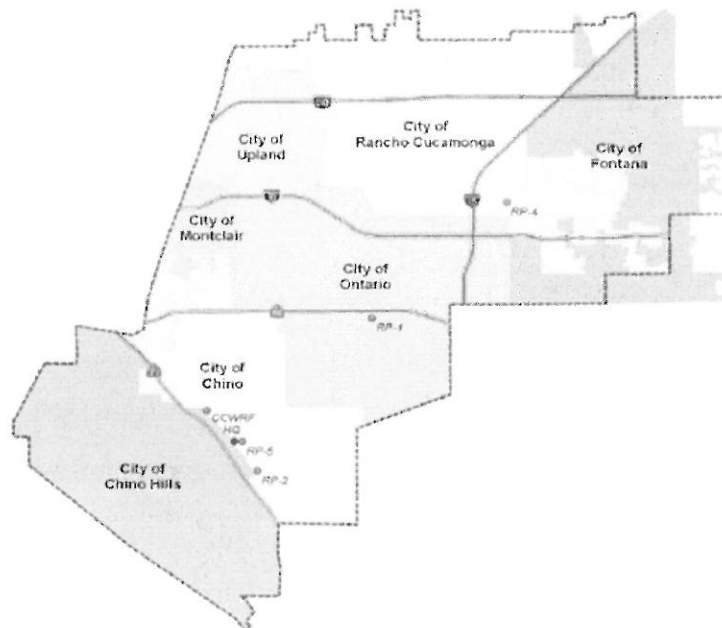
External Survey – Comparable Public Agencies
Evaluation of the Regional Wastewater Program with other public agencies

Background

In 1972, the Chino Basin Regional Sewage Service Contract (Regional Contract) established the relationship between the Inland Empire Utilities Agency (IEUA or Agency) and the seven Regional Contracting Agencies (Contracting Agencies) for the collection, treatment, and disposal of municipal wastewater through the Regional Sewage System for the residents and businesses within its service area. The seven Contracting Agencies are the Cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Upland, and the Cucamonga Valley Water District (serving primarily the City of Rancho Cucamonga).

IEUA owns and operates five treatment facilities to manage its service area of 242-square-miles of western San Bernardino County with a population of approximately 850,000. The term for the Regional Contract is 50 years and it expires on January 1, 2022.

Figure 1: IEUA's Service area and Regional Contracting Agencies



Regional Wastewater Program

According to the Fiscal Year 2013/14 Operating and Capital Program Budget (Volume 1 – June 2013), the Regional Wastewater program is one of IEUA's core program and includes the activities associated with the primary, secondary and tertiary treatment of domestic wastewater delivered by the seven Contracting Agencies' local sewer systems to the Agency's interceptors and wastewater treatment plant facilities. The specific requirements of the Regional Wastewater program are governed by the Regional Contract between IEUA and the seven Contracting Agencies. The program is comprised of two components, Initial Connection Fees and Sewer Service Fees.

Initial Connection Fees are one-time fees levied on any new development that connects to the Regional Sewerage System, as well as any existing users who expand their wastewater discharge. These fees are recorded in the Regional Wastewater Capital Improvement Fund and restricted to the acquisition, construction, improvement, expansion, replacement, debt service, and other related administrative costs of the Agency's wastewater treatment facilities.

Initial Connection Fee Rate
Fiscal Year

2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
\$4,200	\$4,450	\$4,673	\$4,766	\$4,766	\$4,766	\$4,909	\$5,007	\$5,107

Sewer Service Fees are recurring fees assessed and collected from users that discharge into the Agency's Regional Sewage System. These fees are recorded in the Regional Wastewater Operations and Maintenance Fund and used for the operations and maintenance of the Regional Wastewater system.

Sewer Service Fee Rate
Fiscal Year

2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
\$8.44	\$9.19	\$9.62	\$10.75	\$11.14	\$11.14	\$12.39	\$13.39	\$14.39

The Agency's Board of Directors approves and adopts the rates for the Initial Connection Fees and Sewer Service Fees on a regular basis. The fees are assessed and collected based on the usage, growth, and available capacity of the Regional Sewerage System, which is measured in terms of Equivalent Dwelling Units (EDU's). An EDU is a numerical value designation and based on the measurement of sewage flow equivalent in quantity and strength to the daily flow of an average single-family residential household. One EDU equals 270 gallons per day for a single residential household.

The Initial Connection and Sewer Service Fees are collected from residential, commercial, industrial and public service users by each Contracting Agency on behalf of the Agency.

Peer Survey and Benchmarking – Conducted by Internal Audit

This report compares business models used by other public agencies to those used by IEUA to administer the Regional Contract as a way of providing additional information and comparison data for IEUA to evaluate during future Regional Contract negotiations.

Methodology

Internal Audit performed a survey to compare with other public agencies of different sizes to provide some idea of how other public agencies have structured their wastewater treatment program and how the Initial Connection and Sewer Service Fees are collected from users. Based upon IA's research of Wastewater Agencies located in the State of California, IEUA's location and surrounding geographically area, four public agencies were selected for the "comparable agency survey". The survey participants were:

- Sacramento Regional County Sanitation District (SRCSD);
- Sanitation Districts of Los Angeles County (LACSD);
- Orange County Sanitation District (OCSD); and
- Eastern Municipal Water District (EMWD).

Each public agency participated in the survey and responses were received and compiled (See Exhibit A for the full survey and responses received). The information obtained can provide comparable processes applied at similar agencies and identify efficient and effective process in administering the various aspects of the Regional Wastewater Program. IA understands that each public agency and their wastewater program and services are unique in many ways, as well as their member agency relationships and their customers. Due to the uniqueness of the various entities, not all questions or information provide a parallel comparison, various factors must be weighed and considered to compare.

The four entities which participated in the survey were very helpful and cooperative during this process. IA indicated that survey results (Exhibit A attached) would be shared with the representatives who assisted in the survey, after the Audit Committee Meeting and after the final report results are received and filed by the IEUA.

IA gathered demographic and services information from the public entities website, CAFR document, and other documents available on-line. Information was verified and confirmed by the various representatives. The following tables provide a summary of the more relative demographic information:

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	IEUA	SRCSD	LACSD	OCSD	EMWD
Level of Wastewater Treatment	Primary, Secondary, and Tertiary	Primary and Secondary <small>Note: The recently issued discharge permit contains strict mandates that require a new Tertiary Treatment Facility to be added to the Sacramento Regional Wastewater Treatment Plant by 2023.</small>	Primary & Secondary: 265 million gallons-per-day (mgd) are treated and discharged to ocean Tertiary: An additional 155 mgd are treated to this level at the 10 Water Reclamation Plants throughout service area.	Primary and Secondary	Primary, Secondary, and Tertiary
Number of agencies/cities served:	7	4	23 independent special districts	23 cities, unincorporated areas and related special districts	8
Member agencies/cities served:	Chino, Chino Hills, Fontana, Montclair, Ontario, Upland, and Cucamonga Valley Water District	Sacramento Area Sewer District, City of Folsom, City of Sacramento, and City of West Sacramento	78 cities and unincorporated territory within the County, excluding majority of the City of Los Angeles.	(Northern and Central Section of Orange County) 1 Consolidated District – 2 Revenue Areas	Hemet, Menifee, Moreno Valley, Murietta, Perris, San Jacinto, Temecula, Wildomar, and unincorporated areas in Riverside County.
Service area	242 square miles	375 square miles	800 square miles	479 square miles	555 square miles
Population served:	850,000	1.45 million	5.5 million	2.5 million	777,000
Revenue: Connection Fees (FY 2012/13)	\$ 14,614,387	\$ 11,055,685	\$ 25,917,639	\$12,797,483	\$ 20,364,185 (Water and Sewer Connection Fees)
Revenue: Sewer Fees (FY 2012/13)	\$ 39,338,356	\$ 176,390,036	\$ 318,035,074	\$303,399,529 (includes \$5.8 million for local sewer service fees)	\$ 68,957,128
Connection Fee Rate (FY 2012/13) (Rate for Single-Family Residential (SFR))	\$ 4,909 per EDU	<u>New areas:</u> \$ 7,450 per ESD (July 1, 2012 – February 22, 2013) \$ 4,032 per ESD (February 23, 2013 – June 30, 2013) <small>Note: Each individual district individually adopts an ordinance, which establishes the Connection Fee Rate per capacity unit for each fiscal year.</small>	\$4,754 average per dwelling unit/parcel <small>Note: Each individual district individually adopts an ordinance, which establishes the Connection Fee Rate per capacity unit for each fiscal year.</small>	\$ 3,369 per unit <small>Note: Rate is established with a 3-bedroom SFR having a base of 1 unit.</small>	\$ 3,643 per EDU (July 1, 2012 – December 31, 2012) \$ 4,850 per EDU (January 1, 2013 – June 30, 2013)
	IEUA	SRCSD	LACSD	OCSD	EMWD
		<u>Infill areas:</u> \$ 2,800 per ESD (July 1, 2012 – February 22, 2013) \$ 2,396 per ESD (February 23, 2013 – June 30, 2013) ESD = Equivalent Single-Family Dwelling <small>Note: Fees were reduced as a result of a change in methodology through a Rate and Fee Study.</small>	Connection Fee Rate per capacity unit was calculated by taking the rate for each district and averaged with all the Districts in the service area.		<small>Note: Fees were increased as a result of a new sewer rate methodology that became effective January 2013.</small>
Connection Fee Rate (FY 2013/14) (Rate for Single-Family Residential (SFR))	\$ 5,007 per EDU	<u>New areas:</u> \$ 4,304 per ESD <u>Infill areas:</u> \$ 2,543 per ESD	\$4,528 average per dwelling unit/parcel See Note up above under Connection Fee Rate for FY 2012/13.	\$ 3,430 per unit <small>Note: Rate is established with a 3-bedroom SFR having a base of 1 unit.</small>	\$ 4,850 per EDU (July 1, 2013 – December 31, 2013) \$ 4,998 per EDU (January 1, 2014 – June 30, 2014) See Note above in the Connection Fee Rate (FY 2012/13).
Sewer Service User Rate (FY 2013/14) (Rate for Single-Family Residential (SFR))	\$ 13.39 per month	\$ 26.00 per month	\$15.51 average per month. <small>Note: About 80% of customers pay \$12.50 per month. Some outlying districts in Santa Clarita & Antelope Valleys pay higher rates, raising average.</small> <small>Fees are collected annually through the secured property tax roll and monies are paid directly to the district from the County Tax Assessor's Office.</small> <small>Calculated the average per month by taking the annual amount for each district and dividing by 12 months and averaged with all the Districts. This is for presentation purposes only.</small>	\$25.67 per month (Regional Sewer Service User fees) \$18.00 per month (Local Sewer Service User fees) <small>Note: Fees are collected annually through the secured property tax roll by the County's Auditor/Controller's Office.</small> <small>Monthly fee is calculated taking the annual user fee amount and divided by 12 months. This is for presentation purposes only.</small>	\$24.85 average per month ⁽¹⁾ <small>Note: In January 2013, a new block rate methodology was implemented to set sewer rates that are closer in line with the size of households and more representative of the amount contributed to the sewer system.</small> <small>(1) Calculated using Block 2 with 3-4 people per household and assessed 100% of the current rate for each service area and averaged with all the 5 service areas. This is for presentation</small>

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	IEUA	SRCSD	LACSD	OCSD	EMWD
Average domestic household flow rate (Based on a Single-Family Residential)	270 gallons-per-day per EDU	310 gallons-per-day per ESD Note: SRC is currently conducting a Class Study to update the flow and waste strength of an ESD.	260 gallons-per-day	253 gallons-per-day Note: Flow factors are assumed for each land use and the model was calibrated using flow data collected over a five year period.	<i>purposes only.</i> 235 gallons-per-day per EDU
Unit of Measure Connection Fees ~ Single-Family Residential	1 EDU	1 ESD	One single family home is 1 Dwelling Unit	Number of bedrooms per unit Single Family Residential (SFR) is a 3-bedroom unit having a base unit of 1.0.	1 EDU
Unit of Measure Connection Fees ~ Senior Centers	1 EDU	1 ESD Note: The District ordinance does not have a senior category, but this may change as a result of the class study.	0.47 sewage units per dwelling unit.	Senior housing with individual living units that include a kitchen are treated as MFR and assessed on the number of bedrooms per unit. Common areas pay per thousand square feet. If the individual living units do not have a kitchen, then they are assessed per thousand square feet for the entire center. MFR= Multi-Family Residential	1 EDU
	IEUA	SRCSD	LACSD	OCSD	EMWD
Unit of Measure Connection Fees ~ Apartment Complexes	1 EDU	0.75 ESD (Multi-Family Residential)	0.60 sewage units per dwelling unit	Number of bedrooms per unit	1 EDU (2 or more Bedroom units) 0.75 EDU (1 Bedroom or Studio Units)
Recycled Water Credit Provided	A credit is given only to Significant Industrial User (SIU) as part of the sewer fees for the purchase of recycled water.	There is no recycled water credit but the District receives revenue for recycled water sold.	LACSD is a producer of recycled water, but is not a purveyor. LACSD provides recycled water to local water agencies & retail purveyors who own & operate the transmission systems & deal directly with customers. We do offer a credit for the COD & Suspended Solids in recycled water to industries who use recycled water & are paying surcharge.	N/A	EMWD does not provide credits to sewer customers for recycled water consumption. EMWD charges sewer customers for the treatment of sewer water and therefore lower the cost of recycled water purchases in the form of a lower rate that is bill separately.

Based on IA's observations, the current method used to assess and collect Initial Connection and Sewer Service Fees for the Regional Wastewater Program can be improved and the following should be considered in renegotiating the Regional Contract:

- Evaluate the possibility of Initial Connection Fees being collected directly by IEUA, or centralizing the connection permitting process.
- Evaluate the possibility of Sewer Services Fees being collected through the County's Property Tax roll,

- *Evaluate the benefits of governing either by a renegotiated contract, or the establishment of an ordinance or resolution to govern the management of the Regional Wastewater Program, and*
- *Periodically perform a Rate and Fee study to ensure Initial Connection and Sewer Service Fees are established based upon an equitable and sustainable structure and recover the cost of service of the Regional Sewerage System.*

Survey Observation # 1

IEUA should consider centralizing the connection permitting process at its facilities and managed by IEUA staff, to centralize the collection of Initial Connection Fees, creating greater uniformity in the interpretation of the Regional Contract, and establishing a centralized location for all connection-related questions from customers.

Section 9E of the Regional Contract, outlines the purpose, collection, remittance, and reporting of Supplemental Capital Outlay Funds (Initial Connection Fees) by each Contracting Agency to IEUA.

Section 9. CAPITAL FINANCING OF REGIONAL SEWERAGE SYSTEM

E Capital Capacity Reimbursement Account and Capital Capacity Reimbursement Payments

1. General

For the purpose of providing Supplemental Capital Outlay Funds to CBMWD, each Contracting Agency shall establish and maintain throughout the term of this Contract a Capital Capacity Reimbursement Account to which the Contracting Agency shall deposit or credit its Capital Capacity Reimbursement Payments. . . .

2. Capital Capacity Reimbursement Payments

Each Contracting Agency shall have deposited or credited to its Capital Capacity Reimbursement Account a Capital Capacity Reimbursement Payment for each connection which has been or will be made to its Community Sewer System or for each change in use of an existing commercial or industrial connection. . . .

Currently, any customer that plans to build a new structure or construct tenant improvements on an existing structure must do so by obtaining a permit from the Contracting Agency's Building Department. During the permitting process, the Building Department reviews the building plans to determine the type and number of connection units installed and the associated fixture unit values. Then, the Building or Public Works Department staff categorizes the user according to their interpretation of Exhibit J and calculates the appropriate amount of Initial Connection Fees to be paid.

The Initial Connection Fees are collected directly from each customer by the Contracting Agency and held in trust until "called" by the Agency. The Agency will only

“call” the funds from the Contracting Agency when there are Capital Improvement Projects for the acquisition, improvement, and expansion of the regional infrastructure. Otherwise, if no funds for future projects are needed, the Initial Connection Fees will remain in the custody of the Contracting Agency until further notice by the Agency. IEUA does not have any contact nor collect any Initial Connection Fees from users.

For the comparable survey, IA inquired about collections on Initial Connection Fees.

Exhibit A – Comparable Survey with External Public Agencies
 Initial Connection Fees

	IEUA	SRCSD	LACSD	OCSD	EMWD
Collection of fees from Contracting Agency	<p>Contracting Agency Collects</p> <p>Each contracting agency collects and holds the connection fees for Residential, Commercial, and Industrial in trust in a Capital Capacity Reimbursement Account (CCRA) until requested, or “Called” by the IEUA.</p>	<p>District Collects</p> <p>The District’s PSU or County of Sacramento Building Department collects the fees directly (Commercial and Residential Subdivision), and Internal Services Department records the payment.</p>	<p>District Collects</p> <p>LACSD will verify all the data submitted process the application forms, and collect all payments.</p> <p>Residential, Commercial, Institutional, and Industrial applicants can pay for connection fees by mail or on-site at the District’s Connection Fee counter.</p>	<p>Member Agencies Collect</p> <p>Member agencies remit fees (from Residential, Commercial, and Industrial) on a monthly basis.</p>	<p>District Collects</p> <p>EMWD holds the connection fee funds. An applicant pays the fees upon occupancy or when service commences.</p>

Based on the results of the survey:

- **Three of the four public agencies collect the Initial Connection Fees directly from users and hold the funds (EMWD, LACSD, and SRCSD),**
- **IEUA is the only agency that allows the Contracting Agencies to collect and hold the Initial Connection Fees.**

Additionally, the categorization of the commercial and industrial users and calculation of the Initial Connection Fees is the responsibility of the staff at the three public agencies (EMWD, LACSD, and SRCSD) that collect fees directly, not the member agencies. One public agency (OCSD) works regularly with the member agencies on user categorization and provides biannual workshops to their member agencies on the Capital Facility Capacity Charges program (Initial Connection Fees).

Currently, IEUA is dependent on the Contracting Agencies to categorize commercial and industrial users and calculate and collect fees. On occasion, Contracting Agency staff will reach out to IEUA regarding certain users whose categorization is subject to interpretation. However, in most cases, the Contracting Agency staff applies their own judgment and makes the final determination on the user categorization and collects the fees accordingly.

There are several benefits to centralizing the permitting process

- Centralization of several business processes including:
 - Final authority and approval to connect to the Regional System,
 - Identification of users in the Extra-Territorial Sewer Service area,
 - Consistent categorization of commercial and industrial users,
 - Consistent calculation and collection of Initial Connection Fees,
 - Collect and hold Initial Connection Fees, and
 - Centralization and retention of records of Initial Connection Fees paid and the associated fixture unit values.
- Greater uniformity in categorizing commercial and industrial users in interpretation of Exhibit J of the Regional Contract,
- Reduce the monthly reporting requirements currently performed by the Contracting Agencies.

Initial Connection Fees are a significant part of the Agency's Regional Wastewater Program and restructuring the current process would potentially streamline and ease the administrative processes related to this fee, which would be beneficial to both the IEUA and the seven Contracting Agencies.

Internal Audit Recommendation:

- 1. IEUA should consider centralizing the Initial Connection process and collect fees directly from users. Centralizing the Initial Connection process would create uniformity in the application of the Regional Contract.***

Survey Observation# 2

IEUA should consider establishing the collection of monthly Sewer Service Fees from residential users through the County's Property Tax Roll.

According to Section 17 of the Regional contract, each Contracting Agency must pay the Agency Sewer Service Fees based on the sewage delivered into the Regional Sewage System. The sewer service Fees collected from the Contracting Agency are to be used for the operation and maintenance of the wastewater treatment plant facilities.

Section 17. SERVICE CHARGES FOR MAINTENCE AND OPERATION OF THE REGIONAL SEWER SYSTEM

All Contracting Agencies shall pay service charges for all sewage delivered to the Regional Sewerage System. Each Contracting Agencies shall pay its pro rata share of all net audited costs incurred by CBMWD in the maintenance and operations of the system.

Currently, each of the seven Contracting Agencies bill and collect the Sewer Service Fees from the residential, commercial, industrial and public service users in their respective service area. Each Contracting Agency self-reports to IEUA the number of EDU's billed each month and the Agency's accounting staff prepares an invoice for each Contracting Agency based on the number of EDU's reported and the sewer service rate in effect at the time of billing. The fees are remitted no later than 45 days from the invoice date, in other words, monthly Sewer Service Fees are collected within 60 days of the date of service.

The comparable survey collected information about the collection of Sewer Service Fees:

Exhibit A – Comparable Survey with External Organizations
 Sewer Service Fees

	IEUA	SRCSD	LACSD	OCSD	EMWD
Collection of Sewer Service Fees	<p>Each contracting agency collects the fees directly from Residential, Commercial, and Industrial users. Billing for the fees varies by each contracting agency:</p> <p>Fontana – bi-monthly and through property tax bill;</p> <p>Chino, Chino Hills, CVWD, Montclair, Ontario, Upland - collect monthly or bi-monthly from customers.</p> <p>IEUA does not collect any fees from users, only from the contracting agency.</p>	<p>Residential and Commercial: Each member agency has a billing department that is responsible for the billing and collecting of the charges.</p> <p>For industrial users the District's Waste Source Control Section monitors the flow and load from each user and determines the charges and bills the industrial users accordingly.</p>	<p>Majority of the service charges (Residential and Commercial) are collected through the Los Angeles County Property Tax Billing system. The County provides payment to the District's Accounting department upon receipt of payment, usually twice per year.</p> <p>For Industrial users the Wastewater Surcharges are collected quarterly as described in the Ordinance.</p>	<p>The sewer service fees for Residential, Commercial, and Industrial are collected annually on the property tax bill for each parcel.</p> <p>Note: Industrial Waste Discharges who require a discharge permit are invoiced separately.</p>	<p>If EMWD bills residential, commercial, and industrial users for potable water use, sewer fees are also billed to these customers on a monthly basis.</p> <p>If member agencies provide the billing for potable water and are also connected to EMWD's sewer system, the member agency bills for sewer and remits the collected fees to EMWD on a monthly basis.</p>

Based on the results of the survey:

- **Two of the four public agencies collect the Sewer Service Fees for residential users through the County's Property Tax (LACSD and OCSD),**
- **One of the four public agencies collect the Sewer Service Fees directly from their customers on a monthly basis and any fees collected by the member agency are remitted to the public agency on a monthly basis (EMWD).**

The survey found that IEUA and one of the four public agencies (SRCSD) are the only agencies that collect the Sewer Service Fees from their member agencies. Additionally, one agency (LACSD) noted billing through property taxes is much more cost effective, while another agency (OCSD) stated that placing the Sewer Service Fees directly on the property tax bill has saved the agency time and money because staff do not spend time invoicing customers or on collections.

Sewer Service Fees collected from the Contracting Agencies are approximately forty percent (40%) of the Agency's monthly revenue. If IEUA were to restructure the current process of collecting Sewer Service Fees as part of future Regional Contract

negotiations, the Agency would need to evaluate the impact and determine the method to manage the cash flows for day-to-day operations. One agency (LACSD) stated they maintain six months of operating expenses and twelve months of capital expenses in the operating reserves, whereas another agency (OCSD) noted reserves are drawn until the first installment of Sewer Service Fees are received from the County's property tax roll to ensure expenses are covered before revenues come in.

Collection of Sewer Service Fees through the County's property tax roll could result in a more efficient process and reduce the administrative resources used by the Contracting Agencies in billing and collecting these fees. Currently, one of the seven Contracting Agencies (Fontana) is billing and collecting Sewer Service Fees from residential users through the County's property tax roll.

Internal Audit Recommendation:

- 2. IEUA should consider establishing the collection of monthly Sewer Service Fees from residential users through the County's Property Tax Roll.***

Survey Observation # 3

IEUA should work with legal counsel, and carefully research and evaluate the benefits it gains by establishing a multi-year contractual agreement or a Board-approved Resolution or Ordinance to ensure the best contractual model is used to govern the Regional program.

The Regional Wastewater Program is governed by the Regional Contract between the IEUA and the seven Contracting Agencies. This contract is a 50-year contract and is set to expire in 2022. The Regional Contract outlines the terms and conditions that each party must comply with on the day-to-day administration and application of the contract. Over the years, amendments have been made to the contract and the attached Exhibits. The rates for the Regional Wastewater Program (Initial Connections and Sewer Service Fees) are established for each fiscal year and adopted by the Agency's Board of Directors through a resolution.

The survey noted the following:

- Three of the four public agencies surveyed (LACSD, OCSD, and SRCSD) govern wastewater treatment services through an Ordinance.***
- One of the four public agencies surveyed (EMWD) adopted a Resolution that is a comprehensive document of all Board-approved policies, ordinances, and resolutions, and***
- IEUA is the only agency that governs through a Regional Contract.***

There is a distinction between an Ordinance and a Resolution in subject matter, not just terminology. An Ordinance is generally a local law of a municipal corporation that regulates persons or property and relates to a matter of general and permanent nature. A resolution generally states a position and is less permanent. An ordinance is more formal and authoritative than a resolution. An ordinance cannot be changed into a resolution by calling it a resolution, nor may the requirements for enacting an ordinance be by-passed by passing a resolution.

IEUA governs under the Regional Contract which expires in the next ten years. As preparation begins for future contract negotiations, the program should be researched and reviewed to determine the most effective one for the Agency's Regional Wastewater Program.

The purpose of this survey was to gather comparable information to determine what other similar organizations do to implement and administer their programs. The intent of this survey was not to study in detail the benefit of one of the options, but only to provide a comparison and try to identify what most organizations operate under. Making a recommendation for one type of model is beyond the scope of this audit. It would be more appropriate for legal counsel to make such a recommendation.

Internal Audit Recommendation:

- 3. IEUA should work with legal counsel to carefully research, evaluate and identify the benefits it gains by establishing a multi-year contractual agreement or a Board-approved Resolution or Ordinance to ensure the best model is applied to govern the Regional program.***

Survey Observation # 4

IEUA should consider undergoing a Rate and Fee Study to evaluate current rates and cost of service and to assist in establishing sustainable and equitable rate structure and recover the cost of providing services.

The Regional Contract does not require nor define the use of a Rate and Fee study in establishing the rates for Connection and Sewer Service Fees. At IEUA, the current year rates in effect do not fully recover the operations and maintenance expenses of the Regional Wastewater program.

A widely accepted principle is that rates and fees should be set at a level that recovers the full cost of providing services and users receive the benefit from the service provided. Full cost of services represents the value of all resources used or consumed in the provision of a service.

In prior years, the rates established by the Agency were not sufficient to cover the operating expenses for the Regional Wastewater Program. A combination of property tax receipts and fund reserves were used to offset the operating shortfall. By not having

rates that fully recovered operating costs, a structural deficit has been created and persists to-date. To begin to overcome this operating shortfall, multi-year rate increases were adopted by the Board of Directors beginning with Fiscal Year 2012/13.

Currently, IEUA is in the second year of a three-year rate increase for both Connection and Sewer Service Fees for Fiscal Year 2013/14. Even with the scheduled rate increases, more increases are needed to achieve the Board of Directors' goal of establishing rates that fully recover the costs of providing service.

The comparable survey collected information related to what is perceived as an advantage or disadvantage of their Regional Wastewater Program:

Exhibit A – Comparable Survey with External Public Agencies Reporting Mechanisms, Planning Tools, Advantages and Disadvantages of Wastewater Program, and other areas for improvement					
	IEUA	SRCSO	LACSD	OCSD	EMWD
		planning.			
Program structure – Advantages		The new rate and fee structure that the District adopted recently provides a more sustainable and equitable structure. <i>The rate and fee structure is based on cost of service.</i> Regional San is one of the few utilities that adopt a structure with costs linked to pathogen and total kjeldahl nitrogen.	The Joint Outfall System (which handles about 90% of customer base) is large with shared expenses and good economies of scale. The billing of most of these customers through property taxes is very cost effective.	By placing our fee on the property tax bill, this program saves time and money. We do not have to spend staff time invoicing our customers or on collections.	Direct bill/payment to beneficiary and control over collections.
Program structure – Disadvantages		The commercial user billing structure has 43 categories and a simpler structure with less categories is desired. There are billing inconsistencies that require reconciliation between District's staff and contributing agencies.	The service charge program uses assumed loadings rather than actual usage and there are inherent winners and losers. The simplicity of having a flat fee added to the property tax and maintaining rates well below national averages has always outweighed those concerns.	Our fees are based upon averages and not actual water consumption. We have a program for non-residential customers to submit their actual consumption for a rebate.	Administrative charges are higher due to tracking and collection efforts.
Recommendations for improvement		Simplify the Commercial user categories	N/A	N/A	Frequent rate studies are the most important element.

The survey noted the following:

- ***One of the four public agencies (SRCSO) stated that the Rate and Fee Study and the resulting rates provide a more sustainable and equitable structure and recover the cost of providing the service to users,***
- ***One of the four public agencies (EMWD) noted performing frequent rate studies are an important element of the providing wastewater treatment services. Additionally, EMWD adopted a new block rate methodology to set sewer rates that are closer in line with the size of households and more representative of the amount contributed to the sewer system.***

Increasing rates is not always a popular choice among the Contracting Agencies. However, having an independent/professional Rate and Fee study performed, provides objectivity and validity to the results of the rate and fee study and the resulting rates. As part of the renegotiation of the Regional Contract, IEUA should consider a contract requirement to perform periodic Rate and Fee studies to set the Initial Connection and Sewer Service Fee rates to recover the full cost of services. By assessing appropriate rates, this would ensure IEUA's Regional Wastewater Program is financially sound, operating costs are recovered, and fees charged to users are based on their individual usage of the Regional Sewage System.

Internal Audit Recommendation:

- 4. IEUA should consider undergoing a Rate and Fee Study to evaluate current rates and cost of service and to assist in establishing sustainable and equitable rate structure and recover the cost of providing services.***

Exhibit A – Comparable Survey with External Public Agencies

	IEUA	SRCSD	LACSD	OCSD	EMWD
Level of Wastewater Treatment	Primary, Secondary, and Tertiary	Primary and Secondary Note: The recently issued discharge permit contains strict mandates that require a new Tertiary Treatment Facility to be added to the Sacramento Regional Wastewater Treatment Plant by 2023.	Primary & Secondary: 265 million gallons-per-day (mgd) are treated and discharged to ocean Tertiary: An additional 155 mgd are treated to this level at the 10 Water Reclamation Plants throughout service area.	Primary and Secondary	Primary, Secondary, and Tertiary
Number of agencies/cities served:	7	4	23 independent special districts	23 cities, unincorporated areas and related special districts	8
Member agencies/cities served:	Chino, Chino Hills, Fontana, Montclair, Ontario, Upland, and Cucamonga Valley Water District	Sacramento Area Sewer District, City of Folsom, City of Sacramento, and City of West Sacramento	78 cities and unincorporated territory within the County, excluding majority of the City of Los Angeles.	(Northern and Central Section of Orange County) 1 Consolidated District – 2 Revenue Areas	Hemet, Menifee, Moreno Valley, Murrieta, Perris, San Jacinto, Temecula, Wildomar, and unincorporated areas in Riverside County.
Service area:	242 square miles	375 square miles	800 square miles	479 square miles	555 square miles
Population served:	850,000	1.45 million	5.5 million	2.5 million	777,000
Revenue: Connection Fees (FY 2012/13)	\$ 14,614,387	\$ 11,055,885	\$ 25,917,639	\$12,797,483	\$ 20,364,185 (Water and Sewer Connection Fees)
Revenue: Sewer Fees (FY 2012/13)	\$ 39,338,356	\$ 176,390,036	\$ 318,035,074	\$303,399,529 (includes \$5.8 million for local sewer service fees)	\$ 68,957,128
Connection Fee Rate (FY 2012/13) (Rate for Single-Family Residential (SFR))	\$ 4,909 per EDU	New areas: \$ 7,450 per ESD (July 1, 2012 – February 22, 2013) \$ 4,032 per ESD (February 23, 2013 – June 30, 2013)	\$4,754 average per dwelling unit/parcel Note: Each individual district individually adopts an ordinance, which establishes the Connection Fee Rate per capacity unit for each fiscal year.	\$ 3,369 per unit Note: Rate is established with a 3-bedroom SFR having a base of 1 unit.	\$ 3,643 per EDU (July 1, 2012 – December 31, 2012) \$ 4,850 per EDU (January 1, 2013 – June 30, 2013)

Exhibit A – Comparable Survey with External Public Agencies

	IEUA	SRCSD	LACSD	OCSD	EMWD
		<p>Infill areas: \$ 2,800 per ESD (July 1, 2012 – February 22, 2013)</p> <p>\$ 2,396 per ESD (February 23, 2013 – June 30, 2013)</p> <p>ESD = Equivalent Single-Family Dwelling</p> <p>Note: Fees were reduced as a result of a change in methodology through a Rate and Fee Study.</p>	<p>Connection Fee Rate per capacity unit was calculated by taking the rate for each district and averaged with all the Districts in the service area.</p>		<p>Note: Fees were increased as a result of a new sewer rate methodology that became effective January 2013.</p>
Connection Fee Rate (FY 2013/14) (Rate for Single-Family Residential (SFR))	\$ 5,007 per EDU	<p>New areas: \$ 4,304 per ESD</p> <p>Infill areas: \$ 2,543 per ESD</p>	<p>\$4,528 average per dwelling unit/parcel</p> <p>See Note up above under Connection Fee Rate for FY 2012/13.</p>	<p>\$ 3,430 per unit</p> <p>Note: Rate is established with a 3-bedroom SFR having a base of 1 unit.</p>	<p>\$ 4,850 per EDU (July 1, 2013 – December 31, 2013)</p> <p>\$ 4,998 per EDU (January 1, 2014 – June 30, 2014)</p> <p>See Note above in the Connection Fee Rate (FY 2012/13).</p>
Sewer Service User Rate (FY 2013/14) (Rate for Single-Family Residential (SFR))	\$ 13.39 per month	\$ 26.00 per month	<p>\$15.51 average per month.</p> <p>Note: About 90% of customers pay \$12.50 per month. Some outlying districts in Santa Clarita & Antelope Valleys pay higher rates, raising average.</p> <p>Fees are collected annually through the secured property tax roll and monies are paid directly to the district from the County Tax Assessor's Office.</p> <p>Calculated the average per month by taking the annual amount for each district and dividing by 12 months and averaged with all the Districts. <i>This is for presentation purposes only.</i></p>	<p>\$25.67 per month (Regional Sewer Service User fees)</p> <p>\$18.00 per month (Local Sewer Service User fees)</p> <p>Note: Fees are collected annually through the secured property tax roll by the County's Auditor/Controller's Office.</p> <p>Monthly fee is calculated taking the annual user fee amount and divided by 12 months. <i>This is for presentation purposes only.</i></p>	<p>\$24.85 average per month⁽¹⁾</p> <p>Note: In January 2013, a new block rate methodology was implemented to set sewer rates that are closer in line with the size of households and more representative of the amount contributed to the sewer system.</p> <p>(1) Calculated using Block 2 with 3-4 people per household and assessed 100% of the current rate for each service area and averaged with all the 5 service areas. <i>This is for presentation</i></p>

Exhibit A – Comparable Survey with External Public Agencies

	IEUA	SRCSD	LACSD	OCSD	EMWD
					<i>purposes only.</i>
Average domestic household flow rate (Based on a Single-Family Residential)	270 gallons-per-day per EDU	310 gallons-per-day per ESD Note: SRC is currently conducting a Class Study to update the flow and waste strength of an ESD.	260 gallons-per-day	253 gallons-per-day Note: Flow factors are assumed for each land use and the model was calibrated using flow data collected over a five year period.	235 gallons-per-day per EDU
Unit of Measure Connection Fees ~ Single- Family Residential	1 EDU	1 ESD	One single family home is 1 Dwelling Unit	Number of bedrooms per unit Single Family Residential (SFR) is a 3-bedroom unit having a base unit of 1.0.	1 EDU
Unit of Measure Connection Fees ~ Senior Centers	1 EDU	1 ESD Note: The District ordinance does not have a senior category, but this may change as a result of the class study.	0.47 sewage units per dwelling unit.	Senior housing with individual living units that <i>include</i> a kitchen are treated as MFR and assessed on the number of bedrooms per unit. Common areas pay per thousand square feet. If the individual living units do not have a kitchen, then they are assessed per thousand square feet for the entire center. MFR= Multi-Family Residential	1 EDU

Exhibit A – Comparable Survey with External Public Agencies

	IEUA	SRCSD	LACSD	OCSD	EMWD
<p><u>Unit of Measure</u> Connection Fees ~ Apartment Complexes</p>	<p>1 EDU</p>	<p>0.75 ESD (Multi-Family Residential)</p>	<p>0.60 sewage units per dwelling unit</p>	<p>Number of bedrooms per unit</p>	<p>1 EDU (2 or more Bedroom units) 0.75 EDU (1 Bedroom or Studio Units)</p>
<p>Recycled Water Credit Provided</p>	<p>A credit is given only to Significant Industrial User (SIU) as part of the sewer fees for the purchase of recycled water.</p>	<p>There is no recycled water credit, but the District receives revenue for recycled water sold.</p>	<p>LACSD is a producer of recycled water, but is not a purveyor. LACSD provides recycled water to local water agencies & retail purveyors who own & operate the transmission systems & deal directly with customers. We do offer a credit for the COD & Suspended Solids in recycled water to industries who use recycled water & are paying surcharge.</p>	<p>N/A</p>	<p>EMWD does not provide credits to sewer customers for recycled water consumption. EMWD charges sewer customers for the treatment of sewer water and therefore lower the cost of recycled water purchases in the form of a lower rate that is bill separately.</p>

Exhibit A – Comparable Survey with External Public Agencies

Initial Connection Fees						
	IEUA	SRCSD	LACSD	OCSD	EMWD	
Assessment of Initial Connection Fees	<p>Yes</p> <p>A connection fee is collected by the contracting agency.</p>	<p>Yes</p> <p>Collected by the SRCSD District's Permit Services Unit (PSU), which coordinates with contributing agencies to ensure building permits are not issued until connection fees are paid.</p>	<p>Yes</p> <p>LACSD charges and collects a connection fee that is to be paid prior to the time the facility is actually connected to the sewer or, in the case of expanding existing facilities, at the time of expansion of the wastewater discharge.</p>	<p>Yes.</p> <p>OCSD charges a Capital Facility Capacity Charge that is collected by the member agencies.</p>	<p>Yes</p>	
Purpose of fees	<p>Restricted</p> <p>Connection fees are for acquisition, construction, improvement, expansion, debt service and other related administrative costs of the Agency's wastewater treatment facilities.</p>	<p>Restricted</p> <p>Connection fees are used for planning, design, construction, debt service and other related costs for the District's portion of the conveyance and treatment facilities that benefit new users. These fees can only be used towards the capital improvement program.</p>	<p>Restricted</p> <p>Connection fees are to pay for the incremental cost of expanding the sewerage system to accommodate the wastewater from new or increasing dischargers. This keeps existing users from subsidizing new growth.</p>	<p>Restricted</p> <p>Capital Facility Capacity Charge fees are used for the acquisition, construction, reconstruction, maintenance, and operation of the sewage collection, wastewater treatment, and disposal facilities of the OCSD. In addition, fees can also be used for debt service and other administrative costs.</p>	<p>Restricted</p> <p>Connection fees are used to pay for the cost of expansion of the regional water reclamation facilities and are strictly used for regional infrastructure.</p>	
Reporting requirements	<p>Monthly</p> <p>Each contracting agency completes and submits a Building Activity Report (BAR) with the permit activity and connection fees collected for the month.</p>	<p>None</p> <p>For residential subdivisions and commercial users, customers approach the District's PSU to obtain a fee quote; the contributing agencies hold the cases and will not issue building permits until the fees are paid to the PSU.</p> <p>If it is a customer with a single family home, the contributing agency collects the fee and remits the collected fees to the</p>	<p>None</p> <p>Any potential applicant is informed about the Sewer Connection Fee program by the local jurisdiction.</p> <p>Residential, commercial, and institutional applicants must submit the appropriate application for review to the District.</p> <p>Industrial applicants will submit the package for the</p>	<p>Monthly</p> <p>Member agencies submit reports monthly to OCSD.</p>	<p>None</p> <p>EMWD works directly with the Applicants.</p>	

Exhibit A – Comparable Survey with External Public Agencies
Initial Connection Fees

	IEUA	SRCSD	LACSD	OCSD	EMWD
		district quarterly.	Wastewater discharge permit to the local jurisdiction for review. The entire package is then forwarded to the District for review and approval.		
Collection of fees from Contracting Agency	<p>Contracting Agency Collects</p> <p>Each contracting agency collects and holds the connection fees for Residential, Commercial, and Industrial in trust in a Capital Capacity Reimbursement Account (CCRA) until requested, or "Called" by the IEUA.</p>	<p>District Collects</p> <p>The District's PSU or County of Sacramento Building Department collects the fees directly (<i>Commercial and Residential Subdivision</i>), and Internal Services Department records the payment.</p>	<p>District Collects</p> <p>LACSD will verify all the data submitted, process the application forms, and collect all payments.</p> <p><i>Residential, Commercial, Institutional, and Industrial</i> applicants can pay for connection fees by mail or on-site at the District's Connection Fee counter.</p>	<p>Member Agencies Collect</p> <p>Member agencies remit fees (<i>from Residential, Commercial, and Industrial</i>) on a monthly basis.</p>	<p>District Collects</p> <p>EMWD holds the connection fee funds. An applicant pays the fees upon occupancy or when service commences.</p>
Calculation of commercial, industrial, and public service facilities (PSF)	<p>Commercial - fixture units, as defined in the Plumbing code, are converted to EDU's and multiplied by the appropriate sewage factor per Exhibit J of the Regional Sewage Service contract.</p> <p>Industrial - per capacity/contract formula</p> <p>PSF – same as Commercial</p>	<p>Connection fees are set based on the 43 commercial categories defined in the ordinance.</p> <p>Commercial fee charges are based on ESD factors assigned to the categories.</p> <p>Industrial users are charged based on waste characteristics (flow, biochemical oxygen demand, total suspended solids, total kjeldahl nitrogen and pathogen).</p> <p>Public service facilities belong to the commercial</p>	<p>Connection fees are based on various categories as defined in the ordinance.</p> <p>Commercial fees are calculated per 1,000 square feet for different categories if businesses. Converted to a number of sewage units & billed on property taxes at current rate per sewage unit.</p> <p>Industrial users are determined using a formula.</p> <p>Institutional are based on number of students or per thousand square feet.</p> <p>Public service facilities get connection permits but do not pay any fees.</p>	<p>Each commercial enterprise is placed into a demand category of low, average or high demand. The demand category determines the rate per thousand square feet of improvements that will be used to calculate the Capital Facility Capacity Charge.</p>	<p>Sewer Connection Fees:</p> <p>Assessed per Equivalent Dwelling unit (EDU). One (1) EDU is based on a single family home generating 235 gallons per day of domestic wastewater.</p> <p>Commercial/Institutional/Industrial building EDU's are calculated using tenant type factors which are based on estimated flows per specified base units</p>

Exhibit A – Comparable Survey with External Public Agencies
Initial Connection Fees

	IEUA	SRCSD	LACSD	OCSD	EMWD
		categories.			comparable to 1 EDU.
Notification of PSF	<p>Schools - contracting agencies are not directly notified and only become aware when a connection needs to be made to the contracting agency's sewer system.</p> <p>Hospital - governed by OSHPD; contracting agencies do not have jurisdiction, but are aware of hospital construction.</p> <p>City facilities - contracting agencies ensure connection fees are paid.</p>	<p>Federal buildings, public schools and hospitals are regulated by the California permit process, so there is no mechanism to collect connection fees from these entities. Police Department seems to be bypassing the process as well. Fire Department is regulated by the state, but it has approached the District's Permit Services Unit directly.</p>	<p>These facilities have to get connection permits from us as well, but do not pay any fees.</p>	<p>Schools – OCSD is proactive in researching school construction.</p> <p>Hospital: OCSD is proactive in researching hospital construction.</p> <p>Community Center, etc.: Member agencies notify OCSD and know to collect the fees.</p>	<p>Schools: These types of establishments typically contact EMWD when seeking to acquire new service connections.</p> <p>Hospitals, Community Center, Fire & Police Dept: Service needs and/or through some jurisdictional case submittals.</p>
Collection of fees from PSF	<p>Connection Fees are collected when the contracting agency becomes aware of a new facility or improvements that have been made.</p>	<p>The intent is to charge them if the District knows about them. There are several commercial categories, such as office buildings, schools, parks, that cover public service buildings.</p>	<p>They are exempt from Connection Fees as long as meet exemption requirements in Ordinance. Schools, City Administration Offices, Courthouses, Libraries, etc. are all exempt. But, a City Power Plant or Water Treatment Facility would have to pay industrial surcharge and connection fees.</p>	<p>The fee is collected by the member agency.</p>	<p>Yes</p>

Exhibit A – Comparable Survey with External Public Agencies
Sewer Service Fees

	IEUA	SRCSD	LACSD	OCSD	EMWD
Assessment of Sewer Service Fees	<p>Yes</p> <p>Fees are received from the contracting agency on a monthly basis.</p>	<p>Yes</p> <p>The monthly sewer rate is charged monthly or bimonthly, depending on the contributing agency.</p>	<p>Yes</p> <p>Majority of service charges (Residential and Commercial) are collected through the Los Angeles County Property Tax Billing system.</p> <p>Industrial Dischargers pay an annual wastewater treatment surcharge. Fees are submitted quarterly and a statement is filed in August of every year.</p> <p>Annual user charges are collected to pay for the operation and maintenance of the wastewater management system.</p> <p>For Industrial dischargers, Industrial Surcharges are used for operations, maintenance and administration of the facilities and for administration of the Industrial Waste Pretreatment Program.</p>	<p>Yes</p> <p>Collected annually through the Orange County property tax roll.</p>	<p>Yes</p> <p>EMWD charges a monthly fixed fee directly to users of its sewer system.</p>
Purpose of Sewer Service Fees	<p>Service charges fund the operations and maintenance of the Regional Wastewater Program.</p>	<p>Rate revenue funds the District's annual operating expenses, rehabilitation and capital costs that benefit existing users.</p>	<p>Annual user charges are collected to pay for the operation and maintenance of the wastewater management system.</p> <p>For Industrial dischargers, Industrial Surcharges are used for operations, maintenance and administration of the facilities and for administration of the Industrial Waste Pretreatment Program.</p>	<p>Sewer Service Charges are used for acquisition, construction, reconstruction, maintenance, and operation of the District's facilities. The charges can also be used for debt service and other administrative costs.</p>	<p>Sewer fees cover the fixed and variable costs of operating and maintaining the sewer system and also contributes to future infrastructure refurbishment and replacement costs.</p>
Reporting	<p>Each contracting agency reports the monthly EDU volumetric information via email to IEUA.</p> <p>Some contracting agencies will breakdown the information by</p>	<p>Depends on the contributing agencies; the amount is communicated via email or the actual payment by check. Some contributing agencies provide a more detailed breakdown, but</p>	<p>LACSD charges its own fees. Local agencies (Cities or County) have their own fees and billed separately.</p> <p>Per the Industrial Wastewater Ordinance, each Industrial Discharger (unless exempt)</p>	<p>OCSD Regional sewer service fees are placed on the Secured Property Tax Roll each year by the Orange County Auditor/ Controller's office and are apportioned to OCSD throughout the fiscal</p>	<p>EMWD establishes its own sewer rates on an annual basis which are posted to the District website. Member agencies are also notified of the rates and request that they update</p>

Exhibit A – Comparable Survey with External Public Agencies
Sewer Service Fees

	IEUA	SRCS	LACSD	OCSD	EMWD
	category, whereas others provide only a total number of EDU's.	some do not report any detail.	shall file annually the <i>Wastewater Treatment Surcharge Statement</i> with the District. All statements are due on or before August 15.	year. The Auditor/Controller's office charges a fee based upon the amount apportioned.	their billing system for those customers that they bill on EMWD's behalf.
Reporting format	Each agency reports differently; no standardized format.	No standard report is provided.	None Sewer fees are collected through property tax bill.	None Sewer fees are collected through property tax bill.	Member agencies/cities remit sewer fees collected on EMWD's behalf on a monthly basis. The supporting backup provided with the remittance varies between agencies.
Collection of Sewer Service Fees	Each contracting agency collects the fees directly from <i>Residential, Commercial, and Industrial</i> users. Billing for the fees varies by each contracting agency:	Residential and Commercial: Each member agency has a billing department that is responsible for the billing and collecting of the charges. For industrial users , the District's Waste Source Control Section monitors the flow and load from each user and determines the charges and bills the industrial users accordingly.	Majority of the service charges (Residential and Commercial) are collected through the Los Angeles County Property Tax Billing system. The County provides payment to the District's Accounting department upon receipt of payment, usually twice per year. For Industrial users the Wastewater Surcharges are collected quarterly as described in the Ordinance.	The sewer service fees for Residential, Commercial, and Industrial are collected annually on the property tax bill for each parcel. Note: Industrial Waste Discharges who require a discharge permit are invoiced separately.	If EMWD bills residential, commercial, and industrial users for potable water use, sewer fees are also billed to these customers on a monthly basis. If member agencies provide the billing for potable water and are also connected to EMWD's sewer system, the member agency bills for sewer and remits the collected fees to EMWD on a monthly basis.
	Fontana – bi-monthly and through property tax bill; Chino, Chino Hills, CVWD, Montclair, Ontario, Upland - collect monthly or bi-monthly from customers. IEUA does not collect any fees from users, only from the contracting agency.				

**Exhibit A – Comparable Survey with External Public Agencies
Sewer Service Fees**

	IEUA	SRCSD	LACSD	OCSD	EMWD
Remittance of Sewer Service Fees	Contracting Agencies provide the EDU information during the first 15 days after the close of the month. An invoice is generated to bill each contracting agency on an EDU volumetric basis. Payment is due 45 days from the Invoice date to the Agency.	Depends on the contributing agencies - payment is made monthly, but some are bimonthly. City of Roseville, a contracting agency, makes payment annually, but the revenue from Roseville is very small.	Residential: Service charges are collected through the Los Angeles County Property Tax Billing system. Commercial: Service charges are collected through the Los Angeles County Property Tax Billing system. Industrial: charges are quarterly based on the August statement.	OCSD Regional sewer service fees are placed on the Secured Property Tax Roll each year by the Orange County Auditor/Controller's office and are apportioned to OCSD throughout the fiscal year. The Auditor/Controller's office charges a fee based upon the amount apportioned.	Sewer fees (non-connection fees) are remitted by our member agencies within the 2nd or 3rd week following the end of the month.
Calculation of commercial, industrial, and public service facilities (PSF)	Commercial enterprises – Number of EDU's determined at the time of initial connection and multiplied by the sewer service rate in effect at the time of billing Industrial - per the capacity/contract formula Schools - based on attendance calculated annually Other PSF: same as Commercial enterprises	Commercial users - based on the same 43 commercial categories as the connection fee charges; the ESD factor for each category may be different from that of the connection fee schedule. Industrial users are charged based on flow and waste strength monitored monthly. There are unit costs for flow, biochemical oxygen demand, total suspended solids, total kjeldahl nitrogen and pathogen. Public service facilities fall within the commercial categories - schools, parks and office buildings.	Commercial facilities charges are calculated per 1,000 square feet for the different categories of business (restaurant, movie theatre, grocery store, mall, etc.) These loadings are converted to a number of sewage units and then billed on their property taxes at the applicable rate per sewage unit for that district. Industrial discharger (unless exempted) shall pay to the district an annual wastewater treatment surcharge.	Non-residential customers pay a rate per thousand square feet of improvements located on the parcel. The rate is a percentage of the SFR rate. The percentage is determined by the use code of the improvements on the parcel.	EMWD maintains a list of "Tenant Types" that comprise various types of commercial/industrial enterprises. Depending on the tenant type, an EDU factor is applied for billing purposes. Square footage of the enterprise is also factored into the billing calculation.

Exhibit A – Comparable Survey with External Public Agencies
Reporting Mechanisms, Planning Tools, Advantages and Disadvantages of Wastewater Program, and other areas for improvement

	IEUA	SRCSO	LACSD	OCSD	EMWD
Types of reports received from Contracting Agencies	<p>Monthly Building Activity Report (BAR), EDU information for monthly billing, and annual Ten-year (10) capacity demand forecast report.</p>	<p>None. Any informal reporting is not very helpful.</p>	<p>LACSD charges its own fees so no reports are necessary. Local agencies (City or County) operate and maintain their own local sewers and often have their own fees that they bill separately.</p>	<p>Monthly Capital Facilities Capacity Charge reports and fees.</p>	<p>EMWD has various reports that track sewer EDUs that are used for management purposes.</p>
Planning and Forecasting Tool	<p>IEUA publishes an annual Ten-year Capital Improvement Plan based upon the annual forecasts provided by the contracting agencies.</p>	<p>The District has master plans for the conveyance & treatment systems respectively. These assess the long term capacity needs of both systems. Due to drastic changes in development & regulation, separate effort has been made to re-evaluate the future system capacity needs. The Interceptor Sequencing Study updates the future capacity needs on a regular basis. The new discharge permit requirement the District received in 2010 caused the District to assess the capacity needs for new treatment facilities. This is part of the EchoWater Project Program Management Office. The District also has a Capital Funding Plan, which is a 10-year projection of funds needed. External outreach is made for conveyance system</p>	<p>LACSD tracks their own data and make their own projections. New discharges/developers are required to get will serve letters directly from LACSD. Capacity is ensured before a will serve letter is provided. LACSD also tracks long term trend data for flow in their facilities and project when expansions will be needed.</p> <p>Sometimes the member cities are involved and want to track this information closely.</p>	<p>OCSD uses a model to predict future flows based on population and land uses. The member agencies provide the current land use plan.</p>	<p>EMWD maintains a 10-year rolling Capital Improvement Plan that details projected expansion and various system betterment projects. Periodically, the District performs a capacity fee study to set rates to recover the 'system buy-in' and 'equity' cost of the system capacity.</p>

Exhibit A – Comparable Survey with External Public Agencies
Reporting Mechanisms, Planning Tools, Advantages and Disadvantages of Wastewater Program, and other areas for improvement

	IEUA	SRCSO	LACSD	OCSD	EMWD
		planning.			
Program structure – Advantages		<p>The new rate and fee structure that the District adopted recently provides a more sustainable and equitable structure. The rate and fee structure is based on cost of service. Regional San is one of the few utilities that adopt a structure with costs linked to pathogen and total kjeldahl nitrogen.</p>	<p>The Joint Outfall System (which handles about 90% of customer base) is large with shared expenses and good economies of scale. The billing of most of these customers through property taxes is very cost effective.</p>	<p>By placing our fee on the property tax bill, this program saves time and money. We do not have to spend staff time invoicing our customers or on collections.</p>	<p>Direct bill/payment to beneficiary and control over collections.</p>
Program structure – Disadvantages		<p>The commercial user billing structure has 43 categories and a simpler structure with less categories is desired. There are billing inconsistencies that require reconciliation between District's staff and contributing agencies.</p>	<p>The service charge program uses assumed loadings rather than actual usage and there are inherent winners and losers. The simplicity of having a flat fee added to the property tax and maintaining rates well below national averages has always outweighed those concerns.</p>	<p>Our fees are based upon averages and not actual water consumption. We have a program for non-residential customers to submit their actual consumption for a rebate.</p>	<p>Administrative charges are higher due to tracking and collection efforts.</p>
Recommendations for Improvement		Simplify the Commercial user categories.	N/A	N/A	Frequent rate studies are the most important element.


INFORMATION
ITEM


6E


Date: June 18, 2014

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (06/11/14)

From:  P. Joseph Grindstaff
General Manager

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

 Javier Chagoyen-Lazaro
Manager of Finance and Accounting

Subject: Treasurer's Report of Financial Affairs

RECOMMENDATION

The Treasurer's Report of Financial Affairs for the month ended April 30, 2014, is an informational item for the Board's review.

BACKGROUND

The Treasurer's Report of Financial Affairs for the month ended April 30, 2014, is submitted in a format consistent with State requirements.

Total cash, investments, and restricted deposits of \$152,717,941 reflecting an increase of \$7.8 million compared to the total reported in March 2014. The increase is mainly due to property tax receipts from San Bernardino County, and SRF loan and grant receipts.

The Agency's investment portfolio average rate of return in April 2014 was 0.391%, 0.021% lower than the yield of 0.412% reported in March 2014. The slight decrease in yield can be attributed to lower yield with Government Sponsored Entities (GSE) investments. The April GSE yield of 0.57% was lower than the March yield of 0.92%.

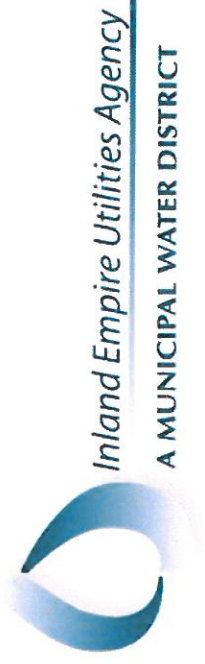
The Treasurer's Financial Affairs report denotes investment transactions that have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2013-6-1).

PRIOR BOARD ACTION

The Board reviewed the Financial Affairs Report for the month of March, 2014 on May 21, 2014.

IMPACT ON BUDGET

The interest earned on the Agency's investment portfolio increases the Agency's reserves.



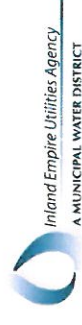
Treasurer's Report of Financial Affairs

for April 30, 2014

**Finance, Legal, and Administration
Committee**

June 11, 2014

Report of Financial Affairs



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

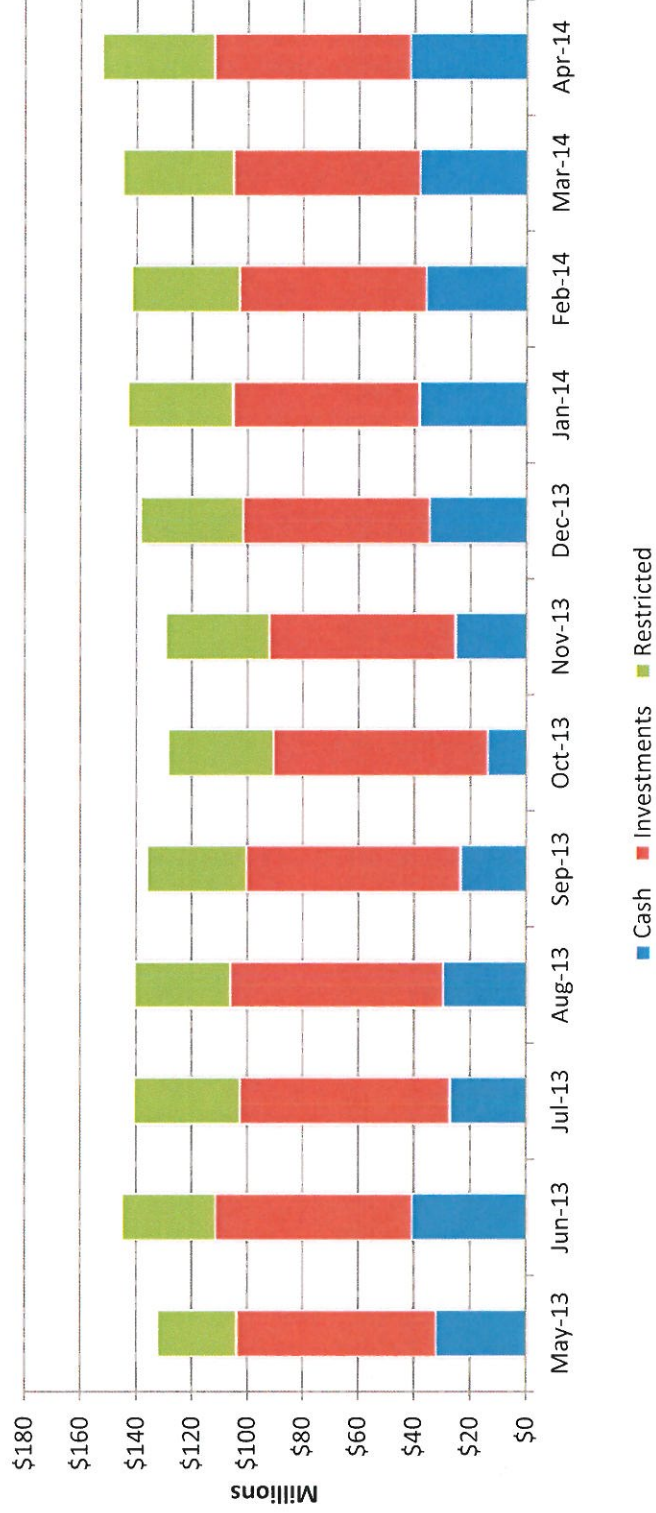
Liquidity

Description	April 2014	March 2014	Increase (Decrease)
Cash, Investments, Restricted Deposits	\$152.7M	\$144.9M	\$ 7.8M
Investment Portfolio Yield	0.391%	0.412%	(0.021%)

Portfolio

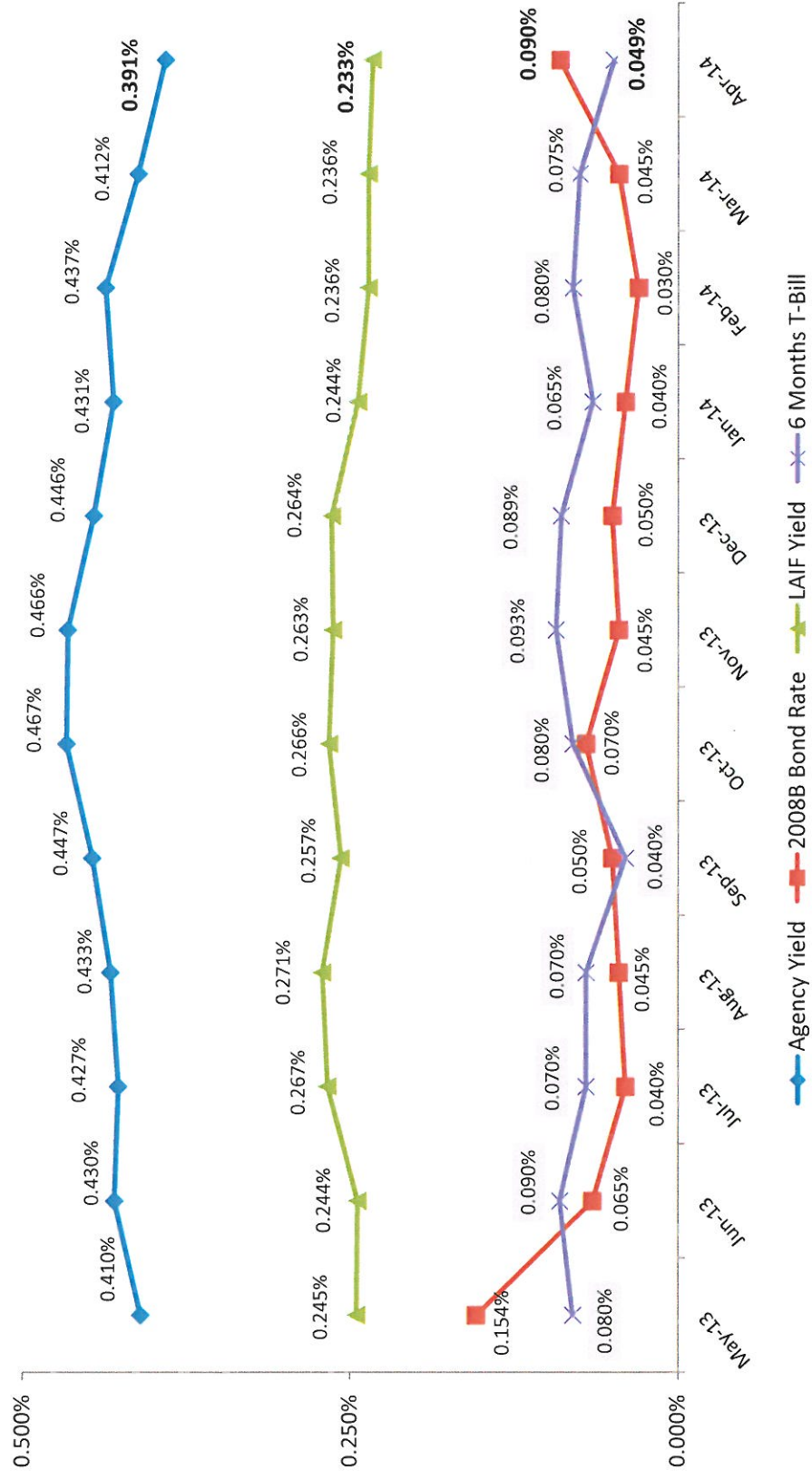
Description	Allowable Threshold	Investment Value (\$ million)	Yield	Current Portfolio %
Short Term, Under 1 Year				
LAIF	\$50M	\$38.8	0.233%	36%
CalTrust	\$20M	\$ 3.5	0.400%	3%
Citizens Business –Sweep	40%	\$28.1	0.250%	26%
CBB – Certificate of Deposit	20%	\$4.2	0.450%	4%
Bank of the West – MMA	20%	\$10.0	0.290%	9%
1 to 3 Years				
Medium Term Notes	20%	\$6.3	1.165%	5%
US Treasury Note	n/a	\$1.0	0.630%	1%
Over 3 Years				
State Municipal Bonds	10%	\$6.1	1.010%	6%
US Government Securities	n/a	\$10.5	0.570%	10%

Cash, Investments and Restricted Deposits



Month End Portfolio Yield Comparison

Inland Empire Utilities Agency
MUNICIPAL WATER DISTRICT





Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

QUESTIONS?

TREASURER'S REPORT OF FINANCIAL AFFAIRS

For the Month Ended April 30, 2014



All investment transactions have been executed in accordance with the criteria stated in the Agency's Investment Policy (Resolution No. 2013-6-1) adopted by the Inland Empire Utilities Agency's Board of Directors during its regular meeting held on June 19, 2013.

The funds anticipated to be available during the next six-month period are expected to be sufficient to meet all foreseen expenditures during the period.

* A Municipal Water District

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
April 30, 2014

	April	March
<u>Cash, Bank Deposits, and Bank Investment Accounts</u>		
<u>Investments</u>		
Local Agency Investment Fund (LAIF)	\$41,795,017	\$38,336,949
CalTrust		
Certificates of Deposit	\$38,759,672	\$38,737,653
Municipal Bonds	3,526,114	3,524,956
Medium Term Notes	4,150,000	4,150,000
U.S. Treasury Notes	6,143,197	6,629,414
U.S. Government Sponsored Entities	6,344,246	6,344,506
	999,527	999,513
	10,505,804	6,506,004
Total Investments	\$70,428,560	\$66,892,046
Total Cash and Investments Available to the Agency	\$112,223,577	\$105,228,995
<u>Restricted Deposits</u>		
Debt Service Accounts	\$4,826,191	\$4,826,191
CCRA Deposits Held by Member Agencies	34,976,146	34,307,156
Escrow Deposits	692,027	592,678
Total Restricted Deposits	\$40,494,364	\$39,726,025
Total Cash, Investments, and Restricted Deposits	\$152,717,941	\$144,955,020

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

*Month Ended
April 30, 2014*

Cash, Bank Deposits, and Bank Investment Accounts

Demand (Checking) Accounts

Citizens Business Bank Demand/Sweep Account	\$28,129,329
Citizens Business Bank Workers' Compensation Account	55,271
Bank of America Payroll Account	50,220
Bank of America Payroll Taxes Account	55,145
Subtotal Demand Deposits	\$28,289,965

Other Cash and Bank Accounts

Petty Cash	\$2,250
Subtotal Other Cash	\$2,250

Bank of the West Money Market Account

\$10,037,573

US Bank Pre-Investment Money Market Account

\$3,465,229

Total Cash and Bank Accounts

\$41,795,017

Investments

Local Agency Investment Fund (LAIF)

LAIF Non-Restricted Fund	\$32,919,986
LAIF Insurance Sinking Fund	5,839,686
Subtotal Local Agency Investment Fund	\$38,759,672

CalTrust

Short Term	\$3,526,114
Subtotal CalTrust	\$3,526,114

Certificates of Deposit

Citizens Business Bank	\$4,150,000
Subtotal Certificates of Deposit	\$4,150,000

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

*Month Ended
April 30, 2014*

Investments Continued

Municipal Bonds

State and Local Municipal Bonds
Subtotal State Municipal Bonds

\$6,143,197
\$6,143,197

Medium Term Notes

Arden Realty/GE
Toyota Motor Corporation
General Electric Capital Corporation
JP Morgan Securities
John Deere Capital Corp
Subtotal Medium Term Notes

\$345,263
1,002,947
995,745
2,997,420
1,002,871
\$6,344,246

U.S. Treasury Notes

Treasury Note
Subtotal U.S. Treasury Notes

\$999,527
\$999,527

U.S. Government Sponsored Entities

Fannie Mae Bonds
Freddie Mac Bonds
Federal Home Loan Bank Bonds
Subtotal U.S. Government Sponsored Entities

2,505,804
2,000,000
6,000,000
\$10,505,804

Total Investments

\$70,428,560

Restricted Deposits

Debt Service Reserves

05A Debt Service Accounts
08B Debt Service Accounts
10A Debt Service Accounts
Subtotal Debt Service Reserves

\$2,281,442
2,544,710
39
\$4,826,191

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
April 30, 2014

CCRA Deposits Held by Member Agencies

City of Chino	\$8,697,684
Cucamonga Valley Water District	8,799,247
City of Fontana	5,845,056
City of Montclair	2,992,779
City of Ontario	4,774,805
City of Chino Hills	1,302,028
City of Upland	2,564,547
Subtotal CCRA Deposits Held by Member Agencies	<u>\$34,976,146</u>

Escrow Deposits

First Enterprise Bank (Paso Robles Tank, Inc)	\$245,240
Community Bank (MNR Construction)	295,734
Community Bank (MS Construction)	88,301
Bank of the West (Mladen Buntich)	26,906
Fresno First Bank (WM Lyles)	35,846
Subtotal Escrow Deposits	<u>\$692,027</u>

Total Restricted Deposits

	<u>\$40,494,364</u>
	<u><u>\$152,717,941</u></u>

Total Cash, Investments, and Restricted Deposits as of April 30, 2014

Total Cash, Investments, and Restricted Deposits as of 4/30/14	\$152,717,941
Less: Total Cash, Investments, and Restricted Deposits as of 3/31/14	<u>144,955,020</u>
Total Monthly Increase (Decrease)	<u><u>\$7,762,921</u></u>

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
April 30, 2014

	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	Apr Amortization	Apr Value		% Yield to Maturity	Maturity Date	Market Value	
	S&P	Moody's	S&P	Moody's										
Investments														
Cash, Bank Deposits, and Bank Investment Accounts														
Citizens Business Bank														
Demand/Sweep Account						\$28,129,329	N/A	N/A	\$28,129,329		0.250	N/A	\$28,129,329	
Subtotal CBB						\$28,129,329			\$28,129,329		0.250		\$28,129,329	
Workers' Compensation Account						\$55,271	N/A	N/A	\$55,271		N/A	N/A	\$55,271	
Subtotal CBB						\$55,271			\$55,271				\$55,271	
Bank of America														
Payroll Checking					\$50,220	\$50,220	N/A	N/A	\$50,220		N/A	N/A	\$50,220	
Payroll Tax Checking					55,145	55,145	N/A	N/A	55,145		N/A	N/A	55,145	
Subtotal B of A					\$105,365	\$105,365			\$105,365		N/A		\$105,365	
Bank of the West														
Money Market Plus - Business Account					\$10,037,573	\$10,037,573	N/A	N/A	\$10,037,573		0.290	N/A	\$10,037,573	
Subtotal Bank of the West Money Market					\$10,037,573	\$10,037,573			\$10,037,573		0.290		\$10,037,573	
US Bank														
Federated Automated MMA					\$3,465,229	\$3,465,229	N/A	N/A	\$3,465,229		0.010	N/A	\$3,465,229	
Subtotal USB Money Market					\$3,465,229	\$3,465,229			\$3,465,229		0.010		\$3,465,229	
Petty Cash					\$2,250	\$2,250	N/A	N/A	\$2,250		N/A	N/A	\$2,250	
Total Cash, Bank Deposits and Bank Investment Accounts					\$41,795,017	\$41,795,017			\$41,795,017				\$41,795,017	
Investments														
LAIF Accounts														
Non-Restricted Funds					\$32,919,986	\$32,919,986	N/A	N/A	\$32,919,986		0.233	N/A	\$32,919,986	
LAIF Sinking Fund					5,839,686	5,839,686	N/A	N/A	5,839,686		0.233	N/A	5,839,686	
Subtotal LAIF Accounts					\$38,759,672	\$38,759,672			\$38,759,672		0.233		\$38,759,672	
CALTRUST Accounts														
Short-Term					\$3,526,114	\$3,526,114	N/A	N/A	\$3,526,114		0.400	N/A	\$3,526,114	
Subtotal CalTrust Accounts					\$3,526,114	\$3,526,114			\$3,526,114		0.400		\$3,526,114	
Certificates of Deposit														
CBB Certificate of Deposit					\$4,150,000	\$4,150,000	425	N/A	\$4,150,000		0.450	09/19/14	\$4,150,000	
Subtotal Certificate of Deposits					\$4,150,000	\$4,150,000			\$4,150,000		0.450		\$4,150,000	

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
April 30, 2014

Investments	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par Amount	Cost Basis Amount	Term (Days)	Apr Amortization	Apr Value	% Coupon	% Yield to Maturity	Maturity Date	Market Value
	S&P	Moody's	S&P	Moody's									
Investments (continued)													
US Treasury Note													
US Treasury Note	N/A	AAA			\$1,000,000	\$999,463		15	\$999,527	0.63%	0.630	12/15/16	\$997,810
Subtotal Treasuries					\$1,000,000	\$999,463		15	\$999,527		0.630		\$997,810
U.S. Government Sponsored Entities (As of August 2011, all US GSE's have been downgraded to AA+ Rating by S&P)													
Federal Home Loan Bank	AA+	N/R			2,000,000	\$2,000,000	1,266		\$2,000,000	0.85%	0.850	06/06/16	\$2,001,120
Fannie Mae Bond	AA+	AAA			1,500,000	1,507,455	1,080	(204)	1,505,986	1.19%	1.190	09/26/16	1,505,655
Freddie Mac Bond	AA+	AAA			1,000,000	1,000,000	1,080		1,000,000	0.75%	0.750	12/19/16	998,280
Freddie Mac Bond	AA+	AAA			1,000,000	1,000,000	1,280		1,000,000	1.00%	1.000	02/27/17	1,002,340
Federal Home Loan Bank	AA+	AAA			2,000,000	2,000,000	1,800		2,000,000	1.15%	1.150	04/28/17	2,001,020
Fannie Mae Bond	AA+	AAA			1,000,000	999,750	1,800	4	999,818	0.75%	0.750	12/18/17	996,680
Federal Home Loan Bank	AA+	AAA			2,000,000	2,000,000	1,800		2,000,000	1.25%	1.250	04/24/19	2,008,040
Subtotal U.S. Gov't Sponsored Entities					\$10,500,000	\$10,507,205		(200)	\$10,505,804		0.570		\$10,513,135
Municipal Bonds													
Riverside General Pension Obligation - Taxable Bond	SP-1	N/R			\$2,000,000	\$2,000,000		-	\$2,000,000	0.65%	0.650	06/01/14	\$2,000,640
Riverside County CA Asset Leasing Corp	AA-	N/R			515,000	531,176		(1,028)	521,340	3.00%	0.550	11/01/14	521,963
California State General Obligation Bond	A-	A1		A	1,000,000	1,117,280		(3,322)	1,030,677	5.00%	0.890	02/01/15	1,036,550
California State General Obligation Bond	A-	A1		A	1,500,000	1,673,955		(4,740)	1,553,087	5.45%	1.500	04/01/15	1,568,595
California State General Obligation Bond	A-	A1		A	1,000,000	1,089,000		(2,078)	1,038,093	3.95%	1.350	11/01/15	1,052,970
Subtotal State and Local Municipal Bonds					\$6,015,000	\$6,411,411		(\$11,168)	\$6,143,197		1.010		\$6,180,718
Medium Term Notes													
Arden Realty/General Electric	AA+	AA2	A1		\$340,000	\$364,691	1,431	(\$518)	\$345,263	5.25%	3.259	03/01/15	\$349,279
JP Morgan Securities	A	A2	A3		2,000,000	1,993,460	659	294	1,996,505	0.80%	0.981	04/23/15	2,004,740
Toyota Motor Credit Corp	AA-	AA3			1,000,000	1,006,293	934	(200)	1,002,947	0.88%	0.870	07/17/15	1,004,260
General Electric Floating Rate													
(75 bp over Libor -1% floor)	AA+	AA2	A1		1,000,000	988,500	1,265	273	995,745	1.26%	1.260	08/11/15	1,008,410
JP Morgan Securities	A	A2	A3		1,000,000	1,001,500	1,079	(41)	1,000,915	1.125%	1.074	02/26/16	1,004,060
John Deere Capital Corp	A	A2			1,000,000	1,004,000	1,729	(68)	1,002,871	1.85%	1.114	10/10/17	996,870
Subtotal Medium Term Notes					\$6,340,000	\$6,358,444		(\$260)	\$6,344,246		1.165		\$6,367,619
Total Investments					\$70,290,786	\$70,712,309			\$70,428,560				\$70,495,068

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
April 30, 2014

Investments	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par	Cost Basis	Term	Amortization	Apr		% Coupon	% Yield to Maturity	Maturity	Market
	S&P	Moody's	S&P	Moody's	Amount	Amount	(Days)		Value	Value			Date	Value
Restricted Deposits														
Debt Service and Arbitrage Accounts														
05A Debt Service Accts														
US Bank Debt Serv. Accounts	AAA	AAA		AA+	\$2,281,442	\$2,281,442	N/A	N/A	\$2,281,442	\$2,281,442		0.000	N/A	\$2,281,442
Subtotal '05A Debt Service Accts					\$2,281,442	\$2,281,442						0.000		\$2,281,442
08B Debt Service Accounts														
US Bank Debt Serv. Accounts	N/A	AAA			\$2,544,710	\$2,544,710	N/A	N/A	\$2,544,710	\$2,544,710		0.000	N/A	\$2,544,710
Subtotal '08B Debt Service Accts					\$2,544,710	\$2,544,710						0.000		\$2,544,710
10A Debt Service Accounts														
US Bank Debt Serv. Accounts					\$39	\$39	N/A	N/A	\$39	\$39		0.030	N/A	\$39
Subtotal '10A Debt Service Accts					\$39	\$39						0.030		\$39
Total Debt Service Accounts														
					\$4,826,191	\$4,826,191			\$4,826,191	\$4,826,191				\$4,826,191

INLAND EMPIRE UTILITIES AGENCY
Cash and Investment Summary

Month Ended
April 30, 2014

Investments	Credit Rating @ Purchase		CHANGES IN Credit Rating		Par	Cost Basis	Term	Apr	Apr	% Coupon	% Yield to Maturity	Maturity	Market
	S&P	Moody's	S&P	Moody's	Amount	Amount	(Days)	Amortization	Value			Date	Value
CCRA Deposits Held by Member Agencies													
City of Chino					\$8,697,684	\$8,697,684	N/A	N/A	\$8,697,684		N/A	N/A	\$8,697,684
Cucamonga Valley Water District					8,799,247	8,799,247	N/A	N/A	8,799,247		N/A	N/A	8,799,247
City of Fontana					5,845,056	5,845,056	N/A	N/A	5,845,056		N/A	N/A	5,845,056
City of Montclair					2,992,779	2,992,779	N/A	N/A	2,992,779		N/A	N/A	2,992,779
City of Ontario					4,774,805	4,774,805	N/A	N/A	4,774,805		N/A	N/A	4,774,805
City of Chino Hills					1,302,028	1,302,028	N/A	N/A	1,302,028		N/A	N/A	1,302,028
City of Upland					2,564,547	2,564,547	N/A	N/A	2,564,547		N/A	N/A	2,564,547
Subtotal CCRA Deposits Held by Member Agencies						\$34,976,146			\$34,976,146				\$34,976,146
(Totals as reported through March 31, 2014)													
Escrow Deposits													
MNR Construction					\$295,734	295,734	N/A	N/A	295,734		N/A	N/A	295,734
MS Construction Management Group					88,301	88,301	N/A	N/A	88,301		N/A	N/A	88,301
Mladen Buntich Construction					26,906	26,906	N/A	N/A	26,906		N/A	N/A	26,906
WM Lyles					35,846	35,846	N/A	N/A	35,846		N/A	N/A	35,846
Paso Robles Tank					245,240	245,240	N/A	N/A	245,240		N/A	N/A	245,240
Subtotal Escrow Deposits						\$692,027			\$692,027				\$692,027
Total Restricted Deposits						\$40,494,364			\$40,494,364				\$40,494,364
Total Cash, Investments, and Restricted Deposits as of April 30, 2014													
					\$152,580,167	\$153,001,690			\$152,717,941				\$152,784,449

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
April 30, 2014

April Purchases

No.	Date	Transaction	Investment Security	Par Amount Purchased	Investment Yield
1	04/24/14	Purchase	Federal Home Loan @1.25%	\$ 2,000,000	1.250%
2	04/28/14	Purchase	Federal Home Loan @1.150%	\$ 2,000,000	1.150%
Total Purchases				\$ 4,000,000	

April Investment Maturities, Calls & Sales

No.	Date	Transaction	Investment Security	Par Amount Matured/Sold	Investment Yield to Maturity
1	04/01/14	Matured	CA State Obligation Bond	\$ 475,000	5.130%
Total Maturities, Calls & Sales				\$ 475,000	

INLAND EMPIRE UTILITIES AGENCY

Cash and Investment Summary

Month Ended
April 30, 2014

Directed Investment Category

Investment in the Local Agency Investment Fund		
CalTrust	\$38,759,672	0.233%
Medium Term Notes	3,526,114	0.400%
Municipal Bonds	6,344,246	1.165%
US Treasury Notes	6,143,197	1.010%
U.S. Government Sponsored Entities	999,527	0.630%
	10,505,804	0.570%
	\$66,278,560	0.518%
Bank Investment Accounts		
Citizens Business Bank - Demand/Sweep Account	\$28,129,329	0.250%
Citizens Business Bank - Certificate of Deposit	4,150,000	0.450%
Bank of the West Money Market Account	10,037,573	0.290%
	\$42,316,902	0.261%

Total Portfolio

Investment Portfolio Rate of Return

\$108,595,462

0.391%

Restricted/Transitory/Other Demand Accounts

US Bank - 2005A Debt Service Account	\$2,281,442	0.000%
US Bank - 2008B Debt Service Accounts	2,544,710	0.000%
US Bank - 2010A Debt Service Accounts	39	0.030%
CCRA Deposits Held by Member Agencies	34,976,146	N/A
Citizens Business Bank - Workers' Compensation Account	55,271	N/A
US Bank - Pre-Investment Money Market Account	3,465,229	0.010%
Other Accounts*	107,615	N/A

Total Other Accounts

Average Yield of Other Accounts

\$43,430,452

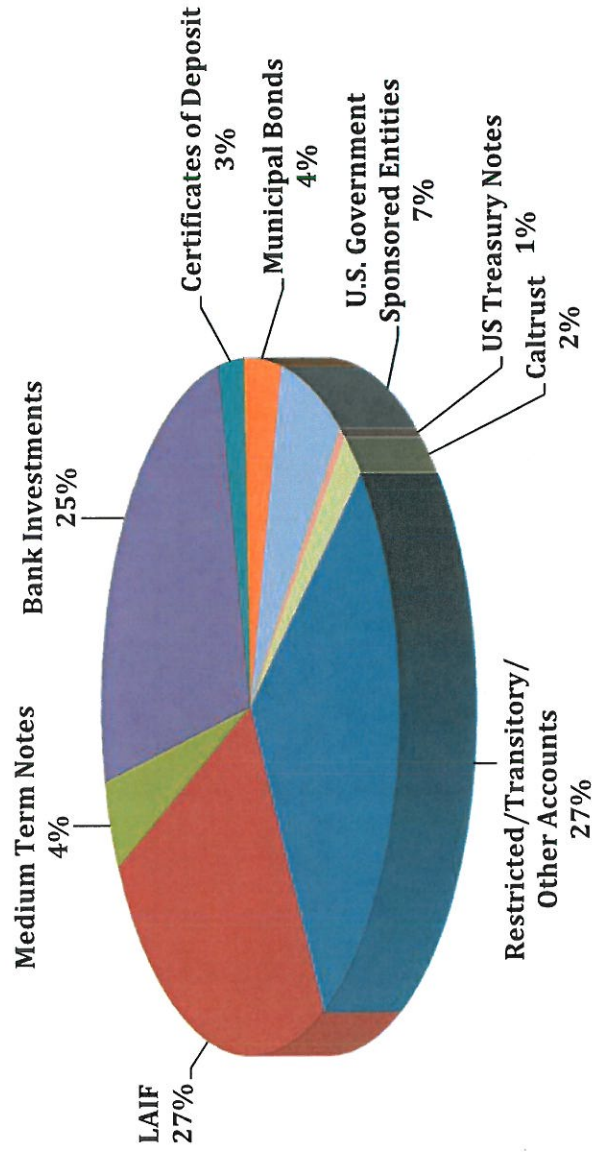
0.004%

Total Agency Directed Deposits

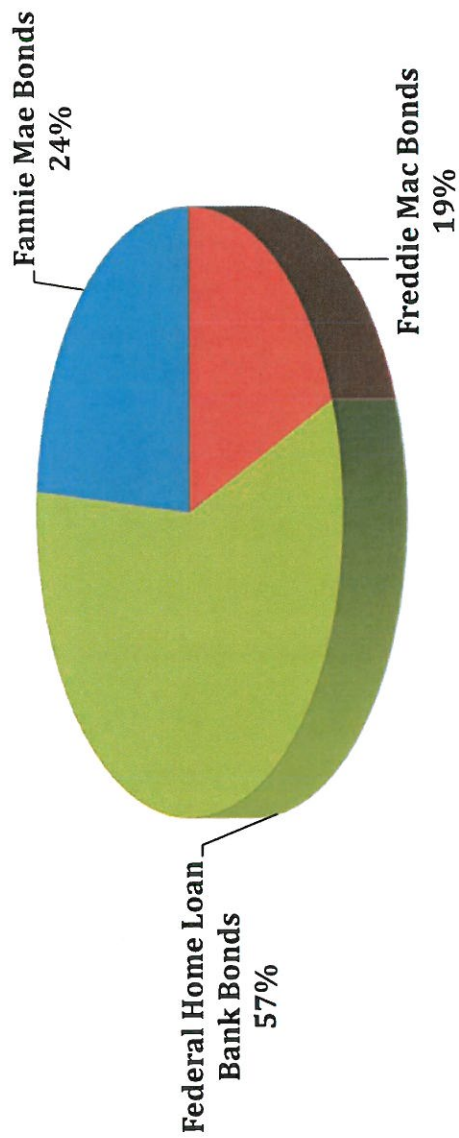
\$152,025,914

* Note: Bank of America Payroll Deposits used as compensating balances for bank services.

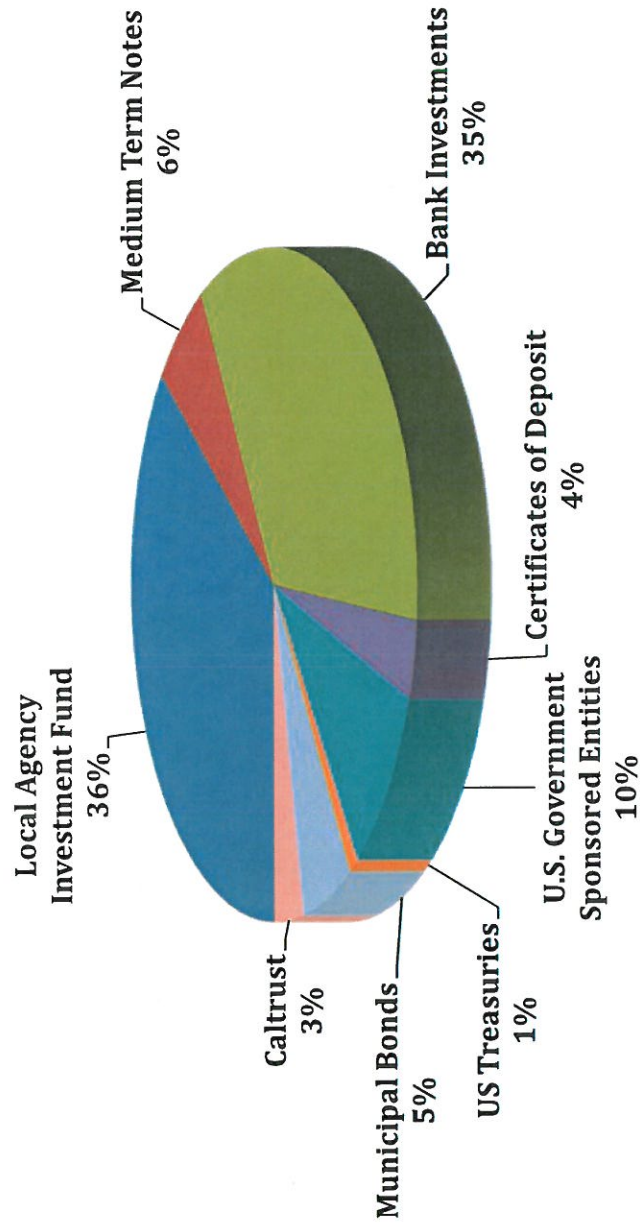
Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended April 30, 2014
Combined Agency Portfolio (net of escrow deposits)
\$152,025,914



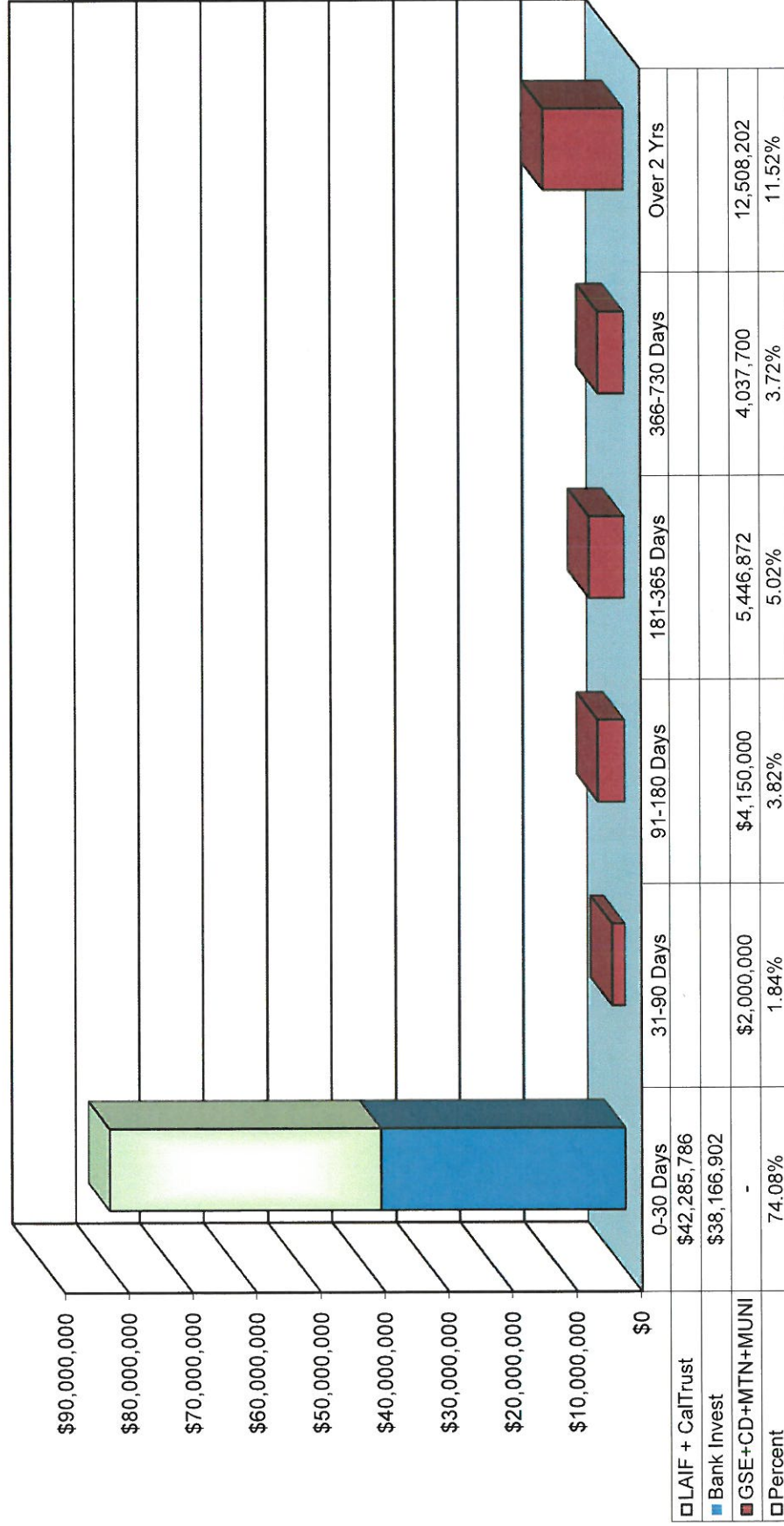
Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended April 30, 2014
U.S. Government Sponsored Entities Portfolio
\$10,505,804



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended April 30, 2014
Unrestricted Agency Investment Portfolio
\$108,595,462



Inland Empire Utilities Agency
Treasurer's Report of Financial Affairs
For the Month Ended April 30, 2014
Directed Investment Portfolio Maturity Distribution
\$108,595,462

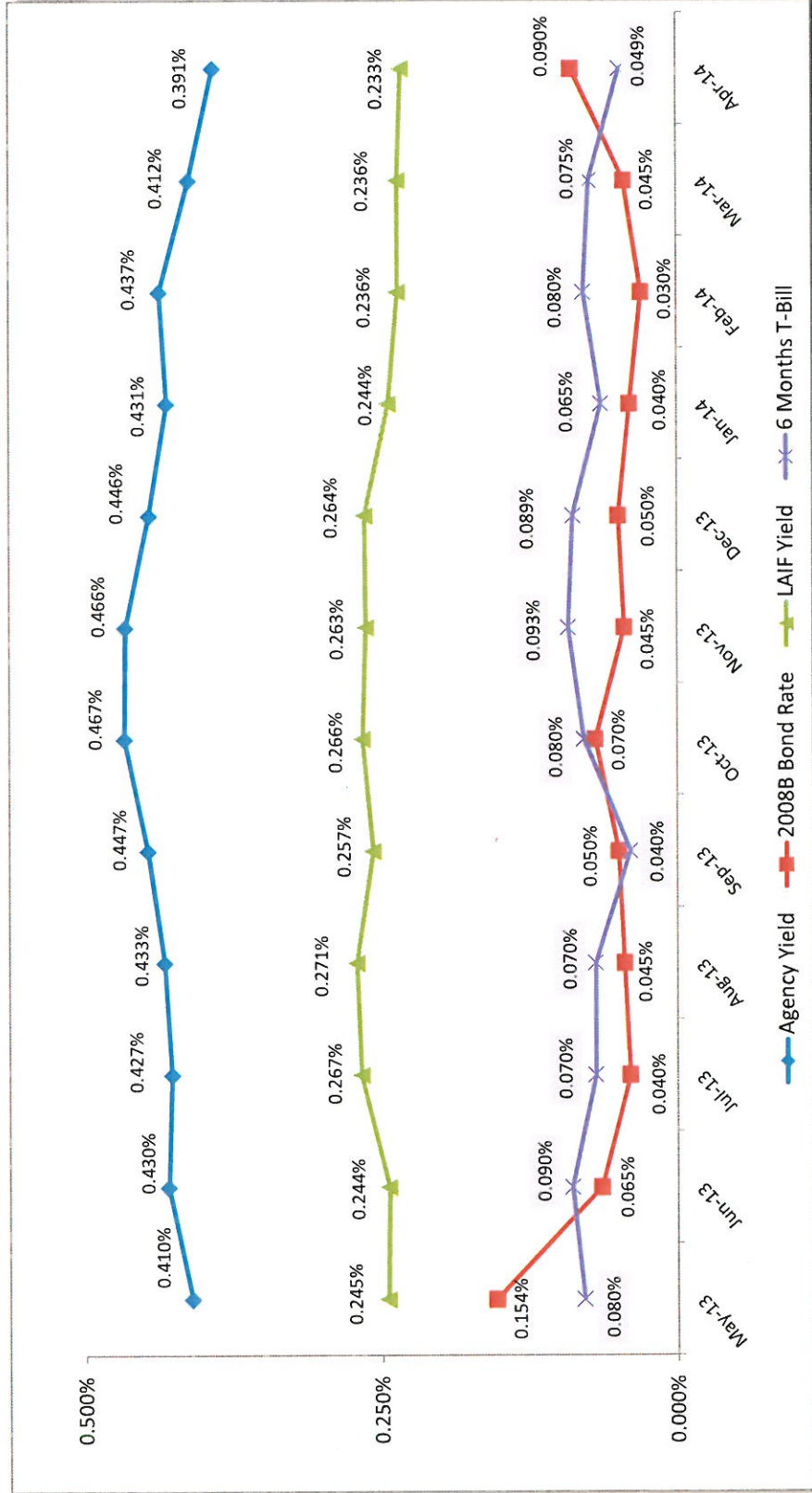


Inland Empire Utilities Agency

Treasurer's Report of Financial Affairs

For the Month Ended April 30, 2014

Agency Yield Comparison

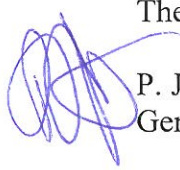



INFORMATION
ITEM


6F

Date: June 18, 2014

To: The Honorable Board of Directors

From:  P. Joseph Grindstaff
General Manager

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

 Javier Chagoyen-Lazaro
Manager of Finance & Accounting

Subject: The Santa Ana Watershed Project Authority Budget for FY 2014/15

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

On May 21, 2013, the SAWPA Commission approved a biennial budget for FY 2013/14 and 2014/15. IEUA Board adopted Resolution No. 2013-6-2, ratified and approved the SAWPA budget on general and specific projects for FY 2013/14 and 2014/15 (Attachment A), on June 19, 2013.

In April 2014, SAWPA confirmed that there is no amendment to the FY 2014/15 adopted budget on general and specific projects, as shown in Attachment B, Member Agency Contribution Budget. Annual contributions to support planning projects and administration are equally shared by the five member agencies: IEUA, Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, and Western Municipal Water District.

PRIOR BOARD ACTION

On June 19, 2013, the IEUA Board of Directors adopted Resolution No. 2013-6-2, approving the general and specific project budget for SAWPA's adopted two year budgets (FYs 2013/14 and 2014/15).

IMPACT ON BUDGET

The Agency's share of SAWPA's FY 2014/15 Member Contribution Amended Budget of \$339,090 is included in the FY 2014/15 proposed budget of the Administrative Services (GG), Recycled Water (WC), and Water Resources (WW) program funds.

Attachment A
IEUA Adopted Resolution

RESOLUTION NO. 2013-6-12

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, APPROVING THE BUDGET OF THE SANTA ANA WATERSHED PROJECT AUTHORITY FOR FISCAL YEARS 2013/14 AND 2014/15

WHEREAS, the Inland Empire Utilities Agency* is a member agency of the Santa Ana Watershed Project Authority;

WHEREAS, the Joint Exercise of Powers Agreement (JPA), which created SAWPA, requires approval by the member agency of all general and specific project budgets of SAWPA to the extent that such budgets may impose any liability on the member agency; and

WHEREAS, Paragraphs 9 and 27 of the JPA require the Agency's approval of such budgets be evidenced by a certified copy of a Resolution of Approval filed with SAWPA.


NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of (Agency Name) hereby approves SAWPA's Fiscal Year 2013/14 and Fiscal Year 2014/15 Budget, directs the Board Secretary to send a certified copy of this Resolution to SAWPA, and authorizes payment to SAWPA of the member agency contribution for \$330,367 (FY 2013/14) and \$339,090 (FY 2014/15).

ADOPTED this 19th Day of June, 2013

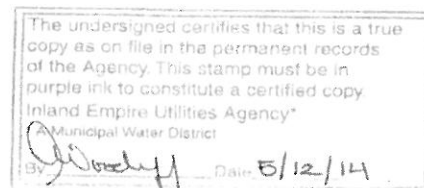


Terry Catlin
President of the Inland Empire Utilities Agency* and of the Board of Directors thereof

ATTEST:



Steven J. Elie
Secretary/Treasurer of the Inland Empire Utilities Agency* and of the Board of Directors thereof



Attachment B

Member Agency Contribution Budget



**MEMBER CONTRIBUTION
by Agency
FYE 2015**


ACTIVITY	TOTAL	IEUA	EMWD	OCWD	SBVMWD	WMWD
370 General Planning	357,500	71,500	71,500	71,500	71,500	71,500
370 USBR Partnership Studies	20,000	4,000	4,000	4,000	4,000	4,000
372 Imported Water Recharge		0	0	0	0	0
373 Watershed Management Plan	305,000	61,000	61,000	61,000	61,000	61,000
381 SA River Fish Conservation	10,000	2,000	2,000	2,000	2,000	2,000
386 Storm Water Quality Task Force	50,000	10,000	10,000	10,000	10,000	10,000
477 LESJWA Management	10,000	2,000	2,000	2,000	2,000	2,000
Subtotal (Planning)	752,500	150,500	150,500	150,500	150,500	150,500
State/Federal Lobbying	262,950	52,590	52,590	52,590	52,590	52,590
Commission/General Fund Costs	680,000	136,000	136,000	136,000	136,000	136,000
Subtotal (Administration)	942,950	188,590	188,590	188,590	188,590	188,590
Member Agency Contributions to SAWPA	<u>1,695,450</u>	<u>339,090</u>	<u>339,090</u>	<u>339,090</u>	<u>339,090</u>	<u>339,090</u>


INFORMATION
ITEM


6G

Date: June 18, 2014

To: The Honorable Board of Directors

Through:  Public, Legislative Affairs, and Water Resources Committee (06/11/14)

From:  P. Joseph Grindstaff
General Manager

Submitted by:  Martha Davis
Executive Manager of Policy Development

Subject: Public Outreach and Communication

RECOMMENDATION

This is an informational item for the Board of Directors to receive and file.

BACKGROUND

June 2014

- June 7, Inland Empire Garden Friendly Plant Sale, Home Depot (14549 Ramona Ave, Chino), 8:00am-12:00pm

July 2014

- July 16, Employee Appreciation Picnic, Butterfield Ranch Park (17671 Mystic Canyon Dr., Chino Hills), 11:30am-3:00pm
- July 31, IEUA Leadership Breakfast – Speaker: Lester Snow, IEUA Event Room, 7:30am-9:00am

August 2014

- August 22, BIA San Bernardino County Water Conference, Cal State San Bernardino (5500 University Parkway, San Bernardino), 8:00am-12:00pm

September 2014

- September 19, Chino Hills Day at the LA County Fair, Fairplex (1101 W. McKinley Avenue, Pomona)
- September 25, Chino Day at the LA County Fair, Fairplex (1101 W. McKinley Avenue, Pomona)

December 2014

- December 17, Employee Holiday Luncheon, Los Serranos Country Club (15656 Yorba Avenue, Chino Hills), 11:00am-2:00pm

Outreach/Education- Inland Valley Daily Bulletin Newspaper Campaign

- IEUA ran a Water Awareness Month spadea ad on May 28, 2014, which featured water saving tips and rebates available to residents and commercial businesses.
- IEUA staff is currently drafting the annual report which will run in the Daily Bulletin in June. (The Annual report will also be published in the Champion and the Fontana Herald News in the month of June)
- Civic Publications is working with staff to develop simple water-saving ads to place in the Daily Bulletin as reminders of the State's water supply conditions and ways to easily save water.

Media and Outreach

- Ongoing monthly ¼-page ads in the Inland Valley Daily Bulletin, Champion Newspaper, Fontana Herald News and La Opinion.
- Content of the outreach ads has focused on water supply information and water saving tips. IEUA is incorporating ACWA's "Californians Don't Waste" logo and messaging into our content.
- IEUA LEED™ing the Way ad ran in the Fontana Days special section on May 30, 2014.

Water Use Efficiency Outreach and Activities

- Staff, working in cooperation with Chino Basin Water Conservation District, has completed all site evaluations for existing Garden-in-Every School projects. Each school representative has received an evaluation report with detailed recommendations on how they may upgrade and improve their site with their \$1,000 mini-grant. School representatives are in the process of purchasing materials and supplies and submitting receipts for reimbursements. School staff has until June 30, 2014 to submit receipts for reimbursement.
- On May 1, 2014, staff attended MWD's Spring Green Expo which included "Green" exhibits highlighting technology, products, services and programs, ECO Innovators Showcase, highlighting sustainability projects created by Southern California college students and attending landscape sustainability classes.
- To date, the Agency has sponsored a total of 20 residential landscape workshops in FY 2013-2014. Workshops have been conducted throughout the Agency's service area and include the cities of Chino, Chino Hills, and Upland, Cucamonga Valley Water District, Fontana Water Company and Monte Vista Water District.
- Staff has been working with the five Santa Ana Watershed Team of Agencies, SAWPA, and Dudek to develop a region-wide water use efficiency proposal for submission to the DWR Prop 84 – Drought Emergency Funding Opportunity. The "draft" proposal is expected to be completed and ready for submission to SAWPA by June 1, 2014.

Education and Outreach Updates

- The 2014 MWD Solar Cup competition was a successful event for both IEUA sponsored schools: Los Osos High School (Rancho Cucamonga) and Chino High School (Chino). Los Osos HS received five trophies and received fifth place overall. Their awards include: first place veteran region (Inland) Public Service Announcement; first place veteran region (Inland) Endurance; first place veteran for Hottest Looking Boat; second place veteran region (Inland) 200-Meter Sprint; and Teamwork Award. Chino High School placed 17th overall and received a trophy for placing second in veteran region (Inland) for Endurance. The teams both showed dedication and initiative and earned great recognition.
- IEUA is working with Tripepi Smith & Associates for the redesign of the IEUA website. A new site map and home page wire frame have been developed thus far. IEUA staff is currently working on the content migration phase of the project.
- IEUA is working on updating various facility illustrations and brochures. The educational component for these brochures is being updated in order for visitors and stakeholders to have a simple yet detailed visual of each IEUA facility and process.

PRIOR BOARD ACTION

None.

IMPACT ON BUDGET

The above-mentioned activities are budgeted in the FY 2013/14 Administrative Service Fund, Public Information Services budget.

INFORMATION
ITEM

6H

Innovative Federal Strategies LLC

Comprehensive Government Relations

MEMORANDUM

To: Joe Grindstaff, Martha Davis and Rebecca Long, IEUA

From: Letitia White and Heather Hennessey

Date: May 22, 2014

Re: May Monthly Legislative Update

WRDA Crosses the Finish Line

The months-long Water Resources Development Act conference came to a successful conclusion during May, to the great relief of almost everyone. The conference report passed the House by a vote of 412 to 4. Senate passage is still pending at the time of this writing but is expected to take place later this week. The overwhelming bipartisan vote for passage came despite some last minute objections to the bill from outside conservative groups including Heritage Action. We have seen Heritage Action and other right-leaning groups play spoiler on floor votes during the past couple of years, most notably in the Farm Bill. WRDA overcame those objections because proponents of the bill engaged in a coordinated and constant campaign to educate Republicans about the need for the infrastructure and reform provisions contained in the bill. The success of WRDA in the face of conservative opposition can provide a roadmap for future bills that could be vulnerable to similar criticisms.

A summary of the bill's contents is below:

- Authorizes spending on 34 ports, inland waterways and environmental restoration projects around the nation;
- Adopts a new authorization policy for US Army Corps of Engineers projects which maintains Congressional oversight but does not violate the earmark ban;
- Authorizes \$5.4 billion of spending through FY 2019 and \$12.3 billion over the next 10 years;
- Reforms and streamlines Corps of Engineers processes by putting both a time limit of 3 years and a funding limit of \$3 million on studies conducted by the agency;
- Increases flexibility for local project sponsors to contribute funding and in-kind resources to projects;
- Deauthorizes \$18 billion worth of old WRDA projects that have stalled and not received funding in recent years;
- Increases the levels of money distributed by the Harbor Maintenance Trust Fund in future fiscal years up to a level of full spending of the Fund by 2025. Right now, only about half of the HMTF is used for its intended purpose with the rest being diverted to offset other spending;
- Establishes a five-year pilot program for the Water Infrastructure Finance and Innovation Act (WIFIA). WIFIA authorizes the US Army Corps of Engineers and the EPA to

Innovative Federal Strategies LLC

provide direct loans and loan guarantees for construction of water infrastructure projects undertaken by both agencies (including harbor maintenance, flood control and wastewater infrastructure).

People who are experts in the Army Corps' processes for project delivery have high hopes that the reforms in the bill will enable the agency to complete projects years faster and much more cheaply. Time will tell whether those projections turn out to be true, but it is the universal opinion of policy makers that the Corps' current systems are broken.

Appropriations Process Moving Smoothly – For Now

Congress has enjoyed a few months of bipartisan harmony on spending issues since the December budget deal was put into place. But the rapid forward motion of the FY 2015 appropriations bills is becoming tense as the elections draw closer and controversial policy issues enter the debate. So far, the House Appropriations Committee has marked up four bills, and the most recent was also the most contentious. The Transportation, Housing and Urban Development markup devolved into a partisan battle that ended with the unusual step of a recorded vote being taken for its passage out of committee. The normal procedure is for a voice vote to move the bill, but Democrats called for a recorded vote because they were angry about the bill's provisions that would cut funding for TIGER grants and CDBG. You may recall that last year, the entire funding process bogged down and never recovered, ending in a government shutdown and the eventual budget deal. And that happened without election year politics being involved! Having said all of this, we remain cautiously hopeful that the committees will continue to move forward with their stated goals of having finished bills ready to go to conference at the end of this summer.

Another Month, Another Drought Relief Bill

The lack of momentum on any of the existing drought relief bills already pending before Congress has not stopped the legislative drafting process. Senator Feinstein has penned another bill which attempts to thread the needle between water supply, environmental issues and legislative realities in Washington. Senator Feinstein is already on the defensive about the bill, and it is unclear whether this latest iteration will be able to succeed where previous bills have failed. But it is very clear that Senator Feinstein wants to be in the leadership position on drought relief for the California delegation. Her continued efforts to try and find a path forward are refreshing in the face of the ongoing stalemate.

**INFORMATION
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May 27, 2014

To: Inland Empire Utilities Agency

From: Michael Boccadoro
President

RE: May Legislative Report



Overview:

In May, Legislators worked through bills in appropriations committees and through items in the Governor's proposed budget in budget sub committees. May 23 was the final day for bills to reach the floor of their respective houses. Legislators will spend significant time on the floor working through bills before the "House of Origin" deadline on May 30. Additionally, the budget must be passed by June 15, so members on budget committees will continue to work through issues and try to reconcile different proposals coming out of each house in budget conference committees.

Governor Brown's administration released a draft proposal for groundwater management legislation. The proposal focuses on local management and a timeline for basins that do not have groundwater management plans to put a plan together. There are mixed reactions from stakeholders and most are looking for more details in the plan. One point that was clear is that adjudicated basins would not have to write a whole new plan to comply with the new, proposed, law.

Both the Senate and Assembly budget committees (the Senate at the full committee level and the Assembly at the sub-committee level) completely reworked the Governor's cap and trade auction revenue spending proposal. The Assembly put the revenue into three different pots, \$400 million for greenhouse gas (GHG) reduction measures to be administered by the Strategic Growth Council (SGC), \$400 million for sustainable communities also administered by the SGC and \$40 million for water use efficiency to be administered by the Department of Water Resources. The Senate's plan allocates \$650 million to transportation, including high speed rail, \$17 million for urban forestry, \$80 million for weatherization, and \$83 million to the Wildlife Conservation Board for forestry, wetland restoration, agricultural emissions reductions and water efficiency. The two proposals now have to be worked out in a budget conference committee and as part of the "Big Three" negotiations between the Governor and Democratic Leadership.

Of the ten water bond proposals that were introduced, only two continue to move through the legislative process. The front runners continue to be SB 848 (Wolk), AB 1331 (Rendon), and AB 2682 (Perea). Recent amendments to SB 848 (Wolk) still do not alleviate the concerns of many stakeholders. The Governor has yet to weigh in on the fate of the 2014 ballot measure or any of the proposals to alter the current version. Stakeholders remain eager to hear what the Governor has to say as the legislature expands its discussions.

The trailer bill for the transfer of the drinking water program from the Department of Public Health to the State Water Resources Control board has been released. Initial review indicated that all of the items discussed and agreed to in the broad collaboration of stakeholders have been included in the trailer bill.

The Delta Science Program released its final review of the Bay Delta Conservation Plan Effects Analysis (Chapter 5) recently. At the request of the BDCP participants, the Delta Science Program had convened an Independent Science Review Panel to assess the scientific soundness of the BDCP Effects Analysis, guided by a Panel Charge with explicit questions to address.

Inland Empire Utilities Agency

Status Report – May 2014

Groundwater

Governor Brown's administration hosted a meeting of stakeholders to discuss the Governor's proposal on groundwater management. A draft bill was distributed that outlined the Administration's plan. They will try to pursue this language through a policy bill, but did not rule out a budget trailer bill sometime later in August. They did make it clear that they will not pursue this with the full budget that needs to be passed by June 15.

Key provisions of the draft language include:

1. Adopt a State Definition of "Sustainable Groundwater Management"

It is the policy of the state that groundwater resources be managed sustainably. Sustainable groundwater management means the management of groundwater to provide for multiple long-term benefits without resulting in or aggravating conditions that cause significant long-term overdraft, land subsidence, ecosystem degradation, depletions from surface water bodies, and water quality degradation, in order to protect the resource for future generations. Sustainable groundwater management requires the development, implementation and updating of local water budgets, plans and programs based on the best available science, monitoring, forecasting and use of technological resources.

2. Recognize Groundwater Recharge as a Beneficial Use

To encourage the use of surface water to recharge groundwater basins, the proposal would amend Water Code Section 1242 to clarify that the diversion of water to underground storage is a diversion for beneficial use (provided the water is put to a beneficial use consistent with the water right). The beneficial uses of the diverted water include protection of water quality or other beneficial uses made while the water is in underground storage.

3. Provide State Technical Assistance

- Update Bulletin 118 every 5 years
- Provide local technical assistance with data collection, assessment, plan development, governance, and local water balances to determine safe yield (Funding request in budget and could be available as soon as July 1, 2014)

- Improve data availability and utility in Water Data Library and CASGEM
- Provide technical information and analysis to the State Water Board to inform its backstop function
- Periodically audit groundwater management plans and summarize the status of sustainable groundwater management actions
- In coordination with State Water Board create a technical advisory group to coordinate development of best practices and tools

4. Empower Local Agencies To Achieve Sustainability

Summary

- Amends AB 3030 and SB 1938 to require that plans meet SB 1938 requirements and expands those requirements to include managing for sustainability and submission of groundwater extraction data to DWR starting January 1, 2018
- Expands the authority that local agencies meeting AB 3030 and SB 1938 can exercise, including providing a framework for regulatory fee authority
- Suspends the enhanced authority January 1, 2020 if the plan does not meet the requirements of law, but allows the local agency to continue funding its program in order to bring it into compliance
- Consistent with existing law, development of a plan is voluntary, but those without plans by January 1, 2020 will no longer be eligible for state funding
- The State Water Board may take action to develop a plan for any subbasin without a plan after January 1, 2020

5. Improve the Linkage Between Land-Use and Groundwater Planning

- Requires Cities and Counties to share General Plan amendments with groundwater management authorities
- Requires groundwater management authorities to share plans and other relevant information with Cities and Counties
- Requires Cities and Counties to review groundwater management plans submitted to them, upon completion, to determine whether general plan updates are needed to account for the new information
- Provides a placeholder to discuss appropriate limitations on limitations after 2020 if a plan is not in place

6. Provide for State Backstop Authority When Local Action Has Not Occurred or Has Been Insufficient

- The State Water Board could designate basins at any time, but would be prohibited from taking any further action in a sub-basin until January 1, 2017 so long as a governance structure is developed by January 1, 2017, and if a local structure is in place, limit board action until January 1, 2020.
- The State Water Board actions could include the following steps all designed to promote local action and provide the State Water Board the flexibility to suspend the process if the locals develop an adequate plan at any point in the process:

- Engagement with locals before initiating any formal process to solicit information and provide assistance
- After holding hearings, the board may issue a determination that the sub-basin is in long term overdraft or that it is having a significant effect on the beneficial uses of interconnected surface water and that there are no groundwater management plans in the sub-basin that will solve the problem. If a sub-basin receives this designation the State Water Board will notify them of the board's intent to develop a groundwater management plan for the sub-basin and provide an opportunity for the local agencies to act
- The State Water Board adopts a groundwater management plan for the sub-basin and implements the plan
- The State Water Board returns groundwater management authority to a local agency when they have adopted a sufficient plan or completed adjudication

7. Make groundwater adjudications more efficient.

- The proposal would improve the adjudication process to provide an additional tool to address unsustainable groundwater management. It will extend the expedited process for statutory adjudications for surface water to include groundwater. It will also include provisions to modernize and speed the process and to encourage negotiated settlements.
- This element of the proposal is still being developed and will be provided soon.

ACWA remains committed to the groundwater legislation that they are working on, AB 1739 (Dickinson). They are looking at pieces of the Governor's plan, but remain focused on the priorities they see necessary to create a broad and effective groundwater sustainability/management plan and program.

Senate and Assembly Budget Committees Reject Governor's Cap and Trade Revenue Spending Plan

In a surprising move, both the Senate full committee on Budget and Fiscal Review and the Assembly Budget Sub Committee on Resources and Transportation rejected the Governor's cap and trade auction revenue spending plan in favor of their own, separate and very different plans. Both plans were released a few short hours before the committee hearings and left stakeholders scrambling to form responses as the hearings got under way.

The Assembly Committee noted that they are concerned because under the Governor's plan, there were too many pet projects it was too hard to measure actual GHG reductions. Their plan is a one year spending plan with three categories that the proponents claim will create greater accountability for the funds.

The Assembly plan:

Assembly Plan

Activity	Department	Amount
State GHG Reductions	Strategic Growth Council	\$ 400
Activities Program	(SGC)	
Sustainable Communities	SGC	400

Grants		
Low-Emission Vehicle Rebates	CARB	200
Water Use Efficiency	Department of Water Resources (DWR)	40
Total		\$ 1,040 M

The \$400 million to the Strategic Growth Council for GHG reduction activities can be used to fund energy efficiency upgrades to State and public buildings through a revolving fund loans for public buildings, High Speed Rail construction, intercity rail, fire prevention and urban forestry, waste diversion, reducing agricultural waste, wetland restoration, and other activities by State departments that reduce Greenhouse Gas emissions. 25% must go to disadvantaged communities.

The Senate plan, which was never discussed in a sub-committee, is very different from the Assembly plan. The Senate broke out the plan into transportation and non-transportation. \$650 million in the transportation section, which includes high-speed rail and other projects. The non-transportation sector includes \$17 million for urban forestry projects, \$80 million for weatherization. Then a separate section of funds go to the Wildlife Conservation Board on a one time basis, three year encumbrance (these funds cannot be spent until a yet to be released “trailer bill” is approved):

- \$23 million for forestry
- \$30 million for wetland restoration
- \$30 million for agriculture emission reduction and water efficiency

The proposal rejects the Governor’s proposal in two specific categories.

- \$20 million for state buildings
- \$30 million for waste diversion

Both the Senate and Assembly approved their respective plans and now these plans will move to “conference committee” were they try to work out the differences.

Water Bond Update

Of the ten bills proposed to alter or reduce the 2014 water bond, there are technically only two still moving.

The most significant development among the bills is the proposed amendments to SB 848 (Wolk). It seems that President Pro Tem Steinberg has decided to support this legislation and will attempt to move it off the Senate floor on Wednesday, May 27. This bill needs a 2/3 vote to pass. The new \$10.5 billion bond includes:

Ch. 4: Safe Drinking Water & Water Quality Projects - \$900 million

- \$400m to SWRCB for safe drinking water projects
- \$100m for public health emergency actions
- \$400m to SWRCB for small community wastewater treatment projects

Ch. 5: Water Supply Enhancement Projects - \$2.0 billion

- \$1.5b for Integrated Regional Water Management (IRWM) projects
 - o \$1.4b for regional grants, allocated by hydrologic regions-including groundwater storage, recycled water storage, sediment removal and seismic retrofit of storage facilities
 - o \$100m for groundwater management plans
- \$500m to SWRCB for stormwater capture and reuse

Ch. 6: Sacramento San Joaquin Delta - \$1.3 billion

- \$900m to Delta Conservancy for Delta ecosystem restoration and sustainability projects
- \$400m to DWR for Delta levee and flood projects
- Not connected to the BDCP and supported by Delta communities

Ch. 7: Watershed and Ecosystem Improvement - \$1.8 billion

- \$600m for state obligations/settlements
- \$875m for statewide watershed improvements
- \$250m to Natural Resources Agency for multi-benefit watershed and urban rivers projects
- \$20m to DPR for state parks drinking water and wastewater projects
- \$30m to SWRCB for resource conservation district watershed activities
- \$25m to SWRCB for projects to manage runoff from agricultural lands

Ch. 8: Water Storage Projects- \$3 billion

- Chapter 8 from 2009- continuous appropriation

Ch. 9: Groundwater Treatment - \$1 billion

- Statewide eligibility for projects
- Includes funding for clean up and recharge of groundwater basins
- Language TBD

Ch. 10: Recycled Water-\$500 million

- Funding for water recycling and advanced treatment technology projects

Ch. 11: General Provisions

- Includes a savings clause for water rights, and for the 2009 Delta Reform Act
- Prohibits funding for construction, mitigation or operation of new conveyance
- Prohibits funding for mitigation or compliance obligations for any party
- Contingent enactment with groundwater management legislation

These amendments do not remove the opposition of a number of agencies, including Metropolitan Water District of Southern California who state that “Metropolitan opposes directing all funding to advance ecosystem restoration and a sustainable Delta solely to the Delta Conservancy because five of its eleven members represent counties that are on record opposing the most promising comprehensive conservation plan developed by state and federal agencies. Any water bond must adhere to the principle that habitat restoration projects can only be funded based upon their scientific merits and public benefits.”

Updates on the other bond bills:

- AB 1331 (Rendon): Senate Governance and Finance Committee
- AB 1445 (Logue): Dead
- AB 2043 (Bigelow): Appropriations Suspense
- AB 2554 (Rendon): Appropriations Suspense
- AB 2686 (Perea): Appropriations Suspense
- SB 848 (Wolk): Senate Floor
- SB 927 (Cannella): Failed Natural Resources and Water Committee 4/21
- SB 1080 (Fuller): Not referred to committee
- SB 1250 (Hueso): Natural Resources and Water Committee, no hearing set
- SB 1370 (Galgiani): Heard in Natural Resources and Water Committee for “testimony only.”

Because any action to modify the bond requires a 2/3 vote, many still believe that SB 1250 (Hueso) and AB 2686 (Perea) could still move through a special 2/3 vote. Just because they have not met the current deadlines does not mean they are dead for the year. Those bills are still considered possible vehicles for bond modification.

Results from several polls have been discussed recently. Both polls indicate support for some sort of water bond is growing and that voters recognize how serious the drought is.

Drinking Water Program Transfer

The plan to transfer the drinking water responsibilities of the California Department of Public Health (DPH) to the State Water Resources Control board is in its final stages. A “trailer bill” was recently released with all the details of the transfer. The trailer bill language reflects the plan worked out by the stakeholder group that worked hard to ensure that the transfer would be easy and seamless. According to stakeholder participants, the final language accurately reflects the compromises reached by the group after months and months of meetings and several public hearings.

Delta Science Program Releases Review of BDCP

The Delta Science Program released its final review of the Bay Delta Conservation Plan Effects Analysis (Chapter 5) recently. At the request of the BDCP participants, the Delta Science Program had convened an Independent Science Review Panel to assess the scientific soundness of the BDCP Effects Analysis, guided by a Panel Charge with explicit questions to address.

The panel review focused on four broad themes:

1. The highly detailed document was difficult to review and comprehend.
2. The scientific uncertainty represented within the Effects Analysis varied with the uncertainties expressed in the corresponding appendices.
3. The Effects Analysis needs to address the extensive uncertainties associated with the assumptions and predictions of the beneficial effects of BDCP conservation measures
4. The Effects Analysis lacked an integrated or quantitative assessment of net effects.

The Delta Science Program also hosted a two-day workshop to inform the State Water Board’s upcoming decisions regarding Delta interior flow objectives. The workshop included a panel assessment of the state of scientific knowledge about effects of interior Delta flows and other stressors on fish species of concern and the Delta ecosystem. The panel will now evaluate and

synthesize this information in a written report to the Delta Stewardship Council/Delta Science Program and State Water Board to inform future decisions.

Legislative Update

The deadline for bills to pass out of appropriations committees and onto the floor was May 23. Many bills did not pass and others will be heard on the floor before the May 30 house of origin deadline.

**INFORMATION
ITEM**

6J

Agricultural Resources

635 Maryland Avenue, N.E.
Washington, D.C. 20002-5811
(202) 546-5115
agresources@erols.com

May 23, 2014

Legislative Report

TO: Joe Grindstaff
General Manager, Inland Empire Utility Agency

FR: David M. Weiman
Agricultural Resources
LEGISLATIVE REPRESENTATIVE, IEUA

SU: Legislative Report, May 2014

From the Administration, IEUA was awarded a \$3 Million Bureau of Reclamation WaterSense Grant this month, a significant milestone and one of the larger programmatic grants issued.

Meanwhile, in Congress, month after month, I have submitted reports to IEUA in which the latest incarnation of congressional and administrative gridlock was described. To be sure it has been frustrating and, well, at times downright ugly. The term “dysfunctional” is routinely tossed around in the media and in related discussions. This month’s report is different. Even if only briefly, Congress returned to the “legislative business of establishing policy.” A flurry of legislative activity filled the month. WRRDA passed. The Feinstein-Boxer drought bill passed the Senate. Appropriations are moving.

Has Washington returned to “regular order?” No. Does Washington remain in a partisan grip? Yes. But the situation has improved slightly.

Snapshot.

- **BuRec Announced \$20 Million in WaterSense Grants – IEUA Awarded \$3 Million**
- **WRRDA Conference Report Approved by House and Senate on strong Bi-Partisan**

Votes. Bill heading to the White House for Presidential Signature.

- **WRRDA Approved a New “Water Infrastructure Public-Private Partnership Pilot Program”**
- **Senate Passes Feinstein-Boxer Drought Bill – Conference Pending**
- **Tax Bill (Muni Bond) Developments**
- **New Water Reports of Significance**
- **Drought Conditions, Status**

BuRec Announced \$20 Million in WaterSense Grants – IEUA Awarded \$3 Million. The Bureau of Reclamation finally made their grant announcements. IEUA was one of the handful of agencies to receive funding from throughout the West and California, and received one of the larger awards.

WRRDA Conference Report Approved by House and Senate on Unexpectedly Strong Bi-Partisan Votes. Bill heading to the White House for Presidential Signature. A House-Senate conference on the Army Corps authorization (WRDA) bill languished for months. Openly discussed and unclear throughout the process – whether or not the House would be able to pass the Conference Report. There were serious doubts. After agreeing to a Conference Report with the Senate and the day before the House would consider it, Committee staff was privately saying that 100-125 votes against the Report were expected. Tea Party groups were urging a NO vote. The vote – and overwhelming (if not stunning and unexpected) 412-4. Tea Party objections were ignored and Members who affiliate with the Tea Party ignored pleas to kill the bill. The Senate followed, a short time later, with a 91-7 vote. At month’s end, the final bill was being readied for submission to the White House for certain presidential signature.

This is the first Water Resources Development Act since 2007. It deauthorized \$18 billion in older, pre-2007 projects (creating offsets used to move forward). The vote margin surprised, and in some cases shocked, most on-lookers. No one saw this coming. Chairman Shuster (R-PA) worked tirelessly to convince his Caucus that this was a reform bill (it is, no earmarks and new financing standards and mechanisms). Shuster closely worked with Ranking Committee Rep. Nick Joe Rahall (D-WV) to make it a bi-partisan bill.

Politically, the Tea Party and their support groups announced that they were (a) opposing the bill; and (b) scoring it. It backfired. Chairman Shuster, with the support of Speaker Boehner and the House leadership, rounded Republican caucus votes. After it was clear that they had the votes, Shuster was asked, by numerous Members to pass the bill on a “voice vote” instead of a recorded one – thus by-passing the internal conflict over a recorded vote. Shuster said no and was adamant. He wanted Members “on-the-record.” Many didn’t like it. Many would have preferred a voice vote. Shuster wanted to compel the Tea Party caucus to support it. The vote

was called. The Tea Party Members lined up, one after another to vote for the bill. Chairman Shuster, with this legislative accomplishment, emerged from the effort as a major player in his caucus.

This is important development for two separate, somewhat unrelated, reasons. First, a major transportation (highway) bill has been stalled, and is long-overdue. The passage of WRRDA greatly enhanced likelihood of moving it. Second, the House is now, at long last, returning to the business of public policy. Gridlock's not over, but it's grip appears to be lessening.

WRRDA Approved a New "Water Infrastructure Public-Private Partnership Pilot Program."
The Committee described their new financing initiative as follows:

- *Increases Flexibility for Non-Federal Interests and Leverages Private Sector Investments to Multiply the Effect of Federal Funding*
- *Maximizes the ability of non-federal interests to contribute their own funds to move studies and projects forward*
- *Expands the ability of non-federal interests to contribute funds to expedite the evaluation and processing of permits*
- *Establishes a Water Infrastructure Public Private Partnership Program and new options to expand the local role in project implementation*
- *Creates innovative methods to invest in and finance water resources infrastructure and municipal drinking water and wastewater needs*

Another report described the new initiative this way: *"The final version also includes an important new pilot program, based on the Water Infrastructure Finance and Innovations Act, championed by key organizations such as Water Environment Federation, American Water Works Association, and Association of Metropolitan Water Agencies. The earlier versions, authorizing a new mechanism for loans and loan guarantees, were controversial among various state infrastructure agencies and local associations based on concerns about potential competition with the existing State Revolving Funds. The final version, authorizing \$125 million to EPA and the Corps over 5 years, has various safeguards and provisions to try to avoid competition with or undermining of the popular SRFs."*

MWD is skeptical that the new financing program is workable for major water development projects in Southern California (based on a very preliminary and informal analysis).

On other WRRDA matters:

- the bill also directs the Secretary of the Army (the Corps of Engineers) to undertake a *"comprehensive review of the Corps of Engineers policy guidelines*

on vegetation management for levees...” This is and has been a significant Bay Delta “integrity” issue for years. Congress made this a more important priority.

- The bill does not contain earmarks per se, but it does approve a new generation of projects based on Chief’s Reports prepared by the Corps.
- The text of the bill was withheld throughout the six-month conference. It’s only been seen for a few days. Analysis of the Act is still underway.

Senate Passes Feinstein-Boxer Drought Bill – Conference Pending. The Senate passed, on a voice vote, a revised and amended drought bill introduced by Senators Feinstein and Boxer. The bill is controversial and contentious. It now goes to the House where it will be conferenced with the previously passed Valadao bill. The bills seek to accomplish very different objectives. As Members departed for the Memorial Day break, a scramble was underway – various districts and interests were beginning to draw up “lists” of projects and policies they want in the bill.

The Feinstein-Boxer bill, according to the Senators, is designed to address “short-term” drought issues. San Joaquin Valley interests, led by Reps. Valadao, Nunes and others want long-term relief from ESA, CVPIA, the Wild and Scenic Rivers Act, NEPA and other laws. Still others insist that “storage” is the answer.

Most groups, districts and agencies have praised the Senators and then added the “but” – and proceeded to detail their particular priorities. Rep. Mike Thompson, from Northern California, publicly stated the bill is no longer needed as the Administration has been taking steps to make more water available to San Joaquin Valley water interests. Rep. Grace Napolitano, the ranking Democrat on the Water and Power Subcommittee praised the Feinstein bill, and challenged the House to pass a “clean” bill. Said Rep. Napolitano:

“We commend Senators Feinstein and Boxer for their leadership and efforts in passing this important legislation out of the Senate. This bill will provide much needed support and water to our state without waiving existing environmental laws. The House must now act quickly to pass a clean version of S. 2198 as intended, without adding controversial provisions that could prevent it from being enacted into law.”

“We look forward to continuing to work with the Senators on finding a long-term solution for the water challenges we face throughout all of California. That long-term solution must stress the importance of water conservation, education, and recycling as part of developing a sustainable water supply.”

The fate of this bill is unclear. The Administration has kept a low profile, but is generally supportive. The Brown Administration, similarly, has done the same. Perhaps the greatest

challenge – there are probably six, eight or ten factions/positions – each with competing positions and priorities – including a new legal conflict in the San Joaquin Valley (a week ago, Friant sued the BuRec over water deliveries in the Valley to junior water right holders). Whether or not such a bill can be conferenced is unclear (and if it can, then the question becomes, *when?*). No one expects this to be done quickly, the urgency of the drought notwithstanding.

Tax Bill (Muni Bond) Developments. Discussions with the bond industry, water groups and associations and others who rely on muni bonds continue on a regular basis. Water agencies and associations are slowly looking up and realizing that these proposed tax changes, if enacted, could have far-reaching effects. New information and new materials to explain (in non-technical terms) the importance and significance of municipal bonds in the daily lives of citizens is being prepared.

Water Reports – Several of Significance.

- **General Accountability Office (GAO). Freshwater: Supply Concerns Continue, and Uncertainties Complicate Planning.** *“According to state water managers, experts, and literature GAO reviewed, freshwater shortages are expected to continue into the future. In particular, 40 of 50 state water managers expected shortages in some portion of their states under average conditions in the next 10 years.”*
- **National Climate Assessment.** According to the most recent report, released in May, *“Not only are the planet and the nation warming on average, but a number of types of extreme weather events linked to climate change have become more frequent or intense in many regions, including heat waves, droughts, heavy downpours, floods, and Anyone who reads the latest National Climate Assessment, released on Tuesday, cannot possibly think that way any longer. The report is exhaustive and totally alarming.*

The NY Times editorialized on the report saying, *“the study, produced by scientists from academia, government and the private sector, is the definitive statement of the present and future effects of climate change on the United States. Crippling droughts will become more frequent in drier regions; torrential rains and storm surges will increase in wet regions; sea levels will rise and coral reefs in Hawaii and Florida will die. THE SOUTHWEST WILL FRY California’s relentless drought has been making headlines for years. But while there may be some cyclical relief, global warming will make things worse in the long run, increasing wildfires throughout the Southwest and in California, stunting crops in one of America’s great breadbaskets and greatly increasing the region’s historical competition for water — its most precious natural resource.”*

- **Delta Independent Science Board Report.** The Delta Independent Science Board (Delta ISB) released its review of the *draft* Bay Delta Conservation Plan (BDCP) Environmental Impact Report/Environmental Impact Statement. In the transmittal letter

addressed to the Delta Stewardship Council and the Department of Fish and Wildlife. ***“We commend the preparers of the Draft BDCP documents for assembling and analyzing mountains of scientific information, and for exploring environmental impacts of many proposed BDCP actions. The preparers faced a bewildering array of regulatory requirements and economic, social, and political pressures. We find, however, that the science in this BDCP effort falls short of what the project requires.”***

Drought and Water Issues. The California drought profile, as reported by NOAA and USDA’s Drought Monitor is largely unchanged. If anything, it’s worse. Drought has a firm grip the entirety of the Southwest to Texas. All of California and Nevada are considered “*severe, extreme or exceptional.*”

In last month two reports, I “...reported that “drought” became high profile, contentious – and partisan. It continued.” Nothing’s changed. California is “locked” in sustained drought conditions. The wet season is over and while there’s been some precipitation, but it has not nearly enough to alter circumstances. MWD’s Jeff Kightlinger is now hinting that some level of rationing may be necessary. According to NOAA, the Weather Service and others, there are indications that, this Fall, an El Nino weather event will bring potentially significant precipitation to Southern California. The same experts quickly add the word, “maybe.”

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INFORMATION
ITEM

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CALIFORNIA STRATEGIES, LLC

Date: May 22, 2014
To: Inland Empire Utilities Agency
From: John Withers, Jim Brulte
Re: May Activity Report

Listed below is the California Strategies, LLC monthly activity report. Please feel free to call us if you have any questions or would like to receive any more information on any of the items mentioned below:

- Attended ACWA Conference in Monterey and discussed district issues with Director Camacho and district staff in attendance. Re-establishing regular monthly meetings with Executive Management team on district issues.
- Participated in follow up discussions with County of San Bernardino and IEUA to discuss coordination of County and District legislative agendas.
- We continue to monitor LAFCO staff on the status and key issues related to the MSR process currently underway for water conservation districts countywide.
- Followed up on briefing issues with Director Hall and discussed a number of District related issues.
- Provided an update on the recent filing of a Sphere of Influence amendment filing by the CVWRD.
- Coordinated input to IEUA CM consultant on City of Chino Hills coordination issues.
- Continue to monitor statewide water issues including the BDCP, water bond, and drought relief act activities.
- Monitor Santa Ana Regional Board agenda and issues of interest to IEUA.