



**MINUTES OF THE
WORKSHOP
OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, JANUARY 22, 2014
10:00 A.M.**

DIRECTORS PRESENT:

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

STAFF PRESENT:

P. Joseph Grindstaff, General Manager
Christina Valencia, Chief Financial Officer/Assistant General manager
Ernest Yeboah, Executive Manager of Operations/Assistant General Manager
Chris Berch, Manager of Planning and Environmental Compliance
Sharmeen Bhojani, Manager of Human Resources
Javier Chagoyen-Lazaro, Manager of Finance & Accounting
Tina Cheng, Budget Officer
Paula Hooven, Senior Financial Analyst
Majid Karim, Deputy Manager of Engineering
Alex Lopez, Senior Financial Management Analyst
Craig Parker, Manager of Engineering
Jessica Sarmiento, Financial Analyst
April Woodruff, Board Secretary

OTHERS PRESENT:

None.

A 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 10:10 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.

FY 2014/15 BUDGET WORKSHOP #1: FINANCIAL POSITION AND BUSINESS GOALS

Chief Financial Officer/Assistant General Manager Christina Valencia stated that over the next few months, management will be facilitating a series of budget workshops for the Board of Directors. She stated that these workshops will provide the Board an assessment of the

Agency's current financial position, an overview of foreseen major challenges and opportunities, and proposed key strategies needed to meet the Agency's business goals, with an emphasis on fiscal responsibility. Ms. Valencia said that through discussion and analysis of multiple scenarios, these workshops are intended to facilitate consensus on financial policy decisions to support the long term vision of the Agency. Ms. Valencia further stated that the goal of the first workshop is to review management's proposed long, intermediate, and immediate term goals, and obtain guidance from the Board on the proposed goals for the preparation for the FY 2014/15 budget and the ensuing four year forecasts.

Ms. Valencia gave a PowerPoint presentation highlighting the financial position overview - ten year historic trend and key drivers, current financial position – key drivers, total revenues and other funding sources excluding debt proceeds, total revenues including debt proceeds, total expenses and other uses of funds, total fund reserves - all funds excluding debt proceeds, total fund reserves – all funds including debt proceeds, total debt coverage ratio trend, and total sources and uses of funds.

Manager of Finance & Accounting Javier Chagoyen-Lazaro gave a PowerPoint presentation on the Agency's business goals: fiscal responsibility. He highlighted the long-term financial goals and effect, fiscal responsibility, FY 2014/15 budget goals and key assumptions, implement adopted multi-year rates, tighten budget requests to minimize variances and to minimize variances, current reserve balances, refine fund reserve policy, implement new rate structure for NRW North System, reduce staffing level, fund R&R requirement per the Asset Management Plan, instill LEAN management principles, and the next steps.

(Director Hall left the meeting room at 10:50 a.m.)

(Director Hall returned to the meeting room at 10:57 a.m.)

Discussion ensued regarding the reasons for the increase in debt service costs and reduction of the debt coverage ratio; appropriate use of property tax allocation; meeting full cost of service goal; rate increases; cost containment risks and benefits; increasing cost of recycled water primarily due to higher debt obligations; repayment of high interest rate bonds, the Williamson Act and projected impact to property taxes with the anticipated urbanization of agriculture properties, improvement of credit rating goal, proposed increase in total reserves, and having separation of the OPED and pension unfunded accrued liability payment plans.

With no further business, President Catlin adjourned the meeting at 11:30 a.m.

Steven J. Elie, Secretary/Treasurer

APPROVED: FEBRUARY 19, 2014