

**MINUTES OF THE REGULAR  
MEETING OF  
THE BOARD OF DIRECTORS  
OF  
THE INLAND EMPIRE UTILITIES AGENCY\*  
WEDNESDAY, JANUARY 19, 2011  
10:00 A.M.**

**DIRECTORS PRESENT:**

Michael Camacho, Vice President  
Terry Catlin, President  
Steven J. Elie, Secretary/Treasurer  
Gene Koopman  
Angel Santiago

**STAFF PRESENT:**

Thomas A. Love, General Manager  
Martha Davis, Executive Manager of Policy Development  
Patrick Sheilds, Executive Manager of Operations  
Christina Valencia, Chief Financial Officer  
Rosemary Alvarado, Supervising Contracts and Programs Administrator  
Kathleen Baxter, Supervising Contracts and Programs Administrator  
Chris Berch, Manager of Planning & Environmental Compliance  
Tina Cheng, Budget Officer  
Michael Chung, Manager of Fiscal Management  
Gabe DeSaddi, Manager of Construction Management  
Parivash Dezham, Manager of Pretreatment and Source Control  
Sondra Elrod, Public Information Officer  
Nel Groenveld, Manager of Laboratories  
Jason Gu, Grants Officer  
Gina Hillary, Manager of Human Resources  
Arturo Landeros, Staff Internal Auditor I  
Randy Lee, Manager of Operations  
Suresh Malkani, Accounting Supervisor  
Dave Malm, Deputy Manager of Integrated System Services  
Lisa Morgan-Perales, Water Resources Analyst II  
Craig Parker, Manager of Engineering  
Teresa Velarde, Manager of Internal Audit  
Ernest Yeboah, Manager of Maintenance  
April Woodruff, Board Secretary

**OTHERS PRESENT:**

Jack Allingham, Retiree  
Jean Cihigoyenetché, Cihigoyenetché, Grossberg & Clouse  
Travis Hickey, Audit Committee Advisor  
Ken Il-Imam, Mayer Hoffman McCann P.C.  
Chris Lancaster, Inland Valley Daily Bulletin  
Gene Pearlman, Inland Valley Daily Bulletin  
Susie Spears, Retiree

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

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

President Catlin stated that members of the public may address the Board. There was no one desiring to do so. President Catlin asked if there were any changes/additions/deletions to the agenda. There were no changes/additions/deletions to the agenda.

President Catlin asked if anyone wished to remove any item from the Consent Calendar.

Director Elie requested that Consent Calendar Item 1A, MINUTES, be pulled for typing corrections, and Consent Calendar Item IC, ADOPTION OF RESOLUTION NO. 2011-1-2, SUPPORTING THE FORMATION OF THE INLAND EMPIRE BRINE LINE PROJECT COMMITTEE, be pulled for discussion.

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

**M2011-1-4**

MOVED, approval of the Consent Calendar.

A. PULLED.

B. The Board approved the Treasurer's Report as submitted.

C. PULLED.

D. The Board:

1. Awarded a construction contract for Ray Wiltsey Middle School, Mariposa Elementary, Dorothy Gibson High School, and Arroyo Elementary Recycled Water Retrofits Project to Casa Verde Landscape for the not-to-exceed amount of \$258,137; and
2. Authorized the General Manager to finalize and execute the construction contract.

E. The Board:

1. Approved a Memorandum of Understanding Agreement between the Agency and Western Municipal Water District for the implementation and management of a multi-agency residential free sprinkler nozzle voucher program for a not-to-exceed amount of \$150,000; and
2. Authorized the General Manager to execute the Memorandum of Understanding Agreement.

F. The Board:

1. Approved a 12-month advertising agreement between IEUA and the Los Angeles Newspaper Group (Inland Valley Daily Bulletin) for calendar year 2011, at a cost of \$137,368; and
2. Authorized the General Manager to execute the Agreement.

*Continued...*

**M2011-1-4**, continued.

- G. The Board adopted Resolution No. 2011-1-4, commending Mr. Robert DeLoach for 14 years of service with Cucamonga Valley Water District.

**RESOLUTION NO. 2011-1-4**  
**RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND**  
**EMPIRE UTILITIES AGENCY\*, SAN BERNARDINO COUNTY,**  
**CALIFORNIA, COMMENDING ROBERT DELOACH FOR 14 YEARS**  
**OF SERVICE WITH CUCAMONGA VALLEY WATER DISTRICT**(for  
full text, see Resolution Book)

Director Elie requested that typing errors be corrected in the minutes.

Upon motion by Director Elie, seconded by Director Camacho, and unanimously carried:

**M2011-1-5**

MOVED, to approve the amended minutes from the January 5, 2011, Board meeting.

Director Elie requested further explanation on the necessity of forming the Inland Empire Brine Line Committee.

President Catlin responded that this item was requested by SAWPA. He stated that SAWPA has created a project committee, similar to other project committees at SAWPA, which will consist of SAWPA members who utilize the SARI System. He explained that this committee would allow a more formal process to address SARI issues at the project level. President Catlin stated that it does not add any additional governance, but separates out amongst the five Commissioners, those Commissioners that are involved in the SARI System and allows them to address the issues specifically.

Upon motion by Director Elie, seconded by President Catlin, and unanimously carried:

**M2011-1-6**

MOVED, to:

1. Adopt Resolution No. 2011-1-2. Supporting the Formation of the Inland Empire Brine Line Project Committee; and
2. Authorize the Board President to execute the Project Committee 21 Agreement with SAWPA and the other name parties.

**RESOLUTION NO. 2011-1-2**  
**RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND**  
**EMPIRE UTILITIES AGENCY\*, SAN BERNARDINO COUNTY,**  
**CALIFORNIA, SUPPORTING THE FORMATION OF THE INLAND**  
**EMPIRE BRINE LINE PROJECT COMMITTEE**(for full text, see  
Resolution Book)

## **ACTION ITEMS**

### **ADOPTION OF RESOLUTION NO. 2011-1-3, APPOINTING/RE-APPOINTING AGENCY REPRESENTATIVES TO THE SANTA ANA WATERSHED PROJECT AUTHORITY (SAWPA) COMMISSION**

President Catlin stated that he has recommended that he be reappointed to serve as the Agency's Commissioner, and that Director Santiago serve as the alternate Commissioner.

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

#### **M2011-1-7**

MOVED, to adopt Resolution No. 2011-1-3, re-appointing President Catlin to act as the Agency's Commissioner, and appointing Director Santiago to act as the Agency's Alternate Commissioner to the Santa Ana Watershed Project Authority (SAWPA) Commission.

**RESOLUTION NO. 2011-1-3  
RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND  
EMPIRE UTILITIES AGENCY\*, SAN BERNARDINO COUNTY,  
CALIFORNIA, APPOINTING /RE-APPOINTING COMMISSIONERS TO THE  
SANTA ANA WATERSHED PROJECT AUTHORITY COMMISSION** (for full  
text, see Resolution Book)

### **APPOINTMENT OF A DIRECTOR TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

President Catlin stated that every two years this item is presented before the Board of Directors, and a majority vote is required to select the Agency's representative for the Metropolitan Water District of Southern California.

Director Elie nominated Vice President Camacho as the Agency's representative for MWD, seconded by President Catlin.

Director Koopman stated that several weeks ago, he had sent an email to President Catlin addressing his concerns regarding the MWD appointment. He stated that he still has these concerns, and being that the other Board members did not receive the email, he would like to read the letter into the record. Director Koopman read the following:

*Terry*

*At the next board meeting of IEUA we will be having a reorganization of the officers and board assignments. I have a pretty good idea about how it will go. I have only one concern, the probable selection of Michael Camacho as the Met representative. The two biggest items that will face the Met board and will have a big impact on IEUA's costs are the Met budget and the labor contracts. The two items are tied together because like IEUA the biggest variable in their budget is their labor costs. Met is over staffed in several departments including Human Resources and Engineering and they need to downsize. They also have to address their unfunded liability for retirees which are way north of 300 million dollars.*

*Michael will not be proactive on either one of these. His political aspirations will not allow him to anger labor and his voting at IEUA shows that to be true. Also, Pacifica does business with Central Basin Municipal Water District (strong supporters of labor in Michael's words) and Upper San Gabriel Valley Municipal Water District. This makes him vulnerable to pressure on these issues. I don't know if Pacifica does any business directly with Met but if they do it would disqualify Michael from serving on the board under Met regulations. I believe for IEUA that*

\*A Municipal Water District

*you, Steve, or I should be selected for the Met board. This is not a letter of self promotion, I admit that I would like to be selected but I am also willing to support you or Steve for this position. I do believe very strongly that this would be best for IEUA. Give it some thought.*

*Gene*

Director Santiago commented that he also has some concerns of a potential conflict of interest, and requested a roll call vote. Director Koopman also requested a roll call vote.

Director Koopman asked Director Camacho if his company, or any of their subsidiaries, sub-contract any contractors for a company doing work under a contract for MWD, to help fulfill minority participation in the contract.

Director Camacho responded that Pacifica Services, which is his company, does no work for the Metropolitan Water District of Southern California directly, and there are no subsidiaries of Pacifica Services.

Director Camacho further commented on Director Koopman's concern of Director Camacho's vulnerability of the member agencies that are members of the Metropolitan Water District of Southern California. Director Camacho stated that he sees no conflict and he votes according to the information set forth and he would absolutely take in consideration the views of the other Board members on the IEUA Board. He stated that he is not influenced by outside parties.

Director Koopman nominated Director Elie as the Agency's representative for MWD, with Director Elie declining the nomination.

Director Elie commented that he did his homework before he made his decision to nominate Director Camacho. He stated that Director Koopman has raised some of the concerns mentioned today with him, and he did not find any validation in Director Koopman's concerns. He stated that he had discussions with Director Camacho, other MWD Directors, Directors from sister agencies, as well as current and former General Managers of MWD and union leaders. He stated that nothing was indicated to lead him to believe that Director Camacho will be subject to such pressures or that he will succumb to them if they should arise. He stated that what he did discover is that Director Camacho has a reputation for being someone who works well with people, and will build coalitions to get the Agency's work done. He further stated that through his research, he did come to the distinct opinion that Director Camacho would best serve the Agency at MWD, and that is why he nominated him.

Upon motion by Director Elie, seconded by President Catlin, the motion carried (3-2):

**M2011-1-8**

MOVED, to appoint Director Camacho to serve on the Metropolitan Water District of Southern California Board.

with the following roll call vote:

Ayes:	Elie, Camacho, Catlin
Noes:	Santiago, Koopman
Absent:	None
Abstain:	None

## **CONTRACT FOR EXTERNAL AUDIT SERVICES – MAYER HOFFMAN MCCANN P.C.**

Internal Audit Manager, Teresa Velarde stated that staff is recommending that the Board terminate the existing contract with Mayer Hoffman McCann P.C. (MHM) for external auditing services; and direct staff to begin the RFP process to seek outside audit services. She provided a brief history on the relationship between the Agency and Mayer Hoffman McCann P.C. She noted that Mr. Ken Il-man, a long-standing partner with the firm and Mr. Travis Hickey, IEUA's Audit Advisor are present to answer questions. Ms. Velarde stated that Mayer Hoffman McCann P.C. has been the Agency's external audit firm for approximately 8 years. She stated that the current contract with MHM has two remaining years, or two audit cycles at approximately \$30,000 per year to perform the financial audit and \$6,000 per year to perform the single audit. She stated that MHM is regarded as a reputable firm with extensive experience in government entities. She noted that if the current contract is terminated, the Agency would not incur any additional costs for the termination. Ms. Velarde gave a brief summary of the audit process and the outside auditor's role in conducting the audit. She mentioned that auditors have several audit standards that they must follow. She stated that auditors cannot review every transaction, therefore, some judgment may be applied, and some transactions are selected by random sampling. She stated that the amount of testing is based on the risk assessment that the auditors have determined specific for the organization. Ms. Velarde noted that the financial audit is not specifically designed to identify any type of fraud, and relies on the numbers provided by the organization. Also stated in their report is that management is responsible for providing accurate information, both written and verbal. Ms. Velarde reported that the reason staff is presenting this recommendation is due to MHM's association with the City of Bell, which over the past six months, has been the subject of various media articles that revealed some of their high-ranking officials and most council members were receiving unprecedented salaries, in most cases, higher than most state and federal officials. She reported that the news initiated a series of investigations by various agencies, including the Los Angeles County District Attorney's Office, the Securities Exchange Commission and the State Controller's Office (SCO). Ms. Velarde reported that during the investigation it was revealed that MHM, was the City of Bell's external auditors. She stated that the SCO performed an audit report to determine whether MHM complied with all the applicable auditing standards and guidelines that they should adhere to. She reported that the SCO's conclusion was that the firm did not comply in varying degrees with the majority of the standards. She stated that MHM provided a response. She stated that due to the sensitivity of this matter and the Agency's responsibility to our customers, it is in the best interest of the Agency to terminate the contract.

Discussions ensued regarding the materiality threshold and the scope of services of the external auditor.

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

### **M2011-1-9**

MOVED, to:

1. Terminate the existing contract with Mayer Hoffman McCann P.C. for external auditing services; and
2. Direct staff to begin the request-for-proposal process seeking outside audit services for the performance of the annual financial and single audits.

## **INFORMATION ITEMS**

### **ELECTRONIC BOARD PACKAGES**

Deputy Manager of Integrated System Services, David Malm gave a PowerPoint presentation on the use of electronic Board packages for the Board of Directors. He highlighted the advantages, such as reduced costs, efficiency, environmentally positive, and the use of new technology.

### **FISCAL YEAR 2011/12 PROPOSED BUDGET UPDATE**

Chief Financial Officer, Christina Valencia provided an update of the FY 2011/12 key budget items, which will be presented to the Finance Committee and Board beginning in January, until adoption of the FY 2011/12 Budget in June. She highlighted the Goals and Objectives, Key Budget Assumptions, Debt Coverage Ratio, FY 2012-2021 Ten-Year Capital Improvement Plan, and the Long Range Plan of Finance.

### **THE FOLLOWING INFORMATION ITEMS WERE RECEIVED AND FILED BY THE BOARD:**

### **BOARD OF DIRECTORS – 2011 AGENCY’S REPRESENTATIVE AND BOARD COMMITTEE APPOINTMENTS**

### **TREASURER’S REPORT OF FINANCIAL AFFAIRS FOR NOVEMBER 2010**

### **PUBLIC OUTREACH AND COMMUNICATIONS**

### **LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES, LLC**

### **LEGISLATIVE REPORT FROM THE DOLPHIN GROUP**

### **2011 FEDERAL AND STATE LEGISLATIVE STRATEGY**

### **2<sup>ND</sup> QUARTER PLANNING AND ENVIRONMENTAL COMPLIANCE UPDATE**

### **IEUA MONTHLY WATER NEWSLETTER**

### **LABORATORY SEMI-ANNUAL STATUS REPORT**

### **AGENCY REPRESENTATIVES’ REPORTS**

#### **SAWPA REPORT**

President Catlin reported that at the Commission meeting yesterday (January 18), the officers that they had for the past two years, were re-elected for another two-year term. He reported on the development for the strategy for the emerging constituent concerns and the PR campaign that may develop out of that. He reported that there is satisfaction on the way that it is going forward, which is an offensive approach.

#### **MWD REPORT**

Director Santiago reported that the main topic of the MWD Board meeting is the budget shortfall of \$144,300,000 for FY 2010/11, and will be taking \$65,000,000 from the State Stabilization Fund, with the remaining coming from budget cuts.

#### **REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT**

President Catlin reported that the main issue at the Regional Policy Committee is the EDU rates. He noted that there will be a Regional Committee FY 2011/12 Budget Workshop on Thursday, January 20 at 4:00 p.m.

## **CHINO BASIN WATERMASTER REPORT**

Director Camacho reported that other than the written agenda, there is nothing more to report. He stated that Watermaster is waiting for the hearing in Riverside with the State Board of Appeal scheduled for January 26.

## **GENERAL MANAGER'S REPORT**

The General Manager's Report was received and filed by the Board.

General Manager, Thomas A. Love, reported on the CBWM water supply situation. He stated that it is better than a year ago, but still not that great. He stated that the total storage two years ago, was well over 2 million acre feet – it has dropped to a bit under a million acre feet. He also reported that based on their storage – if storage drops below a million acre feet, or is projected to drop below a million acre feet, they will impose the allocation in future years. Mr. Love stated that if the storage is above 2 million acre feet, then they will make replenishment rate water available. However, he stated that it is not projected this year that it will go above 2 million acre feet.

Mr. Love also reported that Manager of Planning & Environmental Compliance, Chris Berch and his staff have consolidated the contracts for air source testing, that is required by the South Coast Air Quality Management District permits, into one contract, which will result in a 50% cost savings.

## **BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS**

There were no requested future agenda items.

## **DIRECTORS' COMMENTS**

The Board of Directors had no additional comments.

## **CLOSED SESSION**

The Board went into closed session at 11:00 a.m., A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION: (1) IEUA vs. Mr. Anthony Maglica, Case No. RCV098354; (2) Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010; (3) Taisei-T&K Joint Venture vs. IEUA. Case No. CIVRS 914130 (4) Westco vs. IEUA, Case No. 37-2009-00108161-CU-BC-NC; (5) Martin vs. IEUA, Case No. CIVRS 1000767; B. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR: (1) Property: 4 acres on El Prado Road, Negotiating Parties: Carson Companies, Under Negotiation: Price and Terms of Purchase; (2) Property: 8100 Chino-Corona Road, Negotiating Parties: Lewis Operating Corporation, Under Negotiation: Price and Terms of Purchase C. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 – CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: Ontario Airport Plume

The meeting resumed at 11:30 a.m. and General Counsel, Jean Cihigoyenetché, stated that the below-mentioned matters were discussed in Closed Session, and the Board took the following actions:

Regarding Conference with Legal Counsel – Existing Litigation:

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

The Board took no reportable action.

Regarding Conference with Legal Counsel – Existing Litigation:

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

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

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

Martin vs. IEUA, Case No. CIVRS 1000767

The Board did not discuss these items.

Regarding Conference with Real Property Negotiator

Property: 4 acres on El Prado Road

Negotiating Parties: Carson Companies

Under Negotiation: Price and Terms of Purchase

The Board took no reportable action.

Regarding Conference with Real Property Negotiator

Property: 8100 Chino-Corona Road

Negotiating Parties: Lewis Operating Corporation

Under Negotiation: Price and Terms of Purchase

The Board did not discuss this item.

Regarding Conference with Legal Counsel – Anticipated Litigation:

Ontario Airport Plume

The Board took no reportable action.

With no further business, President Catlin adjourned the meeting at 11:31 a.m.

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Secretary

**APPROVED: FEBRUARY 2, 2011**